

# **TOWN OF CULPEPER, VIRGINIA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2019**

**TREASURER'S OFFICE**



# **TOWN OF CULPEPER, VIRGINIA**

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## INTRODUCTORY SECTION

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# TOWN of CULPEPER

## TREASURER'S OFFICE

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November 22, 2019

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statutes, the Town of Culpeper hereby submits the audited Comprehensive Annual Financial Report (CAFR) on its financial position and activities for the fiscal year ended June 30, 2019. This report was audited by the independent certified public accounting firm of Brown Edwards & Company, LLP, however the responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and reported in a manner that presents fairly the financial position and results of operations of the Town's various funds, and component units. All necessary disclosures have been included to enable the reader to gain an understanding of the financial activities of the Town.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the independent auditor's report.

### **THE REPORTING ENTITY AND SERVICES PROVIDED**

The financial reporting entity includes all funds of the Town as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Industrial Development Authority is the only discretely presented component unit of the Town.

The Town of Culpeper provides a full range of services to its citizens including government administration; police protection; sanitation; the construction and maintenance of highways, streets, and infrastructure; general engineering; and planning and community development. In addition, the Town contributes to volunteer fire and rescue departments, economic and tourism development programs, cultural events, recreational activities and other civic and community service non-profit organizations. The Town also operates electric, water, and sewer utilities, that provide service to approximately 8,500 customers.

## **ECONOMIC CONDITION AND OUTLOOK**

Population growth continues within the Town in 2019, as evidenced by a multi-year trend of continued residential development. The Town is positioned in the D.C./Northern Virginia growth ring with a forecasted steady population increase of 30% during the next two decades by the UVA Weldon Cooper Center for Public Service. This growth trend is changing the face of the Town to that of a regional marketing area and commuter-oriented town. Culpeper is recognized regionally and statewide as a healthy and growing market, and has taken economic development initiatives to promote prospective commercial development properties and incentivize residential apartment development in the downtown business district. Recent growth and development shows that new opportunities exist for businesses that have located in or are considering building in the area. The unemployment rate for Culpeper is 2.3%, which is below both the Virginia Statewide rate (2.9%) and the national rate (3.7%) as of June 2019.

With these conditions, the overall outlook for the Town is strong. The Town has a strong tourism presence, and is able to rely on related taxes (i.e., lodging and meals) as sources of revenues to support the Governmental Fund budget. The Town is working to address the demands from a growing population, including improvements to capital infrastructure, utilities and quality of life services, such as public safety, transportation and recreational facilities. Several projects were completed in 2019, with more ongoing into 2020 to meet these needs, and are discussed in this narrative.

## **MAJOR INITIATIVES IN FY19**

FY19 brought a continued focus on improvements to Town infrastructure and operations, and planning for the future of our growing community. The following either began or continued during this past fiscal year:

- Culpeper 20/20 Strategic Vision Plan – The Culpeper 20/20 Strategic Vision Plan was created from a 2010 project to incorporate public input towards the development of a plan for Town development and improvements. The plan examined multiple areas of focus, and is updated annually as progress is made, and needs are re-assessed. The plan was last updated in 2019, with the primary area of focus on the Downtown Masterplan, and bringing this vision to completion. A complete copy of the Culpeper 20/20 Strategic Vision Plan can be found on the Town website.
- Dam Rehabilitation and Improvements – In FY15, the Town received \$10.7 million in grant monies from the Natural Resources Conservation Service (NCRS) to complete the planning, design and construction work necessary to upgrade the Lake Pelham and Mountain Run Lake dams to be able to pass the design storm event for high hazard dams. In FY17, the Town received an additional matching grant from the Virginia General Assembly through the Department of Conservation and Recreation in the amount of \$2.9 million. Upgrades to the Lake Pelham and Mountain Run Lake dams were required because of changes in Virginia dam safety regulations and as a requirement of the Town's conditional operating permits for both dams. The rehabilitation projects were completed during FY19.
- Spring Street Water and Electric Facilities – After exceeding their useful life, these historic facilities were abandoned and new facilities built over 20 years ago. Demolition of the abandoned structures would have been a costly project for Town utility ratepayers, so the sites remained in a state of deterioration and had become a blight on the local landscape. The Town worked with a private developer who purchased the property and was successful in adding the property to the National Register of Historic Places, then re-purposed the buildings into a 22-unit rental apartment complex. The project brought needed residential units to Town, and moved the property to a tax generating status. Additionally, the Town retained the surrounding undeveloped property, and created a new trailhead which allows for greater pedestrian access to the Town parks and trail system.

- Electrical Infrastructure – Light and Power has continued the replacement of old poles, wires and underground infrastructure throughout the Town. The long term mapping of the entire electric system is continually being updated which will tie into the Automatic Meter Reading System for outage reporting. New energy-efficient LED street lighting fixtures were installed throughout Town, with the final phase of the LED lighting project completed in FY19.
- Police Department Assigned Vehicle Program – With the adoption of the FY19 budget, Town Council approved funding for a significant expansion of the Assigned Vehicle Program. The program is designed to provide better response time to service calls, and benefits the community by having a fully equipped police response to the scene. The program will also provide a benefit towards recruitment and retention of qualified police officers, as this program is in place in other jurisdictions that Culpeper competes with regionally for hiring. A total of thirteen new vehicles are budgeted for purchase under the program over two years in FY19 and FY20.
- Rockwater Park – In FY18, Rockwater Park opened with 32 acres of green space, a picnic pavilion, restrooms, parking and one mile of walking trails. Park improvements continued during FY19, including a disc golf course, splash park and fitness course, along with an additional trail to connect the park to a nearby hospital complex and residential community. These projects were completed in Summer 2019.
- ERP implementation – The Town continues working on a multi-year project to implement a new enterprise resource planning (ERP) system to replace its outdated legacy financial and business management software. The project began in FY16, and to date the Town has implemented the following modules; General Ledger, Accounts Payable, Permitting, Business License, Cashiering and Human Resources/Payroll. The final phase to implement the Taxes and Utility Billing modules continued during FY19, and is anticipated for final completion in 2020.

## **TOWN AWARDS AND ACHIEVEMENTS**

- Directors Award – The Culpeper Water Treatment Plant maintained the Partnership for Safe Water’s Directors Award for 2018, for the staff’s outstanding achievement in maintaining Phase III status, and their commitment in protecting the public and community health, and providing high quality water services. The Partnership continues to make its optimization resources and benefits available to a growing number of utilities including water distribution systems, groundwater treatment plants, and wastewater treatment facilities.
- Tourism Recognition – During FY19, the Town was named the Prettiest Town from Virginia by *Architectural Digest* and the Most Underrated Town in Virginia by *Home Method Magazine*. In addition, Culpeper was featured in a February 2019 episode of *Travels with Darley*, a popular public television series which explored the history, nature, culture and great food and drinks in Culpeper.
- Virginia Association of Chief of Police (VACP) Chiefs Challenge Award – The Culpeper Police Department earned 2nd Place in the VACAP Chief Challenge Award in FY19 at the annual VACAP Conference. These awards are given to agencies that exemplify outstanding traffic safety initiatives in their respective communities. The agency must prove through traffic and pedestrian enforcement, motor vehicle crash investigation, and traffic enforcement campaigns that motorist and pedestrian safety is paramount in our community. In addition, the Culpeper Police Department was recognized for its commitment and use of technology, being awarded a Special Award in Technology in relation to traffic and pedestrian safety.
- Certificate of Achievement for Excellence in Financial Reporting - The Government Finance Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in



Financial Reporting to the Town of Culpeper for the fifteenth consecutive year for its Comprehensive Annual Financial Report for the fiscal year ended, June 30, 2018. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. In order to be awarded a Certificate of Achievement, a government unit must timely publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must easily satisfy both generally accepted governmental accounting principles and applicable legal requirements.

## **LONG-TERM FINANCIAL PLANNING**

### ***Capital Improvements Plan***

The Town updates its Capital Improvements Plan (CIP) on an annual basis, which is approved by the Planning Commission and Town Council. The CIP is developed with the intention to preserve, maintain and improve the Town's stock of public facilities, such as roads, bridges, parks and utilities. The CIP provides a mechanism for estimating future capital requirements, planning and scheduling projects, developing revenue policy for future improvements, budgeting high-priority projects, and informing the public of anticipated capital improvements. While the CIP provides the basis for the next fiscal year capital budget, it also serves as the framework for capital spending over the subsequent five-year period.

### ***Enterprise Fund Planning***

Additionally, the Town maintains a model for enterprise fund finances projecting fifteen years into the future. This model includes anticipated future capital needs for growth, and replacement of existing facilities, as well as projected operating revenues and normal operating costs, debt service and cash flows.

### ***Bond Credit Rating***

The Town continues to maintain a credit rating of Aa2 from Moody's as well as an AA credit rating from Standards & Poor's.

### ***Strategic Reserves***

During FY19, the Town adopted a Strategic Reserves Policy to ensure continued budget stability beyond the existing standard operating reserves, and to establish a funding source for future significant long-term capital projects without having to rely solely on debt financing. Council designated approximately \$5.2 million of existing unassigned fund balance to assigned fund balance under the new policy.

## **ACCOUNTING SYSTEM, INTERNAL CONTROLS AND BUDGETARY CONTROLS**

The Town Finance Division/Treasurer's Office maintains the Town financial policies and operations, and provides support to Town departments and Town staff in all aspects of Finance. The staff is committed to achieving a high standard of service while managing the Town's finances in accordance with established accounting standards, and Town Code and policies.

### ***Staffing***

The Town Director of Finance/Town Treasurer reports directly to the Town Manager. The Finance/Treasurer's department handles tax billing and collections, utility billing and collections, payroll, accounts payable and financial analysis and reporting.

### ***Internal Controls***

Internal controls are a critical component of the Finance/Treasurer's department, and all segments of operations Town-wide are continually under review. Proper internal accounting controls exist to provide reasonable, but not absolute, assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that: (a) the cost of controls should not exceed the benefits likely to be derived, and (b) the evaluation of costs and benefits requires estimates and judgments by management. Necessary improvements are implemented to maintain our fiduciary responsibility as stewards of the Town's assets, while also streamlining processes so we can provide a responsive level of service to the Town citizens and employees.

### ***Budgetary Controls***

The Town prepares an annual budget for operating expenditures, and as previously referenced, a capital budget based on the CIP. The annual budget is prepared by management and then reviewed and approved by Town Council before the start of each fiscal year. The Town reviews and controls spending both at the organization level and the department level. All spending is subject to Town Manager and Finance Director/Town Treasurer approval at designated thresholds, and expenditures are reported monthly to Town Council for their review and approval. Further, Town Directors are responsible for budget control within their areas of responsibility. Controlling expenditures at multiple levels strengthens overall budgetary and spending controls.

## **OTHER INFORMATION**

### ***Independent Audit***

Virginia law requires that the financial statements of the Town be audited by a Certified Public Accountant (or alternatively, by the Auditor of Public Accounts) selected by Town Council. An annual audit of the Comprehensive Annual Financial Report has been performed by Brown, Edwards & Company, L.L.P. Their audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audit of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The auditor's report, which includes their opinion on the financial statements of various funds and account groups of the Town is contained in this report on page one of the Financial Section. Other auditor's reports are included in the Compliance Section.

### ***Acknowledgments***

The preparation of the Comprehensive Annual Financial Report is partly outsourced, with contributions provided by the dedicated service of the Finance Division/Treasurer's Office staff. I extend my sincere appreciation for the efforts of staff towards the preparation of this report. I also wish to thank the Town Council, Town Manager, and Town-wide department staff for their support and continued interest creating a strong financial basis for the Town and its citizens. This report is available to the public via the Town's website located at [www.culpeperva.gov](http://www.culpeperva.gov).

Respectfully submitted,



Howard A. Kartel, CPA  
Director of Finance / Town Treasurer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Town of Culpeper  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

June 30, 2018

*Christopher P. Morill*

Executive Director/CEO

**TOWN OF CULPEPER, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**TOWN COUNCIL**

Michael T. Olinger, Mayor  
William M. Yowell, Vice-Mayor

Jamie Clancey  
Keith D. Price  
Frank Reaves, Jr  
Jon D. Russell

Pranas A. Rimeikis  
Robert M. Ryan  
Meaghan Taylor

**APPOINTED OFFICIALS**

**TOWN MANAGER**  
Christopher Hively

**TOWN CLERK**  
Kimberly D. Allen

**TOWN ATTORNEY**  
Martin R. Crim

**DEPARTMENT HEADS**

**DIRECTOR OF FINANCE/ TOWN TREASURER**  
Howard Kartel

**DIRECTOR OF PUBLIC SERVICES**  
Jim Hoy

**CHIEF OF POLICE**  
Chris Jenkins

**DIRECTOR OF LIGHT AND POWER**  
Michael Stover

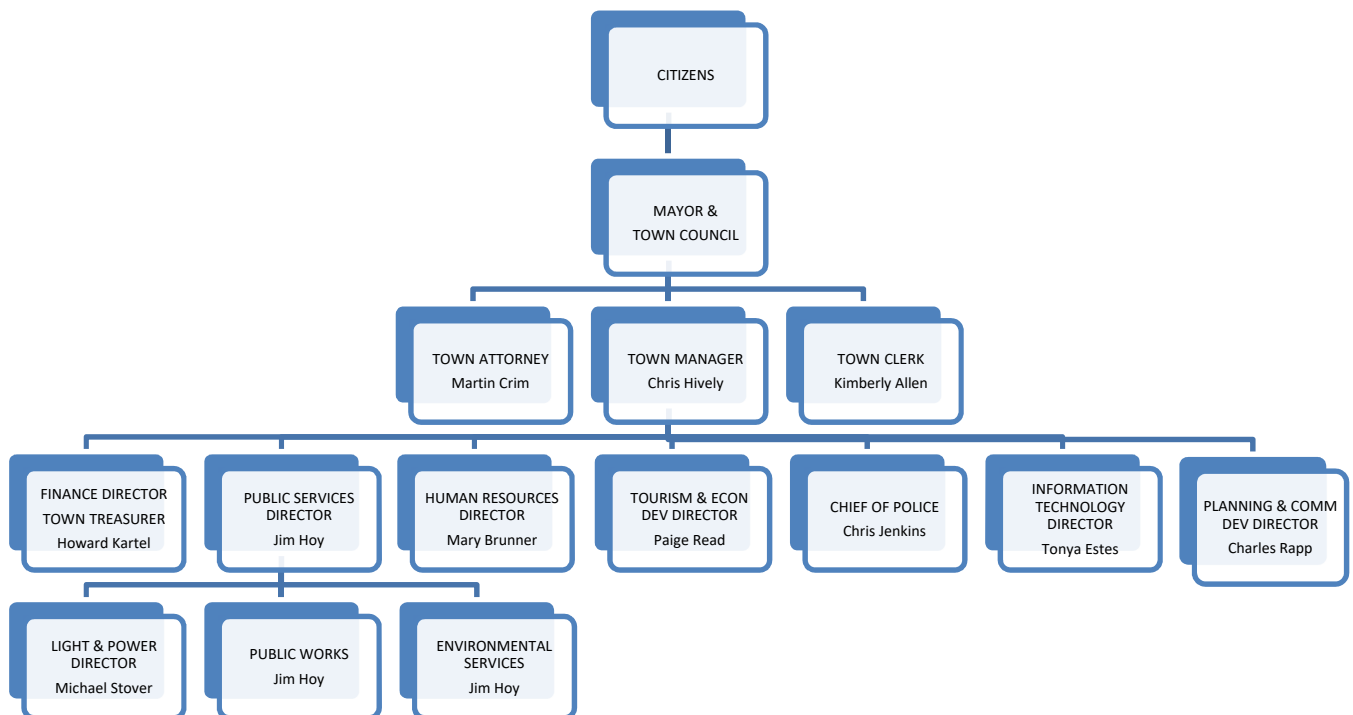
**DIRECTOR OF INFORMATION TECHNOLOGY**  
Tonya Estes

**DIRECTOR OF PLANNING AND COMMUNITY DEVELOPMENT**  
Charles Rapp

**DIRECTOR OF TOURISM AND ECONOMIC DEVELOPMENT**  
Paige Read

**DIRECTOR OF HUMAN RESOURCES**  
Mary Brunner

**TOWN OF CULPEPER, VIRGINIA**  
**ORGANIZATIONAL CHART**



## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council  
Town of Culpeper, Virginia  
Culpeper, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Culpeper, Virginia (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 22, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Culpeper, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through v of this report.

### Financial Highlights

- The Town's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources for all funds at the close of the fiscal year ended June 30, 2019 by \$125,351,348 (net position) (Exhibits 1 and 2), an increase of \$10,551,316, or 9.2%, from the prior year. Of the current year amount, \$30,618,764 is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.
- At the end of the fiscal year ended June 30, 2019, the Town's governmental funds reported an ending fund balance of \$16,119,370 (Exhibit 3), an increase of \$481,981, or 3.1%, from the prior year (Exhibit 5). The total of assigned and unassigned fund balance went up by \$502,154, or 3.5% from the prior year to \$14,717,597. This amount is available for spending at the government's discretion. During FY19, the Town adopted a Strategic Reserves Policy and designated approx. \$5.2 million as Assigned Fund Balance for future budget stabilization and capital project purposes.
- The Town incurred expenditures of approximately \$10 million for ongoing and completed capital projects including: to convert streetlights to more efficient LED lighting, build a splash pad and activity recreation facility, expand the Town fleet of police vehicles and making rehabilitation improvements to the dams at Lake Pelham and Mountain Run Lake.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements:

**Government-wide Financial Statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## Overview of the Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, parks, recreation, and cultural, and community development. The business-type activities are the water, wastewater, and electric funds.

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the cemetery perpetual care fund and cemetery permanent fund, which are all considered major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (see Exhibit 11 in the accompanying financial statements).

**Proprietary Funds** – The Town maintains three proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, wastewater, and electric operations.

*Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, and electric operations.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's funding progress for the defined benefit pension plan and other post-employment benefits.

