

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2024



TOWN OF CULPEPER, VIRGINIA

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2024

PREPARED BY:

Department of Finance / Treasurer's Office
Howard A. Kartel, CPA, MGT, Director of Finance / Town Treasurer

TOWN OF CULPEPER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended June 30, 2024

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INTRODUCTORY SECTION



TOWN OF CULPEPER

FINANCE DIVISION/TREASURER'S OFFICE

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November 15, 2024

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statutes, the Town of Culpeper ('Town') hereby submits the audited Annual Comprehensive Financial Report on its financial position and activities for the fiscal year ended June 30, 2024. This report was audited by the independent certified public accounting firm of PBMares, LLP, however the responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and reported in a manner that presents fairly the financial position and results of operations of the Town's various funds, and component units. All necessary disclosures have been included to enable the reader to gain an understanding of the financial activities of the Town.

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

THE REPORTING ENTITY AND SERVICES PROVIDED

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

The Town 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 County volunteer fire and rescue departments, local economic and tourism development programs, cultural events, recreational activities and other civic and community service non-profit organizations. The Town also operates electric, water, and sewer utilities that provide service to approximately 9,000 customers.

ECONOMIC CONDITION AND OUTLOOK

Population growth continues within the Town into 2024, as evidenced by the multi-year trend of continued residential development. The Town is positioned in the D.C./Northern Virginia growth ring with a forecasted steady population increase of approximately 30% through the year 2050 by the UVA Weldon Cooper Center for Public Service. This growth trend has changed the face of the Town to that of a regional marketing area and commuter-oriented town, with opportunities to support commercial and industrial growth. Culpeper is recognized regionally and statewide as a healthy and growing market, and has put in place economic development initiatives to promote prospective commercial development through the creation of technology zones with both the Town and County. The County unemployment rate for Culpeper in June 2024 was 3.0%, which was comparable to the Virginia Statewide rate (2.7%) and below the national rate (4.1%) as of June 2024.

Despite the economic impact of the recent inflationary conditions on the national economy, town financial results have been stronger than expected. Operating and capital budgets over the past three years were adopted with an eye to maintaining financial stability coming out of the pandemic, after holding back non-essential spending and a reduction in force for personnel in fiscal year 2021 due to the then-unknown severity and duration of the pandemic. Since then, as revenues started to return to pre-pandemic levels, staff were re-hired and budgets were increased to provide services at normal levels. The Town was awarded Federal ARPA Coronavirus State and Local Fiscal Recovery Funds of \$19,581,052 which have been allocated towards re-hiring staff, providing public safety and economic development services and for a wastewater fund capital project. These funds have helped to offset Town expenditures related to combatting the negative economic impacts of the pandemic, and all ARPA funds have been allocated and spent as of September 2024. Local tax revenues have remained strong throughout this period, meeting and in some cases exceeding budget forecasts for fiscal year 2024. Property tax assessments saw significant increases in recent years due to the strong real estate market and increased vehicle market values, even in the face of higher interest rates and inflation, and Town Council responded to the increasing vehicle assessments by reducing the tax rate on vehicles for the 2022 and subsequent tax years. Offsetting these positive trends are inflationary increases to materials, fuel and chemicals used in Town operations across all Funds, and the town is still experiencing significant delays in the purchasing of certain police vehicles, heavy equipment and utility equipment. As a result, the Town is placing orders with longer lead times, and maintaining higher on-hand quantities of various materials.

Given these conditions, the overall outlook for the Town is strong. The Town maintains a strong tourism presence which will be further enhanced by the recent creation of a State battlefield park in Culpeper County, and is able to rely on related taxes (i.e., lodging and meals) as sources of revenues to further support the General Fund budget. The Town is working to address the demands from a growing population, including improvements to capital infrastructure, utilities and quality of life services, such as public safety, transportation and recreational facilities. Recent initial development activity in the technology zone looks promising for construction, jobs and tax revenues in the years ahead. Several projects were initiated or ongoing in 2024, with others planned for the coming years to meet these needs, and are discussed below in this narrative.

MAJOR INITIATIVES IN FY24

FY24 brought a continued focus on improvements to Town infrastructure and operations, and planning for the future of our growing community. Funding for projects through annual budgets and grants, ARPA funds and Strategic Reserve funds has enabled the following to either begin or continue during this past fiscal year:

- VDOT Highway Safety Improvement Projects (HSIP) – In FY23 the Town awarded a locally administered construction contract to make improvements to a segment of Route 522 to include traffic calming measures, sidewalks and a round-about. This project was completed during this fiscal year at a final cost of approximately \$2.7 million and was 100% funded by the Virginia Department of Transportation (VDOT) using Federal funds.

- *VDOT SMARTScale Projects* – The Town was awarded four SMARTScale projects for significant road and sidewalk improvement projects over the next ten years with a projected total value of approximately \$35.9 million which are fully administered and paid for by VDOT. Design work and utility relocation work has begun on the first project to build a round-about at the busy commercial corridor and intersection of Route 3 and McDevitt Drive.
- *Water Pollution Control Facility Upgrade* – In FY23 a construction contract was awarded to install aerobic digestion and a new centrifuge at the Water Pollution Control Facility. Total project costs, including design and construction management services, are approximately \$7.9 million. This project is ongoing and anticipated to be completed in FY25. The Town has allocated \$6.3 million of ARPA funds to this project.
- *Joint Town and County Community Pool* – In FY23 the Town executed a contract with Culpeper County and committed up to \$5 million from the Strategic Reserves toward the design and construction of a community pool at the County Sports Complex. A construction contract was awarded by the County in June 2024, and the County anticipates the pool to be operational for the start of the 2026 summer season.
- *Downtown Development* – The Town has undertaken a multi-year project to enhance the downtown area near the train depot. Land purchases were made in fiscal year 2021, and the planning and design for a new parking area, pedestrian bridge over the railroad tracks and a park was completed during FY23. Construction of the bridge is anticipated to be completed in FY25. When completed, the project will bring infrastructure improvements, additional parking and enhanced access to the downtown area, with added recreation space for citizens and visitors. The project has a total cost of approximately \$5 million, and is wholly self-funded by the Town using fund balance and Strategic Reserves previously designated for initiatives such as this.
- *Water System Reliability* – In response to the drought in 2023 which was recognized as the worst ever experienced for the Culpeper watershed, the Town completed a comprehensive evaluation of the Safe Yield of the Town's water supply and developed a course of action to ensure an adequate water supply for the next 50 years.

