

# **TOWN OF CULPEPER, VIRGINIA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**

**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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[www.culpeperva.gov](http://www.culpeperva.gov)

November 21, 2017

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, 2017. This report was audited by the independent certified public accounting firm of Brown Edwards & Company, and the responsibility for both 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 and manages electric, water, and sewer utilities, that serve in excess of 8,000 customers.

## **ECONOMIC CONDITION AND OUTLOOK**

Population growth continues within the Town, but has slowed in recent years. The Town is positioned in the D.C./Northern Virginia growth ring with a forecasted steady population increase during the next two decades. 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. The prior year's growth and development shows that new opportunities exist for businesses that have either located in or are considering building in the area. The unemployment rate for Culpeper is low at 3.6%, which is below both the Virginia Statewide rate (3.8%) and the national rate (4.3%) as of July 2017.

With these conditions, the overall outlook for the Town is upbeat. The Town remains a primary commercial and service area. 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 balance the Governmental Fund budget. The Town faces ongoing challenges in the coming years 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.

## **MAJOR INITIATIVES IN FY17**

FY17 brought a continued focus on improvements to the Town operations and the continuing focus on 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 first year of the Culpeper 20/20 Strategic Vision Plan was updated during FY17. The plan examined 6 focus areas that were identified in Culpeper. The plan identified 9 projects to be focused on during FY17. A complete copy of the Culpeper 20/20 Strategic Vision Plan can be found on the Town website. The Culpeper 20/20 Strategic Vision Plan is anticipated to be updated in FY18 with a focus on a Downtown Masterplan as well as further development of projects previously identified.
- 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 as a result of changes in Virginia dam safety regulation and a requirement of the Town's conditional operating permits for both dams. Design was completed during FY17 and construction continues on the pretreatment facility that was required to be moved as part of the dam improvements. Construction is currently underway and is scheduled to be completed in FY19.
- Groundwater Development – During FY17 construction began to connect three additional portable water wells into the water system with construction anticipated to be complete in FY18. Once complete, these wells will serve as a supplemental and emergency water supply for the community.
- 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 LED street lighting fixtures were installed on Main and Davis Street, various parking lots and a few small subdivisions. This is part of implementation of a more energy efficient lighting plan throughout the Town. Permanent power has been installed at the new well houses currently under construction.
- Rockwater Park – During FY16 a master plan was completed for Rockwater Park. Construction of park improvements began in FY17, with the park anticipated to open in FY18.

## **MAJOR INITIATIVES IN FY17 (Continued)**

- Lake Pelham Adventures – After identifying a need for an additional boat access point to Lake Pelham due to the existing boat access point being temporarily removed during construction of the state mandated dam improvements, a location was identified adjacent to The Ole Country Store & Bakery. Realizing a significant effort would be required to construct the required boat access point, the project was expanded to include the Lake Pelham Adventures boat rental facility which is a Public Private partnership between the Town, The Ole Country Store & Bakery as well as other partners. Lake Pelham Adventures was expanded in FY17 to include an access road, parking, boat ramp, courtesy dock, kayak launch and gazebo.
- ERP implementation – The Town is currently 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 was initiated in FY16, with the General Ledger and Accounts Payable modules, and system hardware installation phases completed during FY17. Modules currently in progress and scheduled to be completed in FY18 include Permitting, Business License, Cashiering and Human Resources/Payroll. The final phase to implement the Taxes and Utility Billing modules is anticipated to begin during the 2nd half of FY18 with final completion scheduled during FY19.

## **TOWN AWARDS AND ACHIEVEMENTS**

- Commission on Accreditation of Law Enforcement Agencies (CALEA) Award – In FY17, the Culpeper Police Department received its 5th Award for Advanced Accreditation through the Commission on Accreditation on Law Enforcement Agencies, Inc. (CALEA). The department complied with 484 applicable law enforcement standards established by a commission of law enforcement practitioners. In December of 2016, two law enforcement professionals, one from North Carolina and one from Florida, came to the Culpeper Police Department and assessed our agency. In March 2017, Chief of Police Chris Jenkins testified in front of the CALEA Commission in Mobile, Alabama at commission conference. At this commission conference, the Culpeper Police Department received its award.
- Directors Award – The Culpeper Water Treatment Plant maintained the Partnership for Safe Water's Directors Award for 2016. The Plant received its Award in February 2017. This is credited to the Plant's outstanding achievement and maintaining Phase III status for 2016. This shows the staff's ongoing commitment in protecting the public and community health. 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.
- 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 thirteenth consecutive year for its Comprehensive Annual Financial Report for the fiscal year ended, June 30, 2016. 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 Refinancing and Credit Rating***

In June 2016, the Town refinanced the 2008 and 2010 General Obligation Bonds in the public market, and will save approximately \$3 million dollars from the refinancing of this debt. The Town continues to maintain a credit rating of Aa2 from Moody's as well as a AA credit rating from Standards & Poor's.

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

The Town Finance Division/Treasurer's Office provides, maintains and supports 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 hired a new Director of Finance/Town Treasurer in FY17, who reports directly to the Town Manager. The 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 Division/Treasurer's Office, and all segments of operations within the department, as well as with other Town departments 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 sincerely appreciate the efforts of staff towards the preparation of this report. I also wish to thank the Town Council, Town Manager, and Town department staff for their support and continued interest in creating a strong financial basis for the Town and its citizens. This report is made available to the public via the Town's website located at <https://www.culpeperva.gov/Government/Finance-and-Treasurer/Budgets-and-Reports>.

Respectfully submitted,



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



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, 2016

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

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**

**TREASURER/DIRECTOR OF FINANCE**  
Howard Kartel

**DIRECTOR OF PUBLIC SERVICES**  
Jim Hoy

**CHIEF OF POLICE**  
Chris Jenkins

**DIRECTOR OF LIGHT AND POWER**  
Michael Stover

**DIRECTOR OF INFORMATION TECHNOLOGY AND GIS**  
Tonya Estes

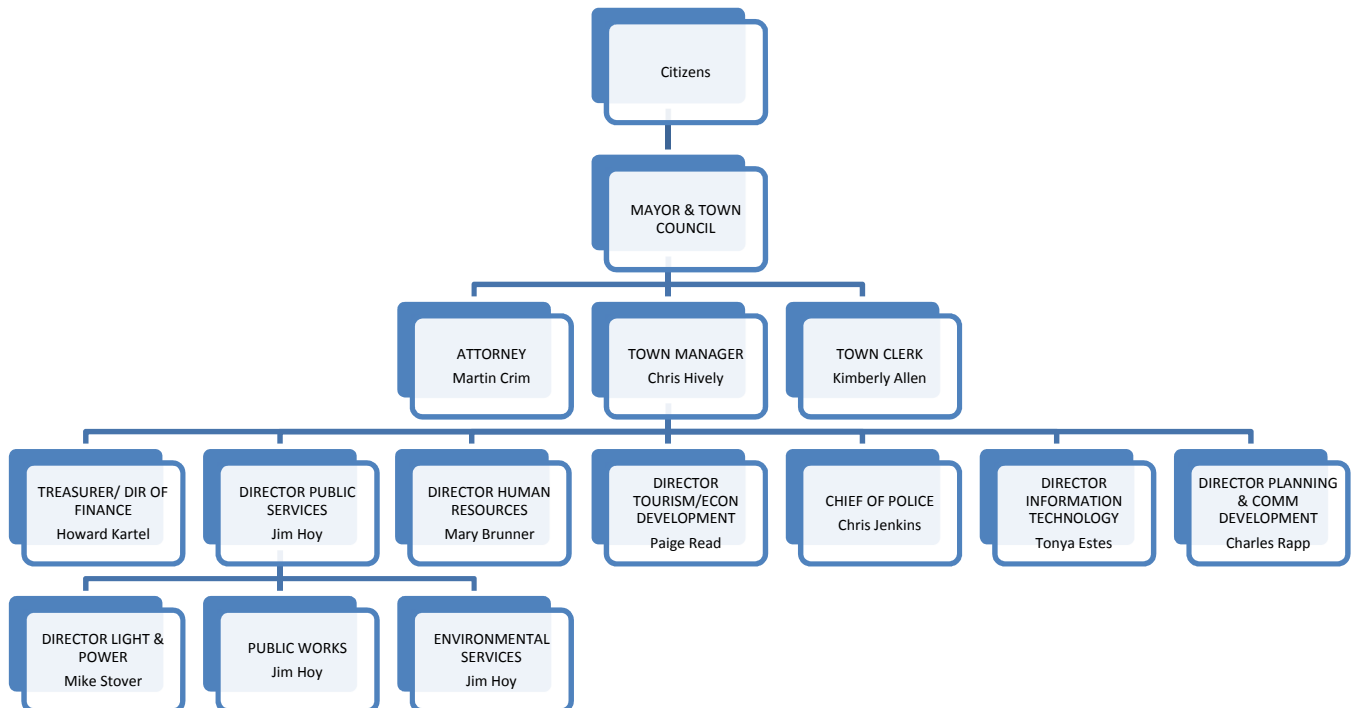
**DIRECTOR OF PLANNING AND COMMUNITY DEVELOPMENT**  
Charles Rapp

**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, 2017, 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, 2017, 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 21, 2017 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 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 21, 2017

## 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, 2017 and 2016. 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 at the close of the fiscal year ended June 30, 2017 by \$101,090,753 (net position) (Exhibits 1 and 2), an increase of \$2,733,554 from the prior year. Of this current amount, \$25,249,588 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, 2017, the Town's governmental funds reported an ending fund balance of \$13,242,662 (Exhibit 3), an increase of \$732,671 from the prior year (Exhibit 5). The unassigned fund balance went up by \$1,154,794 from the prior year to \$6,818,439. This amount is available for spending at the government's discretion.
- The Town incurred expenditures in excess of \$4 million for ongoing Water Fund capital projects to increase water supply capacity by connecting new wells to the distribution system, 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).

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.

## Overview of the Financial Statements (Continued)

**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 two 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, which is considered to be a major fund and for the cemetery perpetual trust fund which is considered to be a non-major fund.

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.

**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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 15,902,380	\$ 15,128,527	\$ 26,588,447	\$ 28,408,967	\$ 42,490,827	\$ 43,537,494
Capital assets	54,627,716	55,837,509	63,591,899	60,907,009	118,219,615	116,744,518
Total assets	70,530,096	70,966,036	90,180,346	89,315,976	160,710,442	160,282,012
Pension contributions subsequent to measurement date	1,274,772	813,718	499,416	349,134	1,774,188	1,162,852
Deferred amount on refunding	367,324	402,386	1,023,621	1,108,210	1,390,945	1,510,596
Total deferred outflows of resources	1,642,096	1,216,104	1,523,037	1,457,344	3,165,133	2,673,448
Long-term liabilities	22,234,335	22,433,729	34,566,249	36,480,293	56,800,584	58,914,022
Current liabilities	2,379,597	2,359,477	3,519,395	2,573,911	5,898,992	4,933,388
Total liabilities	24,613,932	24,793,206	38,085,644	39,054,204	62,699,576	63,847,410
Net difference between projected and actual investment earnings on pension plan investments	61,250	525,416	23,996	225,435	85,246	750,851
Total deferred inflows of resources	61,250	525,416	23,996	225,435	85,246	750,851
Net position						
Net investment in capital assets	41,387,460	43,759,691	32,641,915	27,865,064	74,029,375	71,624,755
Restricted	1,811,790	1,739,191	-	-	1,811,790	1,739,191
Unrestricted	4,297,760	1,364,636	20,951,828	23,628,617	25,249,588	24,993,253
Total net position	\$ 47,497,010	\$ 46,863,518	\$ 53,593,743	\$ 51,493,681	\$ 101,090,753	\$ 98,357,199

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position.

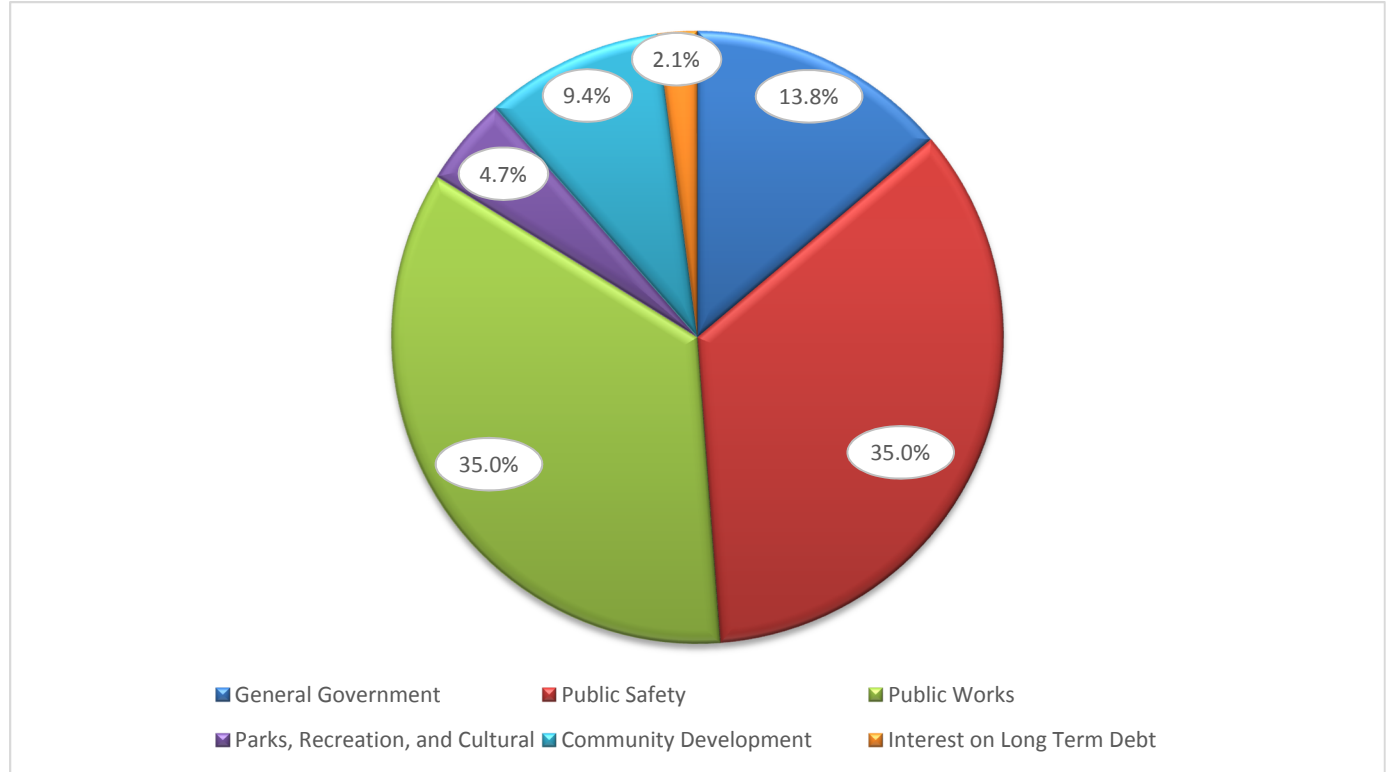
The Town's net position increased by \$2,733,554, or 2.8%, during the current fiscal year. A discussion of FY17 activities and results can be found on the subsequent pages of this MD&A section.