## Government-Wide Financial Analysis

	<b>The Town's Net Position</b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 18,129,365	\$ 17,019,404	\$ 28,047,863	\$ 25,609,688	\$ 46,177,228	\$ 42,629,092
Capital assets	53,098,658	54,381,300	80,282,021	75,673,685	133,380,679	130,054,985
Total assets	71,228,023	71,400,704	108,329,884	101,283,373	179,557,907	172,684,077
Deferred outflows – Pensions	745,505	755,725	269,379	288,812	1,014,884	1,044,537
Deferred outflows - OPEB	99,552	60,681	37,425	24,187	136,977	84,868
Deferred amount on refunding	297,198	332,261	880,148	943,697	1,177,346	1,275,958
Total deferred outflows of resources	1,142,255	1,148,667	1,186,952	1,256,696	2,329,207	2,405,363
Long-term liabilities	19,622,937	20,979,555	30,710,576	32,483,520	50,333,513	53,463,075
Current liabilities	1,810,280	1,073,954	3,681,606	4,829,005	5,491,886	5,902,959
Total liabilities	21,433,217	22,053,509	34,392,182	37,312,525	55,825,399	59,366,034
Deferred inflows - Pensions	411,834	605,843	148,812	231,531	560,646	837,374
Deferred inflows - OPEB	108,719	62,025	41,002	23,975	149,721	86,000
Total deferred inflows of resources	520,553	667,868	189,814	255,506	710,367	923,374
Net position						
Net investment in capital assets	40,546,104	40,487,615	52,906,194	46,875,816	93,452,298	87,363,431
Restricted	1,280,286	1,296,274	-	-	1,280,286	1,296,274
Unrestricted	8,590,118	8,044,105	22,028,646	18,096,222	30,618,764	26,140,327
Total net position	\$ 50,416,508	\$ 49,827,994	\$ 74,934,840	\$ 64,972,038	\$ 125,351,348	\$ 114,800,032

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position. A discussion of FY19 activities and results are on the subsequent pages of this MD&A section.

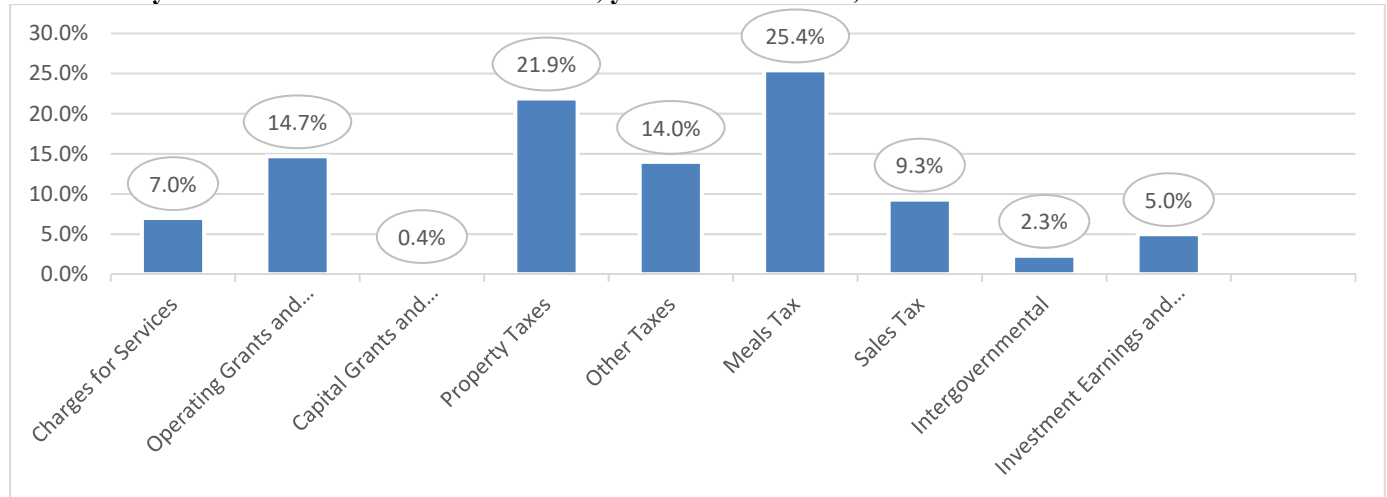
A significant portion of the Town's net position, \$93,452,298 (74.6%) reflects net investment in capital assets, which provide services to its citizens; consequently, these assets are not available for future spending. Of the remaining components of net position, \$30,618,764 (24.4%) reflects unrestricted net position, which may be used towards the Town's ongoing obligations to its citizens and towards debt service obligations to its creditors. Restricted net position, \$1,280,286 (1.0%) are amounts legally reserved for specific purposes, such as the cemetery permanent and perpetual care funds, unspent grant proceeds and unspent police asset seizure funds.

# Government-Wide Financial Analysis (Continued)

	<b>The Town's Changes in Net Position</b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues						
Program revenues						
Charges for services	\$ 1,184,143	\$ 1,162,488	\$23,432,382	\$23,001,953	\$ 24,616,525	\$ 24,164,441
Operating grants and contributions	2,512,485	2,355,582	16,341	15,597	2,528,826	2,371,179
Capital grants and contributions	62,000	2,285,924	7,340,842	10,846,573	7,402,842	13,132,797
General revenues						
Property taxes	3,726,136	3,814,435	-	-	3,726,136	3,334,858
Other taxes	8,295,026	8,299,761	-	-	8,295,026	7,920,396
Intergovernmental revenue, unrestricted	393,438	285,596	-	-	393,438	230,933
Investment earnings, unrestricted	345,501	117,859	527,505	242,858	873,006	360,717
Other	512,269	92,164	9,219	-	521,488	92,164
Total revenues	<u>17,030,998</u>	<u>18,413,809</u>	<u>31,326,289</u>	<u>34,107,281</u>	<u>48,357,287</u>	<u>52,521,090</u>
Expenses						
General government	2,039,237	1,813,136	-	-	2,039,237	1,813,136
Public safety	5,942,851	5,279,682	-	-	5,942,851	5,279,682
Public works	6,310,254	5,378,213	-	-	6,310,254	5,378,213
Parks, recreation, and cultural	775,021	777,456	-	-	775,021	777,456
Community development	1,613,569	1,688,724	-	-	1,613,569	1,688,724
Interest on long-term debt	365,932	390,139	-	-	365,932	390,139
Water	-	-	4,257,892	5,256,395	4,257,892	5,256,395
Wastewater	-	-	5,282,858	5,055,057	5,282,858	5,055,057
Electric	-	-	11,218,357	11,253,585	11,218,357	11,253,585
Total expenses	<u>17,046,864</u>	<u>15,327,350</u>	<u>20,759,107</u>	<u>21,565,037</u>	<u>37,805,971</u>	<u>36,892,387</u>
Excess (deficiency) before transfers	(15,866)	3,086,459	10,567,182	12,542,244	10,551,316	15,628,703
Transfers	<u>604,380</u>	<u>607,965</u>	<u>(604,380)</u>	<u>(607,965)</u>	<u>-</u>	<u>-</u>
Change in net position	588,514	3,694,424	9,962,802	11,934,279	10,551,316	15,628,703
Net position - July 1	<u>49,827,994</u>	<u>46,133,570</u>	<u>64,972,038</u>	<u>53,037,759</u>	<u>114,800,032</u>	<u>99,171,329</u>
Net position – June 30	<u>\$50,416,508</u>	<u>\$49,827,994</u>	<u>\$74,934,840</u>	<u>\$64,972,038</u>	<u>\$ 125,351,348</u>	<u>\$ 114,800,032</u>

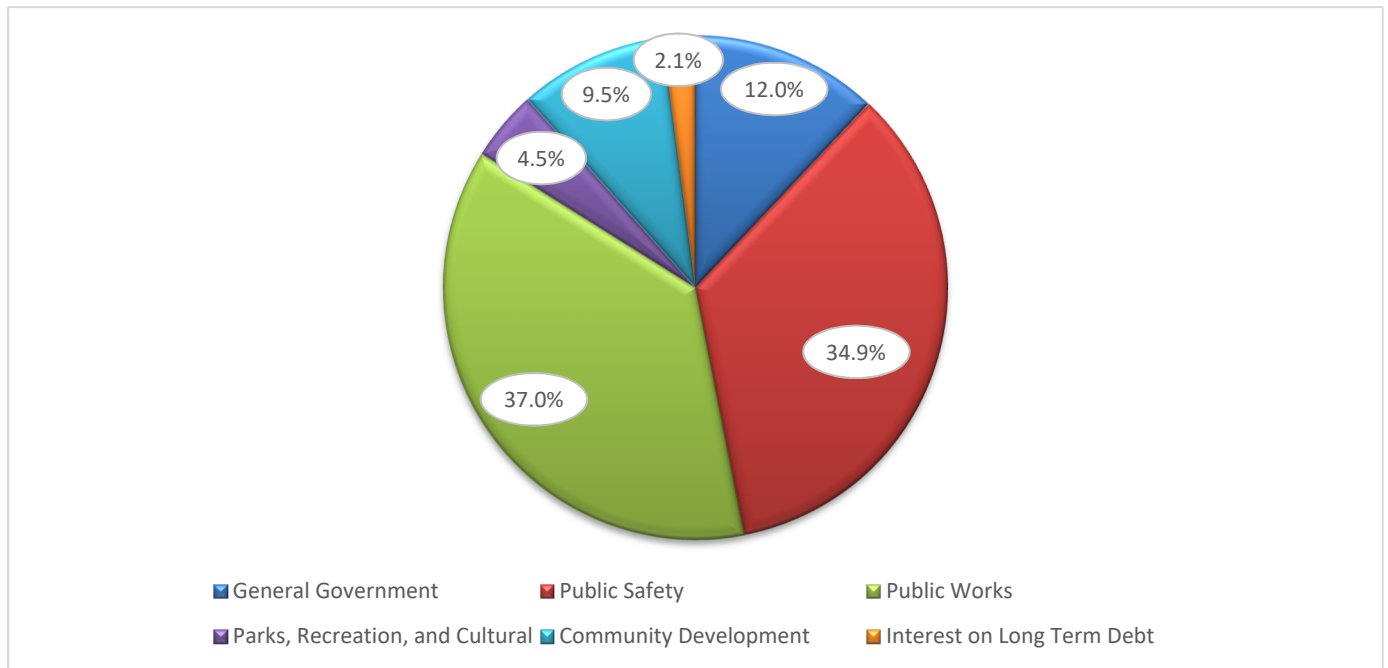
**Governmental Activities** – Program revenues, tax revenues and transfers for governmental activities totaled \$17,635,378 for the FY 19, a decrease of \$1,386,396 (or 7.3%) from the previous year primarily from a decrease in road project reimbursements for a project that was finalized in the prior year (approximately \$2.2 million). This was offset by an increase in investment income of approximately \$300,000 due to rising interest rates, and a \$240,000 donation from a local organization towards the construction of activity equipment in Rockwater Park. Tax revenues were mostly stable with small increases in meals tax, and as a result of Council adopted rate changes, an increase in cigarette taxes offset by a decrease in business license taxes. Major revenue sources in FY19 include meals taxes \$4,332,531 (25.4%), property taxes \$3,726,136 (21.9%), other taxes \$2,377,454 (14.0%), and operating grants and contributions \$2,512,485 (14.7%).

**Revenues by Source – Governmental Activities, year ended June 30, 2019**



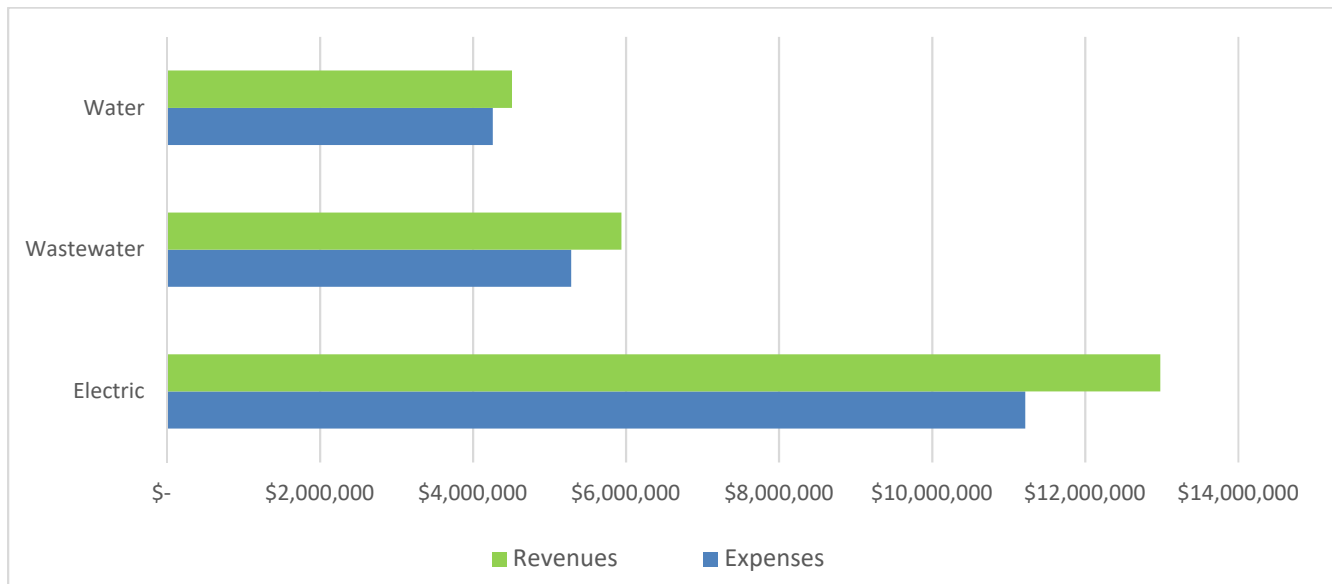
Governmental activity expenses are broken down in a format that focuses on the cost of providing services by function of the government (general government, public works, public safety, etc). The total expenses for FY19 were \$17,046,864, an increase of \$1,719,514 (or 11.2%) above the previous year. The primary factors for the increase were public safety (\$663,000) - related to increased personnel costs (\$88,000) from filling staffing vacancies, new radio upgrades (\$252,000) and the first year of purchasing vehicles for the expanded take home vehicle program (\$277,000); and public works (\$932,000) – related to the first half of comprehensive road resurfacing in the downtown corridor. The governmental activities overall net position increased by \$588,514 during the current fiscal year.

## Expenses – Governmental Activities, year ended June 30, 2019

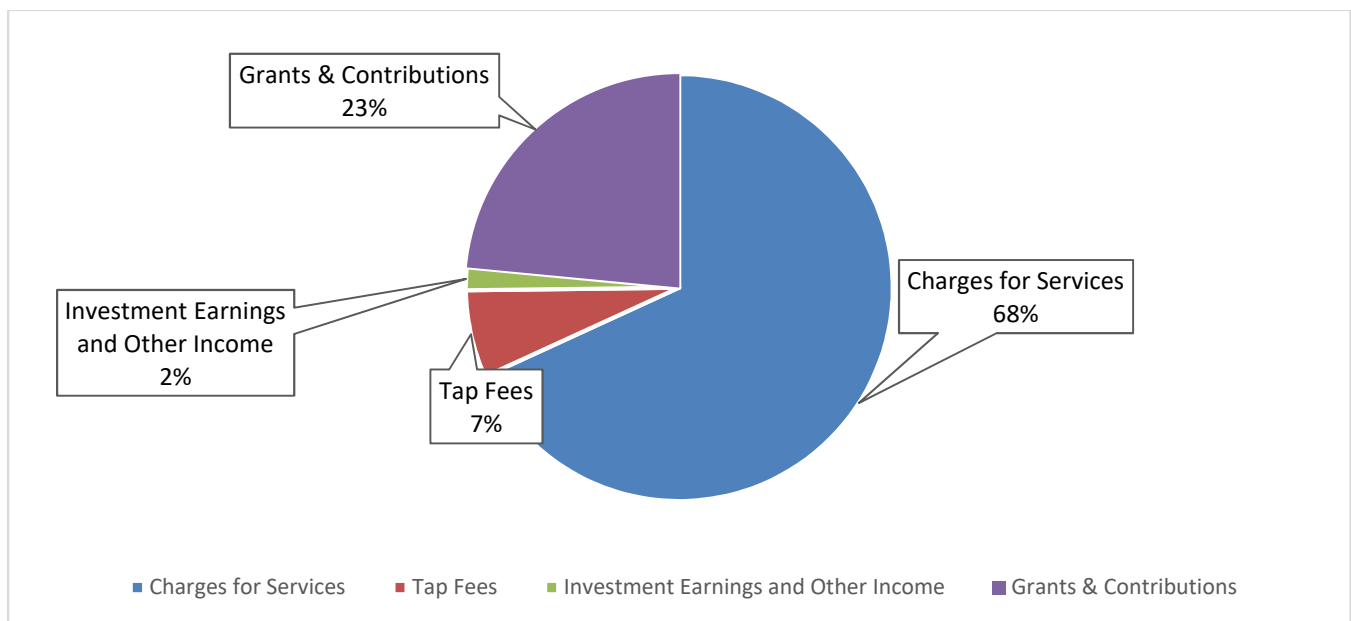


**Business-type Activities** – The water, wastewater, and electric funds concluded FY19 with an increase in net position of \$9,962,802, which is approximately \$1,971,000 less than the increase in net position during the prior year. Each fund saw increases in operating revenues over the prior year (a total of approximately \$1 million), primarily due to a 2% rate increase adopted by Council as part of the FY19 budget, as well as growth from new development. Operating expenses and depreciation in FY19 totaled \$19.9 million, or \$475,000 higher than the prior year. Interest income increased by 117% or approximately \$285,000 due to increasing rates and increasing funds available for investment. Interest expense on debt service went down by approximately \$77,000 due to normal debt service amortization. In the prior year FY18, the water and electric funds sold their long unused Spring Street plants buildings for \$1 to a developer, and recognized a loss on disposal of approximately \$1.2 million which was a one-time event and does not occur in FY19. Finally, there were no developer contributions of water and sewer infrastructure assets in FY19, a decrease of approx. \$3.5 million from the prior year.

### Program Revenues and Expenses – Business-Type Activities, year ended June 30, 2019



### Revenues by Source – Business-Type Activities, year ended June 30, 2019





## Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund** – The focus of the Town's *governmental fund* reporting is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing needs when considering future service levels and expenditures. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the Town's governmental funds (Exhibit 5) reported an ending fund balance of \$16,119,370, an increase of \$481,981 in comparison with the end of the prior year. Approximately 46% of this total amount, or \$7,348,636, constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. During FY19, Town Council designated an additional \$5,206,000 (32% of fund balance) to Strategic Reserves as *assigned fund balance*. These funds are designated for future budget stabilization and not yet identified capital project reserves, and may be used in accordance with the Strategic Reserves policy only to restore minimum operating reserves or, with the approval of Council, can be used for other purposes. The remainder of fund balance is *non-spendable, restricted, or assigned* to indicate that it is not available for new spending because it has already been designated for other uses.

As a measure of the governmental fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance at June 30, 2019 represents 37.2% and 81.5% of total governmental fund expenditures, respectively.

The Town's general fund balance increased \$389,543 in FY19, primarily due to higher tax revenues and investment earnings than budgeted, due to increased personal property tax assessments and a focus towards longer term investment maturities.

**Proprietary Funds** – The focus of the Town's *proprietary fund* reporting is to provide detailed information to demonstrate that fees charged for services are sufficient to cover the expenses to provide those services.