TOWN AWARDS AND ACHIEVEMENTS

- *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 twentieth consecutive year for its Annual Comprehensive Financial Report for the fiscal year ended, June 30, 2023. 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 annual comprehensive financial report, where the contents conform to program standards. Such reports must easily satisfy both generally accepted governmental accounting principles and applicable legal requirements.
- *Directors Award* – The Culpeper Water Treatment Plant maintained the Partnership for Safe Water Director's Award for 2024. This award recognizes the Town's continual commitment in protecting public health and providing high quality water services. The Partnership for Safe Water is an unprecedented alliance of six prestigious drinking water organizations which include: AWWA – American Water Works Association, AMWA – Association of Metropolitan Water Agencies, ASDWA – Association of State

Drinking Water Administrators, NAWC – National Association of Water Companies, USEPA – U.S. Environmental Protection Agency, and WRF - Water Research Foundation. The Partnership's mission is to improve the quality of water delivered to customers by optimizing water system operations.

- *Peak Performance Award* – The Culpeper Water Pollution Control Facility was a first-time recipient of the Gold Peak Performance Award in 2024. The award is presented by the National Association of Clean Water Agencies (NACWA) for outstanding levels of compliance and performance related to the National Pollutant Discharge Elimination System (NPDES) permit, which ensures discharges to public waters do not harm water quality or human health.
- *Commission on Accreditation of Law Enforcement Agencies* – The Culpeper Police Department maintains a standard of excellence and accountability by its participation and following established law enforcement best practices set forth by the Commission on Accreditation of Law Enforcement Agencies (CALEA). The Police Department successfully completed the current year on-site assessment and annual review, and continues to be in good standing for the subsequent four-year review cycle since CALEA voted unanimously for Culpeper's status of Advanced Re-Accreditation with Meritorious Achievement in 2021.

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 proposed future improvements, budgeting high-priority projects, and informing the public of anticipated capital improvements. While the CIP provides the basis for the next fiscal year capital budget, it also serves as the framework for capital spending over the subsequent five-year period.

Enterprise Fund Planning

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

Bond Credit Rating

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

Strategic Reserves

The Town Strategic Reserves Policy ensures continued budget stability beyond the existing standard operating reserves, and establishes a funding source for future significant long-term capital projects without having to rely solely on debt financing. Through June 30, 2024, Town Council has designated approximately \$11 million to Strategic Reserves as assigned fund balance under the policy, with \$5.2 million having been allocated to date for land purchases and design and construction costs related to the downtown development and parking project and an additional \$4,750,000 for the Joint Town and County Community Pool.

ACCOUNTING SYSTEM, INTERNAL CONTROLS AND BUDGETARY CONTROLS

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

Staffing

The Director of Finance/Town Treasurer reports directly to the Town Manager. The Finance Division and Treasurer's Office handles tax billing and collections, utility billing and collections, payroll, accounts payable, investments, debt administration, 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 Town-wide are continually under review. Proper internal accounting controls exist to provide reasonable, but not absolute, assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that: (a) the cost of controls should not exceed the benefits likely to be derived, and (b) the evaluation of costs and benefits requires estimates and judgments by management. Necessary improvements are implemented to maintain our fiduciary responsibility as stewards of the Town's assets, while also streamlining processes so we can provide a responsive level of service to the Town citizens and employees.

Budgetary Controls

The Town prepares an annual budget for operating expenditures, and as previously referenced, a capital budget based on the CIP. The annual budget is prepared by management and then reviewed and approved by Town Council before the start of each fiscal year. The Town reviews and controls spending both at the organization level and the department level. All spending is subject to Town Manager and Director of Finance/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 Annual Comprehensive Financial Report has been performed by PBMares, LLP. 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 Annual Comprehensive Financial Report is partly outsourced, with contributions provided by the dedicated service of the Finance Division/Treasurer's Office staff. I extend my sincere appreciation for the efforts of staff towards the preparation of this report. I also wish to thank the Town Council, Town Manager, and Town-wide department heads and staff for their support and continued interest towards creating a strong financial framework for the Town and its citizens. This report is available to the public via the Town's website located at www.culpeperva.gov.

Respectfully submitted,



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

TOWN OF CULPEPER, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS AS OF JUNE 30, 2024