A significant portion of the Town's net position, \$74,029,375 (73.2%) reflects net investment in capital assets, which are used to provide services to its citizens; consequently, these assets are not available for future spending. Of the remaining components of net position, \$25,249,588 (25.0%) 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, \$1,811,790 (1.8%) are amounts legally reserved for specific purposes, such as the cemetery perpetual care fund, proffer funds and unspent police asset seizure funds.

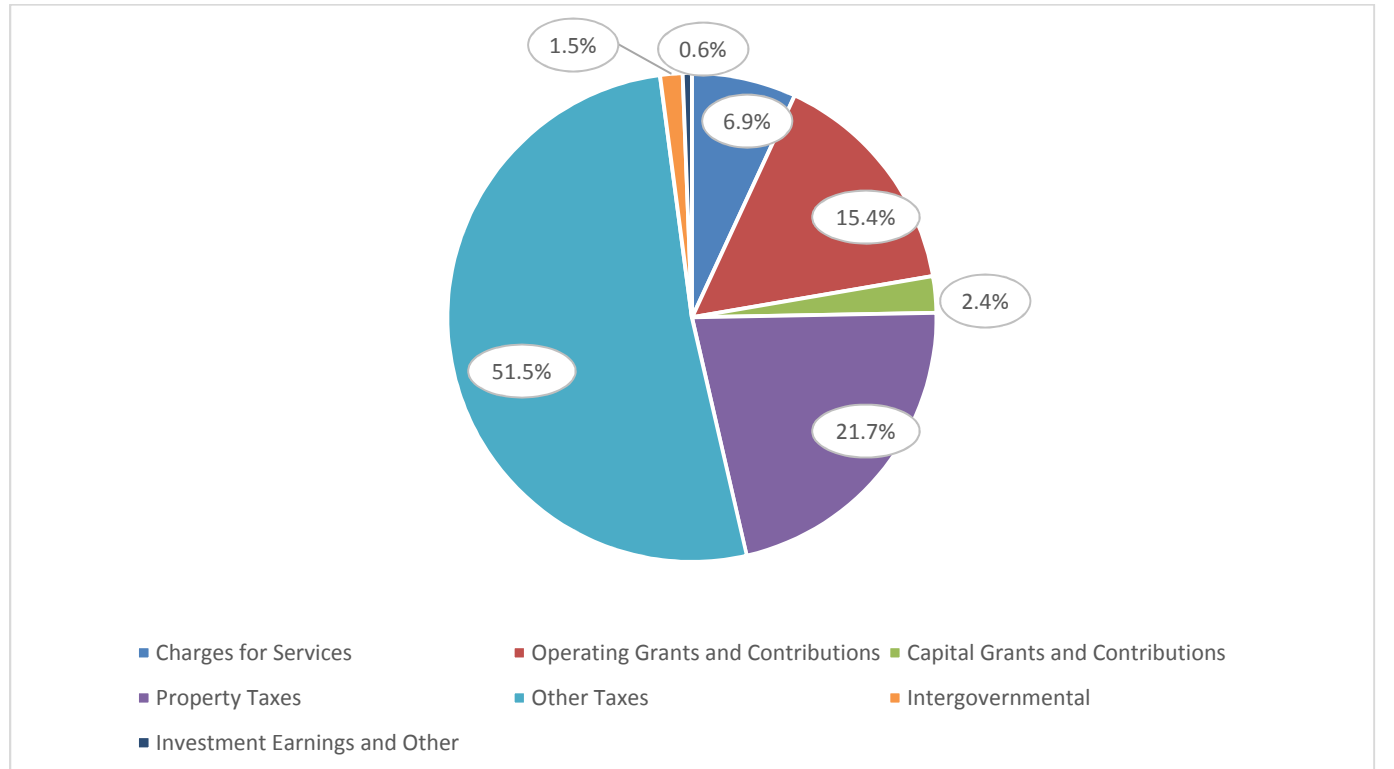
**Government-Wide Financial Analysis (Continued)**

	<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>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues						
Program revenues						
Charges for services	\$ 1,056,271	\$ 1,166,983	\$21,935,287	\$22,404,927	\$22,991,558	\$23,571,910
Operating grants and contributions	2,377,321	2,164,513	29,542	-	2,406,863	2,164,513
Capital grants and contributions	365,253	294,304	994,049	-	1,359,302	294,304
General revenues						
Property taxes	3,334,858	3,062,450	-	-	3,334,858	3,062,450
Other taxes	7,920,396	7,376,131	-	-	7,920,396	7,376,131
Intergovernmental revenue, unrestricted	230,933	231,707	-	-	230,933	231,707
Investment earnings, unrestricted	45,754	36,412	127,950	60,471	173,704	96,883
Other	50,079	331,402	13,212	11,775	63,291	343,177
Total revenues	<u>15,380,865</u>	<u>14,663,902</u>	<u>23,100,040</u>	<u>22,477,173</u>	<u>38,480,905</u>	<u>37,141,075</u>
Expenses						
General government	2,118,903	1,782,797	-	-	2,118,903	1,782,797
Public safety	5,392,894	4,826,442	-	-	5,392,894	4,826,442
Public works	5,381,340	4,677,492	-	-	5,381,340	4,677,492
Parks, recreation, and cultural	727,557	734,657	-	-	727,557	734,657
Community development	1,443,117	1,404,450	-	-	1,443,117	1,404,450
Interest on long-term debt	323,497	557,705	-	-	323,497	557,705
Water	-	-	4,074,774	3,880,069	4,074,774	3,880,069
Wastewater	-	-	5,345,589	5,533,867	5,345,589	5,533,867
Electric	-	-	10,939,680	10,710,274	10,939,680	10,710,274
Total expenses	<u>15,387,308</u>	<u>13,983,543</u>	<u>20,360,043</u>	<u>20,124,210</u>	<u>35,747,351</u>	<u>34,107,753</u>
Excess (deficiency) before transfers	(6,443)	680,359	2,739,997	2,352,963	2,733,554	3,033,322
Transfers	<u>611,435</u>	<u>593,538</u>	<u>(611,435)</u>	<u>(593,538)</u>	<u>-</u>	<u>-</u>
Change in net position	604,992	1,273,897	2,128,562	1,759,425	2,733,554	3,033,322
Net position, restated – July 1	<u>46,892,018</u>	<u>45,589,621</u>	<u>51,465,181</u>	<u>49,734,256</u>	<u>98,357,199</u>	<u>95,323,877</u>
Net position – June 30	<u>\$47,497,010</u>	<u>\$46,863,518</u>	<u>\$53,593,743</u>	<u>\$51,493,681</u>	<u>\$101,090,753</u>	<u>\$98,357,199</u>

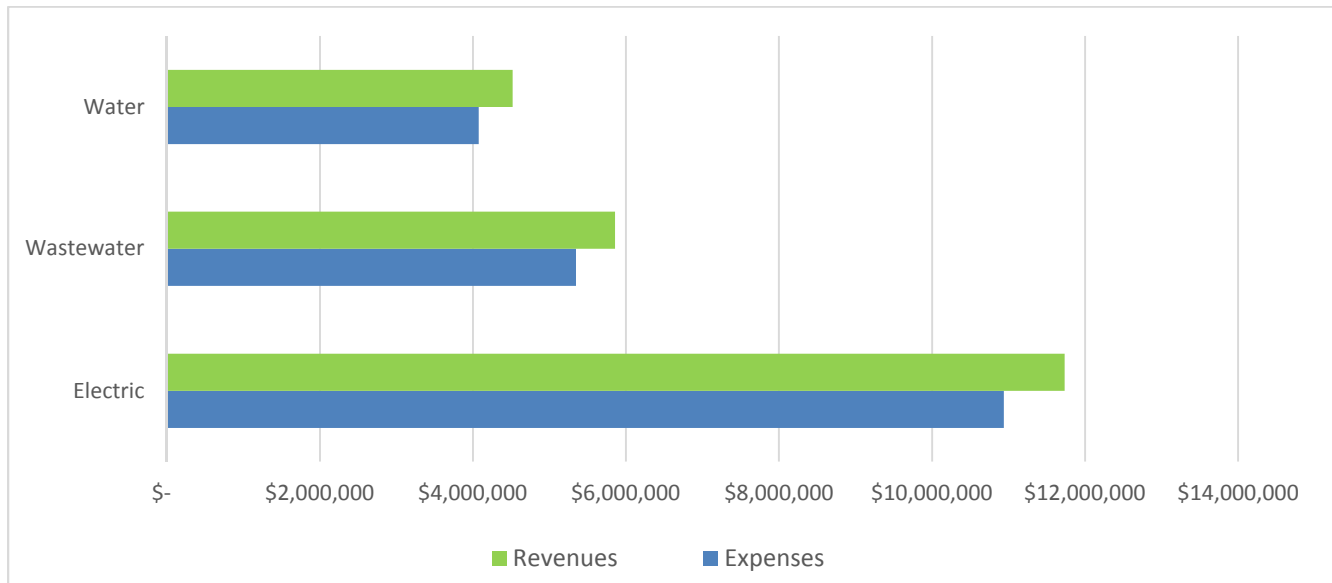
### Expenses – Governmental Activities, year ended June 30, 2017



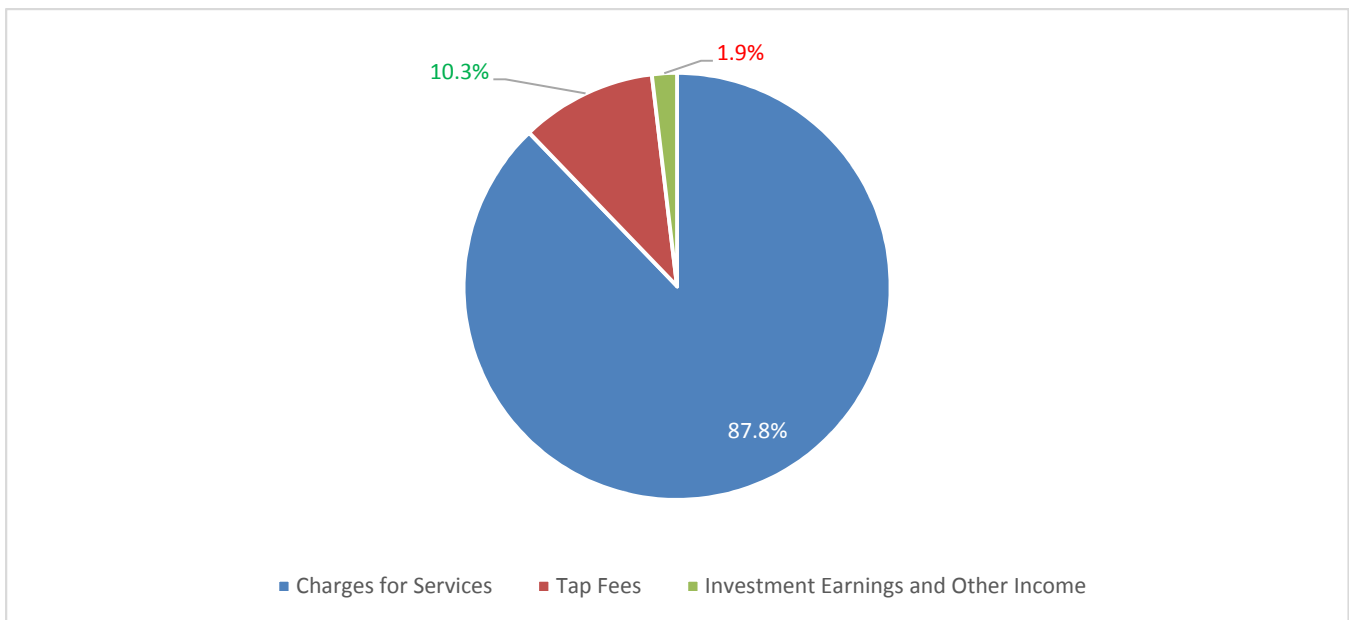
### Revenues by Source – Governmental Activities, year ended June 30, 2017



### Expenses and Program Revenues – Business-Type Activities, year ended June 30, 2017



### Revenues by Source – Business-Type Activities



## 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* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. 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, 2017, the Town's governmental funds (Exhibit 5) reported an ending fund balance of \$13,242,662, an increase of \$732,671 in comparison with the end of the prior year. Approximately 51% of this total amount, or \$6,818,439, constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. 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, 2017 represents 39.1% and 76.0% of total governmental fund expenditures, respectively.

The Town's general fund balance increased \$661,443 in FY2017, primarily due to higher tax revenues than budgeted, lower spending than budgeted for public works maintenance performed during the year, and reduced bond interest payments as a result of the refunding which was completed in June 2016.

**Proprietary Funds** – The Town's proprietary funds 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, 2017 was \$13,749,292; the wastewater fund equaled \$4,602,419; and the electric fund amounted to \$2,600,117. The total increase in net position for the year ended June 30, 2017 was \$2,128,562 (Exhibit 8), primarily due to tap fee revenues and contributed water and sewer assets from developers.

## General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget was a total increase of \$3,831,293. Highlights of amounts carried forward to FY17 from FY16 are as follows:

- Approximately \$2.5 million for the Route 229 Widening project;
- Approximately \$1.3 million for various other incomplete projects.

Differences between the amended budget and actual results amounted to \$4,339,459 (Exhibit 11). Highlights are:

- Various General Fund capital projects budgeted were not completed during FY17, creating a positive budget variance of approximately \$3.8 million, with approximately \$3.4 million carried forward to FY18;
- The Public Works departments had a positive budget variance of approximately \$520,000, while other departments also managed positive budget variances ranging up to approximately \$50,000. Approximately \$440,000 of these amounts represented unfinished projects and was carried forward to FY18;
- As a result of the debt refunding completed in June 2016, actual expenditures for debt principal and interest were lower than budget by approximately \$50,000.



## 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, 2017, amounts to \$118,219,615 (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 1.3% (a 2.2% decrease for governmental activities, offset by a 4.4% decrease for business-type activities).

	<b>The Town’s Capital Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 4,308,646	\$ 4,132,558	\$ 2,669,500	\$ 2,629,500	\$ 6,978,146	\$ 6,762,058
Buildings and improvements	23,992,441	23,567,993	102,846,404	101,519,175	126,838,845	125,087,168
Machinery and equipment	8,546,465	8,173,392	10,343,763	9,517,343	18,890,228	17,690,735
Infrastructure	61,228,030	60,620,350	833,519	-	62,061,549	60,620,350
Construction in progress	1,219,731	1,466,733	8,124,149	5,395,056	9,343,880	6,861,789
Less accumulated depreciation	(44,667,597)	(42,123,517)	(61,225,436)	(58,154,065)	(105,893,033)	(100,277,582)
<b>Total</b>	<b>\$ 54,627,716</b>	<b>\$ 55,837,509</b>	<b>\$ 63,591,899</b>	<b>\$ 60,907,009</b>	<b>\$ 118,219,615</b>	<b>\$ 116,744,518</b>

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

- Ongoing rehabilitation improvements to the Lake Pelham and Mountain Ram dams, with the planning and design phases nearly completed as of the end of FY17, and construction set to begin in early FY18. To facilitate the pending construction, the Town constructed a new access point to Lake Pelham, and relocated and made improvements to the potassium permanganate feed facility at Lake Pelham. The dam rehabilitation projects are scheduled to be completed in FY19, at an estimated total cost of 16.5 million. The Town has secured Federal and State grant funding towards these projects of approximately \$14.5 million.
- Developer contributions of road and utility improvements were accepted for two residential development projects completed, at a total value of approximately \$476,000.
- The Town continues to add to its groundwater supply, with projects currently underway to connect previously drilled wells to the water distribution system which when completed will supply nearly 1.5 MGD. Approximately \$2.5 million of expenditures were incurred in FY17, with the project scheduled to be completed in FY18.