Unrestricted net position of the water fund (Exhibit 7) at June 30, 2019 was \$9,426,109; the wastewater fund equaled \$6,554,189; and the electric fund amounted to \$6,048,348. The total increase in net position for the year ended June 30, 2019 was \$9,962,802 (Exhibit 8), primarily due to tap fee revenues and Federal and State grant funds received for the dam rehabilitation projects.

## General Fund Budgetary Highlights

Differences between the adopted expenditure budget and the amended budget (Exhibit 11) was a total increase of \$7,255,099. Highlights of amendments, primarily due to amounts carried forward to FY19 from FY18 are as follows:

- Approximately \$710,000 for various department operating expenditures relating to projects not completed before the end of the prior fiscal year;
- Approximately \$850,000 for new capital projects related to land acquisition and Public Safety radio replacements approved by Town Council during FY19.
- Approximately \$2.9 million for grant-funded road projects currently in the design phase;
- Approximately \$1.7 million for the Western Inner Loop project which was completed in FY19; and
- Approximately \$900,000 for various other incomplete prior year capital projects.

## General Fund Budgetary Highlights (Continued)

Differences between the amended budget and actual results amounted to approx. \$6.1 million. Highlights are:

- Various General Fund capital projects budgeted were not completed during FY19, creating a positive budget variance, with approximately \$3.9 million carried forward to FY20;
- The Community Development departments had a positive budget variance of approximately \$211,000 and Public Safety had a positive budget variance of approximately \$235,000 primarily due to staffing vacancies, while other departments also show positive budget variances ranging up to approximately \$40,000. Approximately \$80,000 of these amounts represented unfinished projects and were carried forward to FY20.

## Capital Asset and Debt Administration

**Capital Assets** – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$133,380,679 (net of accumulated depreciation) (Note 6). This includes land; construction in progress; buildings and system improvements; and machinery, equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year was 2.6% (a 2.4% decrease for governmental activities, offset by a 6.1% increase for business-type activities).

	<b><u>The Town’s Capital Assets</u></b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$ 4,781,677	\$ 4,308,646	\$ 1,696,469	\$ 1,601,469	\$ 6,478,146	\$ 5,910,115
Buildings and improvements	26,072,166	26,072,166	103,167,529	102,627,577	129,239,695	128,699,743
Machinery and equipment	9,402,215	8,712,841	11,469,396	10,978,977	20,871,611	19,691,818
Infrastructure	62,424,343	62,424,343	28,716,101	8,848,943	91,140,444	71,273,286
Construction in progress	356,615	67,554	138,527	13,085,108	495,142	13,152,662
Less accumulated depreciation	(49,938,358)	(47,204,250)	(64,906,001)	(61,468,389)	(114,844,359)	(108,672,639)
Total	<u>\$ 53,098,658</u>	<u>\$ 54,381,300</u>	<u>\$ 80,282,021</u>	<u>\$ 75,673,685</u>	<u>\$ 133,380,679</u>	<u>\$ 130,054,985</u>

Major capital asset events during the current fiscal year included the following:

- Ongoing rehabilitation improvements to the Lake Pelham and Mountain Ram dams were completed in FY19 at a total cost of approximately \$19.9 million. The Town has received Federal and State grant funding towards these projects of approximately \$14.2 million. Approximately \$6.8 million of project costs were incurred during FY19.
- Public Safety received approval for a 2-year program to purchase 13 new vehicles to support a new take-home vehicle program for police officers. In FY19, 6 new vehicles were purchased, along with scheduled fleet replacements, at a cost of \$279,000. Additionally, the E911 radio platform was required to be upgraded, with a purchase cost of \$370,000. These radios will be placed in service during FY20.
- The Town purchased 2 land parcels in the historic downtown district in FY19 at a cost of \$471,000. These parcels will be held and incorporated into a potential development project intended to bring enhanced retail, recreation and residential opportunities to the area.

Additional information on the Town’s capital assets can be found in Note 6 of the accompanying financial statements.

## Capital Asset and Debt Administration (Continued)

**Long-Term Debt** – At the end of the fiscal year ended June 30, 2019, the Town had total debt outstanding of \$41,101,097. This amount is comprised of general obligation (GO) debt backed by the full faith and credit of the Town government.

	<b><u>The Town's Outstanding Debt</u></b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General obligation bonds	\$ 11,801,353	\$ 13,085,389	\$ 26,134,647	\$ 27,606,611	\$ 37,936,000	\$ 40,692,000
Bond premium	1,043,769	1,140,557	2,121,328	2,270,084	3,165,097	3,410,641
Total	<u>\$ 12,845,122</u>	<u>\$ 14,225,946</u>	<u>\$ 28,255,975</u>	<u>\$ 29,876,695</u>	<u>\$ 41,101,097</u>	<u>\$ 44,102,641</u>

The Town's total net debt decreased by \$3,001,544 or 6.8% during the fiscal year ended June 30, 2019 as a result of scheduled debt service payments.

The Town has maintained a rating of AA from Standard & Poor's and Aa2 from Moody's for its outstanding general obligation debt. Moody's annual credit overview issued in May 2019 states the Town has a robust financial position, a healthy wealth and income profile, a solid tax base and mid-ranged debt and pension liabilities.

Additional information on the Town's long-term debt can be found in Note 8 of the accompanying financial statements.

## Economic Factors and Next Year's Budget

- Overall tax receipts remain steady year over year. FY20 budgeted tax revenues are approx. 3% higher than FY19, primarily related to growth. Town Council adopted a 2019 real estate tax rate of \$0.091 per \$100 of assessed value, which represents an equalized rate after re-assessment, and no changes to the personal property or machinery and tools tax rates. Budgeted general fund expenditures in FY20 show no increase over the FY19 amended budget amounts.
- The rate of building and development activity continues to be strong, with increases in both residential and commercial development in Town. The 2018 Downtown Development Area Apartment Incentive Program has resulted in new residential units above the retail space in the downtown area, and the need for residential units throughout the Town is strong, based on existing demand and population growth projections. Growth is best measured by water tap sales, with 120 new taps paid in FY19, and 100 projected in FY20.
- Town Council approved FY20 utility rate increases of 3% for the Water and Wastewater funds, and 1% for the Electric fund.

## Requests for Information

This CAFR is designed to provide an overview of the Town's financial activity and standing, for all those with an interest in such matters. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Howard A. Kartel, CPA  
Finance Director/Town Treasurer  
Town of Culpeper  
400 South Main Street, Suite 109  
Culpeper, Virginia 22701  
Email: [hkartel@culpeperva.gov](mailto:hkartel@culpeperva.gov)

## **BASIC FINANCIAL STATEMENTS**

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## TOWN OF CULPEPER, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 6,686,797	\$ 11,091,440	\$ 17,778,237	\$ 77,756
Investments (Note 2)	8,835,230	11,454,655	20,289,885	-
Receivables, net (Note 3)	760,850	2,628,287	3,389,137	-
Notes receivable (Note 3)	-	-	-	939,108
Due from other governmental units (Note 5)	444,715	1,802,511	2,247,226	-
Inventories	-	1,016,542	1,016,542	-
Cash and cash equivalents, restricted (Note 2)	1,280,286	-	1,280,286	51,150
Prepays	121,487	54,428	175,915	-
Capital assets: (Note 6)				
Nondepreciable	5,138,292	1,834,996	6,973,288	-
Depreciable, net	47,960,366	78,447,025	126,407,391	-
Total assets	71,228,023	108,329,884	179,557,907	1,068,014
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions (Note 12)	745,505	269,379	1,014,884	-
Deferred outflows related to other postemployment benefits (Note 12)	99,552	37,425	136,977	-
Deferred amount on refunding	297,198	880,148	1,177,346	-
Total deferred outflows of resources	1,142,255	1,186,952	2,329,207	-
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	974,186	2,217,207	3,191,393	-
Accrued payroll and related liabilities	424,360	107,007	531,367	-
Accrued interest payable	174,793	387,799	562,592	24,536
Bonds and security deposits	236,941	969,593	1,206,534	-
Unearned revenue (Note 9)	-	-	-	7,679
Noncurrent liabilities:				
Due within one year (Note 8)	1,941,072	1,863,544	3,804,616	15,415
Due in more than one year (Note 8)	11,691,221	26,644,100	38,335,321	939,108
Net pension liability (Note 12)	4,220,658	1,525,091	5,745,749	-
Net other postemployment benefit liability (Note 12)	1,769,986	677,841	2,447,827	-
Total liabilities	21,433,217	34,392,182	55,825,399	986,738
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions (Note 12)	411,834	148,812	560,646	-
Deferred inflows related to other postemployment benefits (Note 12)	108,719	41,002	149,721	-
Total deferred inflows of resources	520,553	189,814	710,367	-
<b>NET POSITION</b>				
Net investment in capital assets	40,546,104	52,906,194	93,452,298	-
Restricted:				
Unspent grant proceeds	188,627	-	188,627	-
Public safety - asset seizure funds	42,071	-	42,071	-
Nonexpendable - cemetery perpetual care	916,872	-	916,872	-
Cemetery perpetual care	132,716	-	132,716	-
Unrestricted	8,590,118	22,028,646	30,618,764	81,276
Total net position	\$ 50,416,508	\$ 74,934,840	\$ 125,351,348	\$ 81,276

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF CULPEPER, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business- Type Activities	Total	Industrial Development Authority
Governmental activities:								
General government administration	\$ 2,039,237	\$ 90,556	\$ -	\$ -	\$ (1,948,681)	\$ -	\$ (1,948,681)	\$ -
Public safety	5,942,851	233,361	410,375	22,000	(5,277,115)	-	(5,277,115)	-
Public works	6,310,254	318,291	2,037,610	40,000	(3,914,353)	-	(3,914,353)	-
Parks, recreation, and cultural	775,021	509,131	4,500	-	(261,390)	-	(261,390)	-
Community development	1,613,569	32,804	60,000	-	(1,520,765)	-	(1,520,765)	-
Interest on long-term debt	365,932	-	-	-	(365,932)	-	(365,932)	-
Total governmental activities	17,046,864	1,184,143	2,512,485	62,000	(13,288,236)	-	(13,288,236)	-
Business-type activities:								
Water	4,257,892	4,510,584	-	7,340,842	-	7,593,534	7,593,534	
Wastewater	5,282,858	5,940,563	16,341	-	-	674,046	674,046	
Electric	11,218,357	12,981,235	-	-	-	1,762,878	1,762,878	
Total business-type activities	20,759,107	23,432,382	16,341	7,340,842	-	10,030,458	10,030,458	
Total primary government	\$ 37,805,971	\$ 24,616,525	\$ 2,528,826	\$ 7,402,842	(13,288,236)	10,030,458	(3,257,778)	
Component Units:								
Industrial Development Authority	\$ 250,715	\$ -	\$ 251,073	\$ -	-	-	-	358
Total component unit	\$ 250,715	\$ -	\$ 251,073	\$ -	-	-	-	358
General revenues:								
Property taxes					3,726,136	-	3,726,136	-
Meals tax					4,332,531	-	4,332,531	-
Sales tax					1,585,041	-	1,585,041	-
Business license tax					1,010,442	-	1,010,442	-
Bank stock tax					483,997	-	483,997	-
Cigarette tax					247,326	-	247,326	-
Hotel and motel room tax					448,369	-	448,369	-
Other local taxes					187,320	-	187,320	-
Intergovernmental revenue, unrestricted					393,438	-	393,438	-
Unrestricted investment earnings					345,501	527,505	873,006	-
Other					512,269	9,219	521,488	-
Transfers (Note 4)					604,380	(604,380)	-	-
Total general revenues and transfers					13,876,750	(67,656)	13,809,094	-
Change in net position					588,514	9,962,802	10,551,316	358
NET POSITION AT JULY 1, 2018					49,827,994	64,972,038	114,800,032	80,918
NET POSITION AT JUNE 30, 2019					\$ 50,416,508	\$ 74,934,840	\$ 125,351,348	\$ 81,276

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF CULPEPER, VIRGINIA

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2019**

	General Fund	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,686,797	\$ -	\$ -	\$ 6,686,797
Investments	8,835,230	-	-	8,835,230
Receivables, net (Note 3)	760,850	-	-	760,850
Due from other governmental units (Note 5)	444,715	-	-	444,715
Cash and cash equivalents, restricted (Note 2)	230,698	132,716	916,872	1,280,286
Prepays	121,487	-	-	121,487
Total assets	<u>\$ 17,079,777</u>	<u>\$ 132,716</u>	<u>\$ 916,872</u>	<u>\$ 18,129,365</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 974,186	\$ -	\$ -	\$ 974,186
Accrued payroll and related liabilities	424,360	-	-	424,360
Bonds and security deposits	236,941	-	-	236,941
Total liabilities	<u>1,635,487</u>	<u>-</u>	<u>-</u>	<u>1,635,487</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue (Note 9)	374,508	-	-	374,508
Total deferred inflows of resources	<u>374,508</u>	<u>-</u>	<u>-</u>	<u>374,508</u>
<b>Fund balances: (Note 13)</b>				
Nonspendable	121,487	-	916,872	1,038,359
Restricted	230,698	132,716	-	363,414
Assigned	7,368,961	-	-	7,368,961
Unassigned	7,348,636	-	-	7,348,636
Total fund balances	<u>15,069,782</u>	<u>132,716</u>	<u>916,872</u>	<u>16,119,370</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,079,777</u>	<u>\$ 132,716</u>	<u>\$ 916,872</u>	<u>\$ 18,129,365</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2019

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 16,119,370</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:

Nondepreciable	\$ 5,138,292	
Depreciable, net	47,960,366	
		53,098,658

Deferred loss on refundings, discounts, and premiums are reported as expenditures or revenues in the governmental funds, but are amortized over the life of the debt in the statement of net position:

Bond premiums total \$1,472,818 and accumulated amortization of \$429,049.	(1,043,769)	
Deferred loss on refunding total \$467,804 and accumulated amortization of \$170,606.	297,198	
		(746,571)

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.

374,508

Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to:

Pension	745,505	
Other postemployment benefits	99,552	

Deferred inflows related to:

Pension	(411,834)	
Other postemployment benefits	(108,719)	

Net pension liability	(4,220,658)	
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Net other postemployment benefit liability	(1,769,986)	
		(5,666,140)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(11,801,353)	
Accrued interest payable	(174,793)	
Compensated absences	(787,171)	
		(12,763,317)

<b>Total Net Position – Governmental Activities</b>	<b>\$ 50,416,508</b>
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The Notes to Financial Statements are an integral part of this statement.



## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	General Fund	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total
<b>REVENUES</b>				
General property taxes	\$ 3,846,885	\$ -	\$ -	\$ 3,846,885
Other local taxes	8,280,932	-	-	8,280,932
Permits, privilege fees, and regulatory licenses	370,949	-	-	370,949
Fines and forfeitures	131,494	-	-	131,494
Revenues from use of money and property	574,482	22,888	-	597,370
Charges for services	283,625	-	69,500	353,125
Other	622,890	-	50	622,940
Recovered costs	2,521,534	-	-	2,521,534
Intergovernmental	2,928,570	-	-	2,928,570
Total revenues	<u>19,561,361</u>	<u>22,888</u>	<u>69,550</u>	<u>19,653,799</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	4,177,881	-	-	4,177,881
Public safety	5,250,136	-	-	5,250,136
Public works	4,334,914	-	-	4,334,914
Parks, recreation, and cultural	752,292	-	-	752,292
Community development	1,545,830	-	-	1,545,830
Capital projects	1,988,530	-	-	1,988,530
Debt service:				
Principal retirement	1,284,036	-	-	1,284,036
Interest and fiscal charges	442,579	-	-	442,579
Total expenditures	<u>19,776,198</u>	<u>-</u>	<u>-</u>	<u>19,776,198</u>
Excess (deficiency) of revenues over expenditures	<u>(214,837)</u>	<u>22,888</u>	<u>69,550</u>	<u>(122,399)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in (Note 4)	604,380	-	-	604,380
Total other financing sources	<u>604,380</u>	<u>-</u>	<u>-</u>	<u>604,380</u>
Net change in fund balances	389,543	22,888	69,550	481,981
<b>FUND BALANCES AT JULY 1, 2018</b>	14,680,239	109,828	847,322	15,637,389
<b>FUND BALANCES AT JUNE 30, 2019</b>	<u>\$ 15,069,782</u>	<u>\$ 132,716</u>	<u>\$ 916,872</u>	<u>\$ 16,119,370</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

<b>Net Change in Fund Balances – Governmental Funds</b>	\$	481,981
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$2,752,622 exceeded capital outlays of \$1,469,980, including contributed capital of \$22,000, in the current period.

(1,282,642)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(123,269)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Debt principal repayment	\$	1,284,036
Changes in bond premiums		96,788
Changes in loss on refunding		(35,063)
		1,345,761

1,345,761

Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions		717,422
Pension expense		(416,881)
		300,541

300,541

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.