TOWN COUNCIL

Frank Reaves, Jr., Mayor
William M. Yowell, Vice-Mayor

B. Travis Brown
Jamie Clancey
Michael T. Olinger
Pranas A. Rimeikis

Jon D. Russell
Janie Schmidt
Joe Short

APPOINTED OFFICIALS

TOWN MANAGER
Christopher D. Hively

TOWN CLERK
Ashley R. Clatterbuck

TOWN ATTORNEY
Martin R. Crim

DEPARTMENT HEADS

DIRECTOR OF PUBLIC SERVICES
Jim Hoy

DIRECTOR OF FINANCE /
TOWN TREASURER
Howard Kartel

DIRECTOR OF LIGHT & POWER
Michael Stover

DIRECTOR OF HUMAN RESOURCES
Mary Jones

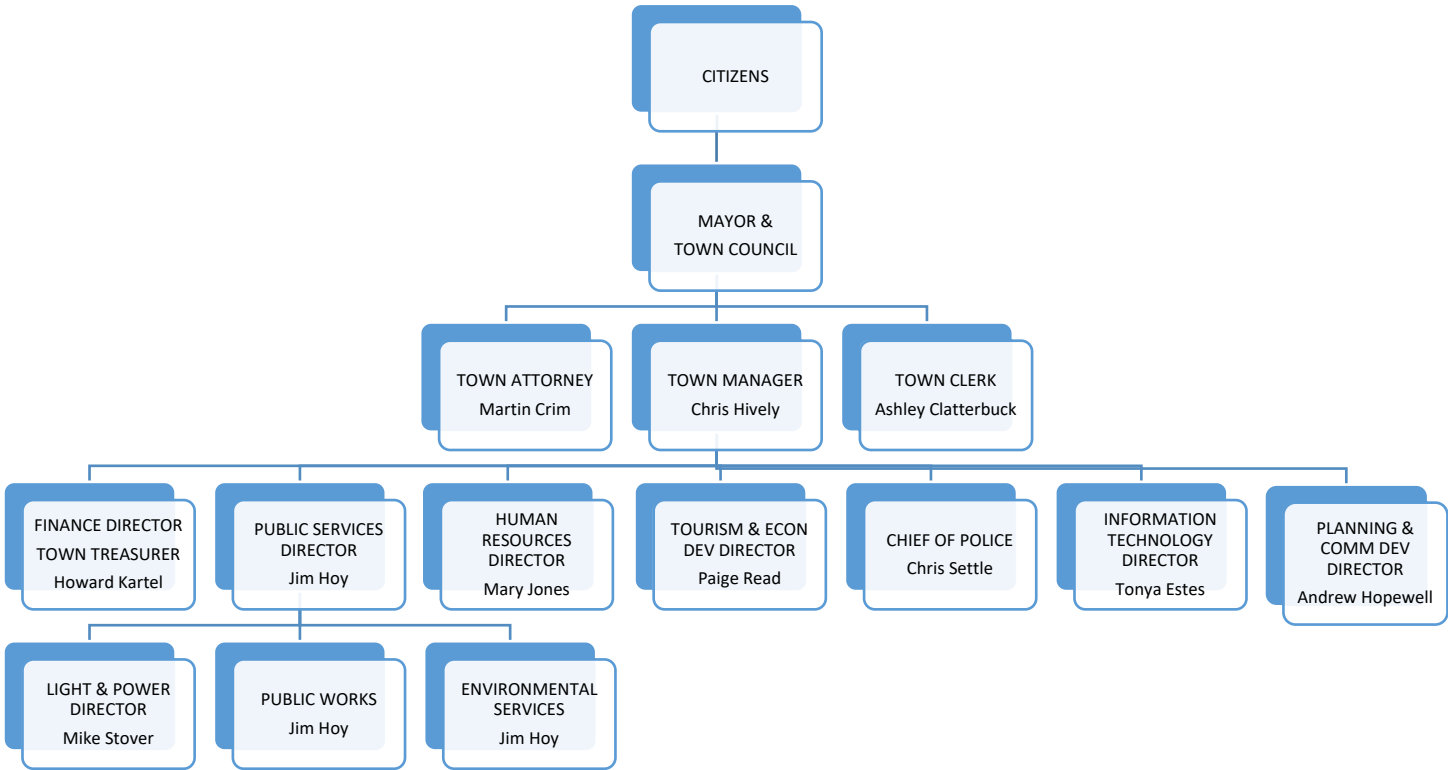
DIRECTOR OF PLANNING AND
COMMUNITY DEVELOPMENT
Andrew Hopewell

DIRECTOR OF INFORMATION
TECHNOLOGY
Tonya Estes

CHIEF OF POLICE
Chris Settle

DIRECTOR OF TOURISM AND
ECONOMIC DEVELOPMENT
Paige Read

TOWN OF CULPEPER, VIRGINIA
ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Culpeper
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison of the General Fund of the Town of Culpeper, Virginia (Town), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town, as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Counties, Cities and Towns*, provided by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS; *Government Auditing Standards*; and the *Specifications for Audits of Counties, Cities and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and *Specifications for Audits of Counties, Cities and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-16 and 69-77, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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 schedules listed in the table of contents as other supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedules listed in the table of contents as 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 15, 2024

Town of Culpeper, Virginia Management's Discussion and Analysis

As management of the Town of Culpeper, Virginia (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 year ended June 30, 2024. Please read it in conjunction with the letter of transmittal at the front of this report and with the Town's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources for all funds at the close of the fiscal year ended June 30, 2024 by \$165,052,663 (net position), an increase of \$12,435,797 or 8.1%, from the prior year balance. Of the current year amount, \$52,201,037 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, 2024, the Town's governmental funds reported an ending fund balance of \$33,553,801, an increase of \$1,881,827, or 5.9%, from the prior year. This amount is available for spending at the government's discretion, other than \$2,163,431 which is classified as non-spendable or restricted. During fiscal year 2024, the Town reduced its Strategic Reserves (committed and assigned fund balance) for future budget stabilization and capital project purposes by a net amount of \$3,282,649 to approximately \$5.6 million. Capital project reserves of \$4,750,000 were used to fund the Town's share of design and construction costs for the Joint Town and County Pool project.
- The Town was awarded \$19,581,052 of Federal ARPA SLFRF funding to be used to respond to the negative economic impact of the COVID-19 pandemic. As of June 30, 2024, approximately \$18.9 million (\$6.3 million during FY 2024) has been allocated to fund capital improvements at the wastewater treatment plant (WPCF), premium pay, rehiring of staff and revenue replacement expenditures. Remaining funds of \$703,597 are available to be used towards the WPCF improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

1. Government-wide financial statements;
2. Fund financial statements; and
3. Notes to the financial statements.

This report also contains required supplementary information, other supplementary information and supplemental schedules in addition to the basic financial statements themselves.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference between the four 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 declining.