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

**Long-Term Debt** – At the end of the fiscal year ended June 30, 2017, the Town had total debt outstanding of \$47,599,782. This amount is comprised of general obligation (GO) debt backed by the full faith and credit of the Town government, and a capital lease for an Electric Fund bucket truck.

## Capital Asset and Debt Administration (continued)

	<b>The Town's Outstanding Debt</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General obligation bonds	\$ 14,351,169	\$ 15,628,936	\$ 29,547,831	\$ 31,516,063	\$ 43,899,000	\$ 47,144,999
Other obligations payable	-	-	44,009	81,180	44,009	81,180
Bond premium	1,237,344	1,334,132	2,419,429	2,568,774	3,656,773	3,902,906
Total	<u>\$ 15,588,513</u>	<u>\$ 16,963,068</u>	<u>\$ 32,011,269</u>	<u>\$ 34,166,017</u>	<u>\$ 47,599,782</u>	<u>\$ 51,129,085</u>

The Town's total net debt decreased by \$3,529,303 or 6.9% during the fiscal year ended June 30, 2017 as a result of scheduled debt service payments. In the prior fiscal year, the Town refinanced general obligations bonds in June 2016 in the public market, reducing total debt service payments by approximately \$3 million over the subsequent 22 year period.

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 credit overview states the Town has a robust financial position, in addition to a healthy economic profile and tax base.

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

### Economic Factors

- Overall tax receipts related to business and tourism continue to show strength and moderate growth.
- General real estate and personal property tax, local sales tax, bank stock tax, meals tax and lodging tax receipts show increases while most other taxes remain relatively steady.
- The rate of building and development activity over the past year has been mixed, with decreases in residential development, offset by strong increases in commercial development.

### 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

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF CULPEPER, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 9,142,193	\$ 21,366,649	\$ 30,508,842	\$ 78,693
Receivables, net (Note 3)	847,197	3,562,906	4,410,103	-
Notes receivable (Note 3)	50,000	-	50,000	969,434
Due from other governmental units (Note 5)	605,513	474,040	1,079,553	-
Inventories	-	1,128,851	1,128,851	-
Cash and cash equivalents, restricted (Note 2)	5,175,396	37,664	5,213,060	50,933
Prepays	82,081	18,337	100,418	-
Capital assets: (Note 6)				
Nondepreciable	5,528,377	10,793,649	16,322,026	-
Depreciable, net	49,099,339	52,798,250	101,897,589	-
Total assets	70,530,096	90,180,346	160,710,442	1,099,060
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions (Note 7)	1,274,772	499,416	1,774,188	-
Deferred amount on refunding	367,324	1,023,621	1,390,945	-
Total deferred outflows of resources	1,642,096	1,523,037	3,165,133	-
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	583,210	1,960,482	2,543,692	-
Accrued payroll and related liabilities	410,001	112,055	522,056	-
Accrued interest payable	195,323	421,264	616,587	25,291
Bonds and security deposits	1,191,063	1,025,594	2,216,657	-
Unearned revenue (Note 9)	-	-	-	7,915
Noncurrent liabilities:				
Net pension liability (Note 7)	5,596,443	2,192,511	7,788,954	-
Due within one year (Note 8)	1,963,317	2,326,455	4,289,772	14,425
Due in more than one year (Note 8)	14,674,575	30,047,283	44,721,858	969,434
Total liabilities	24,613,932	38,085,644	62,699,576	1,017,065
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Differences between expected and actual experience (Note 7)	61,250	23,996	85,246	-
Total deferred inflows of resources	61,250	23,996	85,246	-
<b>NET POSITION</b>				
Net investment in capital assets	41,387,460	32,641,915	74,029,375	-
Restricted:				
Unspent grant proceeds and asset seizure funds	290,389	-	290,389	-
Proffers	628,030	-	628,030	-
Nonexpendable - cemetery perpetual care	800,122	-	800,122	-
Cemetery perpetual care	93,249	-	93,249	-
Unrestricted	4,297,760	20,951,828	25,249,588	81,995
Total net position	\$ 47,497,010	\$ 53,593,743	\$ 101,090,753	\$ 81,995

## TOWN OF CULPEPER, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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	
Governmental activities:								
General government administration	\$ 2,118,903	\$ 90,053	\$ -	\$ -	\$ (2,028,850)	\$ -	\$ (2,028,850)	\$ -
Public safety	5,392,894	202,554	355,196	-	(4,835,144)	-	(4,835,144)	-
Public works	5,381,340	313,983	2,022,125	365,253	(2,679,979)	-	(2,679,979)	-
Parks, recreation, and cultural	727,557	430,210	-	-	(297,347)	-	(297,347)	-
Community development	1,443,117	19,471	-	-	(1,423,646)	-	(1,423,646)	-
Interest on long-term debt	323,497	-	-	-	(323,497)	-	(323,497)	-
Total governmental activities	15,387,308	1,056,271	2,377,321	365,253	(11,588,463)	-	(11,588,463)	-
Business-type activities:								
Water	4,074,774	4,455,697	-	816,744	-	1,197,667	1,197,667	
Wastewater	5,345,589	5,768,125	29,542	177,305	-	629,383	629,383	
Electric	10,939,680	11,711,465	-	-	-	771,785	771,785	
Total business-type activities	20,360,043	21,935,287	29,542	994,049	-	2,598,835	2,598,835	
Total primary government	\$ 35,747,351	\$ 22,991,558	\$ 2,406,863	\$ 1,359,302	(11,588,463)	2,598,835	(8,989,628)	
Component Units:								
Industrial Development Authority	\$ 217,337	\$ -	\$ 216,734	\$ -	-	-	-	(603)
Total component unit	\$ 217,337	\$ -	\$ 216,734	\$ -	-	-	-	(603)
General revenues:								
Property taxes					3,334,858	-	3,334,858	-
Meals tax					4,115,524	-	4,115,524	-
Sales tax					1,555,660	-	1,555,660	-
Business license tax					1,072,996	-	1,072,996	-
Bank stock tax					390,832	-	390,832	-
Cigarette tax					156,238	-	156,238	-
Hotel and motel room tax					449,636	-	449,636	-
Other local taxes					179,510	-	179,510	-
Intergovernmental revenue, unrestricted					230,933	-	230,933	-
Unrestricted investment earnings					45,754	127,950	173,704	-
Other					50,079	13,212	63,291	-
Transfers (Note 4)					611,435	(611,435)	-	-
Total general revenues and transfers					12,193,455	(470,273)	11,723,182	-
Change in net position					604,992	2,128,562	2,733,554	(603)
NET POSITION AT JULY 1, 2016 AS RESTATED (Note 16)					46,892,018	51,465,181	98,357,199	82,598
NET POSITION AT JUNE 30, 2017					\$ 47,497,010	\$ 53,593,743	\$ 101,090,753	\$ 81,995

## TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET –  
GOVERNMENTAL FUNDS

June 30, 2017

	General Fund	Permanent Fund Cemetery Perpetual Care	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,142,193	\$ -	\$ 9,142,193
Receivables, net (Note 3)	835,197	12,000	847,197
Due from other governmental units (Note 5)	605,513	-	605,513
Cash and cash equivalents, restricted	4,288,335	887,061	5,175,396
Prepays	82,081	-	82,081
Total assets	<u>\$ 14,953,319</u>	<u>\$ 899,061</u>	<u>\$ 15,852,380</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 583,210	\$ -	\$ 583,210
Accrued payroll and related liabilities	410,001	-	410,001
Bonds and security deposits	1,191,063	-	1,191,063
Total liabilities	<u>2,184,274</u>	<u>-</u>	<u>2,184,274</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue (Note 9)	419,754	5,690	425,444
Total deferred inflows of resources	<u>419,754</u>	<u>5,690</u>	<u>425,444</u>
<b>Fund balances: (Note 11)</b>			
Nonspendable	82,081	800,122	882,203
Restricted	2,957,401	93,249	3,050,650
Assigned	2,491,370	-	2,491,370
Unassigned	6,818,439	-	6,818,439
Total fund balances	<u>12,349,291</u>	<u>893,371</u>	<u>13,242,662</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,953,319</u>	<u>\$ 899,061</u>	<u>\$ 15,852,380</u>

## TOWN OF CULPEPER, VIRGINIA

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

June 30, 2017

<b>Total Fund Balances – Governmental Funds</b>	<b>\$ 13,242,662</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	\$ 5,528,377	
Depreciable, net	49,099,339	
		54,627,716

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 \$1,596,034 and accumulated amortization of \$358,690	(1,237,344)	
Deferred loss on refunding total \$467,804 and accumulated amortization of \$100,480	367,324	
		(870,020)

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

425,444

A note receivable is not available to pay for current-period expenditures and therefore is deferred in the funds.

50,000

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

Deferred outflows of resources for 2017 employer contributions, differences between expected and actual experience, and the net difference between projected and actual investment earnings	1,274,772	
Deferred inflows of resources for the difference between expected and actual experience	(61,250)	
Net pension liability	(5,596,443)	
		(4,382,921)

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

General obligation bonds	(14,351,169)	
Accrued interest payable	(195,323)	
Other post-employment benefits	(298,442)	
Compensated absences	(750,937)	
		(15,595,871)

<b>Total Net Position – Governmental Activities</b>	<b>\$ 47,497,010</b>
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## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Permanent Fund Cemetery Perpetual Care</b>	<b>Total</b>
<b>REVENUES</b>			
General property taxes	\$ 3,366,967	\$ -	\$ 3,366,967
Other local taxes	7,897,316	-	7,897,316
Permits, privilege fees, and regulatory licenses	297,808	-	297,808
Fines and forfeitures	134,158	-	134,158
Revenues from use of money and property	213,887	2,128	216,015
Charges for services	295,860	69,110	364,970
Other	131,122	-	131,122
Recovered costs	2,288,113	-	2,288,113
Intergovernmental	2,853,111	-	2,853,111
Total revenues	<u>17,478,342</u>	<u>71,238</u>	<u>17,549,580</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	3,738,385	-	3,738,385
Public safety	4,996,798	-	4,996,798
Public works	3,628,459	-	3,628,459
Parks, recreation, and cultural	703,051	-	703,051
Community development	1,417,717	-	1,417,717
Capital projects	1,284,343	-	1,284,343
Debt service:			
Principal retirement	1,249,267	-	1,249,267
Interest and fiscal charges	410,324	-	410,324
Total expenditures	<u>17,428,344</u>	<u>-</u>	<u>17,428,344</u>
Excess of revenues over expenditures	<u>49,998</u>	<u>71,238</u>	<u>121,236</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in (Note 4)	611,435	-	611,435
Total other financing sources	<u>611,435</u>	<u>-</u>	<u>611,435</u>
Net change in fund balances	661,433	71,238	732,671
<b>FUND BALANCES AT JULY 1, 2016</b>	11,687,858	822,133	12,509,991
<b>FUND BALANCES AT JUNE 30, 2017</b>	<u><u>\$ 12,349,291</u></u>	<u><u>\$ 893,371</u></u>	<u><u>\$ 13,242,662</u></u>



## 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, 2017

<b>Net Change in Fund Balances – Governmental Funds</b>	\$	732,671
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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 \$2,626,950 exceeded capital outlays of \$1,360,884 and contributed capital of \$123,437 in the current period.

(1,142,629)

The sale of capitals results in removing the cost and accumulated depreciation, resulting in a gain or loss on the sale in the statement of activities.

(67,164)

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

(4,040)

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	\$	1,249,267
Changes in bond premiums		96,788
Changes in loss on refunding		(35,062)
		1,310,993

1,310,993

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	1,274,772
Pension expense	(1,392,759)

(117,987)

Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits 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	(69,361)
Change in other post-employment benefits	(62,593)
Change in accrued interest payable	25,102

(106,852)

<b>Change in Net Position – Governmental Activities</b>	\$	604,992
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## TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities – Enterprise Funds			
	Water	Wastewater	Electric	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 14,342,517	\$ 4,317,062	\$ 2,707,070	\$ 21,366,649
Receivables, net (Note 3)	902,780	1,251,718	1,408,408	3,562,906
Due from other governmental units (Note 5)	5,217	29,542	439,281	474,040
Interfund advances receivable (Note 4)	55,440	-	-	55,440
Inventories	250,004	97,791	781,056	1,128,851
Prepaid expenses	-	-	18,337	18,337
Total current assets	15,555,958	5,696,113	5,354,152	26,606,223
Noncurrent assets:				
Cash and cash equivalents, restricted	33,234	-	4,430	37,664
Interfund advances receivable (Note 4)	169,669	-	-	169,669
Capital assets: (Note 6)				
Nondepreciable	10,185,670	195,730	412,249	10,793,649
Depreciable, net	9,511,743	35,219,720	8,066,787	52,798,250
Total noncurrent assets	19,900,316	35,415,450	8,483,466	63,799,232
Total assets	35,456,274	41,111,563	13,837,618	90,405,455
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions (Note 7)	138,600	173,726	187,090	499,416
Deferred amount on refunding	22,177	876,687	124,757	1,023,621
Total deferred outflows of resources	160,777	1,050,413	311,847	1,523,037
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,059,963	70,170	830,349	1,960,482
Accrued payroll and related liabilities	32,696	40,030	39,329	112,055
Accrued interest payable	97,677	260,543	63,044	421,264
Customer security deposits	207,015	-	818,579	1,025,594
Current portion of other long-term debt (Note 8)	719,373	975,469	439,732	2,134,574
Interfund advances payable (Note 4)	-	-	55,440	55,440
Compensated absences (Note 8)	49,684	63,649	78,548	191,881
Total current liabilities	2,166,408	1,409,861	2,325,021	5,901,290
Noncurrent liabilities:				
Net pension liability (Note 7)	608,475	762,683	821,353	2,192,511
Other long-term debt (Note 8)	8,663,316	16,684,924	4,528,455	29,876,695
Interfund advances payable (Note 4)	-	-	169,669	169,669
Other post-employment benefits (Note 10)	40,343	46,086	36,188	122,617
Compensated absences (Note 8)	12,422	15,912	19,637	47,971
Total noncurrent liabilities	9,324,556	17,509,605	5,575,302	32,409,463
Total liabilities	11,490,964	18,919,466	7,900,323	38,310,753
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference between expected and actual experience (Note 7)	6,660	8,347	8,989	23,996
<b>NET POSITION</b>				
Net investment in capital assets	10,370,135	18,631,744	3,640,036	32,641,915
Unrestricted	13,749,292	4,602,419	2,600,117	20,951,828
Total net position	\$ 24,119,427	\$ 23,234,163	\$ 6,240,153	\$ 53,593,743

## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2017**

	Business-Type Activities – Enterprise Funds			
	Water	Wastewater	Electric	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,412,811	\$ 4,354,828	\$ 11,634,576	\$ 19,402,215
Penalties	30,274	30,274	31,195	91,743
Other	101,112	9,773	45,694	156,579
Total operating revenues	3,544,197	4,394,875	11,711,465	19,650,537
<b>OPERATING EXPENSES</b>				
Water treatment	2,020,378	-	-	2,020,378
Wastewater collection	-	321,032	-	321,032
Wastewater treatment	-	3,368,037	-	3,368,037
Transmission and distribution	954,467	-	1,498,181	2,452,648
Electric generation (Note 12)	-	-	7,283,734	7,283,734
Administration	-	-	1,063,598	1,063,598
Other	174,774	13,064	-	187,838
Depreciation	807,275	1,330,161	991,696	3,129,132
Total operating expenses	3,956,894	5,032,294	10,837,209	19,826,397
Operating income (loss)	(412,697)	(637,419)	874,256	(175,860)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	59,478	57,557	10,915	127,950
Interest expense	(117,880)	(313,295)	(102,471)	(533,646)
Gain on disposal of capital assets	3,772	238	9,202	13,212
Tap fees	911,500	1,373,250	-	2,284,750
Intergovernmental revenues	-	29,542	-	29,542
Net nonoperating revenue (expenses)	856,870	1,147,292	(82,354)	1,921,808
Income before capital contributions and transfers	444,173	509,873	791,902	1,745,948
<b>CAPITAL CONTRIBUTIONS</b>	816,744	177,305	-	994,049
<b>TRANSFERS OUT (Note 4)</b>	(107,055)	(139,680)	(364,700)	(611,435)
Change in net position	1,153,862	547,498	427,202	2,128,562
<b>NET POSITION AT JULY 1, 2016 AS RESTATED (Note 16)</b>	22,965,565	22,686,665	5,812,951	51,465,181
<b>NET POSITION AT JUNE 30, 2017</b>	<u>\$ 24,119,427</u>	<u>\$ 23,234,163</u>	<u>\$ 6,240,153</u>	<u>\$ 53,593,743</u>

**TOWN OF CULPEPER, VIRGINIA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2017**

	<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	\$ 3,039,948	\$ 3,626,101	\$ 11,679,040	\$ 18,345,089
Payments to suppliers	(1,777,960)	(2,189,562)	(8,812,475)	(12,779,997)
Payments to employees	(1,348,960)	(1,445,163)	(1,449,912)	(4,244,035)
Net cash provided by (used in) operating activities	(86,972)	(8,624)	1,416,653	1,321,057
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund transfers	(107,055)	(139,680)	(364,700)	(611,435)
Advances to other funds	54,891	-	-	54,891
Intergovernmental revenues	-	59,084	-	59,084
Net cash used in noncapital financing activities	(52,164)	(80,596)	(364,700)	(497,460)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(3,149,019)	(217,404)	(593,947)	(3,960,370)
Proceeds from disposal of capital assets	42,218	238	9,202	51,658
Principal paid on capital debt	(685,685)	(952,783)	(395,435)	(2,033,903)
Advances from other funds for capital items	-	-	(54,891)	(54,891)
Tap fees collected	911,500	1,373,250	-	2,284,750
Interest paid on capital debt	(269,476)	(458,615)	(139,653)	(867,744)
Intergovernmental revenues	127,910	(25,210)	-	102,700
Net cash used in capital and related financing activities	(3,022,552)	(280,524)	(1,174,724)	(4,477,800)
<b>INVESTING ACTIVITIES</b>				
Interest received	59,478	57,557	10,915	127,950
Net cash provided by investing activities	59,478	57,557	10,915	127,950
Net decrease in cash and cash equivalents	(3,102,210)	(312,187)	(111,856)	(3,526,253)
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning at July 1, 2016	17,477,961	4,629,249	2,823,356	24,930,566
Ending at June 30, 2017	\$ 14,375,751	\$ 4,317,062	\$ 2,711,500	\$ 21,404,313
<b>RECONCILIATION TO EXHIBIT 7</b>				
Cash and cash equivalents	\$ 14,342,517	\$ 4,317,062	\$ 2,707,070	\$ 21,366,649
Cash and cash equivalents, restricted	33,234	-	4,430	37,664
	\$ 14,375,751	\$ 4,317,062	\$ 2,711,500	\$ 21,404,313
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (412,697)	\$ (637,419)	\$ 874,256	\$ (175,860)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	807,275	1,330,161	991,696	3,129,132
Pension expense net of employer contributions	(97,949)	20,473	(35,347)	(112,823)
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(503,000)	(768,774)	(24,479)	(1,296,253)
Due from other governmental units	-	-	(418,166)	(418,166)
Inventories	1,335	7,722	(114,276)	(105,219)
Prepaid expenses	-	-	(18,337)	(18,337)
(Decrease) increase in:				
Accounts payable and accrued liabilities	133,689	7,829	152,666	294,184
Accrued payroll and related liabilities	6,828	12,316	12,644	31,788
Customer security deposits	(1,249)	-	(7,946)	(9,195)
Other post-employment benefits	7,452	8,942	7,451	23,845
Compensated absences	(28,656)	10,126	(3,509)	(22,039)
Net cash provided by (used in) operating activities	\$ (86,972)	\$ (8,624)	\$ 1,416,653	\$ 1,321,057
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital asset purchases included in accounts payable at year end	\$ 855,118	\$ 10,689	\$ 3,719	\$ 869,526
Capitalized interest	\$ 164,262	\$ 19,937	\$ 14,068	\$ 198,267
Developer capital contributions	\$ 816,744	\$ 177,305	\$ -	\$ 994,049
Construction in progress expensed	\$ 38,446	\$ -	\$ -	\$ 38,446

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, 2017

**Parking  
 Authority**

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**ASSETS**

Cash and cash equivalents	\$ 8,927
Receivables, net	3,168
Future amounts to be collected to liquidate liabilities	<u>73,738</u>
Total assets	<u><u>\$ 85,833</u></u>

**LIABILITIES**

Due to fiscal agent	<u>\$ 85,833</u>
Total liabilities	<u><u>\$ 85,833</u></u>

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**A. The Financial Reporting Entity**

The Town of Culpeper, Virginia (the “Town”) was established in 1905. 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 units.

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 the budget and 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.

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

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 fund:

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 Town reports the following major proprietary funds:

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

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

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

Additionally, the Town reports the following individual non-major governmental fund:

The *perpetual care cemetery fund* is a permanent fund 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.

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 issuance of the tap fee.



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 ordinance 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 in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$198,267 in interest expense was included as part of the cost of capital assets under construction.

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

Buildings and improvements	20-70 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. The Town has four items that qualify for reporting in this category. The first consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second item represents differences between expected and actual experience in the pension plan. This difference will be recognized in pension expense over a closed five year period. The third is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The fourth item is the deferred gain 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.

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 three types of these items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, 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. The second is unearned revenue, which results from collections of IDA note payments received in advance. The third item represents differences between expected and actual experience in the pension plan. This difference will be recognized in pension expense over a closed five year period.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**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:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement 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 types in the 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.

**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.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**M. Fund Balances (Continued)**

- **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 flow 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 expenses and an optimum balance of two hundred percent of expenses.

**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 \$152,026, \$2,396,947, \$9,171, and \$173,317, respectively as of June 30, 2017.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program (SNAP) or other authorized arbitrage investment management programs, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP). 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). The investment policy specifies that no investment may have a maturity greater than three months from the date of purchase.

VML/VACo’s pooled investment program (VIP) is used by local governments to invest assets they expect to hold longer than one year. Participants are invested in high-quality corporate and government securities with an average duration of one to two years. At year end, the Town has \$6,000,679 with the VML/VACo Investment Pool.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 2. Deposits and Investments**

**Investments (Continued)**

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	\$ 5,329,725	NA	14.92 %
Certificate of deposit	4,544,828	NA	12.72
SNAP	2,388,798	AAAm	6.69
LGIP	17,457,872	AAAm	48.87
VIP	6,000,679	AAAm	16.80
	<u>\$ 35,721,902</u>		<u>100.00 %</u>
Primary government investments			
Component Unit – IDA:			
Demand deposits	<u>\$ 78,693</u>	NA	<u>100.00 %</u>
Primary Government reconciliation of deposits and investments to Exhibit 1:			
Cash and cash equivalents	\$ 30,508,842		
Cash and cash equivalents, restricted	<u>5,213,060</u>		
Total deposits and investments	<u>\$ 35,721,902</u>		

**Credit Risk:**

As required by state statute or by the Town, the policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s or Fitch Investor’s Service, 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 and certificates of deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Open-ended investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. 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. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

**Concentration of Credit Risk:**

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the policy places no limit on the amount the Town may invest in any one issuer.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Investments (Continued)**

Interest Rate Risk:

The Town does not have a formal policy limiting investment maturities.

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, 2017 investments are held in a bank’s trust department in the Town’s name.

Restricted Amounts:

Restricted cash and cash equivalents consist of amounts held for performance bonds of \$1,018,781, unspent bond proceeds of \$2,388,798, proffers of \$628,030, \$887,061 for perpetual care of cemetery, and \$289,028 of unspent grant proceeds and asset seizure funds.

In addition, the IDA held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$50,933. These funds will be used towards the IDA’s payment on their Rural Development loan described in more detail in Notes 3 and 8.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 3. Receivables**

**Primary Government:**

Receivables for the individual funds are as follows:

	<b>General</b>	<b>Cemetery Perpetual Care</b>	<b>Water</b>	<b>Wastewater</b>	<b>Electric</b>	<b>Total</b>
Receivables						
Taxes	\$ 608,755	\$ -	\$ -	\$ -	\$ -	\$ 608,755
Accounts	550,294	12,000	915,988	1,273,616	1,457,592	4,209,490
Gross receivables	1,159,049	12,000	915,988	1,273,616	1,457,592	4,818,245
Less: allowance for uncollectibles	(323,852)	-	(13,208)	(21,898)	(49,184)	(408,142)
Receivables, net	<u>\$ 835,197</u>	<u>\$ 12,000</u>	<u>\$ 902,780</u>	<u>\$ 1,251,718</u>	<u>\$ 1,408,408</u>	<u>\$ 4,410,103</u>

The Town entered into a \$50,000 note receivable from State Theatre Foundation, Inc. through the Façade Improvement program on October 2, 2013. The loan has 0% interest and is due in a lump sum payment in five years.

**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 \$969,434 at June 30, 2017. 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:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 14,912	\$ 32,718
2019	15,415	32,215
2020	15,935	31,695
2021	16,473	31,157
2022	17,029	30,601
2023-2027	94,163	143,987
2028-2032	111,163	126,987
2033-2037	131,231	106,919
2038-2042	154,922	83,228
2043-2047	182,891	55,259
2048-2052	215,300	22,242
	<u>\$ 969,434</u>	<u>\$ 697,008</u>

(Continued)



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 4. Interfund Advance and Transfers**

During 2016, the water fund advanced \$280,000 to the electric fund. The primary purpose of the advance is to fund capital project expenditures.

The annual requirements to amortize the advance and related interest are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 55,440	\$ 2,251
2019	55,995	1,697
2020	56,554	1,137
2021	57,120	571
	\$ 225,109	\$ 5,656

Interfund transfers are as follows:

<b>Transfer Out Fund</b>	<b>Transfer In Fund</b>	<b>Amount</b>
Water	General	\$ 107,055
Wastewater	General	139,680
Electric	General	364,700
		\$ 611,435

The primary 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)	\$ 297,085
Parking Authority (General Fund)	85,833
Federal and Commonwealth of Virginia:	
VDOT (General Fund)	187,981
Other (General Fund)	34,614
USDA (Water Fund)	5,217
VMEA (Electric Fund)	439,281
Other (Wastewater Fund)	29,542
Total due from other governmental units	\$ 1,079,553

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 6. Capital Assets**

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land and easements	\$ 4,132,558	\$ 176,088	\$ -	\$ 4,308,646
Construction in progress	1,466,733	105,084	(352,086)	1,219,731
 Total capital assets, not depreciated	 5,599,291	 281,172	 (352,086)	 5,528,377
Capital assets, depreciated:				
Buildings and improvements	23,567,993	424,448	-	23,992,441
Machinery and equipment	8,173,392	491,094	(118,021)	8,546,465
Infrastructure	60,620,350	607,680	-	61,228,030
 Total capital assets, depreciated	 92,361,735	 1,523,222	 (118,021)	 93,766,936
Less accumulated depreciation:				
Buildings and improvements	11,652,459	562,317	-	12,214,776
Machinery and equipment	6,008,694	485,087	(82,870)	6,410,911
Infrastructure	24,462,364	1,579,546	-	26,041,910
 Total accumulated depreciation	 42,123,517	 2,626,950	 (82,870)	 44,667,597
 Net capital assets, depreciated	 50,238,218	 (1,103,728)	 (35,151)	 49,099,339
 Governmental activities capital assets, net	 \$ 55,837,509	 \$ (822,556)	 \$ (387,237)	 \$ 54,627,716

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 2,629,500	\$ 40,000	\$ -	\$ 2,669,500
Construction in progress	5,395,056	4,667,400	(1,938,307)	8,124,149
Total capital assets, not depreciated	8,024,556	4,707,400	(1,938,307)	10,793,649
Capital assets, depreciated:				
Buildings and improvements	101,519,175	1,327,229	-	102,846,404
Machinery and equipment	9,517,343	884,181	(57,761)	10,343,763
Infrastructure	-	833,519	-	833,519
Total capital assets, depreciated	111,036,518	3,044,929	(57,761)	114,023,686
Less accumulated depreciation:				
Buildings and improvements	53,336,293	2,348,062	-	55,684,355
Machinery and equipment	4,817,772	747,176	(57,761)	5,507,187
Infrastructure	-	33,894	-	33,894
Total accumulated depreciation	58,154,065	3,129,132	(57,761)	61,225,436
Net capital assets, depreciated	52,882,453	(84,203)	-	52,798,250
Business-type activities capital assets, net	<u>\$ 60,907,009</u>	<u>\$ 4,623,197</u>	<u>\$ (1,938,307)</u>	<u>\$ 63,591,899</u>

Depreciation expense was charged to functions/programs as follows:

<b>Primary Government – Governmental Activities</b>	
General government administration	\$ 382,083
Public safety	328,397
Public works	1,829,987
Parks, recreation, and cultural	26,781
Community development	59,702
Total governmental activities	<u>\$ 2,626,950</u>
<b>Primary Government – Business-Type Activities</b>	
Water	\$ 807,275
Wastewater	1,330,161
Electric	991,696
Total business-type activities	<u>\$ 3,129,132</u>

(Continued)

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 VRS Retirement Plan upon employment. This 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 as follows:

- Plan 1** – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
  - **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
  - **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Plan 1 (Continued)**

• **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**

- **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
- **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
  - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
  - The member retires on disability.
  - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
  - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
  - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Plan 2** – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
  - **Eligibility** – Same as Plan 1.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Plan 2 (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
  - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

**Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

• **Creditable Service –**

- **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

• **Vesting –**

- **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
- **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

• **Calculating the Benefit –**

- **Defined Benefit Component** – See definition under Plan 1.
- **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

• **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
  - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
  - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
  - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
  - **Defined Benefit Component** – Same as Plan 2.
  - **Defined Contribution Component** – Not Applicable.
  - **Eligibility** – Same as Plan 1 and 2.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
  - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
    - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
    - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
  - **Defined Contribution Component** – Not Applicable.

**Employees Covered by Benefit Terms**

As of the June 30, 2015 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>97</u>
Inactive members:	
Vested inactive members	19
Non-vested inactive members	35
Inactive members active elsewhere in VRS	<u>57</u>
Total inactive members	111
Active members	<u>166</u>
Total covered employees	<u><u>374</u></u>

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 10.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$989,180 and \$1,077,344 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2015, 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, 2016.