Employer other postemployment benefit contributions		69,622
Other postemployment benefit expense		(136,127)
		(66,505)

(66,505)

Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences		(82,276)
Change in accrued interest payable		14,923
		(67,353)

(67,353)

<b>Change in Net Position – Governmental Activities</b>	<b>\$</b>	<b>588,514</b>
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## TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS

June 30, 2019

	Business-Type Activities – Enterprise Funds			
	Water	Wastewater	Electric	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,301,928	\$ 4,142,175	\$ 3,647,337	\$ 11,091,440
Receivables, net (Note 3)	486,256	623,051	1,518,980	2,628,287
Due from other governmental units (Note 5)	1,446,788	16,341	339,382	1,802,511
Investments	6,447,158	2,758,702	2,248,795	11,454,655
Inventories	175,286	92,969	748,287	1,016,542
Prepaid expenses	5,979	32,650	15,799	54,428
Total current assets	11,863,395	7,665,888	8,518,580	28,047,863
Noncurrent assets:				
Capital assets: (Note 6)				
Nondepreciable	1,787,985	32,784	14,227	1,834,996
Depreciable, net	38,041,546	33,911,691	6,493,788	78,447,025
Total noncurrent assets	39,829,531	33,944,475	6,508,015	80,282,021
Total assets	51,692,926	41,610,363	15,026,595	108,329,884
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions (Note 12)	91,587	74,911	102,881	269,379
Deferred outflows related to other postemployment benefits (Note 12)	12,328	12,283	12,814	37,425
Deferred amount on refunding	4,642	773,817	101,689	880,148
Total deferred outflows of resources	108,557	861,011	217,384	1,186,952
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,374,388	104,272	738,547	2,217,207
Accrued payroll and related liabilities	29,814	44,410	32,783	107,007
Accrued interest payable	91,248	239,924	56,627	387,799
Customer security deposits	177,225	-	792,368	969,593
Current portion of other long-term debt (Note 8)	497,887	796,816	367,506	1,662,209
Compensated absences (Note 8)	52,503	67,580	81,252	201,335
Total current liabilities	2,223,065	1,253,002	2,069,083	5,545,150
Noncurrent liabilities:				
Other long-term debt (Note 8)	7,676,073	15,108,671	3,809,022	26,593,766
Compensated absences (Note 8)	13,126	16,895	20,313	50,334
Net pension liability (Note 12)	518,523	424,109	582,459	1,525,091
Net other postemployment benefit liability (Note 12)	220,304	246,611	210,926	677,841
Total noncurrent liabilities	8,428,026	15,796,286	4,622,720	28,847,032
Total liabilities	10,651,091	17,049,288	6,691,803	34,392,182
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions (Note 12)	50,595	41,383	56,834	148,812
Deferred inflows related to other postemployment benefits (Note 12)	13,475	13,709	13,818	41,002
Total deferred inflows of resources	64,070	55,092	70,652	189,814
<b>NET POSITION</b>				
Net investment in capital assets	31,660,213	18,812,805	2,433,176	52,906,194
Unrestricted	9,426,109	6,554,189	6,048,348	22,028,646
Total net position	\$ 41,086,322	\$ 25,366,994	\$ 8,481,524	\$ 74,934,840

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2019**

	Business-Type Activities – Enterprise Funds			
	Water	Wastewater	Electric	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,605,359	\$ 4,641,256	\$ 12,897,743	\$ 21,144,358
Penalties	33,626	33,626	34,648	101,900
Other	45,293	16,181	48,844	110,318
Total operating revenues	3,684,278	4,691,063	12,981,235	21,356,576
<b>OPERATING EXPENSES</b>				
Water treatment	2,241,879	-	-	2,241,879
Wastewater collection	-	422,061	-	422,061
Wastewater treatment	-	2,988,173	-	2,988,173
Transmission and distribution	589,649	-	1,550,353	2,140,002
Electric generation (Note 14)	-	-	7,175,997	7,175,997
Administration	-	-	1,135,144	1,135,144
Other	-	40,068	251,094	291,162
Depreciation	1,205,619	1,323,167	982,670	3,511,456
Total operating expenses	4,037,147	4,773,469	11,095,258	19,905,874
Operating income (loss)	(352,869)	(82,406)	1,885,977	1,450,702
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	247,773	157,701	122,031	527,505
Interest expense	(220,745)	(509,389)	(123,099)	(853,233)
Gain (loss) on disposal of capital assets	(4,457)	12,236	1,440	9,219
Tap fees	826,306	1,249,500	-	2,075,806
Intergovernmental revenues	-	16,341	-	16,341
Net nonoperating revenue (expenses)	848,877	926,389	372	1,775,638
Income before capital contributions and transfers	496,008	843,983	1,886,349	3,226,340
<b>CAPITAL CONTRIBUTIONS - GRANT FUNDING</b>	7,340,842	-	-	7,340,842
<b>TRANSFERS OUT (Note 4)</b>	(103,215)	(132,465)	(368,700)	(604,380)
Change in net position	7,733,635	711,518	1,517,649	9,962,802
<b>NET POSITION AT JULY 1, 2018</b>	33,352,687	24,655,476	6,963,875	64,972,038
<b>NET POSITION AT JUNE 30, 2019</b>	\$ 41,086,322	\$ 25,366,994	\$ 8,481,524	\$ 74,934,840

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF CULPEPER, VIRGINIA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Electric</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 3,623,069	\$ 4,618,672	\$ 13,045,313	\$ 21,287,054
Payments to suppliers	(1,067,011)	(2,047,785)	(8,616,364)	(11,731,160)
Payments to employees	(1,402,307)	(1,398,363)	(1,486,451)	(4,287,121)
Net cash provided by operating activities	1,153,751	1,172,524	2,942,498	5,268,773
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund transfers	(103,215)	(132,465)	(368,700)	(604,380)
Advances collected from other funds	169,669	-	-	169,669
Intergovernmental revenues	-	32,682	-	32,682
Net cash provided by (used in) noncapital financing activities	66,454	(99,783)	(368,700)	(402,029)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(9,227,869)	(277,133)	(104,310)	(9,609,312)
Proceeds from disposal of capital assets	2,890	15,836	1,440	20,166
Principal paid on capital debt	(487,198)	(659,719)	(325,046)	(1,471,963)
Advances to other funds for capital items	-	-	(169,669)	(169,669)
Tap fees collected	826,306	1,249,500	-	2,075,806
Interest paid on capital debt	(229,057)	(586,940)	(143,121)	(959,118)
Intergovernmental projects	7,534,288	(17,085)	-	7,517,203
Net cash used in capital and related financing activities	(1,580,640)	(275,541)	(740,706)	(2,596,887)
<b>INVESTING ACTIVITIES</b>				
Purchases of investments	1,266,199	(265,444)	(1,251,492)	(250,737)
Interest received	247,773	157,701	122,031	527,505
Net cash provided by (used in) investing activities	1,513,972	(107,743)	(1,129,461)	276,768
Net increase in cash and cash equivalents	1,153,537	689,457	703,631	2,546,625
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning at July 1, 2018	2,148,391	3,452,718	2,943,706	8,544,815
Ending at June 30, 2019	\$ 3,301,928	\$ 4,142,175	\$ 3,647,337	\$ 11,091,440
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (352,869)	\$ (82,406)	\$ 1,885,977	\$ 1,450,702
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,205,619	1,323,167	982,670	3,511,456
Other postemployment benefit expense net of employer contributions	(12,412)	1,811	(8,902)	(19,503)
Pension expense net of employer contributions	(64,005)	(56,136)	(75,658)	(195,799)
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(49,689)	(72,391)	59,905	(62,175)
Due from other governmental units	-	-	116,429	116,429
Inventories	20,772	10,387	35,712	66,871
Prepaid expenses	19,272	7,189	18,899	45,360
(Decrease) increase in:				
Accounts payable and accrued liabilities	398,153	41,192	(71,117)	368,228
Accrued payroll and related liabilities	(1,992)	11,830	111	9,949
Customer security deposits	(11,520)	-	4,173	(7,347)
Compensated absences	2,422	(12,119)	(5,701)	(15,398)
Net cash provided by operating activities	\$ 1,153,751	\$ 1,172,524	\$ 2,942,498	\$ 5,268,773
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset purchases included in accounts payable at year end	\$ 390,857	\$ -	\$ 844	\$ 391,701

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF CULPEPER, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION  
 AGENCY FUND  
 June 30, 2019

**Parking  
 Authority**

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**ASSETS**

Receivables, net	\$ 3,305
Future amounts to be collected to liquidate liabilities	<u>62,487</u>
Total assets	<u><u>\$ 65,792</u></u>

**LIABILITIES**

Accounts payable	\$ 698
Due to fiscal agent	<u>65,094</u>
Total liabilities	<u><u>\$ 65,792</u></u>

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. The Financial Reporting Entity**

The Town of Culpeper, Virginia (the “Town”) was established in 1870. The Town provides a full range of municipal services, including general government administration, public safety, public works, and electric, water and wastewater utilities. The Town is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor and eight other members elected at large. The Council has responsibility for appointing the Town Manager, Town Clerk, and Town Attorney. The Town has taxing power subject to statewide restrictions and tax limits.

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). As required by GAAP, the financial statements of the reporting entity include those of the Town (the primary government) and its component unit.

**Discretely Presented Component Unit:**

A discretely presented component unit is an entity that is legally separate from the Town, but for which the Town is financially accountable, or whose relationship with the Town is such that exclusion would cause the Town’s financial statements to be misleading or incomplete. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. The Town is financially accountable for its component unit because it approves any debt issuances. The component unit is governmental in nature. The statements are shown in their entirety in the government-wide statements. It does not issue a separate financial report.

*Industrial Development Authority of the Town of Culpeper:* The Industrial Development Authority was established under the Industrial Development and Revenue Bond Act of the Code of the Commonwealth of Virginia and has the responsibility to promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate or to remain in the Town.

**Fiduciary Fund:**

The fiduciary fund is not reflected in the government-wide financial statements because the resources of the fund are not available to support Town programs.

*Culpeper Parking Authority:* The Parking Authority manages parking facilities within the Town.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 45 days of the end of the current period. The Town considers expenditure driven grant reimbursements as revenue in the period in which the expenditure has been incurred and all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(Continued)



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *cemetery perpetual care fund* is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's cemetery.

The *cemetery permanent fund* is used to account for the cemetery corpus, which is included in the nonspendable portion of fund balance.

The Town reports the following major proprietary funds:

The *water fund* accounts for the activities of the Town's water treatment and distribution system.

The *wastewater fund* accounts for the activities of the Town's wastewater collection and treatment system.

The *electric fund* accounts for the activities of the Town's electric system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater, and electric funds are charges to customers for services. Operating expenses for enterprise funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include tap fees which is the sale of water and sewer capacity. At purchase, the tap fee attaches to the property. Town policy allows for refunding this fee within twenty four months as long as the connection has not been made. Revenue is recognized upon approval of the tap connection.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting**

Following are the procedures used to establish the budgetary data reflected in the financial statements:

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the subsequent fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the subsequent year budget is legally enacted through passage of an appropriations resolution. The appropriations resolution places legal restrictions on expenditures at the department level.
- 4) Formal budgetary integration is employed as a management control device for most funds.
- 5) The budget for the general fund is adopted on the modified accrual basis of accounting.
- 6) All appropriations which are not encumbered lapse at year end.

**E. Cash and Cash Equivalents**

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**F. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis.

**G. Inventories**

Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories consist of parts for the water, wastewater, and electric operations and materials held for consumption, which are expensed when used.

**H. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of a minimum of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Capital Assets (Continued)**

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

Property, plant, and equipment generally are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20-99 years
Machinery and equipment	5-10 years
Infrastructure	30-50 years

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources which represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has the following items that qualify for reporting as deferred inflows or outflows:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes of assumptions. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion. This difference will be recognized in OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Deferred Outflows/Inflows of Resources (Continued)**

- Deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Unavailable revenue occurs only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**J. Compensated Absences**

Employees accumulate vacation time and sick leave depending upon their length of service. Accumulated vacation is paid upon termination. Sick leave is paid to employees who leave the Town in good standing with 5 or more years of service at a rate of \$10 per day up to a maximum of \$2,000. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only when the amounts are due and payable.

**K. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**M. Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council through adoption of a resolution. Only Town Council may modify or rescind the commitment.
- **Assigned** - Amounts the Town intends to use for a specified purpose; intent can be expressed by the Town Council or by the Town Manager or Town Treasurer, who has been designated this authority by the Town Council.
- **Unassigned** –Amounts that are available for any purpose; positive amounts are reported only in the general fund.

**N. Restricted Amounts**

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**O. Minimum Fund Balance Policy**

Within its general fund balance, the Town maintains a fiscal stability reserve amount for cash liquidity purposes. That balance should be sufficient to meet the Town’s cyclical cash flows requirements and avoid the need for short term tax anticipation borrowing. The fiscal stability reserve should have a balance that is not less than fifteen percent of the budgeted expenditures of the general fund and an optimum balance of thirty percent of expenditures.

Enterprise funds of the Town have a specified net position target of one hundred percent of operating expenses before depreciation and an optimum balance of two hundred percent of operating expenses. Further, when calculating reserves for the Electric Fund, purchased power costs shall be included at a balance of 30% of annual expense, as this is primarily a pass-through based on electric utility customer consumption.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**P. Estimates**

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

**Q. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. General, Water, Wastewater, and Electric fund encumbrances are \$1,192,981, \$1,341,008, \$77,605, and \$43,053, respectively as of June 30, 2019.

**Note 2. Deposits and Investments**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

**Investment Policy:**

In accordance with the *Code of Virginia* and other applicable laws and regulations, the Town’s investment policy permits investments in treasury securities, agency securities, prime quality commercial paper, certificates of deposit issued by domestic banks, banker’s acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, the Virginia State Non-Arbitrage Program (SNAP) or other authorized arbitrage investment management programs, the State Treasurer’s Local Government Investment Pool (the Virginia LGIP), and the Virginia Investment Pool (VIP).

Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the carrying value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79).

VML/VACo’s Stable NAV Liquidity Pool (VIP) is used by local governments to invest assets as part of their day-to-day cash management strategy. The VIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments**

**Investments (Continued)**

**Fair Value:**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and are described as follow.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

	<u>Level 1</u>
Debt Securities	
U.S. Treasury and Agency securities	\$ 16,100,193

As of June 30, the Town had the following deposits and investments:

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Percent of Portfolio</u>
Primary Government:			
Demand deposits	\$ 2,674,307	NA	6.80 %
Certificate of deposit	4,189,692	NA	10.65
US Treasury and Agency	16,100,193	AA+	40.91
LGIP	5,119,947	AAAm	13.01
VIP	11,267,293	AAAm	28.63
Primary government investments	<u>\$ 39,351,432</u>		<u>100.00 %</u>
Primary Government reconciliation of deposits and investments to Exhibit 1:			
Cash and cash equivalents	\$ 17,781,261		
Investments	20,289,885		
Cash and cash equivalents, restricted	<u>1,280,286</u>		
Total deposits and investments	<u>\$ 39,351,432</u>		
Component Unit – IDA:			
Demand deposits	<u>\$ 128,906</u>	NA	100.00 %
Component Unit – IDA reconciliation of deposits and investments to Exhibit 1:			
Cash and cash equivalents	\$ 77,756		
Cash and cash equivalents, restricted	<u>51,150</u>		
	<u>\$ 128,906</u>		

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments**

**Investments (Continued)**

**Credit Risk:**

As required by Code of Virginia or Town policy, commercial paper shall have a rating of “P-1” or higher by Moody’s and “A-1” or higher by Standard & Poor’s issued by United States corporations, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody’s and Standard and Poor’s. Banker’s acceptances can only be purchased if the yield is greater than the United States Treasury obligations or Federal Agency issues and must have a rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Certificates of deposit at state and federally chartered banks and savings and loan associations are limited to the amount of the Federal Deposit Insurance Corporation or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 et. Seq. of the Code.

Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s.

**Concentration of Credit Risk:**

In accordance with Town policy, no more than 15% of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the U.S. Government, or a maximum of 25% with any individual counter party in an external investment pool recognized under the Code. Investments in deposit accounts (cash) that are collateralized in accordance with the Virginia Security for Public Deposits Act (Section 2.2-4400 et. Seq. of the Code) have no limit on the amount deposited. Investments in excess of these stated limits shall be allowed on a temporary basis for up to 120 days in the event of a large transaction, or series of transactions, until they can be invested in accordance with policy.

The Town had the following investments at June 30 that exceeded 5 percent of the total investment balance. These investments were not considered by management to represent a risk to the Town.

Issuer	Fair Value	Percent of Total Portfolio
U.S. Treasury Securities	\$5,505,493	27.13%
Federal Farm Credit Bank	\$4,553,541	22.44%
Federal Home Loan Bank	\$3,533,410	17.41%
Federal Home Loan Mortgage	\$2,000,295	9.86%

(Continued)



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

**Interest Rate Risk:**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The benchmark yield will be evaluated on an annual basis based on actual portfolio results over the prior 12 months and the expected portfolio average maturity over the future 12-month period. Return on investment is of secondary importance compared to the safety and liquidity objectives. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity.

Investments will be scheduled to ensure liquidity of funds to cover all expenditures. Investments may be invested with a target portfolio average maturity to be a maximum term of five years. A projection of the Town's cash flows needs over a period of at least 12 months will be used to ensure adequate liquidity of funds.

**Custodial Credit Risk:**

The policy requires that all investment securities purchased be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, 2019 investments are held in a bank's trust department in the Town's name.

**Restricted Amounts:**

Restricted cash and cash equivalents consist of the following:

Non-expendable corpus of the cemetery perpetual care fund	\$ 916,872
Unspent grant proceeds	188,627
Cemetery perpetual care funds	132,716
Public safety asset seizure funds	<u>42,071</u>
Total restricted cash and cash equivalents	<u><u>\$ 1,280,286</u></u>

In addition, the IDA held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$51,150. These funds will be used towards the IDA's payment on their Rural Development loan described in more detail in Notes 3 and 8.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 3. Receivables**

**Primary Government:**

Receivables for the individual funds are as follows:

	<u>General</u>	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Total</u>
Receivables					
Taxes	\$ 503,483	\$ -	\$ -	\$ -	\$ 503,483
Accounts	<u>535,610</u>	<u>499,464</u>	<u>638,756</u>	<u>1,568,164</u>	<u>3,241,994</u>
Gross receivables	1,039,093	499,464	638,756	1,568,164	3,745,477
Less: allowance for uncollectibles	<u>(276,577)</u>	<u>(13,208)</u>	<u>(15,705)</u>	<u>(49,184)</u>	<u>(354,674)</u>
Receivables, net	<u>\$ 762,516</u>	<u>\$ 486,256</u>	<u>\$ 623,051</u>	<u>\$ 1,518,980</u>	<u>\$ 3,390,803</u>

**Industrial Development Authority:**

In September 2012, the Industrial Development Authority (IDA) obtained a loan through Rural Development on behalf of the Salem Volunteer Fire Department. The loan was used to pay down a loan the Fire Department acquired in 2006 to construct and equip a fire station. The IDA is leasing the property back to the fire department for annual rent of \$47,630, which represents the principal and interest due on the loan each year. The lease is considered a financing lease. This amount has been recorded as a note receivable and had a balance of \$939,108 at June 30, 2019. The County of Culpeper has provided a moral obligation to pay any amounts due the IDA should the Fire Department be unable to meet its obligations. The annual requirements to amortize the long-term receivable and related interest are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 15,935	\$ 31,695
2021	16,473	31,157
2022	17,029	30,601
2023	17,604	30,026
2024	18,198	29,432
2025-2029	100,626	137,524
2030-2034	118,793	119,357
2035-2039	140,239	97,912
2040-2044	165,556	72,594
2045-2049	195,444	42,706
2050-2053	<u>133,211</u>	<u>9,071</u>
	<u>\$ 939,108</u>	<u>\$ 632,075</u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 4. Interfund Transfers**

Interfund transfers are as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
Water	General	\$ 103,215
Wastewater	General	132,465
Electric	General	<u>368,700</u>
		<u><u>\$ 604,380</u></u>

The purpose of the transfers to the general fund is payments in lieu of taxes.