The Statement of Activities presents information indicating 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 of the Town include general government, public safety, street maintenance, sanitation, building and grounds maintenance, recreation and cultural, and community development. The business-type activities of the Town are the water, wastewater and electric funds.

The government-wide financial statements include not only the Town of Culpeper, Virginia itself (known as the primary government), but also a legally separate industrial development authority for which the Town is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

The Town maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered a major fund, the Cemetery Perpetual Care Fund and Cemetery Permanent Fund, which are considered non-major funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (see Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund in the accompanying financial statements).

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

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

Notes to the financial statements - The notes to financial statements 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 to financial statements, this report also presents certain supplementary information for budgetary comparison schedules, and required supplementary information concerning the Town's funding progress for the defined benefit pension plan and other post-employment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a Town's financial position at any given point in time, and comparatively from year to year. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$165,052,663 at the close of the most recent fiscal year. The following table summarizes the Town's Statements of Net Position:

Summary Statements of Net Position June 30, 2024 and 2023

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 37,272,156	\$ 41,227,838	\$ 30,425,290	\$ 29,372,815	\$ 67,697,446	\$ 70,600,653
Capital assets, net	60,110,514	57,644,600	77,204,331	74,713,287	137,314,845	132,357,887
Total assets	97,382,670	98,872,438	107,629,621	104,086,102	205,012,291	202,958,540
Deferred outflows of resources	2,401,790	2,185,987	1,408,735	1,391,572	3,810,525	3,577,559
Total assets and deferred outflows of resources	99,784,460	101,058,425	109,038,356	105,477,674	208,822,816	206,536,099
Current liabilities	2,587,618	8,413,741	3,256,555	4,180,756	5,844,173	12,594,497
Noncurrent liabilities	13,116,011	13,538,033	22,003,402	23,367,477	35,119,413	36,905,510
Total liabilities	15,703,629	21,951,774	25,259,957	27,548,233	40,963,586	49,500,007
Deferred inflows of resources	2,201,037	3,365,046	605,530	1,054,180	2,806,567	4,419,226
Total liabilities and deferred inflows of resources	17,904,666	25,316,820	25,865,487	28,602,413	43,770,153	53,919,233
Net position:						
Net investment in capital assets	53,215,487	49,465,248	57,682,479	53,481,200	110,897,966	102,946,448
Restricted	1,953,660	1,754,984	-	-	1,953,660	1,754,984
Unrestricted	26,710,647	24,521,373	25,490,390	23,394,061	52,201,037	47,915,434
Total net position	\$ 81,879,794	\$ 75,741,605	\$ 83,172,869	\$ 76,875,261	\$ 165,052,663	\$ 152,616,866

At the end of the current fiscal year, the Town continues to report positive balances in all categories of net position. A discussion of fiscal year 2024 activities and results are on the subsequent pages of this MD&A section.

A significant portion of the Town's net position, \$110,897,966 (67.2%) reflects net investment in capital assets, which are used to provide services to its citizens, and, consequently, these assets are not available for future spending for other purposes. Of the remaining components of net position, \$52,201,037 (31.6%) 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, \$1,953,660 (1.2%), are amounts legally reserved for specific purposes, such as cemetery permanent and perpetual care funds, special tax district funds, and unspent police asset seizure funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Town's Net Position increased by \$12,435,797 during the current fiscal year. This increase is largely due to Federal ARPA SLFRF funds recognized of approximately \$6.2 million; investment income of approximately \$2.2 million in excess of budget; local business license, sales tax and meals taxes of approximately \$1.4 million in excess of budgeted revenues; and tap fee revenues of approximately \$1.1 million in excess of budget. The following table summarizes the Town's Statements of Changes in Net Position:

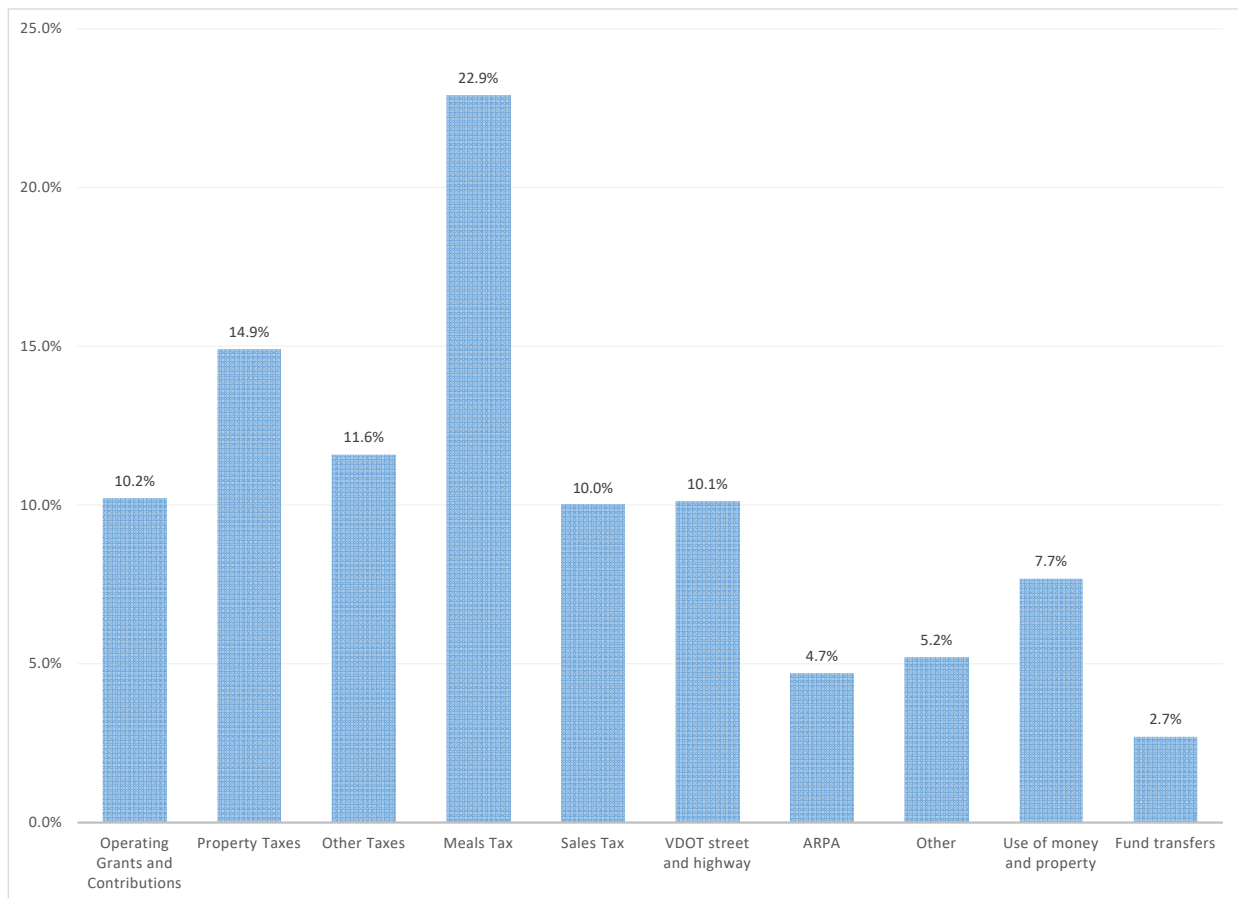
Summary Statements of Changes in Net Position Years Ended June 30, 2024 and 2023

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 818,510	\$ 631,387	\$ 25,677,554	\$ 24,261,134	\$ 26,496,064	\$ 24,892,521
Operating grants and contributions	6,590,635	10,464,478	2,986,349	1,409,994	9,576,984	11,874,472
Capital grants and contributions	-	-	4,759,781	836,622	4,759,781	836,622
General revenues:						
Property taxes	3,932,229	3,803,071	-	-	3,932,229	3,803,071
Other local taxes	11,791,648	11,111,407	-	-	11,791,648	11,111,407
Intergovernmental revenue	229,563	229,015	-	-	229,563	229,015
Investment earnings	2,034,284	670,400	1,230,566	246,682	3,264,850	917,082
Other	340,291	341,958	-	-	340,291	341,958
Total revenues	25,737,160	27,251,716	34,654,250	26,754,432	60,391,410	54,006,148
Expenses:						
General government administration	2,090,647	1,976,327	-	-	2,090,647	1,976,327
Public safety	8,032,407	7,425,757	-	-	8,032,407	7,425,757
Public works	6,599,448	6,269,470	-	-	6,599,448	6,269,470
Parks, recreation and cultural	956,199	712,143	-	-	956,199	712,143
Community development	2,467,671	2,110,846	-	-	2,467,671	2,110,846
Parking Authority	20,640	64,333	-	-	20,640	64,333
Interest on long-term debt	142,570	198,354	-	-	142,570	198,354
Water	-	-	6,009,378	5,524,431	6,009,378	5,524,431
Wastewater	-	-	6,339,488	6,033,149	6,339,488	6,033,149
Electric	-	-	15,297,165	14,706,215	15,297,165	14,706,215
Total expenses	20,309,582	18,757,230	27,646,031	26,263,795	47,955,613	45,021,025
Excess before transfers	5,427,578	8,494,486	7,008,219	490,637	12,435,797	8,985,123
Transfers	710,611	695,543	(710,611)	(695,543)	-	-
Change in net position	6,138,189	9,190,029	6,297,608	(204,906)	12,435,797	8,985,123
Net Position, beginning	75,741,605	66,551,576	76,875,261	77,080,167	152,616,866	143,631,743
Net Position, ending	\$ 81,879,794	\$ 75,741,605	\$ 83,172,869	\$ 76,875,261	\$ 165,052,663	\$ 152,616,866