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 – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 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, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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:

<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>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28	1.04
Emerging Market Equity	6.00	10.00	0.60
Fixed Income	15.00	0.09	0.01
Emerging Debt	3.00	3.51	0.11
Rate Sensitive Credit	4.50	3.51	0.16
Non Rate Sensitive Credit	4.50	5.00	0.23
Convertibles	3.00	4.81	0.14
Public Real Estate	2.25	6.12	0.14
Private Real Estate	12.75	7.10	0.91
Private Equity	12.00	10.41	1.25
Cash	1.00	(1.50)	(0.02)
Total	100.00 %		5.83 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		8.33 %

- \* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan 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 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, 2015	\$ 35,838,722	\$ 29,331,873	\$ 6,506,849
Changes for the year:			
Service cost	972,070	-	972,070
Interest	2,447,694	-	2,447,694
Differences between expected and actual experience	(111,475)	-	(111,475)
Contributions – employer	-	1,077,344	(1,077,344)
Contributions – employee	-	454,467	(454,467)
Net investment income	-	512,613	(512,613)
Benefit payments, including refunds of employee contributions	(1,743,316)	(1,743,316)	-
Administrative expenses	-	(18,024)	18,024
Other changes	-	(216)	216
Net changes	1,564,973	282,868	1,282,105
Balances at June 30, 2016	\$ 37,403,695	\$ 29,614,741	\$ 7,788,954

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$ 12,902,904	\$ 7,788,954	\$ 3,561,525

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$929,684. At June 30, 2017, 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	\$ 14,313	\$ 85,246
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	770,695	-
Employer contributions subsequent to the measurement date	989,180	-
Total	<u>\$ 1,774,188</u>	<u>\$ 85,246</u>



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

The \$989,180 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, 2018. 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>
2018	\$ (8,663)
2019	(8,665)
2020	417,132
2021	299,958
2022	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017, approximately \$129,030 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 8. Long-Term Liabilities**

**Primary Government**

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

	<b>Beginning Balance (as restated, Note 16)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 15,600,436	\$ -	\$ 1,249,267	\$ 14,351,169	\$ 1,265,780
Bond premium	1,334,132	-	96,788	1,237,344	96,787
Other post-employment benefits	235,849	94,673	32,080	298,442	-
Compensated absences	681,576	614,622	545,261	750,937	600,750
Governmental activities long-term liabilities	<u>\$ 17,851,993</u>	<u>\$ 709,295</u>	<u>\$ 1,923,396</u>	<u>\$ 16,637,892</u>	<u>\$ 1,963,317</u>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 31,544,563	\$ -	\$ 1,996,732	\$ 29,547,831	\$ 1,941,220
Other obligations payable	81,180	-	37,171	44,009	44,009
Bond premium	2,568,774	-	149,345	2,419,429	149,345
Other post-employment benefits	98,772	36,066	12,221	122,617	-
Compensated absences	261,891	187,474	209,513	239,852	191,881
Business-Type activities long-term liabilities	<u>\$ 34,555,180</u>	<u>\$ 223,540</u>	<u>\$ 2,404,982</u>	<u>\$ 32,373,738</u>	<u>\$ 2,326,455</u>

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

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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>Governmental Activities</b>					
	<b>General Obligation Bonds</b>					
	<b>Principal</b>		<b>Interest</b>			
2018	\$	1,265,780	\$	686,237		
2019		1,284,037		621,673		
2020		1,214,548		584,055		
2021		1,189,804		547,277		
2022		1,184,000		309,921		
2023-2027		5,778,000		831,343		
2028-2032		2,065,000		143,782		
2033		370,000		3,885		
	\$	14,351,169	\$	3,428,173		

<b>Year Ended June 30</b>	<b>Business-Type Activities</b>					
	<b>General Obligation Bonds</b>		<b>Other Obligations Payable</b>		<b>Total Long-Term Obligations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,941,220	\$ 1,008,637	\$ 44,009	\$ 1,584	\$ 1,985,229	\$ 1,010,221
2019	1,471,964	934,202	-	-	1,471,964	934,202
2020	1,513,452	886,888	-	-	1,513,452	886,888
2021	1,567,195	838,119	-	-	1,567,195	838,119
2022	1,578,000	783,492	-	-	1,578,000	783,492
2023-2027	7,513,000	3,026,267	-	-	7,513,000	3,026,267
2028-2032	7,274,000	1,770,747	-	-	7,274,000	1,770,747
2033-2037	5,694,000	612,729	-	-	5,694,000	612,729
2038	995,000	14,925	-	-	995,000	14,925
	\$ 29,547,831	\$ 9,876,006	\$ 44,009	\$ 1,584	\$ 29,591,840	\$ 9,877,590

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Primary Government (Continued)**

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>
Public Improvement and Refunding Bond	4.46 %	2002	2018	\$ 8,018,000	\$ -	\$ 522,000
Public Improvement Bond	3.25 - 4.50	2008	2038	17,895,000	105,000	370,000
Refunding Bond	2.75	2010	2030	19,925,000	2,585,169	2,504,831
Public Improvement Bond	2.10	2013	2033	10,000,000	3,150,000	6,000,000
Public Improvement Bond	2.33	2014	2028	4,796,000	3,323,000	983,000
Public Improvement Bond	1.51	2014	2019	430,000	223,000	-
Public Improvement Bond	2.95	2014	2035	3,800,000	-	3,543,000
Refunding Bond	2.39	2017	2037	20,745,000	4,965,000	15,625,000
					14,351,169	29,547,831

**Other Obligations Payable:**

Capital lease	3.10%	2014	2018	\$ 212,665	-	44,009
Total long-term debt					<u>\$ 14,351,169</u>	<u>\$ 29,591,840</u>

**Obligations Under Capital Leases**

The Town leased a vehicle and truck under a capital lease expiring in 2018. The assets acquired have a cost of \$212,665 and accumulated depreciation of \$69,117, resulting in a net book value of \$143,548.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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	\$ 997,813	\$ -	\$ 13,954	\$ 983,859	\$ 14,425

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>
2018	\$ 14,425	\$ 33,205
2019	14,912	32,718
2020	15,415	32,215
2021	15,935	31,695
2022	16,473	31,157
2023-2027	91,089	147,061
2028-2032	107,533	130,617
2033-2037	126,947	111,204
2038-2042	149,864	88,286
2043-2047	176,920	61,230
2048-2052	208,859	29,291
2053	45,487	1,535
	<b><u>\$ 983,859</u></b>	<b><u>\$ 730,214</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	3.36%	2013	2053	\$ 1,037,000	<b><u>\$ 983,859</u></b>

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 9. Unavailable and Unearned Revenue**

The following is a summary of unavailable and unearned revenue:

	<u>General Fund</u>	<u>Cemetery Perpetual Care</u>	<u>Industrial Development Authority</u>
Interest collected in advance from the fire department (unearned)	\$ -	\$ -	\$ 7,915
Total unearned revenue	-	-	7,915
Debt payments received in advance (unearned)	-	-	39,716
Uncollected property tax billing (unavailable)	419,754	-	-
Uncollected lots sales (unavailable)	-	5,690	-
Total unavailable/unearned revenue	<u>\$ 419,754</u>	<u>\$ 5,690</u>	<u>\$ 47,631</u>

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

**Plan Description**

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. General government participants must have attained age 50 with a minimum of 30 years of service. Law enforcement officers participants must have attained age 50 with a minimum of 25 years of service.

Health benefits include medical, dental, and vision insurance. Participating retirees pay monthly premiums to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65. The number of participants at June 30, 2016 was as follows:

Retirees currently receiving benefits	7
Active employees	<u>173</u>
Total	<u><u>180</u></u>

**Funding Policy**

The Town currently funds post-employment health care benefits on a pay-as-you-go basis.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Annual Other Post-Employment Benefit Cost and Net OPEB Obligation**

The Town's OPEB costs were equal to the Annual Required Contribution (ARC).

Annual required contribution	\$ 131,400
Interest on net OPEB obligation	11,712
Adjustment to annual required contribution	<u>(12,373)</u>
Annual OPEB cost	130,739
Contributions made	<u>(44,301)</u>
Increase in net OPEB obligation	86,438
Net OPEB obligation – beginning of year	<u>334,621</u>
Net OPEB obligation – end of year	<u><u>\$ 421,059</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2017	\$ 130,739	33.88%	\$ 421,059
June 30, 2016	125,101	34.21%	334,621
June 30, 2015	76,181	46.86%	252,320

**Funding Status and Funding Progress**

The funding status of the plan as of June 30, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,260,700
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,260,700
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll (Active Plan Members)	\$ 9,497,400
UAAL as a Percentage of Covered Payroll	13.27 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 3.50% rate of return and an annual healthcare cost trend of 6.90% in 2016, 7.10% in 2017, and 5.40% in 2018, reduced by decrements each year thereafter to arrive at an ultimate healthcare cost trend rate of 4.10% in 2079. The unfunded accrued liability is being amortized over 30 years as a level percent of payroll method on an open basis. Payroll and inflation is assumed to increase 3.00% per annum. The remaining amortization period at June 30, 2017 is 30 years.

**Note 11. 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.



**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 11. Fund Balance (Continued)**

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	\$ 289,027	\$ -
Capital projects	1,980,933	-
Community development – proffers	628,030	-
Asset seizure funds	1,362	-
Drug fund recap funds	58,049	
Cemetery perpetual care	-	93,249
Total restricted	<u>2,957,401</u>	<u>93,249</u>
Nonspendable:		
Prepays	82,081	-
Corpus of a permanent fund	-	800,122
Total nonspendable	<u>82,081</u>	<u>800,122</u>
Assigned for:		
Approved carryovers and encumbrances:		
General government administration	82,302	-
Public works	366,793	-
Parks and recreations	21,250	-
Community development	60,345	-
Other capital projects	1,519,757	-
Public works – sanitation equipment replacement fund	440,923	-
Total assigned	<u>2,491,370</u>	<u>-</u>
Unassigned	<u>6,818,439</u>	<u>-</u>
Total fund balance	<u><u>\$ 12,349,291</u></u>	<u><u>\$ 893,371</u></u>

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. 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 \$7,125,381 for the year ended June 30, 2017. Of these purchases, \$804,189 is included in accounts payable as of June 30, 2017. 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 FY17, two separate true-ups were necessary. Expenses were reduced by approximately \$84,000 as part of the annual true-up based on actual costs. A true-up of approximately \$355,000 also reduced expenses based on transmission peak shaving which created credits for VMEA to allocate to each member for the period of January 2016 – July 2017.

**Note 13. 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 2016 taxes due January 31, 2017 was \$.11 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 14. 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, 2017 were approximately \$176,000.

**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, 2017 were approximately \$42,000.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 14. Risk Management (continued)**

**General Liability and Other**

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident, and automobile liability from VML Insurance Programs. The Town's property and contents are insured up to a limit of approximately \$77 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 VML Insurance Programs. Total premiums for 2017 were approximately \$193,000.

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 15. 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.

**Litigation**

Certain lawsuits and potential claims are pending against the Town. In the opinion of the Town's management, after consulting with counsel, the potential loss, if any, is unknown. The Town is vigorously defending its position.

In July 2017, a court order was issued in a case involving the value of property acquired by condemnation in 2013, whereby the Town is obligated to pay additional compensation for the property in the amount of \$295,773 (for a total of \$762,240), plus accrued interest. This order was affirmed in additional court proceedings in September 2017, and the additional compensation amount was recorded as an accrual in the financial statements at June 30, 2017. The property owner has indicated his intent to appeal this decision, seeking additional compensation. The Town believes it is unlikely that an appeal will result in additional compensation being awarded.

**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 \$10.5 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.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 15. Commitments and Contingencies (continued)**

**Subsequent Events**

In September 2017, the Town executed a contract for the construction of a new 400,000 gallon elevated water storage tank at a cost of approximately \$1.7 million. The new tank will improve fire flow and provide needed reliability to the water system's high-pressure zone (HPZ). Concurrently, the Town negotiated agreements and accepted funding from certain commercial property owners within the HPZ of \$1.5 million towards the costs of construction. The project is expected to be completed by June 2018.

**Note 16. Prior Period Restatement**

The following is a summary of the restatement to net position:

	<b>Governmental Activities</b>	<b>Water Fund</b>	<b>Industrial Development Authority</b>
Net position, June 30, 2016, as previously stated	\$ 46,863,518	\$ 22,994,065	\$ 79,398
To correct debt allocations	28,500	(28,500)	-
To correct prior year error	-	-	2,729
Net position, June 30, 2016, as restated	<u>\$ 46,892,018</u>	<u>\$ 22,965,565</u>	<u>\$ 82,127</u>

**Note 17. New Accounting Standards**

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

**GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*** improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

**GASB Statement No. 81, *Irrevocable Split-Interest Agreements*** provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 17. New Accounting Standards (Continued)**

**GASB Statement No. 82, *Pension Issues***—an amendment of *GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

**GASB Statement No. 83, *Certain Asset Retirement Obligations*** establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

**GASB Statement No. 84, *Fiduciary Activities*** establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

**TOWN OF CULPEPER, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 17. New Accounting Standards (Continued)**

**GASB Statement No. 85, *Omnibus 2017*** addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues***, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

**GASB Statement No. 87, *Leases*** establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This Statement will be effective for the year ending June 30, 2021.