**Note 5. Due From Other Governmental Units**

Amounts due from other governmental units are as follows:

County of Culpeper:	
Local sales tax (General Fund)	\$ 272,418
Parking Authority (General Fund)	65,093
Federal and Commonwealth of Virginia:	
VDOT (General Fund)	63,053
Other (General Fund)	44,151
USDA (Water Fund)	1,117,925
DCR (Water Fund)	328,863
VMEA (Electric Fund)	339,382
Other (Wastewater Fund)	<u>16,341</u>
Total due from other governmental units	<u><u>\$ 2,247,226</u></u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Capital Assets**

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land and easements	\$ 4,308,646	\$ 473,031	\$ -	\$ 4,781,677
Construction in progress	67,554	289,061	-	356,615
 Total capital assets, not depreciated	 4,376,200	 762,092	 -	 5,138,292
Capital assets, depreciated:				
Buildings and improvements	26,072,166	-	-	26,072,166
Machinery and equipment	8,712,841	707,888	(18,514)	9,402,215
Infrastructure	62,424,343	-	-	62,424,343
 Total capital assets, depreciated	 97,209,350	 707,888	 (18,514)	 97,898,724
Less accumulated depreciation:				
Buildings and improvements	12,818,595	635,249	-	13,453,844
Machinery and equipment	6,747,865	481,616	(18,514)	7,210,967
Infrastructure	27,637,790	1,635,757	-	29,273,547
 Total accumulated depreciation	 47,204,250	 2,752,622	 (18,514)	 49,938,358
 Net capital assets, depreciated	 50,005,100	 (2,044,734)	 -	 47,960,366
 Governmental activities capital assets, net	 \$ 54,381,300	 \$ (1,282,642)	 \$ -	 \$ 53,098,658

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Capital Assets (Continued)**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 1,601,469	\$ 95,000	\$ -	\$ 1,696,469
Construction in progress	13,085,108	147,057	(13,093,638)	138,527
Total capital assets, not depreciated	14,686,577	242,057	(13,093,638)	1,834,996
Capital assets, depreciated:				
Buildings and improvements	102,627,577	539,952	-	103,167,529
Machinery and equipment	10,978,977	575,210	(84,791)	11,469,396
Infrastructure	8,848,943	19,867,158	-	28,716,101
Total capital assets, depreciated	122,455,497	20,982,320	(84,791)	143,353,026
Less accumulated depreciation:				
Buildings and improvements	54,936,615	2,253,012	-	57,189,627
Machinery and equipment	6,361,902	926,626	(73,844)	7,214,684
Infrastructure	169,872	331,818	-	501,690
Total accumulated Depreciation	61,468,389	3,511,456	(73,844)	64,906,001
Net capital assets, depreciated	60,987,108	17,470,864	(10,947)	78,447,025
Business-type activities capital assets, net	<u>\$ 75,673,685</u>	<u>\$ 17,712,921</u>	<u>\$ (13,104,585)</u>	<u>\$ 80,282,021</u>

Depreciation expense was charged to functions/programs as follows:

<b>Primary Government – Governmental Activities</b>	
General government administration	\$ 403,468
Public safety	267,348
Public works	1,967,770
Parks, recreation, and cultural	30,565
Community development	83,471
Total governmental activities	<u>\$ 2,752,622</u>
<b>Primary Government – Business-Type Activities</b>	
Water	\$ 1,205,619
Wastewater	1,323,167
Electric	982,670
Total business-type activities	<u>\$ 3,511,456</u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan**

**Plan Description**

All full-time, salaried permanent employees of the Town of Culpeper, Virginia, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>106</u>
Inactive members:	
Vested inactive members	23
Non-vested inactive members	38
Inactive members active elsewhere in VRS	<u>58</u>
Total inactive members	119
Active members	<u>169</u>
Total covered employees	<u><u>394</u></u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 9.73% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$976,654 and \$980,900 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

- \* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2017	\$ 38,964,219	\$ 32,969,205	\$ 5,995,014
Changes for the year:			
Service cost	989,413	-	989,413
Interest	2,661,480	-	2,661,480
Differences between expected and actual experience	(55,224)	-	(55,224)
Contributions – employer	-	980,900	(980,900)
Contributions – employee	-	459,863	(459,863)
Net investment income	-	2,427,272	(2,427,272)
Benefit payments, including refunds of employee contributions	(1,886,164)	(1,886,164)	-
Administrative expenses	-	(20,933)	20,933
Other changes	-	(2,168)	2,168
Net changes	1,709,505	1,958,770	(249,265)
Balances at June 30, 2018	\$ 40,673,724	\$ 34,927,975	\$ 5,745,749

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability	\$ 11,198,142	\$ 5,745,749	\$ 1,231,868

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$480,313. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 38,230	\$ 73,593
Changes of assumptions	-	199,684
Net difference between projected and actual earnings on pension plan investments	-	287,369
Employer contributions subsequent to the measurement date	<u>976,654</u>	<u>-</u>
Total	<u>\$ 1,014,884</u>	<u>\$ 560,646</u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$976,654 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (16,575)
2021	(130,430)
2022	(348,245)
2023	(27,166)
2024	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the Pension Plan**

At June 30, 2019, approximately \$119,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Long-Term Liabilities**

**Primary Government**

The following is a summary of changes in long-term liabilities:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 13,085,389	\$ -	\$ 1,284,036	\$ 11,801,353	\$ 1,214,548
Bond premium	1,140,556	-	96,787	1,043,769	96,787
Compensated absences	<u>704,895</u>	<u>946,004</u>	<u>863,728</u>	<u>787,171</u>	<u>629,737</u>
Governmental activities long-term liabilities	<u>\$ 14,930,840</u>	<u>\$ 946,004</u>	<u>\$ 2,244,551</u>	<u>\$ 13,632,293</u>	<u>\$ 1,941,072</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 27,606,611	\$ -	\$ 1,471,964	\$ 26,134,647	\$ 1,513,452
Bond premium	2,270,084	-	148,756	2,121,328	148,757
Compensated absences	<u>267,067</u>	<u>323,344</u>	<u>338,742</u>	<u>251,669</u>	<u>201,335</u>
Business-Type activities long-term liabilities	<u>\$ 30,143,762</u>	<u>\$ 323,344</u>	<u>\$ 1,959,462</u>	<u>\$ 28,507,644</u>	<u>\$ 1,863,544</u>

Governmental activities long-term liabilities are liquidated by the general fund.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Long-Term Liabilities (Continued)**

**Primary Government (Continued)**

The annual requirements to amortize long-term debt and related interest are as follows:

<b>Year Ended June 30</b>	<b>General Obligation Bonds</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 1,214,548	\$ 401,714	\$ 1,513,452	\$ 906,893
2021	1,189,805	363,537	1,567,195	856,713
2022	1,184,000	325,423	1,578,000	800,645
2023	1,150,000	279,337	1,651,000	735,049
2024	1,205,000	228,415	1,564,000	670,166
2025-2029	4,583,000	481,073	7,303,000	2,558,174
2030-2034	1,275,000	68,916	6,903,000	1,292,905
2035-2038	-	-	4,055,000	256,703
	<u>\$ 11,801,353</u>	<u>\$ 2,148,415</u>	<u>\$ 26,134,647</u>	<u>\$ 8,077,248</u>

Details of long-term indebtedness are as follows:

**General Obligation Bonds:**

	<b>Interest Rates</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Refunding Bond	3.00 - 4.00 %	2010	2021	\$ 19,925,000	\$ 1,337,353	\$ 1,172,647
Public Improvement Bond	2.45	2012	2033	10,000,000	2,730,000	5,560,000
Public Improvement Bond	2.68	2013	2028	4,796,000	2,864,000	867,000
Public Improvement Bond	2.95	2014	2035	3,800,000	-	3,250,000
Refunding Bond	2.00 - 5.00	2016	2038	20,745,000	4,870,000	15,285,000
					<u>\$ 11,801,353</u>	<u>\$ 26,134,647</u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Long-Term Liabilities (Continued)**

**Discretely Presented Component Unit:**

**Industrial Development Authority**

During 2013, the IDA issued Rural Development debt to assist the Salem Volunteer Fire Department to pay off a bank loan. The IDA obtained title to the property and then leased the property to the Fire Department through a financing lease as discussed in Note 3.

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due within One Year</u></b>
Rural Development Loan	\$ 969,434	\$ -	\$ 14,911	\$ 954,523	\$ 15,415

The annual requirements to amortize long-term debt and related interest are as follows:

<b><u>Year Ended June 30</u></b>	<b><u>Rural Development Loan</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2020	\$ 15,415	\$ 32,215
2021	15,935	31,695
2022	16,473	31,157
2023	17,029	30,601
2024	17,604	30,026
2025-2029	97,341	140,809
2030-2034	114,914	123,236
2035-2039	135,660	102,490
2040-2044	160,151	77,999
2045-2049	189,063	49,087
2050-2053	174,938	14,975
	<b><u>\$ 954,523</u></b>	<b><u>\$ 664,290</u></b>

Details of long-term indebtedness are as follows:

	<b><u>Interest Rates</u></b>	<b><u>Date Issued</u></b>	<b><u>Maturity Date</u></b>	<b><u>Amount of Original Issue</u></b>	<b><u>Industrial Development Authority</u></b>
Rural Development Loan	3.375%	2013	2053	\$ 1,037,000	<b><u>\$ 954,523</u></b>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Unavailable and Unearned Revenue**

The following is a summary of unavailable and unearned revenue:

	<u>General Fund</u>	<u>Industrial Development Authority</u>
Interest collected in advance from the fire department (unearned)	\$ -	\$ 7,679
Total unearned revenue	-	7,679
Uncollected property tax billing (unavailable)	159,694	-
Uncollected sales tax billing (unavailable)	128,660	-
Other (unavailable)	86,154	-
Total unavailable/unearned revenue	<u>\$ 374,508</u>	<u>\$ 7,679</u>

**Note 10. Other Post-Employment Benefits- Local Plan**

**Plan Description and Benefits Provided**

The Town provides post-employment medical coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of Town Council, which may also amend the plan as deemed appropriate.

Participants in the Town's OPEB plan must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must meet eligibility for retirement or disability retirement with VRS to be eligible for health benefits. In addition, retirees must have 10 years of service with the Town.

Health benefits include medical, dental, and vision insurance. Retirees may also elect to cover eligible spouses and/or dependents. Participating retirees pay 100% of the monthly premium cost to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65.

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	4
Active plan members	<u>178</u>
	<u>182</u>

(Continued)



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Post-Employment Benefits- Local Plan (Continued)**

**Total OPEB Liability**

The Town's total OPEB liability of \$1,692,827 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 30, 2017.

**Actuarial Assumptions and other inputs**

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases, including inflation	3.5 – 5.35%
Healthcare cost trend rates	6.3% in 2019 5.8% in 2020 6.0% in 2021 4.2% by 2074

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from April 1, 2012 to June 30, 2017.

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	<u>\$ 1,640,437</u>
Changes for the year:	
Service cost	88,792
Interest	59,997
Change in assumptions	(66,086)
Benefit payments	<u>(30,313)</u>
Net changes	<u>52,390</u>
Balance at June 30, 2019	<u><u>\$ 1,692,827</u></u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Post-Employment Benefits- Local Plan (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	<b>1.00% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1.00% Increase (4.87%)</b>
Total OPEB liability	\$ 1,878,449	\$ 1,692,827	\$ 1,528,521

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.3%) or one percentage point higher (7.3%) than the current healthcare cost trend rates:

	<b>1.00% Decrease (5.3%)</b>	<b>Current Healthcare Cost Trend Rates (6.3%)</b>	<b>1.00% Increase (7.3%)</b>
Total OPEB liability	\$ 1,469,202	\$ 1,692,827	\$ 1,962,378

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Post-Employment Benefits- Local Plan (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$140,424. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ -	\$ 57,721
Employer contributions subsequent to the measurement date	<u>44,143</u>	<u>-</u>
Total	<u><u>\$ 44,143</u></u>	<u><u>\$ 57,721</u></u>

The \$44,143 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (8,365)
2021	(8,365)
2022	(8,365)
2023	(8,365)
2024	(8,365)
Thereafter	(15,896)

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in one cost-sharing other postemployment benefit plan, described as follows.

**Plan Description**

**Group Life Insurance Program**

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plans.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

**Group Life Insurance Program**

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$51,834
June 30, 2018 Contribution	\$49,555

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

**Group Life Insurance Program**

June 30, 2019 proportionate share of liability	\$755,000
June 30, 2018 proportion	0.050%
June 30, 2017 proportion	0.051%
June 30, 2019 expense	\$2,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 37,000	\$ 14,000
Changes of assumptions	-	31,000
Net difference between projected and actual earnings on OPEB plan investments	-	25,000
Changes in proportion	4,000	22,000
Employer contributions subsequent to the measurement date	51,834	-
Total	<u>\$ 92,834</u>	<u>\$ 92,000</u>

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (14,000)
2021	(14,000)
2022	(14,000)
2023	(7,000)
2024	(2,000)
Thereafter	-

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality- general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	7.0%

- \* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

**Net OPEB Liabilities**

The net OPEB liabilities represents the VRS total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	1,594,773
Employers' net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22%

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Net OPEB Liabilities (Continued)**

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

**Group Life Insurance**

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
Inflation		2.50 %	
*Expected arithmetic nominal return		7.30 %	

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Discount Rate**

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liabilities of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability	\$ 987,000	\$ 755,000	\$ 567,000

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the OPEB Plan**

At June 30, 2019, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

- Group Life Insurance \$10,700

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Summary of Pension and Other Postemployment Benefit Elements**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>
Deferred outflows of resources – Pensions – VRS Retirements Plan			
Differences between expected and actual experience	\$ 28,083	\$ 10,145	\$ 38,230
Employer contributions subsequent to the measurement date	717,422	259,234	976,654
Total deferred outflow of resources - Pensions	<u>\$ 745,505</u>	<u>\$ 269,379</u>	<u>\$ 1,014,884</u>
Deferred outflows of resources - OPEB			
Change in proportion - VRS- Group Life Insurance	\$ 2,920	\$ 1,080	\$ 4,000
Employer contributions subsequent to the measurement date			
Local Plan	31,783	12,360	44,143
VRS- Group Life Insurance	37,839	13,995	51,834
Difference between expected and actual experience			
VRS- Group Life Insurance	27,010	9,990	37,000
Total deferred outflow of resources - OPEB	<u>\$ 99,552</u>	<u>\$ 37,425</u>	<u>\$ 136,977</u>
Total deferred outflows of resources	<u>\$ 845,057</u>	<u>\$ 306,804</u>	<u>\$ 1,151,861</u>
Net pension liability - VRS	<u>\$ 4,220,658</u>	<u>\$ 1,525,091</u>	<u>\$ 5,745,749</u>
Net OPEB liability			
Local Plan	\$ 1,218,836	\$ 473,991	\$ 1,692,827
VRS- Group Life Insurance	551,150	203,850	755,000
Total net OPEB liability	<u>\$ 1,769,986</u>	<u>\$ 677,841</u>	<u>\$ 2,447,827</u>
Deferred inflows of resources – Pensions – VRS Retirement Plan			
Differences between expected and actual experience	\$ 54,059	\$ 19,534	\$ 73,593
Changes of assumptions	146,682	53,002	199,684
Net difference between projected and actual earnings on plan investments	211,093	76,276	287,369
Total deferred inflow of resources – Pensions	<u>\$ 411,834</u>	<u>\$ 148,812</u>	<u>\$ 560,646</u>
Deferred inflows of resources - OPEB			
Differences between expected and actual experience			
VRS- Group Life Insurance	\$ 10,220	\$ 3,780	\$ 14,000
Changes of assumptions			
Local Plan	41,559	16,162	57,721
VRS- Group Life Insurance	22,630	8,370	31,000
Net difference between projected and actual earnings on plan investments			
VRS- Group Life Insurance	18,250	6,750	25,000
Change in proportionate share – VRS – Group Life Insurance	16,060	5,940	22,000
Total deferred inflow of resources - OPEB	<u>\$ 108,719</u>	<u>\$ 41,002</u>	<u>\$ 149,721</u>
Total deferred inflows of resources	<u>\$ 520,553</u>	<u>\$ 189,814</u>	<u>\$ 710,367</u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Fund Balance**

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The constraints placed on the general fund balance and other governmental funds balance are presented below:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Restricted for:		
Community development – unused grant proceeds	\$ 188,627	\$ -
Public safety- asset seizure funds	42,071	-
Cemetery perpetual care	-	132,716
Total restricted	<u>230,698</u>	<u>132,716</u>
Nonspendable:		
Prepays	121,487	-
Corpus of a permanent fund	-	916,872
Total nonspendable	<u>121,487</u>	<u>916,872</u>
Assigned for:		
Approved carryovers and encumbrances:		
General government administration	52,477	-
Public safety	26,924	-
Public works	233,714	-
Parks and recreation	11,780	-
Community development	58,850	-
Sanitation equipment replacement fund	461,226	-
Budget stabilization fund	1,490,000	-
Other capital projects	5,033,990	-
Total assigned	<u>7,368,961</u>	<u>-</u>
Unassigned	<u>7,353,326</u>	<u>-</u>
Total fund balance	<u><u>\$ 15,074,472</u></u>	<u><u>\$ 1,049,588</u></u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. Service Contracts**

The Town is a member of the Virginia Municipal Electric Association (VMEA) which is a nonprofit organization created to purchase electricity from Dominion Virginia Power (Dominion) for resale to its members. A new contract was entered into in 2011, which extends VMEA's purchase agreement with Dominion to 2030. Purchases of electricity through VMEA totaled \$7,080,570 for the year ended June 30, 2019. Of these purchases, \$707,786 is included in accounts payable as of June 30, 2019. The Town's contract provides for periodic true-ups based on actual costs incurred by Dominion. Such true-ups could result in an increase or reduction of expenses previously recognized. The Town's policy is to recognize the true-up when known due to a lack of information to estimate such an amount. The true-up calculation generally is proposed approximately six months after the calendar year end. During FY19, expenses were reduced by approximately \$339,000 as part of the annual true-up based on actual costs.

**Note 15. Property Taxes**

Property is assessed and taxes are levied for both real estate and personal property, on January 1 for the assessment date, and become a lien as of that date. Tax assessments and levy information are provided by Culpeper County. Real estate and personal property taxes are payable in one annual installment on the following January 31. The real estate tax rate for 2018 taxes due January 31, 2019 was \$0.10 per \$100 of assessed value. Residents who live in the Southridge, Lafayette Ridge, and Willow Shade districts pay an additional special assessment of \$.06, \$.08, and \$.03 per \$100 of assessed value, respectively. The personal property and business equipment tax rate was \$1.00 per \$100 of assessed value. The machinery and tools tax rate was \$.80 per \$100 of assessed value. A penalty of 10% for late payment and interest at the rate of 10% are charged on unpaid balances. The Town bills and collects its own property taxes.