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

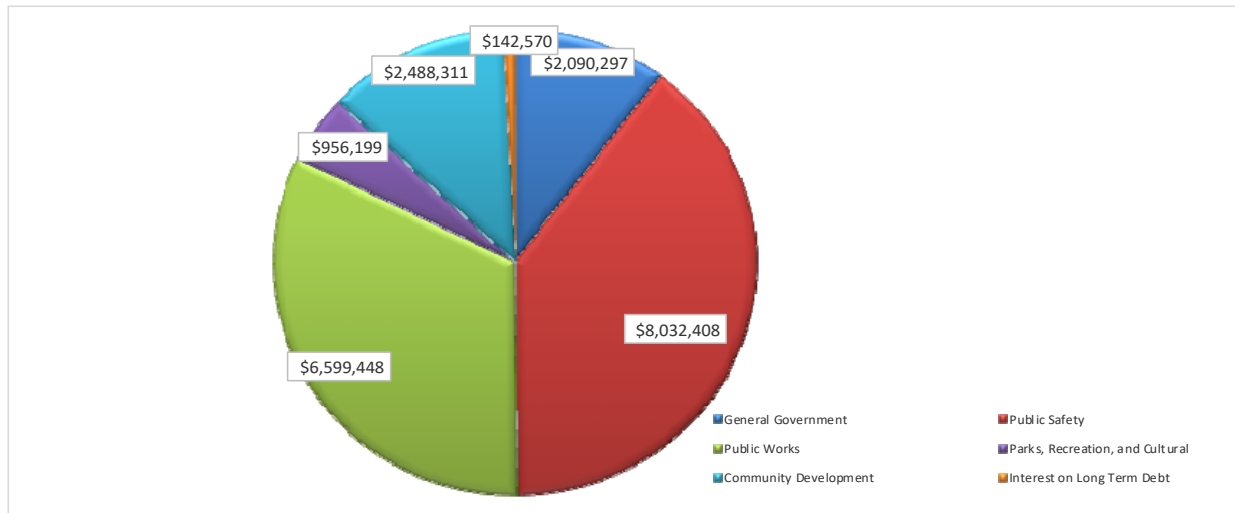
Governmental Activities – Program revenues, tax revenues, and transfers for governmental activities and other revenues totaled \$26,447,771 for fiscal year 2024, a decrease of \$1,499,488 (or 5.4%) from the previous year. This is primarily from increased net investment income of approximately \$1.4 million due to higher interest rates on deposit balances and re-investment of lower yield fixed-income funds at maturity, along with unrealized fair market value gains as holdings with lower investment yields mature from the portfolio; increased local tax revenues of approximately \$750,000 for meals tax and sales tax buoyed by the impact of inflation on these revenue drivers; offset by a decrease of approximately \$3.9 million in intergovernmental revenues, primarily as Federal ARPA SLFRF funding had been recognized mostly in prior fiscal years. Major revenue sources in fiscal year 2024 include meals tax \$6,059,675 (22.9%), property taxes \$3,961,419 (14.9%), other local taxes \$3,075,854 (11.6%), other operating grants and contributions \$2,685,151 (10.2%), VDOT street and highway maintenance reimbursement \$2,659,392 (10.1%) and local sales and use taxes \$2,656,120 (10.0%).

Revenues by Source – Governmental Activities, year ended June 30, 2024



Governmental activity expenses are broken down in a format that focuses on the cost of providing services by function of the government (general government, public works, public safety, etc.). The total expenses for fiscal year 2024 were \$20,309,582, an increase of \$1,552,352 (or 8.3%) higher than the prior fiscal year. The primary factors for the increase relate to an overall 7% merit pool increase for personnel salaries and related benefits, payments made to Culpeper County towards the joint pool project of \$164,000, and nominal fluctuations in spending across various departmental budget lines. The governmental activities overall net position increased by \$6,138,189 during the current fiscal year.

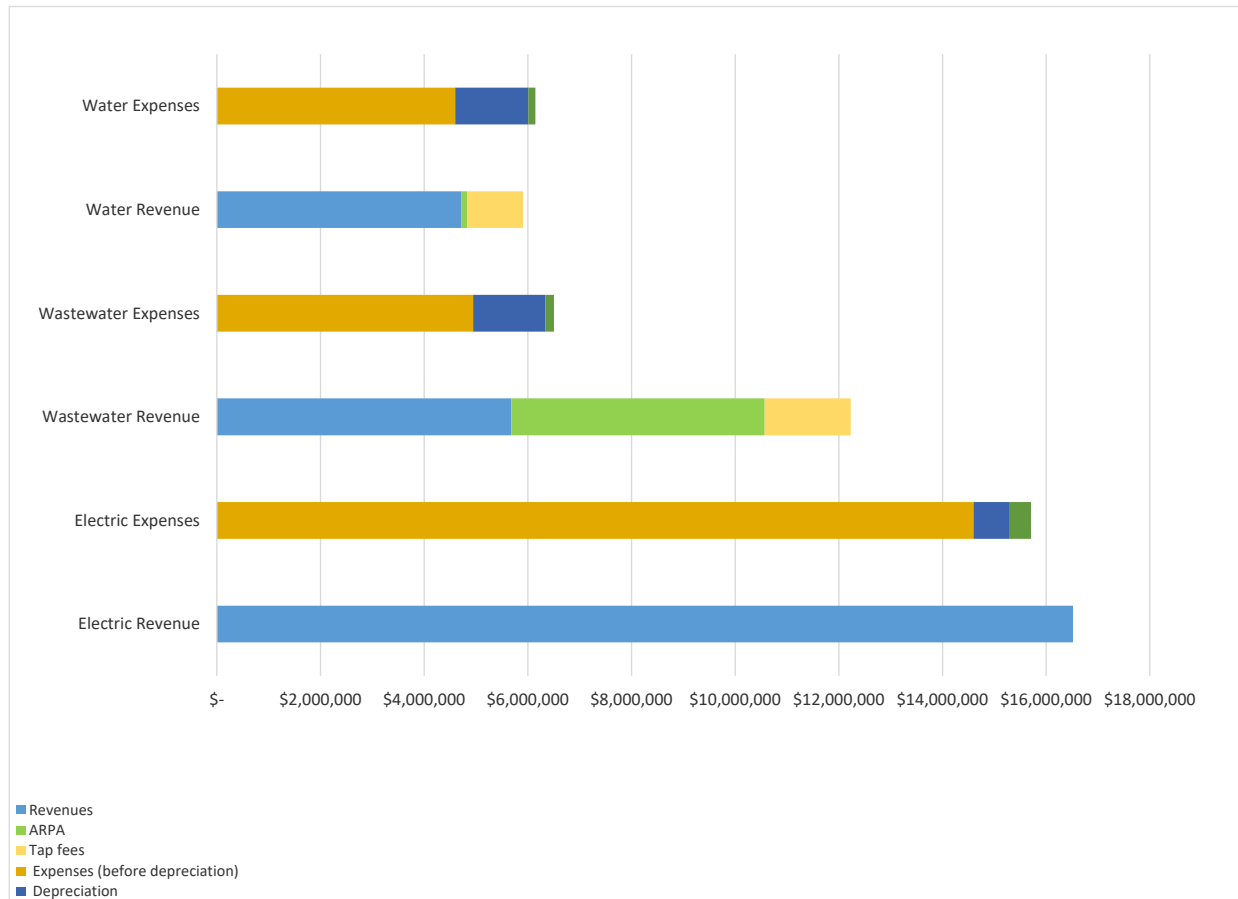
Expenses – Governmental Activities, Year ended June 30, 2024