Management has not yet evaluated the effects, if any, of adopting these standards.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## TOWN OF CULPEPER, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 3,093,350	\$ 3,093,350	\$ 3,366,967	\$ 273,617
Local sales and use taxes	1,400,000	1,400,000	1,533,279	133,279
Business license tax	1,038,000	1,038,000	1,072,996	34,996
Franchise license tax	125,000	125,000	116,110	(8,890)
Bank stock tax	330,000	330,000	390,832	60,832
Cigarette tax	150,000	150,000	156,238	6,238
Hotel and motel room tax	396,000	396,000	449,636	53,636
Food and beverage tax	3,775,000	3,775,000	4,115,524	340,524
Local consumption tax	75,000	75,000	62,701	(12,299)
Permits, privilege fees, and regulatory licenses	294,375	294,375	297,808	3,433
Fines and forfeitures	127,000	127,000	134,158	7,158
Revenues from use of money and property	218,000	218,000	213,887	(4,113)
Charges for services	292,738	292,738	295,860	3,122
Other	101,000	101,000	131,122	30,122
Recovered costs	2,296,249	2,296,249	2,288,113	(8,136)
Intergovernmental	3,740,480	3,741,721	2,853,111	(888,610)
Total revenues	17,452,192	17,453,433	17,478,342	24,909
EXPENDITURES				
Current:				
General government administration				
Town council	193,271	176,186	169,689	6,497
Town manager	112,536	112,349	110,005	2,344
Town clerk	274,213	300,058	283,624	16,434
Human resources	289,172	284,172	280,941	3,231
Legal services	100,840	100,840	96,620	4,220
Independent auditor	58,600	58,600	58,088	512
Treasurer	1,301,790	1,240,841	1,197,946	42,895
Risk management	122,222	122,222	119,784	2,438
Information technology	1,138,294	1,187,486	1,240,211	(52,725)
Motor pool	238,656	238,656	235,082	3,574
Total general government administration	3,829,594	3,821,410	3,791,990	29,420
Public safety				
Police department	4,902,480	4,997,016	4,996,798	218
Total public safety	4,902,480	4,997,016	4,996,798	218



## TOWN OF CULPEPER, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Public works				
Public works administration	\$ 254,516	\$ 254,516	\$ 192,037	\$ 62,479
Streets	2,556,637	2,781,637	2,460,387	321,250
Refuse collection	391,502	391,502	349,387	42,115
General properties	540,422	740,422	644,441	95,981
Total public works	3,743,077	4,168,077	3,646,252	521,825
Parks, recreation, and cultural				
Parks and recreation	613,249	616,249	566,679	49,570
Cemetery	137,061	137,061	136,372	689
Total parks, recreation, and cultural	750,310	753,310	703,051	50,259
Community development				
Planning and zoning	554,887	554,887	547,463	7,424
Visitors center	51,861	51,861	47,680	4,181
Tourism	364,674	364,674	360,338	4,336
Economic development	188,750	188,750	156,250	32,500
Contributions	329,955	331,196	320,881	10,315
Total community development	1,490,127	1,491,368	1,432,612	58,756
Capital projects	1,829,018	5,144,718	1,350,076	3,794,642
Debt service:				
Principal retirement	1,230,268	1,230,268	1,249,267	(18,999)
Interest and fiscal charges	483,598	483,598	410,324	73,274
Total debt service	1,713,866	1,713,866	1,659,591	54,275
Total expenditures	18,258,472	22,089,765	17,580,370	4,509,395
Excess of expenditures over revenues	(806,280)	(4,636,332)	(102,028)	4,534,304
OTHER FINANCING SOURCES (USES)				
Transfers in	806,280	806,280	611,435	(194,845)
Total other financing sources (uses)	806,280	806,280	611,435	(194,845)
Net change in fund balances	\$ -	\$ (3,830,052)	\$ 509,407	\$ 4,339,459

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	\$ 509,407
Encumbrances	<u>152,026</u>
Change in fund balance per Ex 5	<u>\$ 661,433</u>

## TOWN OF CULPEPER, VIRGINIA

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**  
**June 30, 2017**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as of Percentage of Covered Payroll</b>
<b>OTHER POST-EMPLOYMENT BENEFITS</b>						
June 30, 2016	\$ -	\$ 1,260,700	\$ 1,260,700	0.00%	\$ 9,497,400	13.27%
June 30, 2013	\$ -	\$ 750,200	\$ 750,200	0.00%	\$ 7,950,900	9.44%
June 30, 2010	\$ -	\$ 645,400	\$ 645,400	0.00%	\$ 7,408,500	8.71%

## TOWN OF CULPEPER, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2017**

	Plan Year		
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 972,070	\$ 945,867	\$ 910,207
Interest on total pension liability	2,447,694	2,338,187	2,233,895
Difference between expected and actual experience	(111,475)	27,383	-
Benefit payments, including refunds of employee contributions	(1,743,316)	(1,750,779)	(1,557,640)
Net change in total pension liability	1,564,973	1,560,658	1,586,462
<b>Total pension liability - beginning</b>	<b>35,838,722</b>	<b>34,278,064</b>	<b>32,691,602</b>
<b>Total pension liability - ending</b>	<b>37,403,695</b>	<b>35,838,722</b>	<b>34,278,064</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	1,077,344	1,104,432	965,805
Contributions - employee	454,467	429,532	413,261
Net investment income	512,613	1,292,934	3,870,612
Benefit payments, including refunds of employee contributions	(1,743,316)	(1,750,779)	(1,557,640)
Administrative expenses	(18,024)	(17,631)	(20,826)
Other	(216)	(272)	204
Net change in plan fiduciary net position	282,868	1,058,216	3,671,416
<b>Plan fiduciary net position - beginning</b>	<b>29,331,873</b>	<b>28,273,657</b>	<b>24,602,241</b>
<b>Plan fiduciary net position - ending</b>	<b>29,614,741</b>	<b>29,331,873</b>	<b>28,273,657</b>
<b>Net pension liability - ending</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	79%	82%	82%
Covered payroll	\$ 9,127,485	\$ 8,634,324	\$ 8,329,057
Net pension liability as a percentage of covered payroll	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, 2017**

<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>					
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 three years of data is available. Additional years will be included as they become available.

## **TOWN OF CULPEPER, VIRGINIA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2017**

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

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## **OTHER SUPPLEMENTARY INFORMATION**

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## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - PARKING AUTHORITY**  
**June 30, 2017**

	<u>Balances Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances Ending</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 85,033	\$ 76,106	\$ 8,927
Receivables	8,463	-	5,295	3,168
Future amounts to be collected to liquidate liabilities	42,633	34,616	3,511	73,738
Total assets	<u>\$ 51,096</u>	<u>\$ 119,649</u>	<u>\$ 84,912</u>	<u>\$ 85,833</u>
<b>LIABILITIES</b>				
Due to fiscal agent	\$ 51,096	\$ 35,004	\$ 267	\$ 85,833
Total liabilities	<u>\$ 51,096</u>	<u>\$ 35,004</u>	<u>\$ 267</u>	<u>\$ 85,833</u>

## TOWN OF CULPEPER, VIRGINIA

**BALANCE SHEET – GOVERNMENTAL FUND  
DISCRETELY PRESENTED COMPONENT UNIT  
June 30, 2017**

	<b>Industrial Development Authority</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 78,693
Cash and cash equivalents, restricted	50,933
Total assets	<u>\$ 129,626</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities:	
Unearned revenue	\$ 47,631
Total Liabilities	<u>47,631</u>
Fund Balance:	
Assigned	<u>81,995</u>
Total fund balance	<u>81,995</u>
Total liabilities and fund balance	<u>\$ 129,626</u>
<b>Amounts reported in the Statement of Net Position (Exhibit 1) are different because:</b>	
Total fund balance	\$ 81,995
Long-term assets, including notes receivable, are not due and receivable in the current period and therefore are not reported in the funds.	969,434
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.	39,716
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,009,150)</u>
<b>Net position of governmental activities</b>	<u>\$ 81,995</u>



## TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
DISCRETELY PRESENTED COMPONENT UNIT  
Year Ended June 30, 2017**

	<b>Industrial Development Authority</b>
	<hr/>
<b>REVENUES</b>	
Intergovernmental grants	\$ 231,462
	<hr/>
Total revenues	231,462
	<hr/>
<b>EXPENDITURES</b>	
Community development	231,594
	<hr/>
Total expenditures	231,594
	<hr/>
Excess of revenue over expenditures	(132)
	<hr/>
Net change in fund balance	(132)
	<hr/>
<b>FUND BALANCE AT JULY 1, AS RESTATED (Note 16)</b>	82,127
	<hr/>
<b>FUND BALANCE AT JUNE 30</b>	\$ 81,995
	<hr/> <hr/>

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

<b>Net change in fund balance</b>	\$ (132)
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.	(14,425)
Interest earned related to long-term notes receivable does not represent current financial resources and therefore are not reported as revenue in the funds.	(303)
Repayment of debt is an expenditure in the governmental fund but reduces long-term liabilities in the statement of net position.	13,954
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.	303
	<hr/>
<b>Change in net position of governmental activities</b>	\$ (603)
	<hr/> <hr/>

# 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; 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									
	2017	2016 <sup>(2)</sup>	2015 <sup>(1) (2)</sup>	2014 <sup>(2)</sup>	2013 <sup>(2)</sup>	2012	2011	2010	2009 <sup>(2)</sup>	2008
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 41,387,460	\$ 43,759,691	\$ 43,149,400	\$ 35,443,423	\$ 25,529,232	\$ 17,766,505	\$ 19,571,754	\$ 21,719,577	\$ 23,576,860	\$ 21,499,768
Restricted	1,811,790	1,739,191	1,581,752	1,438,266	1,303,598	598,758	542,416	592,481	-	1,415,016
Unrestricted	4,297,760	1,364,636	870,870	4,622,870	2,015,193	9,013,312	8,022,110	5,600,105	3,726,292	5,849,000
Total governmental activities net position	<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>	<u>\$ 27,303,152</u>	<u>\$ 28,763,784</u>
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 32,641,915	\$ 27,865,064	\$ 26,550,954	\$ 27,911,757	\$ 25,590,844	\$ 29,971,833	\$ 27,499,978	\$ 28,124,024	\$ 22,251,714	\$ 14,111,003
Restricted	-	-	-	-	-	-	-	-	2,470,415	19,219,105
Unrestricted	20,951,828	23,628,617	23,270,667	23,275,294	25,738,585	21,724,844	24,972,697	24,981,973	26,519,207	17,729,092
Total business-type activities net position	<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>	<u>\$ 51,241,336</u>	<u>\$ 51,059,200</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 74,029,375	\$ 71,624,755	\$ 69,700,354	\$ 63,355,180	\$ 51,120,076	\$ 47,738,338	\$ 47,071,732	\$ 49,843,601	\$ 45,828,574	\$ 35,610,771
Restricted	1,811,790	1,739,191	1,581,752	1,438,266	1,303,598	598,758	542,416	592,481	2,470,415	20,634,121
Unrestricted	25,249,588	24,993,253	24,141,537	27,898,164	27,753,778	30,738,156	32,994,807	30,582,078	30,245,499	23,578,092
Total primary government net position	<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>	<u>\$ 78,544,488</u>	<u>\$ 79,822,984</u>

<sup>(1)</sup> GASB Statement No. 68 was adopted in fiscal year 2015.<sup>(2)</sup> These totals are as previously reported. A prior period adjustment was required which 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 2,118,903	\$ 1,782,797	\$ 1,580,634	\$ 2,069,656	\$ 1,820,939	\$ 2,014,118	\$ 1,337,825	\$ 1,257,522	\$ 1,631,860	\$ 1,184,311
Public safety	5,392,894	4,826,442	4,466,205	4,620,506	4,355,486	3,982,363	4,014,472	3,962,281	4,082,574	3,953,400
Public works	5,381,340	4,677,492	4,622,046	4,882,783	3,927,287	3,609,893	3,230,087	3,615,820	4,196,462	4,095,306
Parks, recreation, and cultural	727,557	734,657	658,510	869,890	952,084	759,713	581,190	541,764	555,241	629,683
Community development	1,443,117	1,404,450	1,403,802	1,463,571	1,448,109	1,374,210	1,854,682	1,709,856	1,116,215	1,063,436
Interest on long-term debt	323,497	557,705	502,905	567,245	529,532	430,650	338,982	509,832	295,133	276,215
Total governmental activities	15,387,308	13,983,543	13,234,102	14,473,651	13,033,437	12,170,947	11,357,238	11,597,075	11,877,485	11,202,351
<b>Business-Type Activities:</b>										
Water	4,074,774	3,880,069	3,483,189	3,947,082	3,173,641	3,080,472	2,989,018	2,836,510	3,044,418	3,164,725
Wastewater	5,345,589	5,533,867	5,146,396	5,401,822	5,438,022	5,322,081	5,480,065	3,745,960	4,778,920	4,316,981
Electric	10,939,680	10,710,274	11,640,544	11,823,318	10,592,276	11,195,220	10,158,556	8,884,255	9,596,223	9,950,373
Total business-type activities expense	20,360,043	20,124,210	20,270,129	21,172,222	19,203,939	19,597,773	18,627,639	15,466,725	17,419,561	17,432,079
Total primary government expenses	35,747,351	34,107,753	33,504,231	35,645,873	32,237,376	31,768,720	29,984,877	27,063,800	29,297,046	28,634,430
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for services:										
General government	90,053	81,443	63,438	53,062	189,022	-	-	-	-	-
Public safety	202,554	195,365	159,236	157,238	185,890	244,823	188,207	217,637	158,783	157,226
Public works	313,983	432,509	390,969	322,027	224,756	216,426	134,538	149,335	75,307	110,628
Parks, recreation, and cultural	430,210	420,362	410,854	430,869	408,606	401,784	477,141	358,254	387,853	370,169
Community development	19,471	37,304	35,243	41,585	31,878	19,357	8,461	9,678	-	-
Operating grants and contributions	2,377,321	2,164,513	2,180,092	2,400,103	2,088,055	1,892,927	2,527,695	2,280,820	1,744,620	2,179,593
Capital grants and contributions	365,253	294,304	7,738,062	2,292,433	959,384	-	-	-	-	4,479
Total governmental activities program revenues	3,798,845	3,625,800	10,977,894	5,697,317	4,087,591	2,775,317	3,336,042	3,015,724	2,366,563	2,822,095
<b>Business-Type Activities:</b>										
Charges for services:										
Water	4,455,697	5,125,832	4,265,875	4,102,902	3,711,935	3,177,413	2,893,750	3,022,229	2,977,336	4,706,386
Wastewater	5,768,125	5,662,133	5,269,322	5,224,087	4,441,288	3,421,975	3,204,475	3,383,665	3,243,368	5,762,559
Electric	11,711,465	11,592,942	12,106,804	11,444,085	11,188,316	10,855,157	10,680,058	9,735,008	9,824,763	9,287,602
Operating grants and contributions	29,542	24,020	1,369	3,047	-	14,852	-	-	-	-
Capital grants and contributions	994,049	-	-	818,910	22,000	2,083	11,806	2,823,708	817,398	2,234,966
Total business-type activities program revenues	22,958,878	22,404,927	21,643,370	21,593,031	19,363,539	17,471,480	16,790,089	18,964,610	16,862,865	21,991,513
Total primary government program revenues	26,757,723	26,030,727	32,621,264	27,290,348	23,451,130	20,246,797	20,126,131	21,980,334	19,229,428	24,813,608
<b>Net (Expense) Revenue</b>										
Governmental activities	(11,588,463)	(10,357,743)	(2,256,208)	(8,776,334)	(8,945,846)	(9,395,630)	(8,021,196)	(8,581,351)	(9,510,922)	(8,380,256)
Business-type activities	2,598,835	2,280,717	1,373,241	420,809	159,600	(2,126,293)	(1,837,550)	3,497,885	(556,696)	4,559,434
Total primary government net expense	(8,989,628)	(8,077,026)	(882,967)	(8,355,525)	(8,786,246)	(11,521,923)	(9,858,746)	(5,083,466)	(10,067,618)	(3,820,822)

(Continued)