**Note 16. Risk Management**

The Town's risk management program is primarily addressed via insurance coverage with VACORP, a member-owned insurance risk pool.

**Workers' Compensation**

Premiums are based on covered payroll, job rates and claims experience. Total premiums for the year ended June 30, 2019 were approximately \$142,000.

**Line of Duty Act Coverage**

The Town purchases insurance coverage for Line of Duty Act (LODA) claims approved by the State for career and volunteer law enforcement officers who are injured or killed while performing their duties. Total premiums for the year ended June 30, 2019 were approximately \$39,000.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 16. Risk Management (Continued)**

**General Liability and Other**

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident, cyber security, and automobile liability from VACORP. The Town's property and contents are insured up to a limit of approximately \$93 million. The Town maintains an \$8,000,000 excess umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$10,000,000 limit for each, are provided through a policy with the VACORP. Total premiums for 2019 were approximately \$164,000.

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

**Note 17. Commitments and Contingencies**

**Grant Programs**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Town management believes disallowances, if any, would not be material to the financial position of the Town.

**Reservoir Improvement Projects**

The Town is required by a regulatory agency to make significant improvements to its Mountain View and Lake Pelham reservoirs at an estimated cost of \$16.5 million. The Town received two grants totaling \$10.7 million from the US Department of Agriculture National Resources Conservation Service (NRCS) and a third grant from the Virginia Department of Conservation and Recreation Dam Safety, Flood Prevention and Protection Assistance Fund in the amount of \$2,942,000 to develop rehabilitation plans and to assist with the design and certain construction phases of the project. The Town's local match is approximately \$2.8 million for the project. Both projects were completed and placed in service in fiscal year 2019.

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 18. New Accounting Standards (Continued)**

The GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## EXHIBIT 11

## TOWN OF CULPEPER, VIRGINIA

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Adopted</b>	<b>Amended</b>		
<b>REVENUES</b>				
General property taxes	\$ 3,370,150	\$ 3,370,150	\$ 3,846,885	\$ 476,735
Local sales and use taxes	1,600,000	1,600,000	1,587,561	(12,439)
Business license tax	968,500	968,500	1,010,442	41,942
Franchise license tax	110,000	110,000	105,589	(4,411)
Bank stock tax	375,000	375,000	483,997	108,997
Cigarette tax	225,000	225,000	247,326	22,326
Hotel and motel room tax	470,000	470,000	448,369	(21,631)
Food and beverage tax	4,200,000	4,200,000	4,332,531	132,531
Local consumption tax	60,000	60,000	65,117	5,117
Permits, privilege fees, and regulatory licenses	308,000	308,000	370,949	62,949
Fines and forfeitures	124,000	124,000	131,494	7,494
Revenues from use of money and property	338,000	338,000	574,482	236,482
Charges for services	307,175	307,175	283,625	(23,550)
Other	207,100	467,100	622,890	155,790
Recovered costs	2,527,893	2,527,893	2,521,534	(6,359)
Intergovernmental	3,136,199	3,146,199	2,928,570	(217,629)
Total revenues	18,327,017	18,597,017	19,561,361	964,344
<b>EXPENDITURES</b>				
Current:				
General government administration				
Town council	198,236	198,236	197,313	923
Town manager	123,592	123,592	120,565	3,027
Town clerk	297,961	304,579	304,579	-
Human resources	290,024	297,895	297,895	-
Legal services	114,360	114,360	70,183	44,177
Independent auditor	59,750	67,000	67,000	-
Treasurer	1,471,845	1,447,509	1,434,865	12,644
Risk management	133,155	116,720	105,567	11,153
Information technology	1,357,623	1,357,623	1,360,462	(2,839)
Motor pool	259,682	259,682	253,296	6,386
Total general government administration	4,306,228	4,287,196	4,211,725	75,471
Public safety				
Police department	5,499,700	5,499,953	5,264,798	235,155
Total public safety	5,499,700	5,499,953	5,264,798	235,155



## TOWN OF CULPEPER, VIRGINIA

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Amended		
<b>EXPENDITURES (Continued)</b>				
Public works				
Public works administration	\$ 194,204	\$ 194,204	\$ 171,437	\$ 22,767
Streets	2,717,014	3,266,806	3,408,955	(142,149)
Refuse collection	386,181	398,794	398,794	-
General properties	538,503	629,003	592,975	36,028
Total public works	<u>3,835,902</u>	<u>4,488,807</u>	<u>4,572,161</u>	<u>(83,354)</u>
Parks, recreation, and cultural				
Parks and recreation	642,732	644,998	623,979	21,019
Cemetery	127,564	132,393	132,393	-
Total parks, recreation, and cultural	<u>770,296</u>	<u>777,391</u>	<u>756,372</u>	<u>21,019</u>
Community development				
Planning and zoning	572,734	583,834	542,819	41,015
Visitors center	60,562	61,062	58,649	2,413
Tourism	458,823	495,082	392,297	102,785
Economic development	292,179	300,179	235,502	64,677
Contributions	314,745	316,438	316,563	(125)
Total community development	<u>1,699,043</u>	<u>1,756,595</u>	<u>1,545,830</u>	<u>210,765</u>
Capital projects	<u>1,975,752</u>	<u>8,510,592</u>	<u>2,891,678</u>	<u>5,618,914</u>
Debt service:				
Principal retirement	1,284,036	1,284,036	1,284,036	-
Interest and fiscal charges	421,093	442,579	442,579	-
Total debt service	<u>1,705,129</u>	<u>1,726,615</u>	<u>1,726,615</u>	<u>-</u>
Total expenditures	<u>19,792,050</u>	<u>27,047,149</u>	<u>20,969,179</u>	<u>6,077,970</u>
Excess of expenditures over revenues	<u>(1,465,033)</u>	<u>(8,450,132)</u>	<u>(1,407,818)</u>	<u>7,042,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reserve balances	-	6,676,752	-	(6,676,752)
Transfers in	<u>1,465,033</u>	<u>1,773,380</u>	<u>604,380</u>	<u>(1,169,000)</u>
Total other financing sources (uses)	<u>1,465,033</u>	<u>8,450,132</u>	<u>604,380</u>	<u>(7,845,752)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (803,438)</u>	<u>\$ (803,438)</u>

Note 1: The budget is adopted in accordance with the modified accrual basis of accounting plus changes in encumbrances.  
See below for reconciliation of fund balance per this schedule to Exhibit 5.

Change in fund balance	\$ (803,438)
Encumbrances	<u>1,192,981</u>
Change in fund balance per Ex 5	<u>\$ 389,543</u>

## TOWN OF CULPEPER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2019**

	<b>Plan Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service cost	\$ 989,413	\$ 1,020,476	\$ 972,070	\$ 945,867	\$ 910,207
Interest on total pension liability	2,661,480	2,559,097	2,447,694	2,338,187	2,233,895
Change of assumptions	-	(403,442)	-	-	-
Difference between expected and actual experience	(55,224)	74,729	(111,475)	27,383	-
Benefit payments, including refunds of employee contributions	(1,886,164)	(1,690,336)	(1,743,316)	(1,750,779)	(1,557,640)
Net change in total pension liability	1,709,505	1,560,524	1,564,973	1,560,658	1,586,462
<b>Total pension liability - beginning</b>	<b>38,964,219</b>	<b>37,403,695</b>	<b>35,838,722</b>	<b>34,278,064</b>	<b>32,691,602</b>
<b>Total pension liability - ending</b>	<b>40,673,724</b>	<b>38,964,219</b>	<b>37,403,695</b>	<b>35,838,722</b>	<b>34,278,064</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	980,900	989,180	1,077,344	1,104,432	965,805
Contributions - employee	459,863	469,814	454,467	429,532	413,261
Net investment income	2,427,272	3,609,673	512,613	1,292,934	3,870,612
Benefit payments, including refunds of employee contributions	(1,886,164)	(1,690,336)	(1,743,316)	(1,750,779)	(1,557,640)
Administrative expenses	(20,933)	(20,645)	(18,024)	(17,631)	(20,826)
Other	(2,168)	(3,222)	(216)	(272)	204
Net change in plan fiduciary net position	1,958,770	3,354,464	282,868	1,058,216	3,671,416
<b>Plan fiduciary net position - beginning</b>	<b>32,969,205</b>	<b>29,614,741</b>	<b>29,331,873</b>	<b>28,273,657</b>	<b>24,602,241</b>
<b>Plan fiduciary net position - ending</b>	<b>34,927,975</b>	<b>32,969,205</b>	<b>29,614,741</b>	<b>29,331,873</b>	<b>28,273,657</b>
<b>Net pension liability - ending</b>	<b>\$ 5,745,749</b>	<b>\$ 5,995,014</b>	<b>\$ 7,788,954</b>	<b>\$ 6,506,849</b>	<b>\$ 6,004,407</b>
Plan fiduciary net position as a percentage of total pension liability	86%	85%	79%	82%	82%
Covered payroll	\$ 9,454,182	\$ 9,444,008	\$ 9,127,485	\$ 8,634,324	\$ 8,329,057
Net pension liability as a percentage of covered payroll	61%	63%	85%	75%	72%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## TOWN OF CULPEPER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**June 30, 2019**

<b>Town Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a percentage of Covered Payroll</b>
<b>Primary Government</b>					
2019	\$ 976,654	\$ 976,654	-	\$ 10,033,310	9.73%
2018	980,900	980,900	-	9,454,182	10.38%
2017	989,180	989,180	-	9,444,008	10.47%
2016	1,077,344	1,077,344	-	9,127,485	11.80%
2015	1,104,432	1,104,432	-	8,634,324	12.79%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five years of data is available. Additional years will be included as they become available.

## TOWN OF CULPEPER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**June 30, 2019**

	<b>Plan Year</b>	
	<b>2018</b>	<b>2017</b>
	<b>Local Plan</b>	<b>Local Plan</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 88,792	\$ 85,789
Interest on total OPEB liability	59,997	55,992
Change of assumptions	(66,086)	-
Benefit payments, including refunds of employee contributions	(30,313)	(30,314)
Net change in total OPEB liability	52,390	111,467
<b>Total OPEB liability - beginning</b>	<u>1,640,437</u>	<u>1,528,970</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 1,692,827</u></u>	<u><u>\$ 1,640,437</u></u>
Covered payroll	<u><u>\$ 9,454,182</u></u>	<u><u>\$ 9,444,008</u></u>
Net OPEB liability as a percentage of covered payroll	<u><u>17.91%</u></u>	<u><u>17.37%</u></u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## TOWN OF CULPEPER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**June 30, 2019**

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2019	0.05%	\$ 755,000	\$ 9,454,182	7.99%	51.22%
2018	0.05%	772,000	9,444,008	8.17%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

## TOWN OF CULPEPER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2019	\$ 51,834	\$ 51,834	\$ -	\$ 10,033,310	0.52%
2018	49,555	49,555	-	9,454,182	0.52%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e. the covered payroll on which required contributions were based for the same year.

## TOWN OF CULPEPER, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

#### Note 1. **Changes of Benefit Terms**

##### Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

##### Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

#### Note 2. **Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

##### Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

##### Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

##### All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

**TOWN OF CULPEPER, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

**Note 2. Changes of Assumptions (Continued)**

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension and GLI OPEB



## **OTHER SUPPLEMENTARY INFORMATION**

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## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - PARKING AUTHORITY**  
**Year Ended June 30, 2019**

	<b>Balances Beginning</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances Ending</b>
<b>ASSETS</b>				
Receivables	\$ 3,088	\$ 217	\$ -	\$ 3,305
Future amounts to be collected to liquidate liabilities	68,094	-	5,607	62,487
Total assets	<u>\$ 71,182</u>	<u>\$ 217</u>	<u>\$ 5,607</u>	<u>\$ 65,792</u>
<b>LIABILITIES</b>				
Account payable and due to fiscal agent	\$ 71,182	\$ 15	\$ 5,405	\$ 65,792
Total liabilities	<u>\$ 71,182</u>	<u>\$ 15</u>	<u>\$ 5,405</u>	<u>\$ 65,792</u>

## TOWN OF CULPEPER, VIRGINIA

**BALANCE SHEET – GOVERNMENTAL FUND  
DISCRETELY PRESENTED COMPONENT UNIT  
June 30, 2019**

	<b>Industrial Development Authority</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 77,756
Cash and cash equivalents, restricted	51,150
Total assets	<u>\$ 128,906</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities:	
Unearned revenue	\$ 47,630
Total Liabilities	<u>47,630</u>
Fund Balance:	
Assigned	<u>81,276</u>
Total fund balance	<u>81,276</u>
Total liabilities and fund balance	<u>\$ 128,906</u>
<b>Amounts reported in the Statement of Net Position (Exhibit 1) are different because:</b>	
Total fund balance	\$ 81,276
Long-term assets, including notes receivable, are not due and receivable in the current period and therefore are not reported in the funds.	939,108
Debt payments received in advance create a deferral at the fund level for the entire amount; however, offset the note receivable and any interest earned to date on the Statement of Net Position.	39,951
Long-term liabilities, including debt and interest payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(979,059)</u>
<b>Net position of governmental activities</b>	<u>\$ 81,276</u>

## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
DISCRETELY PRESENTED COMPONENT UNIT  
Year Ended June 30, 2019**

	<b>Industrial Development Authority</b>
	<u>                    </u>
<b>REVENUES</b>	
Intergovernmental grants	\$ 266,872
	<u>                    </u>
Total revenues	<u>266,872</u>
<b>EXPENDITURES</b>	
Community development	<u>266,514</u>
	<u>                    </u>
Total expenditures	<u>266,514</u>
	<u>                    </u>
Excess of revenue over expenditures	<u>358</u>
	<u>                    </u>
Net change in fund balance	<u>358</u>
	<u>                    </u>
<b>FUND BALANCE AT JULY 1</b>	<u>80,918</u>
	<u>                    </u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 81,276</u></u>

**Amounts reported for governmental activities in the Statement of Activities are different because:**

<b>Net change in fund balance</b>	\$ 358
Collections of payments on long term notes receivable are revenues in the governmental fund but reductions of notes receivable on the statement of net position.	(15,415)
Interest earned related to long-term notes receivable does not represent current financial resources and therefore are not reported as revenue in the funds.	(384)
Repayment of debt is an expenditure in the governmental fund but reduces long-term liabilities in the statement of net position.	15,415
Accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore is not reported as expenditures in governmental funds.	<u>384</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 358</u></u>

# STATISTICAL SECTION

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*This part of the Town of Culpeper's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.*

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	<b>5-8</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	<b>9-12</b>
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	<b>13-14</b>
<b>Operating Information</b> These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services it provides and the activities it performs.	<b>15-17</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Town implemented GASB Statement 68 in 2015 and GASB Statement 75 in 2018; schedules presenting government-wide information include information beginning in that year.

Table 1

## TOWN OF CULPEPER, VIRGINIA

## NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>	2015 <sup>(1)</sup>	2014	2013 <sup>(1)</sup>	2012	2011	2010
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 40,546,104	\$ 40,487,615	\$ 41,387,460	\$ 43,759,691	\$ 43,149,400	\$ 35,443,423	\$ 25,529,232	\$ 17,766,505	\$ 19,571,754	\$ 21,719,577
Restricted	1,280,286	1,296,274	1,811,790	1,739,191	1,581,752	1,438,266	1,303,598	598,758	542,416	592,481
Unrestricted	8,590,118	8,044,105	4,297,760	1,364,636	870,870	4,622,870	2,015,193	9,013,312	8,022,110	5,600,105
Total governmental activities net position	<u>\$ 50,416,508</u>	<u>\$ 49,827,994</u>	<u>\$ 47,497,010</u>	<u>\$ 46,863,518</u>	<u>\$ 45,602,022</u>	<u>\$ 41,504,559</u>	<u>\$ 28,848,023</u>	<u>\$ 27,378,575</u>	<u>\$ 28,136,280</u>	<u>\$ 27,912,163</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 52,906,194	\$ 46,875,816	\$ 32,641,915	\$ 27,865,064	\$ 26,550,954	\$ 27,911,757	\$ 25,590,844	\$ 29,971,833	\$ 27,499,978	\$ 28,124,024
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	22,028,646	18,096,222	20,951,828	23,628,617	23,270,667	23,275,294	25,738,585	21,724,844	24,972,697	24,981,973
Total business-type activities net position	<u>\$ 74,934,840</u>	<u>\$ 64,972,038</u>	<u>\$ 53,593,743</u>	<u>\$ 51,493,681</u>	<u>\$ 49,821,621</u>	<u>\$ 51,187,051</u>	<u>\$ 51,329,429</u>	<u>\$ 51,696,677</u>	<u>\$ 52,472,675</u>	<u>\$ 53,105,997</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 93,452,298	\$ 87,363,431	\$ 74,029,375	\$ 71,624,755	\$ 69,700,354	\$ 63,355,180	\$ 51,120,076	\$ 47,738,338	\$ 47,071,732	\$ 49,843,601
Restricted	1,280,286	1,296,274	1,811,790	1,739,191	1,581,752	1,438,266	1,303,598	598,758	542,416	592,481
Unrestricted	30,618,764	26,140,327	25,249,588	24,993,253	24,141,537	27,898,164	27,753,778	30,738,156	32,994,807	30,582,078
Total primary government net position	<u>\$ 125,351,348</u>	<u>\$ 114,800,032</u>	<u>\$ 101,090,753</u>	<u>\$ 98,357,199</u>	<u>\$ 95,423,643</u>	<u>\$ 92,691,610</u>	<u>\$ 80,177,452</u>	<u>\$ 79,075,252</u>	<u>\$ 80,608,955</u>	<u>\$ 81,018,160</u>

<sup>(1)</sup> These totals are as previously reported. A prior period adjustment was required which subsequently modified these amounts.