Business-type Activities – The Water, Wastewater, and Electric funds concluded fiscal year 2024 with total revenues of \$34,654,250 for a combined increase in net position of \$6,297,608, as compared to a \$(205,000) decrease in net position for the prior year. Overall revenues increased approximately \$7.9 million, primarily due to increased ARPA funds realized of approximately \$3.9 million as construction of the WPCF improvement project made significant progress this fiscal year; increased water and sewer tap fees of approximately \$1.6 million related to increased residential development within the town; higher net investment income of approximately \$984,000 due to higher interest rates on deposit balances and re-investment of lower yield fixed-income funds at maturity, along with unrealized fair market value gains as holdings with lower investment yields mature from the portfolio; and approximately \$780,000 of increased electric fund operating revenues from higher adopted rates, higher customer consumption as well as increased service connection charges related to increased residential development within the town electric service area.

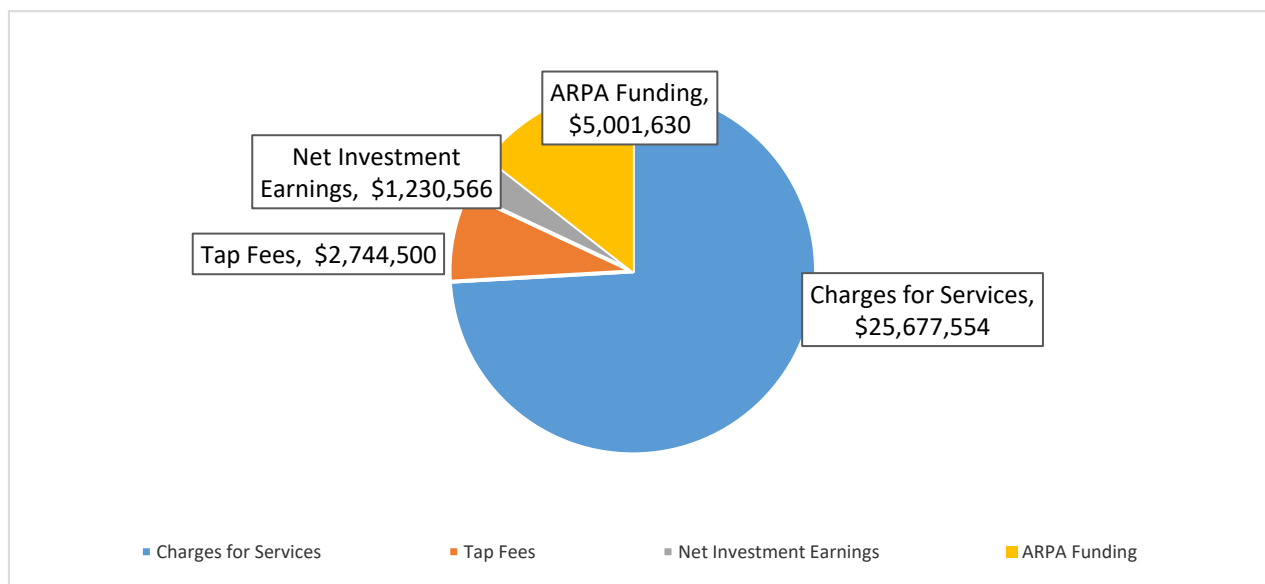
Operating expenses and depreciation in fiscal year 2024 totaled \$27,139,988, or a \$1.4 million increase over the prior year. The primary factors for the increase relate to an overall 7% merit pool increase for personnel salaries and related benefits across all funds, in addition to increased electric fund purchased power costs due to higher customer utility consumption, while all other utility fund expenses experienced nominal budgetary fluctuations as compared to the prior year. The utility funds implemented Council adopted rate increases for the year of 3% for water, 4% for sewer and 9% for electric. The utility funds also made fund transfers to the General Fund as payments in lieu of taxes (PILOT) of \$710,611, an increase of \$15,068 from the prior year.

Program Revenues and Expenses – Business-Type Activities, Year Ended June 30, 2024



Note – Wastewater Fund ARPA revenues included above in the amount of \$4,759,781 are related to capital project spending.

Revenues by Source – Business-Type Activities, Year ended June 30, 2024



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental funds - The focus of the Town's governmental fund reporting is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

At June 30, 2024, the Town's governmental funds reported an ending fund balance of \$33,553,801, an increase of \$1,881,827 in comparison with the end of the prior year. Of this amount, 47.1%, or \$15,801,696 constitutes unassigned fund balance, which is available for spending at the Town's discretion. During fiscal year 2024, Town Council designated an additional amount of \$307,500 to Budget Stabilization Reserves as assigned fund balance, increasing the total to \$4,130,000 or 12.3% of total fund balance. Budget Stabilization Reserves are calculated annually in accordance with the Strategic Reserves policy as a percentage of certain local taxes budgeted (sales, meals, lodging) to be able to withstand an economic downturn and reduced local tax revenues. Town Council also designated an additional amount of \$1,159,851 to the Major Capital Improvement Fund (MCIF) which is classified as committed fund balance, offset by transfers in the amount of \$4,750,000 to the parks and recreation budget for the Town's share of design and construction costs for the Joint Town and County Pool to be constructed by Culpeper County at the County sports complex, for a balance of \$1,429,104 at year end, or 4.3% of total fund balance. The MCIF funds are intended to support future capital project initiatives, and may be used in accordance with the Strategic Reserves policy only to restore minimum operating reserves or, with the approval of Council, can be used for other purposes. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been designated for other uses.