**TABLE 2**  
**(Continued)**

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes										
Property taxes	\$ 3,334,858	\$ 3,062,450	\$ 3,095,547	\$ 3,052,885	\$ 2,905,805	\$ 2,764,759	\$ 2,757,576	\$ 3,159,991	\$ 2,568,973	\$ 2,379,368
Sales taxes	1,555,660	1,363,040	1,371,546	1,409,401	1,299,219	1,257,483	986,332	1,069,068	937,575	934,160
Business license tax	1,072,996	1,043,272	1,035,641	1,044,986	1,092,986	1,060,265	1,010,056	1,103,611	1,064,862	1,231,754
Franchise license tax	116,110	119,031	123,143	123,331	126,439	137,179	140,920	125,654	141,265	142,676
Motor vehicle license	-	-	-	-	-	-	-	-	-	19,878
Bank stock tax	390,832	338,243	349,495	305,972	287,309	273,240	329,972	271,467	235,807	209,900
Cigarette tax	156,238	167,265	162,582	173,094	183,297	126,516	144,010	148,459	177,417	183,449
Hotel and motel room tax	449,636	342,965	325,775	328,032	249,896	299,089	256,929	256,849	225,343	224,213
Food and beverage tax	4,115,524	3,941,061	3,727,506	3,362,648	2,622,243	1,846,124	1,790,476	1,748,975	1,762,648	1,907,318
Local consumption tax	62,701	61,254	71,380	65,165	61,845	59,249	53,883	54,759	62,491	62,565
Other local taxes	-	-	-	4,918	971	2,195	4,074	4,245	-	-
Intergovernmental revenue	230,933	231,707	231,499	231,885	231,473	443,255	285,193	230,617	230,058	257,038
Investment earnings	45,754	36,412	18,793	20,845	25,279	13,663	22,309	25,398	135,773	265,207
Other	50,778	331,402	165,826	103,546	74,341	54,908	163,583	453,053	508,078	294,056
Special Item: Annexation of State Roads	-	-	-	-	680,433	-	-	-	-	-
Transfers	611,435	593,538	625,612	594,982	573,758	300,000	300,000	302,145	-	-
Total governmental activities	12,193,455	11,631,640	11,304,345	10,821,690	10,415,294	8,637,925	8,245,313	8,954,291	8,050,290	8,111,582
<b>Business-Type Activities:</b>										
Investment earnings	127,950	60,471	30,050	37,648	46,910	216,685	252,103	329,668	738,832	1,362,743
Other	13,212	8,301	6,668	-	-	1,433,610	1,252,125	573,216	-	-
Insurance recovery	-	3,474	7,929	447,114	-	-	-	-	-	-
Transfers	(611,435)	(593,538)	(625,612)	(594,982)	(573,758)	(300,000)	(300,000)	(302,145)	-	-
Total business-type activities	(470,273)	(521,292)	(580,965)	(110,220)	(526,848)	1,350,295	1,204,228	600,739	738,832	1,362,743
Total primary government	11,723,182	11,110,348	10,723,380	10,711,470	9,888,446	9,988,220	9,449,541	9,555,030	8,789,122	9,474,325
<b>Changes in Net Position</b>										
Governmental activities	604,992	1,273,897	9,048,137	2,045,356	1,469,448	(757,705)	224,117	372,940	(1,460,632)	(268,674)
Business-type activities	2,128,562	1,759,425	792,276	310,589	(367,248)	(775,998)	(633,322)	4,098,624	182,136	5,922,177
Total primary government	\$ 2,733,554	\$ 3,033,322	\$ 9,840,413	\$ 2,355,945	\$ 1,102,200	\$ (1,533,703)	\$ (409,205)	\$ 4,471,564	\$ (1,278,496)	\$ 5,653,503

TABLE 3

## TOWN OF CULPEPER, VIRGINIA

## FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2017	2016	2015 <sup>(1) (2)</sup>	2014 <sup>(1)</sup>	2013 <sup>(1)</sup>	2012	2011
<b>Post-GASB54:</b>							
<b>General Fund</b>							
Nonspendable	\$ 82,081	\$ -	\$ -	\$ 86,437	\$ 146,178	\$ 80,810	\$ 58,070
Restricted	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	2,491,370	448,203	86,656	352,985	1,353,321	648,657	4,557,951
Unassigned	6,818,439	5,663,645	5,377,641	4,726,934	823,784	314,975	4,000,756
Total general fund	<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>							
Restricted	\$ 893,371	\$ 822,133	\$ 758,254	\$ 703,499	\$ 638,704	\$ 598,758	\$ 542,416
Total all other governmental funds	<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>2010</b>	<b>2009 <sup>(1)</sup></b>	<b>2008</b>				
<b>Pre-GASB54:</b>							
<b>General Fund</b>							
Reserved	\$ 237,575	\$ -	\$ -				
Unreserved	8,714,679	3,698,776	7,298,518				
Total general fund	<u>\$ 8,952,254</u>	<u>\$ 3,698,776</u>	<u>\$ 7,298,518</u>				
<b>All Other Governmental Funds</b>							
Unreserved, reported in:							
Permanent fund	\$ 478,881	\$ 421,547	\$ 412,282				
Total all other governmental funds	<u>\$ 478,881</u>	<u>\$ 421,547</u>	<u>\$ 412,282</u>				

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

<sup>(2)</sup> For FY15, the previously reported nonspendable fund balance has been reclassified into the restricted fund balance to comply with the GASB Statement No. 54, reporting requirements for restrictions which are externally imposed.

TABLE 4

## TOWN OF CULPEPER, VIRGINIA

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues</b>										
Taxes	\$11,264,283	\$10,456,591	\$ 10,185,335	\$ 9,852,810	\$ 8,794,666	\$ 7,834,966	\$ 7,432,462	\$ 7,738,427	\$ 7,145,133	\$ 7,276,554
Permits, privilege fees, and licenses	297,808	364,246	275,969	304,884	255,905	294,185	278,571	256,426	178,108	201,372
Fines and forfeitures	134,158	118,324	122,292	103,206	129,654	129,778	123,623	166,292	158,783	157,226
Investment earnings	213,887	212,379	202,029	210,983	210,859	191,908	232,691	249,704	356,434	493,722
Charges for services	295,860	279,147	328,502	293,820	255,751	284,563	200,374	92,425	62,041	62,613
Other	131,122	196,889	300,545	216,950	288,051	46,727	122,168	401,587	510,323	297,707
Recovered costs	2,288,113	2,208,363	2,027,731	1,835,240	1,817,446	2,009,672	2,052,104	1,630,016	1,544,137	1,461,127
Grant proceeds	-	-	-	-	-	-	-	-	25,090	87,655
Intergovernmental	2,853,111	2,690,525	4,707,381	3,953,986	3,279,435	2,342,176	2,975,718	2,562,603	1,949,588	2,338,101
Total revenues	17,478,342	16,526,464	18,149,784	16,771,879	15,031,767	13,133,975	13,417,711	13,097,480	11,929,637	12,376,077
<b>Expenditures</b>										
General government	3,738,385	3,590,533	3,306,228	3,190,149	3,146,377	2,703,451	2,491,505	2,146,254	2,594,924	2,208,843
Public safety	4,996,798	4,619,766	4,317,699	4,290,573	4,018,716	3,902,392	3,920,633	3,866,967	4,006,766	3,972,387
Public works	3,628,459	3,514,464	3,259,396	3,330,713	3,110,447	3,045,848	2,820,311	2,678,356	3,287,064	2,413,634
Parks, recreation, and cultural	703,051	730,184	665,109	828,728	906,712	715,352	654,533	489,512	512,386	582,890
Community development	1,417,717	1,414,780	1,425,637	1,435,055	1,286,951	1,335,520	1,140,210	1,233,053	1,115,101	1,069,575
Capital projects	1,284,343	884,820	5,709,587	5,466,703	3,918,542	841,828	1,628,829	2,174,668	3,408,564	2,557,650
Debt service:										
Principal	1,249,267	1,227,548	1,074,903	933,736	784,741	716,123	573,103	498,974	835,589	406,721
Interest	410,324	511,519	533,486	520,199	442,610	419,506	412,271	393,527	299,844	273,288
Bond issuance costs	-	73,022	7,896	53,236	56,846	115,832	150,834	27,991	-	-
Total expenditures	17,428,344	16,566,636	20,299,941	20,049,092	17,671,942	13,795,852	13,792,229	13,509,302	16,060,238	13,484,988
Excess of revenues over (under) expenditures	49,998	(40,172)	(2,150,157)	(3,277,213)	(2,640,175)	(661,877)	(374,518)	(411,822)	(4,130,601)	(1,108,911)
<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	540,124	1,607,021
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	611,435	593,538	625,612	594,982	573,758	300,000	300,000	302,145	-	-
Total other financing sources (uses)	611,435	962,946	1,055,612	4,271,482	4,293,758	1,200,000	450,834	5,931,145	540,124	1,607,021
Net change in fund balances	\$ 661,433	\$ 922,774	\$ (1,094,545)	\$ 994,269	\$ 1,653,583	\$ 538,123	\$ 76,316	\$ 5,519,323	\$ (3,590,477)	\$ 498,110
Debt service as a percentage of noncapital expenditures	10.33%	11.57%	11.23%	9.69%	8.98%	8.59%	7.91%	7.87%	9.86%	6.64%

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		
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	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
2009	1,785,785,500	139,139,665	22,495,201	40,564,090	1,668,322	1,989,652,778	1.89
2008	1,563,586,200	136,139,100	21,760,395	35,383,007	983,329	1,757,852,031	1.87

**Notes:** Property is assessed at full market value. Properties are reassessed once every four years.

(1) Per \$100 of assessed value.

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

TABLE 6

**TOWN OF CULPEPER, VIRGINIA**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**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	
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
2009	0.09	1.00	0.80	0.09	1.00	0.61	3.50	1.89
2008	0.07	1.00	0.80	0.07	1.00	0.56	3.50	1.87

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



TABLE 7

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

**June 30, 2017**

<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	\$ 19,638,100	1.18%
Dominion Square – Culpeper LLC	Shopping Center	\$ 12,956,500	0.78%
Walmart Real Estate Business Trust	Retail / Grocery	\$ 11,213,900	0.67%
Culpeper Marketplace Associates LLC	Shopping Center	\$ 9,620,300	0.58%
Culpeper Regency LLC	Shopping Center	\$ 8,417,700	0.51%
D-Marc 2007-CD5 Montanus Drive LLC	Shopping Center	\$ 7,648,200	0.46%
Target Corporation	Retail / Grocery	\$ 7,388,700	0.44%
Southridge/Culpeper LP	Rental Residential & Commercial	\$ 7,124,800	0.43%
Lowe's Home Centers, Inc.	Retail	\$ 7,101,700	0.43%
Culpeper Regency LLC	Shopping Center	\$ 6,991,800	0.42%
Total Real Property Assessed Value		\$ 1,664,811,915	

**June 30, 2008**

<b>Name</b>	<b>Nature of Business</b>	<b>Assessed Value</b>	<b>Percent of Real Estate Tax</b>
Dominion Square – Culpeper LLC	Shopping Center	\$ 16,070,400	1.03%
Society for Worldwide Interbank	Banking Operations	\$ 15,246,200	0.98%
Walmart Real Estate Business Trust	Retail / Grocery	\$ 13,288,100	0.85%
Continental 181 Fund LLC	Shopping Center	\$ 11,731,400	0.75%
Culpeper Commons LP	Rental Residential	\$ 8,152,500	0.52%
Southridge/Culpeper LP	Rental Residential & Commercial	\$ 8,084,600	0.52%
Masco Builder Cabinet Group	Cabinet Manufactory	\$ 7,662,900	0.49%
Culpeper Shopping Center Joint Venture	Shopping Center	\$ 7,065,300	0.45%
Culpeper House LTD Partnership	Rental Residential	\$ 6,849,300	0.44%
Medical Facilities of America XVI	Nursing Home / Elderly Care	\$ 6,615,800	0.42%
Total Real Property Assessed Value		\$ 1,563,586,200	

Source: Treasurer 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
2017	2016	\$ 3,306,918	\$ 3,071,240	92.87%	\$ -	\$ 3,071,240	92.87 %
2016	2015	3,145,381	2,880,923	91.59%	158,741	3,039,664	96.64
2015	2014	3,110,426	2,816,413	90.55%	216,457	3,032,870	97.51
2014	2013	3,065,598	2,774,376	90.50%	220,303	2,994,679	97.69
2013	2012	2,932,627	2,663,855	90.84%	211,001	2,874,856	98.03
2012	2011	2,807,337	2,593,123	92.37%	167,003	2,760,126	98.32
2011	2010	2,779,525	2,612,794	94.00%	113,331	2,726,125	98.08
2010	2009	2,668,612	2,521,959	94.50%	111,887	2,633,846	98.70
2008	2008	2,775,956	2,595,877	93.51%	137,067	2,732,944	98.45
2008	2007	2,389,413	2,227,475	93.22%	130,065	2,357,540	98.67

Source: Treasurer 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 Personal Income	Per Capita
	Activities								
	General	General Obligation Bonds*							
	Obligation Bonds*	Water Bonds	Wastewater Bonds	Electric Bonds	Capital Leases				
2017	\$ 15,588,513	\$ 9,382,689	\$ 17,660,393	\$ 4,924,178	\$ 44,009	\$ 47,599,782	6363.23%	\$ 2,599	
2016	16,963,068	10,042,032	18,733,482	5,309,323	81,180	51,129,085	7204.08%	2,840	
2015	17,787,190	10,688,607	18,479,818	5,509,370	150,658	52,615,643	7520.88%	2,997	
2014	18,457,598	7,394,349	19,289,433	5,852,615	212,707	51,206,702	7751.32%	2,941	
2013	15,758,484	6,764,750	20,076,104	6,114,792	67,430	48,781,560	7485.67%	2,845	
2012	12,866,875	3,037,383	20,857,910	4,245,381	109,073	41,116,622	6609.83%	2,472	
2011	12,788,716	3,439,116	21,864,156	4,482,978	-	42,574,966	7735.36%	2,555	
2010	13,097,918	3,838,241	21,900,138	4,705,832	-	43,542,129	8271.27%	2,658	
2009	7,968,892	4,029,785	22,134,345	4,929,746	-	39,062,768	8889.78%	2,790	
2008	8,263,350	4,350,660	22,326,685	5,039,291	38,180	40,018,166	9016.65%	2,958	

\* Includes bond premiums.