TABLE 2

**TOWN OF CULPEPER, VIRGINIA**  
**CHANGES IN NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 2,039,237	\$ 1,813,136	\$ 2,118,903	\$ 1,782,797	\$ 1,580,634	\$ 2,069,656	\$ 1,820,939	\$ 2,014,118	\$ 1,337,825	\$ 1,257,522
Public safety	5,942,851	5,279,682	5,392,894	4,826,442	4,466,205	4,620,506	4,355,486	3,982,363	4,014,472	3,962,281
Public works	6,310,254	5,378,213	5,381,340	4,677,492	4,622,046	4,882,783	3,927,287	3,609,893	3,230,087	3,615,820
Parks, recreation, and cultural	775,021	777,456	727,557	734,657	658,510	869,890	952,084	759,713	581,190	541,764
Community development	1,613,569	1,688,724	1,443,117	1,404,450	1,403,802	1,463,571	1,448,109	1,374,210	1,854,682	1,709,856
Interest on long-term debt	365,932	390,139	323,497	557,705	502,905	567,245	529,532	430,650	338,982	509,832
Total governmental activities	17,046,864	15,327,350	15,387,308	13,983,543	13,234,102	14,473,651	13,033,437	12,170,947	11,357,238	11,597,075
<b>Business-Type Activities:</b>										
Water	4,257,892	5,256,395	4,074,774	3,880,069	3,483,189	3,947,082	3,173,641	3,080,472	2,989,018	2,836,510
Wastewater	5,282,858	5,055,057	5,345,589	5,533,867	5,146,396	5,401,822	5,438,022	5,322,081	5,480,065	3,745,960
Electric	11,218,357	11,253,585	10,939,680	10,710,274	11,640,544	11,823,318	10,592,276	11,195,220	10,158,556	8,884,255
Total business-type activities expense	20,759,107	21,565,037	20,360,043	20,124,210	20,270,129	21,172,222	19,203,939	19,597,773	18,627,639	15,466,725
Total primary government expenses	37,805,971	36,892,387	35,747,351	34,107,753	33,504,231	35,645,873	32,237,376	31,768,720	29,984,877	27,063,800
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for services:										
General government	90,556	117,936	90,053	81,443	63,438	53,062	189,022	-	-	-
Public safety	233,361	188,458	202,554	195,365	159,236	157,238	185,890	244,823	188,207	217,637
Public works	318,291	366,920	313,983	432,509	390,969	322,027	224,756	216,426	134,538	149,335
Parks, recreation, and cultural	509,131	461,456	430,210	420,362	410,854	430,869	408,606	401,784	477,141	358,254
Community development	32,804	27,718	19,471	37,304	35,243	41,585	31,878	19,357	8,461	9,678
Operating grants and contributions	2,512,485	2,355,582	2,377,321	2,164,513	2,180,092	2,400,103	2,088,055	1,892,927	2,527,695	2,280,820
Capital grants and contributions	62,000	2,285,924	365,253	294,304	7,738,062	2,292,433	959,384	-	-	-
Total governmental activities program revenues	3,758,628	5,803,994	3,798,845	3,625,800	10,977,894	5,697,317	4,087,591	2,775,317	3,336,042	3,015,724
<b>Business-Type Activities:</b>										
Charges for services:										
Water	4,510,584	4,562,888	4,455,697	5,125,832	4,265,875	4,102,902	3,711,935	3,177,413	2,893,750	3,022,229
Wastewater	5,940,563	5,952,387	5,768,125	5,662,133	5,269,322	5,224,087	4,441,288	3,421,975	3,204,475	3,383,665
Electric	12,981,235	12,486,678	11,711,465	11,592,942	12,106,804	11,444,085	11,188,316	10,855,157	10,680,058	9,735,008
Operating grants and contributions	16,341	15,597	29,542	24,020	1,369	3,047	-	14,852	-	-
Capital grants and contributions	7,340,842	10,846,873	994,049	-	-	818,910	22,000	2,083	11,806	2,823,708
Total business-type activities program revenues	30,789,565	33,864,423	22,958,878	22,404,927	21,643,370	21,593,031	19,363,539	17,471,480	16,790,089	18,964,610
Total primary government program revenues	34,548,193	39,668,417	26,757,723	26,030,727	32,621,264	27,290,348	23,451,130	20,246,797	20,126,131	21,980,334
<b>Net (Expense) Revenue</b>										
Governmental activities	(13,288,236)	(9,523,356)	(11,588,463)	(10,357,743)	(2,256,208)	(8,776,334)	(8,945,846)	(9,395,630)	(8,021,196)	(8,581,351)
Business-type activities	10,030,458	12,299,386	2,598,835	2,280,717	1,373,241	420,809	159,600	(2,126,293)	(1,837,550)	3,497,885
Total primary government net expense	(3,257,778)	2,776,030	(8,989,628)	(8,077,026)	(882,967)	(8,355,525)	(8,786,246)	(11,521,923)	(9,858,746)	(5,083,466)

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**CHANGES IN NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting) (continued)**

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes										
Property taxes	\$ 3,726,136	\$ 3,814,435	\$ 3,334,858	\$ 3,062,450	\$ 3,095,547	\$ 3,052,885	\$ 2,905,805	\$ 2,764,759	\$ 2,757,576	\$ 3,159,991
Sales taxes	1,585,041	1,641,902	1,555,660	1,363,040	1,371,546	1,409,401	1,299,219	1,257,483	986,332	1,069,068
Business license tax	1,010,442	1,115,874	1,072,996	1,043,272	1,035,641	1,044,986	1,092,986	1,060,265	1,010,056	1,103,611
Franchise license tax	105,589	112,655	116,110	119,031	123,143	123,331	126,439	137,179	140,920	125,654
Bank stock tax	483,997	431,595	390,832	338,243	349,495	305,972	287,309	273,240	329,972	271,467
Cigarette tax	247,326	165,818	156,238	167,265	162,582	173,094	183,297	126,516	144,010	148,459
Hotel and motel room tax	448,369	498,669	449,636	342,965	325,775	328,032	249,896	299,089	256,929	256,849
Food and beverage tax	4,332,531	4,257,578	4,115,524	3,941,061	3,727,506	3,362,648	2,622,243	1,846,124	1,790,476	1,748,975
Local consumption tax	65,116	62,127	62,701	61,254	71,380	65,165	61,845	59,249	53,883	54,759
Other local taxes	16,615	13,543	-	-	-	4,918	971	2,195	4,074	4,245
Intergovernmental revenue	393,438	285,596	230,933	231,707	231,499	231,885	231,473	443,255	285,193	230,617
Investment earnings	345,501	117,859	45,754	36,412	18,793	20,845	25,279	13,663	22,309	25,398
Other	512,269	92,164	50,778	331,402	165,826	103,546	74,341	54,908	163,583	453,053
Special Item: Annexation of State Roads	-	-	-	-	-	-	680,433	-	-	-
Transfers	604,380	607,965	611,435	593,538	625,612	594,982	573,758	300,000	300,000	302,145
Total governmental activities	13,876,750	13,217,780	12,193,455	11,631,640	11,304,345	10,821,690	10,415,294	8,637,925	8,245,313	8,954,291
<b>Business-Type Activities:</b>										
Investment earnings	527,505	242,858	127,950	60,471	30,050	37,648	46,910	216,685	252,103	329,668
Other	9,219	-	13,212	8,301	6,668	-	-	1,433,610	1,252,125	573,216
Insurance recovery	-	-	-	3,474	7,929	447,114	-	-	-	-
Transfers	(604,380)	(607,965)	(611,435)	(593,538)	(625,612)	(594,982)	(573,758)	(300,000)	(300,000)	(302,145)
Total business-type activities	(67,656)	(365,107)	(470,273)	(521,292)	(580,965)	(110,220)	(526,848)	1,350,295	1,204,228	600,739
Total primary government	13,809,094	12,852,673	11,723,182	11,110,348	10,723,380	10,711,470	9,888,446	9,988,220	9,449,541	9,555,030
<b>Changes in Net Position</b>										
Governmental activities	588,514	3,694,424	604,992	1,273,897	9,048,137	2,045,356	1,469,448	(757,705)	224,117	372,940
Business-type activities	9,962,802	11,934,279	2,128,562	1,759,425	792,276	310,589	(367,248)	(775,998)	(633,322)	4,098,624
Total primary government	\$ 10,551,316	\$ 15,628,703	\$ 2,733,554	\$ 3,033,322	\$ 9,840,413	\$ 2,355,945	\$ 1,102,200	\$ (1,533,703)	\$ (409,205)	\$ 4,471,564



TABLE 3

## TOWN OF CULPEPER, VIRGINIA

## FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2019	2018	2017	2016	2015 <sup>(1)</sup>	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2012	2011
<b>Post-GASB54:</b>									
<b>General Fund</b>									
Nonspendable	\$ 121,487	\$ 125,672	\$ 82,081	\$ -	\$ -	\$ 86,437	\$ 146,178	\$ 80,810	\$ 58,070
Restricted	230,698	339,124	2,957,401	5,399,922	5,300,787	6,732,852	664,894	470,772	265,133
Committed	-	-	-	176,088	-	-	8,072,276	7,931,602	83,125
Assigned	7,368,961	3,504,418	2,491,370	448,203	86,656	352,985	1,353,321	648,657	4,557,951
Unassigned	7,348,636	10,711,025	6,818,439	5,663,645	5,377,641	4,726,934	823,784	314,975	4,000,756
Total general fund	<u>\$ 15,069,782</u>	<u>\$ 14,680,239</u>	<u>\$ 12,349,291</u>	<u>\$ 11,687,858</u>	<u>\$ 10,765,084</u>	<u>\$ 11,899,208</u>	<u>\$ 11,060,453</u>	<u>\$ 9,446,816</u>	<u>\$ 8,965,035</u>
<b>All Other Governmental Funds</b>									
Nonspendable	\$ 916,872	\$ 847,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	132,716	109,828	893,371	822,133	758,254	703,499	638,704	598,758	542,416
Total all other governmental funds	<u>\$ 1,049,588</u>	<u>\$ 957,150</u>	<u>\$ 893,371</u>	<u>\$ 822,133</u>	<u>\$ 758,254</u>	<u>\$ 703,499</u>	<u>\$ 638,704</u>	<u>\$ 598,758</u>	<u>\$ 542,416</u>
<b>Pre-GASB54:</b>									
<b>General Fund</b>									
Reserved	\$ 237,575								
Unreserved	8,714,679								
Total general fund	<u>\$ 8,952,254</u>								
<b>All Other Governmental Funds</b>									
Unreserved, reported in:									
Permanent fund	\$ 478,881								
Total all other governmental funds	<u>\$ 478,881</u>								

<sup>(1)</sup> These totals are as previously reported. A prior period adjustment was required which subsequently modified these amounts.

TABLE 4

## TOWN OF CULPEPER, VIRGINIA

**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenues</b>										
Taxes	\$12,127,817	\$12,022,628	\$11,264,283	\$ 10,456,591	\$10,185,335	\$ 9,852,810	\$ 8,794,666	\$ 7,834,966	\$ 7,432,462	\$ 7,738,427
Permits, privilege fees, and licenses	370,949	339,691	297,808	364,246	275,969	304,884	255,905	294,185	278,571	256,426
Fines and forfeitures	131,494	113,085	134,158	118,324	122,292	103,206	129,654	129,778	123,623	166,292
Investment earnings	597,370	364,243	213,887	212,379	202,029	210,983	210,859	191,908	232,691	249,704
Charges for services	353,125	378,002	295,860	279,147	328,502	293,820	255,751	284,563	200,374	92,425
Other	622,890	251,708	131,122	196,889	300,545	216,950	288,051	46,727	122,168	401,587
Recovered costs	2,521,534	2,332,603	2,288,113	2,208,363	2,027,731	1,835,240	1,817,446	2,009,672	2,052,104	1,630,016
Grant proceeds	-	-	-	-	-	-	-	-	-	-
Intergovernmental	2,928,570	2,807,406	2,853,111	2,690,525	4,707,381	3,953,986	3,279,435	2,342,176	2,975,718	2,562,603
Total revenues	19,653,749	18,609,366	17,478,342	16,526,464	18,149,784	16,771,879	15,031,767	13,133,975	13,417,711	13,097,480
<b>Expenditures</b>										
General government	4,177,881	3,814,621	3,738,385	3,590,533	3,306,228	3,190,149	3,146,377	2,703,451	2,491,505	2,146,254
Public safety	5,250,136	5,020,076	4,996,798	4,619,766	4,317,699	4,290,573	4,018,716	3,902,392	3,920,633	3,866,967
Public works	4,334,914	3,184,690	3,628,459	3,514,464	3,259,396	3,330,713	3,110,447	3,045,848	2,820,311	2,678,356
Parks, recreation, and cultural	752,292	769,988	703,051	730,184	665,109	828,728	906,712	715,352	654,533	489,512
Community development	1,545,830	1,570,997	1,417,717	1,414,780	1,425,637	1,435,055	1,286,951	1,335,520	1,140,210	1,233,053
Capital projects	1,988,530	738,983	1,284,343	884,820	5,709,587	5,466,703	3,918,542	841,828	1,628,829	2,174,668
Debt service:										
Principal	1,284,036	1,265,780	1,249,267	1,227,548	1,074,903	933,736	784,741	716,123	573,103	498,974
Interest	442,579	457,469	410,324	511,519	533,486	520,199	442,610	419,506	412,271	393,527
Bond issuance costs	-	-	-	73,022	7,896	53,236	56,846	115,832	150,834	27,991
Total expenditures	19,776,198	16,822,604	17,428,344	16,566,636	20,299,941	20,049,092	17,671,942	13,795,852	13,792,229	13,509,302
Excess of revenues over (under) expenditures	(122,449)	1,786,762	49,998	(40,172)	(2,150,157)	(3,277,213)	(2,640,175)	(661,877)	(374,518)	(411,822)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	-	-	4,990,000	430,000	3,676,500	3,720,000	900,000	10,223,397	5,629,000
Bond premium on issuance	-	-	-	1,115,879	-	-	-	-	804,730	-
Payments to escrow agent	-	-	-	(6,036,403)	-	-	-	-	(10,877,293)	-
Proceeds from sale of assets	-	-	-	299,932	-	-	-	-	-	-
Transfers in	604,380	607,965	611,435	593,538	625,612	594,982	573,758	300,000	300,000	302,145
Total other financing sources (uses)	604,380	607,965	611,435	962,946	1,055,612	4,271,482	4,293,758	1,200,000	450,834	5,931,145
Net change in fund balances	\$ 481,931	\$ 2,394,727	\$ 661,433	\$ 922,774	\$ (1,094,545)	\$ 994,269	\$ 1,653,583	\$ 538,123	\$ 76,316	\$ 5,519,323
Debt service as a percentage of noncapital expenditures	9.71%	10.71%	10.28%	11.09%	11.02%	9.97%	8.92%	8.77%	8.10%	7.87%

TABLE 5

**TOWN OF CULPEPER, VIRGINIA**

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**

**Last Ten Fiscal Years**

Fiscal Year		Real Estate	Personal Property	Machinery and Tools	Public Utilities		Total Assessed Value	Total Direct Tax Rate(1)
					Real Estate	Personal Property		
2019	\$	1,802,236,200	\$ 177,408,463	\$ 27,859,148	\$ 38,027,777	\$ 86,953	\$ 2,045,618,541	1.90
2018		1,789,850,200	168,970,393	22,987,435	40,667,473	110,293	2,022,585,794	1.90
2017		1,664,811,915	163,594,889	23,736,598	34,518,204	12,199	1,886,673,805	1.91
2016		1,639,650,120	152,345,370	18,897,435	35,389,078	17,350	1,846,299,353	1.91
2015		1,430,676,100	145,472,196	19,641,375	29,676,346	48,955	1,625,514,972	1.91
2014		1,411,785,500	142,461,383	18,781,109	25,499,302	58,635	1,598,585,929	1.93
2013 <sup>(2)</sup>		1,346,564,800	134,140,673	16,413,572	39,446,496	357,302	1,536,922,843	1.93
2012		1,155,780,300	126,677,786	16,266,484	40,816,355	79,380	1,339,620,305	1.93
2011		1,287,542,000	133,963,333	20,757,388	50,527,487	1,924,451	1,494,714,659	1.93
2010		1,283,747,600	128,919,003	21,446,734	48,045,998	1,911,743	1,484,071,078	1.91

**Notes:** Property is assessed at full market value. Real estate properties are reassessed once every two year.

(1) Per \$100 of assessed value

(2) Increase in assessed values primarily due to 2012 County/ Town Boundary Line Adjustment

Source: Treasurer Department Tax Records, Town of Culpeper, Virginia.

TABLE 6

**TOWN OF CULPEPER, VIRGINIA**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES (1)**

**Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Overlapping Rates Culpeper County		Total Direct Tax Rate
				Real Estate	Personal Property	Real Estate	Personal Property	
2019	0.10	1.00	0.80	0.10	1.00	0.62	3.50	1.90
2018	0.10	1.00	0.80	0.10	1.00	0.67	3.50	1.90
2017	0.11	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2016	0.11	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2015	0.11	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2014	0.13	1.00	0.80	0.13	1.00	0.83	3.50	1.93
2013	0.13	1.00	0.80	0.11	1.00	0.83	3.50	1.93
2012	0.13	1.00	0.80	0.11	1.00	0.74	3.50	1.93
2011	0.13	1.00	0.80	0.11	1.00	0.74	3.50	1.93
2010	0.11	1.00	0.80	0.11	1.00	0.65	3.50	1.91

(1) Per \$100 of assessed value

Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia.

Culpeper County Treasurer

TABLE 7

**TOWN OF CULPEPER, VIRGINIA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Ten Years Ago**

**June 30, 2019**

<b>Name</b>	<b>Nature of Business</b>	<b>Assessed Value</b>	<b>Percent of Real Estate Tax</b>
Society for Worldwide Interbank	Banking Operations	\$ 20,045,900	1.12%
Culpeper Regency LLC	Shopping Centers	\$ 16,065,600	0.90%
Dominion Square – Culpeper LLC	Shopping Center	\$ 13,373,700	0.75%
Walmart Real Estate Business Trust	Retail / Grocery	\$ 11,987,300	0.67%
15179 Culpeper Retail LLC	Shopping Center	\$ 10,120,600	0.57%
VA Equities LLC	Shopping Center	\$ 9,812,900	0.55%
Target Corporation	Retail / Grocery	\$ 7,813,300	0.44%
Southridge/Culpeper LP	Rental Residential & Commercial	\$ 7,567,600	0.42%
Lowe's Home Centers, Inc.	Retail	\$ 7,509,800	0.42%
Masco Builder Cabinet Group	Manufacturing	\$ 7,081,300	0.40%
Total Real Property Assessed Value		\$ 1,802,236,200	100.00%

**June 30, 2010**

<b>Name</b>	<b>Nature of Business</b>	<b>Assessed Value</b>	<b>Percent of Real Estate Tax</b>
Society for Worldwide Interbank	Banking Operations	\$ 18,183,100	1.24%
Dominion Square – Culpeper LLC	Shopping Center	\$ 15,027,500	1.03%
Walmart Real Estate Business Trust	Retail / Grocery	\$ 12,718,200	0.87%
Continental 181 Fund LLC	Manufacturing	\$ 11,387,400	0.78%
Southridge/Culpeper LP	Rental Residential & Commercial	\$ 8,213,300	0.56%
Culpeper Shopping Center Joint Venture	Shopping Center	\$ 7,472,900	0.51%
Masco Builder Cabinet Group	Manufacturing	\$ 7,302,200	0.50%
Culpeper House LTD Partnership	Rental Residential	\$ 6,756,300	0.46%
Culpeper Commons LP	Rental Residential	\$ 6,727,400	0.46%
Medical Facilities of America XVI	Nursing Home / Elderly Care	\$ 6,712,900	0.46%
Total Real Property Assessed Value		\$ 1,287,542,000	100.00%

**Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia.**

TABLE 8

**TOWN OF CULPEPER, VIRGINIA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Year of the Levy		Collections in Subsequent Years *	Total Collections to Date	
			Amount *	Percentage of Levy		Amount *	Percentage of Levy
2019	2018	\$ 3,699,140	\$ 3,511,769	94.93%	\$ -	\$ 3,511,769	94.93 %
2018	2017	3,600,849	3,401,152	94.45%	217,898	3,619,050	100.51
2017	2016	3,229,653	3,071,240	95.10%	207,311	3,278,551	101.51
2016	2015	3,070,128	2,880,923	93.84%	228,010	3,108,933	101.26
2015	2014	3,026,106	2,816,413	93.07%	252,730	3,069,143	101.42
2014	2013	2,970,019	2,774,376	93.41%	238,825	3,013,201	101.45
2013	2012	2,850,133	2,663,855	93.46%	217,693	2,881,548	101.10
2012	2011	2,741,503	2,620,533	95.59%	167,003	2,787,536	101.68
2011	2010	2,790,558	2,612,794	93.63%	187,940	2,800,734	100.36
2010	2009	2,741,606	2,521,959	91.99%	183,636	2,705,595	98.69

\* Includes amounts collected for late payment interest and penalties

Source: Treasurer's Department Tax Records, Town of Culpeper, Virginia.

TABLE 9

## TOWN OF CULPEPER, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years

Fiscal Year	Governmental	Business-Type Activities					Total Primary Government	Percentage of Town Cumulative Personal Income **	Per Capita
	Activities								
	General	General Obligation Bonds*			Capital				
	Obligation Bonds*	Water Bonds	Wastewater Bonds	Electric Bonds	Leases				
2019	\$12,845,122	\$8,173,959	\$15,905,487	\$4,176,528	-	\$41,101,096	4.98%	\$ 2,207	
2018	14,225,946	8,663,316	16,684,924	4,528,455	-	44,102,641	5.59%	2,396	
2017	15,588,513	9,382,689	17,660,393	4,924,178	44,009	47,599,782	6.44%	2,632	
2016	16,963,068	10,042,032	18,733,482	5,309,323	81,180	51,129,085	7.28%	2,870	
2015	17,787,190	10,688,607	18,479,818	5,509,370	150,658	52,615,643	7.48%	2,980	
2014	18,457,598	7,394,349	19,289,433	5,852,615	212,707	51,206,702	7.76%	2,945	
2013	15,758,484	6,764,750	20,076,104	6,114,792	67,430	48,781,560	7.50%	2,852	
2012	12,866,875	3,037,383	20,857,910	4,245,381	109,073	41,116,622	6.51%	2,435	
2011	12,788,716	3,439,116	21,864,156	4,482,978	-	42,574,966	7.74%	2,555	
2010	13,097,918	3,838,241	21,900,138	4,705,832	-	43,542,129	8.27%	2,658	

\* Includes bond premiums

\*\* See Table 13

TABLE 10

## TOWN OF CULPEPER, VIRGINIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding	Percentage of Actual Taxable	
	General Obligation Bonds	Value of Property	Per Capita
2019	\$41,101,096	2.01%	2,207
2018	\$44,102,641	2.18%	2,396
2017	\$47,555,773	2.52%	2,630
2016	\$51,047,905	2.76%	2,865
2015	\$52,464,985	3.23%	2,971
2014	\$50,993,995	3.19%	2,933
2013	\$48,714,130	3.17%	2,848
2012	\$41,007,549	3.06%	2,428
2011	\$42,574,966	2.85%	2,555
2010	\$43,542,129	2.93%	2,658

TABLE 11

## TOWN OF CULPEPER, VIRGINIA

## LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assessed value of Real Estate	\$ 1,840,263,977	\$ 1,830,517,673	\$ 1,699,330,119	\$ 1,675,039,198	\$ 1,460,352,446	\$1,437,284,802	\$ 1,386,011,296	\$ 1,196,596,655	\$ 1,338,069,487	\$ 1,331,793,598
Debt limit (10% of assessed value)	\$ 184,026,398	\$ 183,051,767	\$ 169,933,012	\$ 167,503,920	\$ 146,035,245	\$ 143,728,480	\$ 138,601,130	\$ 119,659,666	\$ 133,806,949	\$ 133,179,360
Less debt applicable to limit:										
General obligation bonds	(41,101,096)	(44,102,641)	(47,555,773)	(51,047,905)	(52,464,985)	(50,993,995)	(48,714,130)	(41,007,549)	(42,574,966)	(43,542,129)
Capital leases	-	-	(44,009)	(81,180)	(150,658)	(212,707)	(67,430)	(109,073)	-	-
Legal debt margin	\$ 142,925,302	\$ 138,949,126	\$ 122,333,230	\$ 116,374,835	\$ 93,419,602	\$ 92,521,778	\$ 89,819,570	\$ 78,543,044	\$ 91,231,983	\$ 89,637,231
Total debt applicable to limit as a percentage of the debt limit	22.3%	24.1%	28.0%	30.5%	36.0%	35.6%	35.2%	34.4%	31.8%	32.7%
Total debt applicable to limit as a percentage of Assessed Value	2.2%	2.4%	2.8%	3.1%	3.6%	3.6%	3.5%	3.4%	3.2%	3.3%
Debt applicable to limit:										
Allocated to General Fund	\$ 12,845,122	\$ 14,225,946	\$ 15,588,513	\$ 16,963,068	\$ 17,787,190	\$ 18,457,598	\$ 15,758,484	\$ 12,866,875	\$ 12,788,716	\$ 13,097,918
Allocated to Enterprise Funds	\$ 28,255,974	\$ 29,876,695	\$ 32,011,269	\$ 34,166,017	\$ 34,828,453	\$ 32,749,104	\$ 33,023,076	\$ 28,249,747	\$ 29,786,250	\$ 30,444,211
Total	\$ 41,101,096	\$ 44,102,641	\$ 47,599,782	\$ 51,129,085	\$ 52,615,643	\$ 51,206,702	\$ 48,781,560	\$ 41,116,622	\$ 42,574,966	\$ 43,542,129

TABLE 12

## TOWN OF CULPEPER, VIRGINIA

## PLEDGED REVENUE COVERAGE

## Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Less:	Net	Debt Service (2)		Coverage
		Operating Expenses (1)	Available Revenue	Principal	Interest	
2019	\$21,356,576	\$ 16,394,418	\$ 4,962,158	\$ 1,471,963	\$ 959,118	2.04
2018	20,530,203	16,141,044	4,389,159	1,985,229	1,102,319	1.42
2017	19,650,537	16,697,265	2,953,272	2,033,903	867,744	1.02
2016	20,144,959	15,740,931	4,404,028	1,853,158	1,222,552	1.43
2015	19,844,964	16,239,392	3,605,572	1,689,567	1,256,130	1.22
2014	18,653,465	16,993,104	1,660,361	1,585,474	1,187,744	0.60
2013	17,874,539	15,233,615	2,640,924	1,430,259	1,113,035	1.04
2012	17,469,397	15,532,231	1,937,166	1,372,877	1,281,466	0.73
2011	16,778,283	14,392,590	2,385,693	1,268,044	1,236,347	0.95
2010	16,140,902	12,324,520	3,816,382	859,595	1,502,738	1.62

All reported Town debt issues are General Obligation bonds. This Table data is provided to show the portion of debt service allocated to Enterprise Funds, and what the Revenue Coverage would be in the event the related debt had been issued as Enterprise Fund Revenue Bonds.

**Notes:**

- (1) Operating expenses do not include depreciation, interest, or amortization expenses.
- (2) Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.



TABLE 13

**TOWN OF CULPEPER, VIRGINIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended</b>	<b>Population *</b>	<b>Cumulative Town Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Household Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2019	18,619	\$ 825,491,984	\$ 44,336	\$ 69,318	39.2	4,065	2.30%
2018	18,409	789,543,601	42,889	67,682	39.2	3,929	3.00%
2017	18,083	738,690,550	40,850	67,232	39.4	3,776	3.60%
2016	17,815	702,196,040	39,416	66,964	39.0	3,775	3.70%
2015	17,657	703,578,479	39,847	66,697	38.8	3,755	5.00%
2014	17,385	659,639,055	37,943	65,235	38.5	3,935	5.80%
2013	17,106	650,181,954	38,009	64,423	38.4	4,610	5.50%
2012	16,886	631,519,514	37,399	65,567	38.3	5,700	6.50%
2011	16,662	550,395,846	33,033	66,458	38.3	3,247	6.40%
2010	16,379	526,421,060	32,140	65,132	31.9	3,682	8.00%

*\* Estimated*

**Sources:**     **Virgina Employment Commission**  
                   **Weldon Cooper Center for Public Service**  
                   **Financial Reserve Bank of St Louis Economic Research**

TABLE 14

## TOWN OF CULPEPER, VIRGINIA

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**

**June 30, 2019**

<b>Employer</b>	<b>Product/Service</b>	<b>Total Estimated Employees</b>	<b>Percent of Workforce</b>
Culpeper County School Board	Local Government	1000 - 4999	N/A
Culpeper Medical Center	Healthcare	500 - 999	N/A
Culpeper County Government	Local Government	500 - 999	N/A
Wal-Mart	Retail / Grocery	250 - 499	N/A
S.W.I.F.T., Inc.	Data Center	250 - 499	N/A
Rappahannock Rapidan Community Services	Health Care and Social Assistance	250 - 499	N/A
Cintas Corporation	Service Business	100 - 249	N/A
Virginia Department of Transportation	State Government - Transportation Program	100 - 249	N/A
Continental Automotive Systems	Manufacturing	100 - 249	N/A
Masco Builder Cabinet (Merilat)	Manufacturing	100 - 249	N/A
Town of Culpeper	Local Government	100 - 249	N/A
County Total Workforce		<u>24,342</u>	

**June 30, 2010**

<b>Employer</b>	<b>Product/Service</b>	<b>Total Estimated Employees</b>	<b>Percent of Workforce</b>
Culpeper County School Board	Local Government	1490	7.4%
Culpeper Regional Hospital	Healthcare	600	3.0%
Wal-Mart	Retail / Grocery	598	3.0%
Culpeper County Government	Local Government	583	2.9%
Continental Automotive Systems	Manufacturing	316	1.6%
Cintas Corporation	Service Business	265	1.3%
Virginia Department of Transportation	State Government - Transportation Program	250	1.3%
Culpeper Health & Rehabilitation Center	Healthcare	175	0.87%
Town of Culpeper	Local Government	154	0.76%
Merchants Grocery Co, Inc.	Wholesale	152	0.76%
County Total Workforce		<u>19,933</u>	

**Source: (2010) Planning Department, Town of Culpeper, Virginia.**  
**(2019) Virginia Employment Commission, Economic Information & Analytics, QCEW**

TABLE 15

## TOWN OF CULPEPER, VIRGINIA

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
General Government										
Management services (includes Council = 4.5)	5.5	5.5	5.5	5.5	5.5	5.5	5	6	7	7
Finance & Human Resources	18	18	17	16	14	11	11	12	11	10.5
Planning	5	6	5	5	5	5	5	5	4	3
Building Maintenance & General Engineering	4	5	5	4	4	4	4	4	4	4
Tourism & Visitors Center	4.5	4	4	3.5	2.5	2.5	2.5	2.5	2	2
Culpeper Media	2	2	2	2	2	2	2	2	2	2
Information Technology	7	6	6	7	6	6	5	4	2	2
Town Clerk	3	2.5	2	3	2	2	2	2	2	2
Public Safety										
Officers	46	43	42	40	42	42	42	39	41	41
Civilians	9	9	10	11	8	9	8	9	8	8
Public Works										
Refuse collection	4	4	4	5	5	5	4	5	5	5
Streets	18	17	18	17	18	16	15	10	13	13
Traffic Engineering & Motor Pool	4	4	4	4	4	4	4	6	4	5
Parks and Recreation										
Parks	5	5	5	5	5	8	8	6	5	7
Cemetery	3	2	2	2	1.5	3	3	1	3	3
Water and Wastewater Operations	37	35	34	33	34	34	32	36	31	23
Electric Operations	17	17	17	16	17	18	19	16	17	18
Total	192	185	182.5	179	175.5	177	171.5	165.5	160.5	155

Source: Town of Culpeper Finance Department

TABLE 16

## TOWN OF CULPEPER, VIRGINIA

OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Traffic violations	2,765	2,482	3,110	2,013	2,075	2,246	2,755	2,180	3,471	4,086
Parking violations	2,262	1,636	1,496	1,838	1,342	1,226	1,876	1,439	1,643	2,530
Arrests	1,151	1,205	1,167	1,266	1,330	1,346	1,389	1,386	1,320	499
Total crimes	1,587	1,801	1,681	1,742	1,680	1,542	1,871	1,783	1,823	1,845
Public Works										
Street paving – crack sealant in pounds	-	129	-	-	693	136	4,740	20,442	30,000	30,000
Street paving – milling in sq. yds.	57,835	5,678	30,388	-	14,691	10,384	1,011	21,755	9,575	33,347
Street paving – bituminous concrete in tons	9,392	2,482	4,503	-	1,814	1,858	2,884	5,495	4,504	4,839
Recycling – cardboard in pounds	-	-	49,367	59,240	57,640	69,540	73,020	81,420	89,320	90,460
Recycling – newspaper in pounds	-	-	-	-	-	-	-	-	-	-
Water Operations										
Number of service connections	7,504	7,352	7,103	7,093	6,930	6,931	6,651	6,579	6,507	6,466
Average daily consumption in gallons	2,000,000	2,080,000	2,060,000	2,011,007	2,070,638	1,900,000	1,700,000	1,499,109	1,760,000	1,700,000
Maximum daily capacity of plant in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Maximum daily capacity of wells in gallons	1,900,000	1,900,000	918,000	918,000	918,000	-	-	-	-	-
Wastewater Operations										
Number of service connections	7,178	7,024	6,849	6,823	6,667	6,662	6,382	6,315	6,238	6,190
Average daily consumption in gallons	3,810,000	2,900,000	2,900,000	3,160,000	2,880,000	3,400,000	3,700,000	1,371,855	2,620,000	3,000,000
Maximum daily capacity of plant in gallons	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Electric Operations										
Number of service connections	5,606	5,481	5,408	5,357	5,323	5,214	5,087	5,099	5,063	4,987
Average monthly consumption in kilowatt-hours	1,541	1,569	1,597	1,540	1,574	1,615	1,628	1,611	1,673	1,466
Highest system peak demand in megawatts	27.20	26.20	27.58	27.58	27.47	26.37	25.56	25.66	25.72	25.70

Source: Internal data from various departments, Town of Culpeper, Virginia.

TABLE 17

## TOWN OF CULPEPER, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION  
Last Ten Fiscal Years

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	46	37	36	36	36	36	33	33	33	33
Public Works										
Streets (miles)	68	68	67	66	66	66	66	62	64	62
Street & yard lights	1,175	1,172	1,054	1,054	1,054	1,054	1,109	1,116	1,133	1,133
Traffic signals	17	17	19	19	19	20	20	19	15	15
Water Operations										
Miles of water main	106.0	106.0	104.7	104.0	102.6	101.4	100.0	99.0	99.0	99.0
Number of fire hydrants	750	750	734	725	713	740	737	678	678	678
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of wells	6	6	3	3	3	-	-	-	-	-
Wastewater Operations										
Miles of sanitary sewer	98.0	98.0	97.6	96.8	95.5	95.5	96.0	95.0	95.0	95.0
Miles of storm sewer	32.2	32.2	32.0	30.5	30.5	30.5	30.0	20.0	20.0	20.0
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	11	12	11	11	10	9	9	9	9	9
Electric Operations										
Miles of overhead lines (miles)	32.2	32.2	27.9	27.7	27.7	27.7	27.7	27.7	27.7	N/A
Miles of underground lines (miles)	136.4	134.3	46.7	44.5	44.5	44.1	42.9	41.8	41.8	N/A
Number of sub-stations (115 kV)	1	1	1	1	1	1	1	1	1	1
Number of delivery points (34.5 kV)	1	1	1	1	1	1	-	-	-	1

**Note:** Certain Electric operation information not available prior to 2011.

**Source:** Internal data from various departments, Town of Culpeper, Virginia.

## **COMPLIANCE SECTION**

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**Town of Culpeper, Virginia**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

<b>Federal Grantor/ Pass- Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
Department of Agriculture: Pass Through Payments: Watershed Rehabilitation Program NRCS	10.916	68-33A7-14-003 and 68-33A7-14-004	\$ 5,803,581
Total Department of Agriculture			5,803,581
Department of Justice: Pass Through Payments: Edward Byrne Memorial Justice Assistance Equitable Sharing Program	16.738 16.922	1710010 and 1711538 N/A	48,347 2,734
Total Department of Justice			51,081
Department of Transportation: Pass Through Payments: Highway Planning and Construction: 522- Road Diet N. Main Street Roundabout Sidewalk Extension Sunset Road Sidewalk Extension Total Highway Planning and Construction  State and Community Highway Safety	20.205 20.205 20.205  20.600	U000-204-176, UPC #109573 18-0321.001 - UPC #111394 18-0321.001 - UPC #111395  58337-8337, 58334-8334, 58337-8337, 59311-9311, 59315-9315	78,022 21,501 39,082 138,605  17,195
Total Department of Transportation			155,800
Total Expenditures of Federal Awards			\$ 6,010,462

**Note 1 - BASIS OF PRESENTATION:**

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the Town of Culpeper, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the Town's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

**Note 2 - DE MINIMIS INDIRECT COST RATE:**

The entity did not elect to use the 10% de minimis indirect cost rate.

**Note 3 - OUSTANDING LOAN BALANCES:**

At June 30, 2019, the Town had no outstanding loan balances requiring continuing disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of Town Council  
Town of Culpeper, Virginia  
Culpeper, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Culpeper, Virginia (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 22, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 22, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Honorable Members of the Town Council  
Town of Culpeper, Virginia  
Culpeper, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Culpeper, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2019. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 22, 2019

## **TOWN OF CULPEPER, VIRGINIA**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2019**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

#### **STATE COMPLIANCE MATTERS**

##### *Code of Virginia*

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

##### State Agency Requirements

Urban Highway Maintenance

#### **FEDERAL COMPLIANCE MATTERS**

##### Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

**TOWN OF CULPEPER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2019**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

Name of Program	CFDA #
Watershed Rehabilitation Program	10.916

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Town was **not determined to be a low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

No findings were noted in the current year.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings were noted in the current year.

**D. FINDINGS– COMMONWEALTH OF VIRGINIA**

No findings were noted in the current year.