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 Value of Property	Per Capita
	General Obligation Bonds		
2017	\$ 43,899,000	2.33%	2,397
2016	47,144,999	2.55%	2,618
2015	51,275,177	3.15%	2,920
2014	49,725,178	3.11%	2,856
2013	47,381,000	3.08%	2,764
2012	39,596,000	2.96%	2,381
2011	42,574,966	2.87%	2,555
2010	43,542,129	2.19%	2,658
2009	39,062,768	2.22%	2,790
2008	40,018,166	0.47%	2,958

TABLE 11

**TOWN OF CULPEPER, VIRGINIA**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Debt limit	\$ 169,933,012	\$ 167,503,920	\$ 146,035,245	\$ 143,728,480	\$ 146,959,170	\$ 119,659,666	\$ 133,179,360	\$ 182,634,959	\$ 178,578,550	\$ 156,358,620
Total net debt applicable to limit	<u>15,588,513</u>	<u>16,963,068</u>	<u>17,787,190</u>	<u>18,457,598</u>	<u>15,758,484</u>	<u>12,866,875</u>	<u>12,788,716</u>	<u>13,097,918</u>	<u>7,967,892</u>	<u>8,242,832</u>
Legal debt margin	<u>\$ 154,344,499</u>	<u>\$ 150,540,852</u>	<u>\$ 128,248,055</u>	<u>\$ 125,270,882</u>	<u>\$ 131,200,686</u>	<u>\$ 106,792,791</u>	<u>\$ 120,390,644</u>	<u>\$ 169,537,041</u>	<u>\$ 170,610,658</u>	<u>\$ 148,115,788</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>9.17%</u>	<u>10.13%</u>	<u>12.18%</u>	<u>12.84%</u>	<u>10.72%</u>	<u>10.75%</u>	<u>9.60%</u>	<u>7.17%</u>	<u>4.46%</u>	<u>5.27%</u>

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed value	<u>\$ 1,699,330,119</u>
Debt limit (10% of assessed value)	\$ 169,933,012
Less debt applicable to limit:	
General obligation bonds	<u>(15,588,513)</u>
Legal debt margin	<u>\$ 154,344,499</u>

TABLE 12

## TOWN OF CULPEPER, VIRGINIA

## PLEDGED REVENUE COVERAGE

## Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses (1)	Net Available Revenue	Debt Service (2)		Coverage
				Principal	Interest	
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
2009	15,809,954	13,582,280	2,227,674	818,487	1,503,188	0.96
2008	15,257,033	13,149,773	2,107,260	1,018,056	904,037	1.10

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>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2017*	18,312	\$ 748,044	\$ 40,850	\$ 67,232	39.4	3,776	3.60%
2016	18,006	709,724	39,416	66,964	39.0	3,775	3.70%
2015	17,557	699,594	39,847	66,697	38.8	3,755	5.00%
2014	17,411	660,619	37,943	65,235	38.5	3,935	5.80%
2013	17,145	651,666	38,009	64,423	38.4	4,610	5.50%
2012	16,633	622,053	37,399	65,567	38.3	5,700	6.50%
2011	16,662	550,394	33,033	66,458	38.3	3,247	6.40%
2010	16,379	526,426	32,140	65,132	31.9	3,682	8.00%
2009	14,003	439,412	31,380	64,359	38.0	3,036	8.30%
2008	13,527	443,825	32,810	61,500	38.0	2,811	5.10%

*Note: \*2017 Estimated*

**Sources:** Planning Department, Town of Culpeper, Virginia.  
Virginia Employment Commission  
Weldon Cooper Center for Public Service  
2010 Federal Census Data

TABLE 14

## TOWN OF CULPEPER, VIRGINIA

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

**June 30, 2017**

<b>Employer</b>	<b>Product/Service</b>	<b>Total Estimated Employees</b>	<b>Percent of Workforce</b>
Culpeper County School Board	Governmental Office	1000 - 4999	N/A
Culpeper County Government	Governmental Office	500 - 999	N/A
Culpeper Memorial Hospital	Healthcare	500 - 999	N/A
Wal-Mart	Retail / Grocery	500 - 999	N/A
Cintas Uniforms Service	Uniform Service	250 - 499	N/A
Masco Builder Cabinet (Merilat)	Manufacturing	250 - 499	N/A
Virginia Department of Transportation	State Government - Transportation Program	250 - 499	N/A
Rappahannock Rapidan Community Services	Health Care and Social Assistance	100 - 249	N/A
S.W.I.F.T., Inc.	Data Center	100 - 249	N/A
Town of Culpeper	Organization	100 - 249	N/A
County Total Workforce		15,370	

**June 30, 2008**

<b>Employer</b>	<b>Product/Service</b>	<b>Total Estimated Employees</b>	<b>Percent of Workforce</b>
Culpeper County Schools	Governmental Office	1000 - 4999	N/A
Culpeper Regional Hospital	Healthcare	500 - 999	N/A
Wal-Mart	Retail / Grocery	500 - 999	N/A
Culpeper County Government	Governmental Office	500 - 999	N/A
Masco Builder Cabinet (Merilat)	Manufacturing	250 - 499	N/A

*Note: Only top 5 employer information available for FY2008*

Source: (2008) Planning Department, Town of Culpeper, Virginia.

Source: (2017) Virginia Employment Commission, Economic Information & Analytics

TABLE 15

## TOWN OF CULPEPER, VIRGINIA

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

<b>Function</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>	<b>2009</b>	<b>2008</b>
General Government										
Management services (includes Council = 4.5)	5.5	5.5	5.5	6	5	6	7	7	7	8
Finance	15	14	12	9	9	10	10	10	9	10
Planning	5	5	5	5	5	5	4	3	4	4
Building	2	2	0	2	2	2	1	1	1	-
Other (including Clerk, Information Technology, Engineering, Tourism, Human Resources)	19	20	18.5	15.5	16	17	9	11	13	11
Public Safety										
Officers	42	40	42	42	42	39	41	41	40	46
Civilians	10	11	8	9	8	9	8	8	5	6
Public Works										
Refuse collection	4	5	5	5	4	5	5	5	5	5
Streets	18	17	18	22	15	10	13	13	13	14
Other	4	4	12	4	4	6	4	5	5	4
Parks and Recreation										
Parks	5	5	5	8	8	6	5	7	7	7
Other	2	2	1.5	7	3	1	3	3	3	3
Water and Wastewater Operations	34	33	34	39	32	36	31	23	31	30
Electric Operations	17	16	17	18	19	16	17	18	17	21

Source: Finance Department payroll records, Town of Culpeper, Virginia.



TABLE 16

## TOWN OF CULPEPER, VIRGINIA

OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Traffic violations	3,110	2,013	2,075	2,246	2,755	2,180	3,471	4,086	4,149	5,242
Parking violations	1,496	1,838	1,342	1,226	1,876	1,439	1,643	2,530	3,265	3,391
Arrests	1,167	1,266	1,330	1,346	1,389	1,386	1,320	499	-	-
Total crimes	1,681	1,742	1,680	1,542	1,871	1,783	1,823	1,845	1,654	494
Public Works										
Street paving – crack sealant in pounds	-	-	693	136	4,740	20,442	30,000	30,000	30,000	-
Street paving – milling in sq. yds.	30,388	-	14,691	10,384	1,011	21,755	9,575	33,347	17,870	-
Street paving – bituminous concrete in tons	4,503	-	1,814	1,858	2,884	5,495	4,504	4,839	6,645	-
Recycling – cardboard in pounds	49,367	59,240	57,640	69,540	73,020	81,420	89,320	90,460	74,000	83,000
Recycling – newspaper in pounds	-	-	-	-	-	-	-	-	18,500	28,390
Water Operations										
Number of service connections	7,103	7,093	6,930	6,931	6,651	6,579	6,507	6,466	6,439	6,371
Average daily consumption in gallons	2,060,000	2,011,007	2,070,638	1,900,000	1,700,000	1,499,109	1,760,000	1,700,000	2,000,000	2,200,000
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	918,000	918,000	918,000	-	-	-	-	-	-	-
Wastewater Operations										
Number of service connections	6,849	6,823	6,667	6,662	6,382	6,315	6,238	6,190	6,184	6,069
Average daily consumption in gallons	2,900,000	3,160,000	2,880,000	3,400,000	3,700,000	1,371,855	2,620,000	3,000,000	2,400,000	2,770,000
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	4,000,000	4,000,000
Electric Operations										
Number of service connections	5,408	5,357	5,323	5,214	5,087	5,099	5,063	4,987	4,921	4,885
Average monthly consumption in kilowatt-hours	1,597	1,540	1,574	1,615	1,628	1,611	1,673	1,466	1,592	N/A
Highest system peak demand in megawatts	27.58	27.58	27.47	26.37	25.56	25.66	25.72	25.70	25.22	28.00

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	44	44	36	36	33	33	33	33	29	32
Public Works										
Streets (miles)	67	66	66	66	66	62	64	62	62	58
Street & yard lights	1,054	1,054	1,054	1,054	1,109	1,116	1,133	1,133	1,175	1,175
Traffic signals	19	19	19	20	20	19	15	15	14	14
Water Operations										
Miles of water main	104.7	104.0	102.6	101.4	100.0	99.0	99.0	99.0	99.0	98.0
Number of fire hydrants	734	725	713	740	737	678	678	678	678	638
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of wells	3	3	3	-	-	-	-	-	-	-
Wastewater Operations										
Miles of sanitary sewer	97.6	96.8	95.5	95.5	96.0	95.0	95.0	95.0	95.0	95.0
Miles of storm sewer	32.0	30.5	30.5	30.5	30.0	20.0	20.0	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	11	10	9	9	9	9	9	9	9
Electric Operations										
Miles of overhead lines (miles)	27.9	27.7	27.7	27.7	27.7	27.7	27.7	N/A	N/A	N/A
Miles of underground lines (miles)	46.7	44.5	44.5	44.1	42.9	41.8	41.8	N/A	N/A	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	0	0	0	1	2	2

**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, 2017**

<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	10.916	68-33A7-14-003 and 68-33A7-14-003	\$ 643,799
Total Department of Agriculture			643,799
Department of Justice: Pass Through Payments: Edward Byrne Memorial Justice Assistance Act Grant	16.738	1710010 and 1711538	11,930
Equitable Sharing Program	16.922	N/A	6,314
Total Department of Justice			18,244
Department of Transportation: Pass Through Payments: State and Community Highway Safety	20.600	56357-6557, 57023-6672 and 57025-6674	12,049
Total Department of Transportation			12,049
Department of Homeland Security: Pass Through Payments: Disaster Grants - Public Assistance	97.036	404299047553 and 426299053434	80,619
Total Department of Homeland Security			80,619
Total Expenditures of Federal Awards			\$ 754,711

**Notes to Schedule of Expenditures of Federal Awards**

## 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.

**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, 2017, 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 21, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **However, as described in finding 2017-003 in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.**

## 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*.**

## Town of Culpeper's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 21, 2017

**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 programs for the year ended June 30, 2017. 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, and 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 each 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, 2017.

### **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 21, 2017



## **TOWN OF CULPEPER, VIRGINIA**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2017**

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, 2017**

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

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness** relating to the audit of the financial statements was 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**

**2017- 003: Bank Reconciliation (Material Weakness)**

***Condition:***

Monthly bank account reconciliations are the primary internal control procedure relating to the Town's cash accounts. During fiscal year 2017, bank account reconciliations were prepared; however, the accounts were not completely reconciled. As of June 30, 2017, there was an unreconciled amount of approximately \$49,000 in the regular checking account. Although this amount may appear not to be material to the overall financial position of the Town, it may obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent.

***Recommendation:***

Unreconciled amounts should be investigated and not be allowed to carry over from month to month.

***Views of Responsible Officials:***

Given the limited size of the Treasurer's Office and turn-over in staff during the year, we recognize that improvements can be made. We will continue to investigate the differences in the bank reconciliation and ensure that such errors do not continue. We will also look for ways to utilize the new system to improve the bank reconciliation process.

**TOWN OF CULPEPER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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

None noted.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**2017- 001: Statement of Economic Interest Filing**

***Condition:***

The Town received statements of economic interest after the January 15<sup>th</sup> filing deadline. This occurred for one of the twenty eight statements required to be filed.

***Recommendation:***

The Town should continue to follow-up with employees, Council members, and Board members to remind them of the filing deadline.

***Management's Response:***

Management concurs with this recommendation.

**2017- 002: Weldon Cooper Filing**

***Condition:***

The Town did not file the Weldon Cooper report by the March 15, 2017 deadline.

***Recommendation:***

The Town should ensure that the Weldon Cooper report is filed by the annual deadline.

***Management's Response:***

Management concurs with this recommendation.

**TOWN OF CULPEPER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Year Ended June 30, 2017**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2010-001: Segregation of Duties (Significant Deficiency)**

***Condition:***

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to accounting system access, payroll, accounts payable, accounts receivable, cash collections, and cash disbursements.

***Recommendation:***

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

***Management's Response:***

Management concurs with this recommendation.

***Current Status:***

During 2017, the Town management implemented compensating controls to relieve the risks associated with these matters.

**2015- 001: Financial Reporting Controls (Material Weakness)**

***Condition:***

As more fully discussed in the letter on internal control matters, we noted a control deficiency over the financial reporting process of the Town in relation to nonrecurring and unusual items.

***Recommendation:***

The Town should implement steps to improve its financial reporting process including communication with attorneys and other departments for transactions with potential financial statement implications.

***Management's Response:***

Management concurs with this recommendation.

***Current Status:***

No similar findings were noted in the 2017 audit.

**TOWN OF CULPEPER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended June 30, 2017**

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

**2016- 001: Funds Received in Advance – CFDA #10.916 Watershed Rehabilitation Program**

***Condition:***

Noted the Town was advanced funds for payment to vendors. As a result of guidance provided by the state agency that was not in compliance with federal requirements, the Town did not expend these funds within three days of receipt.

***Criteria:***

31 CFR Part 205 requires that advances be expended within three days of receipt.

***Cause:***

The Town was unaware of this compliance requirement.

***Effect:***

The Town may be penalized with less assistance provided or advances disallowed in the future.

***Context:***

Two advances were tested and neither was expended within three days of receipt.

***Recommendation:***

The Town should delay requests for advances of grant funds until they are prepared to make payments to vendors.

***View of Responsible Officials and Planned Corrective Actions:***

Management concurs with this recommendation and has scheduled additional training for staff related to federal programs management.

***Current Status:***

No similar findings were noted in the 2017 audit.

**TOWN OF CULPEPER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2017**

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT  
(Continued)**

**2016- 002: Vendor Verification- CFDA #10.916 Watershed Rehabilitation Program**

***Condition:***

It was noted that the Town did not review the excluded parties list prior to awarding contracts to vendors. Despite not reviewing the list, upon reviewing the list during testing, we noted that all contracts were awarded to vendors that are not suspended or debarred.

***Criteria:***

A verification check for suspended or debarred contractors for all contracts equal to or exceeding \$25,000 is required.

***Cause:***

The Town was unaware of this compliance requirement.

***Effect:***

The Town may be penalized with less assistance provided.

***Context:***

This occurred on one of one contracts tested.

***Recommendation:***

The Town should implement procedures to check the *Excluded Parties List System* during the proposal process.

***View of Responsible Officials and Planned Corrective Actions:***

Management concurs with this recommendation and has scheduled additional training for staff related to federal programs management.

***Current Status:***

No instances of this matter were noted in current year contracts tested.

**TOWN OF CULPEPER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2017**

**C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**2016- 003: Statement of Economic Interest Filing**

***Condition:***

Noted that the Town received statements of economic interest after the December 15<sup>th</sup> and June 15<sup>th</sup> filing deadlines. This occurred for eleven of the eighty four statements required to be filed.

***Recommendation:***

The Town should continue to follow-up with employees, Council members, and Board members to remind them of the filing deadline.

***Management's Response:***

Management concurs with this recommendation.

***Current Status:***

See finding 2017-001 for similar finding in 2017.

**2016- 004: Statement of Economic Interest Reporting**

***Condition:***

As noted above, the Town received statements of economic interest after the filing deadlines. The Town did not report late filers to the Commonwealth Attorney's Office so that the \$250 fine could be implemented.

***Recommendation:***

The Town should begin to report late filings to the Commonwealth Attorney as required by State Code.

***Management's Response:***

Management concurs with this recommendation and will follow-up with the Town Attorney.

***Current Status:***

No similar findings were noted in the 2017 audit.

**TOWN OF CULPEPER, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2017**

**C. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)**

**2016- 005: Highway Maintenance Disbursements**

***Condition:***

The Town submitted maintenance expenditures for two streets that were not on VDOT's listing of eligible streets.

***Recommendation:***

The Town should review the listing of eligible streets prior to beginning work. The Town can also appeal to VDOT to have the streets included on the eligible streets listing in the future.

***Management's Response:***

Management concurs with this recommendation and will follow-up with the Town Attorney.

***Current Status:***

No similar findings were noted in the 2017 audit.

**2014- 001: Budget Overages**

***Condition:***

It was noted that the Town exceeded its final budget in some categories. It is a violation of Virginia State Code to spend amounts in excess of appropriations.

***Recommendation:***

The Town should implement a policy to prevent expenditures in excess of final amended budget amounts.

***Management's Response:***

Management concurs with this recommendation.

***Current Status:***

No similar findings were noted in the 2017 audit.