As a measure of the governmental fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance at June 30, 2024 represents 56.0% and 119.0% of total fiscal year 2024 governmental fund expenditures, respectively.

The Town's General Fund balance increased by \$1,742,161 in fiscal year 2024, primarily due to higher than budgeted tax revenues (meals, local sales, business license, bank stock) of approximately \$1.5 million. The Town's Cemetery Perpetual Care and Permanent Funds saw a combined increase in fund balance of \$140,000 as a result of cemetery lot sales and investment income during fiscal year 2024.

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

Unrestricted net position of the water fund at June 30, 2024 was \$8,085,509; the wastewater fund equaled \$8,222,183; and the electric fund amounted to \$9,182,698. The total combined increase in net position for the year ended June 30, 2024 was \$6,297,608. Operating revenues, net investment income, tap fees and ARPA recoveries were up over the prior year as discussed earlier in this MD&A narrative, offset by increased personnel and benefits expenses. For the year, the water fund had a reduction in net position of \$(234,765), and the sewer fund and electric fund had increases of \$5,726,806 and \$805,567, respectively.

BUDGETARY HIGHLIGHTS

Differences between the adopted fiscal year 2024 spending budget and the amended budget was a total increase of approximately \$21.6 million. Highlights of amendments, of which approximately \$17.3 million relates to amounts carried forward to fiscal year 2024 from fiscal year 2023, are as follows:

- \$7 million carryforward for the ongoing WPCF improvement project scheduled to be completed in fiscal year 2025;
- \$6 million carryforward for the downtown development projects previously approved by Town Council, primarily construction and related project for the pedestrian bridge over the railroad, as well as a parking lot and local road improvements;
- \$2.6 million increase in purchased power costs due to rate increases from Dominion Power passed through to the VMEA cooperative that Town Light and Power is a member of;
- \$2 million carryforward for various department operating expenditures relating to projects not completed before the end of the prior fiscal year, including various heavy equipment vehicles and a sanitation truck;
- \$1.6 million carryforward for grant-funded road projects in the construction phase;
- \$1.5 million increase for a Water Fund Capital project to design and connect new groundwater wells to the Town water system for the purpose of additional water system capacity in the event of prolonged drought conditions;
- \$675,000 for land purchased to support future expansion of the Town recreational trail system leading to Rockwater park; and
- Less \$1,650,000 which was originally budgeted for a road improvement project was removed during the year as the project was cancelled.

Differences between the General Fund amended expenditure budget and actual results amounted to spending less than budget by approximately \$10.1 million. Highlights are:

- The Town's share of design and construction costs for the Joint Town and County Pool was budgeted at \$5 million, with only \$164,000 expended during the current year, and the balance carried forward to fiscal year 2025.
- Various General Fund capital projects budgeted were not completed during fiscal year 2024, creating a positive budget variance of approximately \$3.4 million, of which \$3.2 million was carried forward to fiscal year 2025.
- There were positive budget variances of approximately \$2.1 million across all General Fund operating departments, due primarily to ongoing projects and open encumbrances not delivered prior to the end of the fiscal year, as well as town-wide departmental budget underruns. In total, approximately \$1.3 million represented unfinished projects and were carried forward to fiscal year 2025.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets - The Town's capital assets for its governmental and business-type activities as of June 30, 2024 amounted to \$137.3 million (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, leases recorded under GASB 87, subscriptions recorded under GASB 96 and infrastructure. The total net increase in the investment in capital assets for the current year was approximately \$5.0 million or 3.8%, as current year additions exceeded disposals, depreciation and amortization for the year. The overall increase is comprised of \$11.7 million in additions, offset by \$6.8 million in depreciation and amortization.

The Town's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land and non-depreciable	\$ 8,250,559	\$ 7,189,281	\$ 1,755,835	\$ 1,755,835	\$ 10,006,394	\$ 8,945,116
Buildings and improvements	30,033,472	29,757,601	107,120,986	107,048,297	137,154,458	136,805,898
Software, machinery and equipment	12,551,941	11,910,047	14,497,941	13,226,587	27,049,882	25,136,634
Infrastructure	65,725,132	63,552,590	30,293,919	30,251,868	96,019,051	93,804,458
Intangible right-to-use lease equipment	464,757	462,892	-	-	464,757	462,892
Intangible right-to-use subscription assets	297,261	163,412	-	-	297,261	163,412
Construction in progress	3,208,046	2,110,500	6,309,249	1,820,871	9,517,295	3,931,371
Less accumulated depreciation	(60,420,654)	(57,501,723)	(82,773,599)	(79,390,171)	(143,194,253)	(136,891,894)
Capital assets, net	\$ 60,110,514	\$ 57,644,600	\$ 77,204,331	\$ 74,713,287	\$ 137,314,845	\$ 132,357,887

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

- The Town is engaged in a multi-year project to develop the area near the train depot in the historic downtown district. Construction and other project costs incurred during the current year of approximately \$2.5 million will be incorporated into a development project to bring enhanced parking, street access, a pedestrian bridge over the train tracks and recreation opportunities to the downtown area. Total project costs are budgeted at approximately \$6.8 million, with approximately \$3.5 million spent through June 30, 2024. Construction of the pedestrian bridge and recreation amenities are scheduled to be completed in fiscal year 2025.
- A multi-year project for upgrades to the Water Pollution Control Facility digesters and other facilities was initiated in fiscal year 2022, allocating \$6.3 million of ARPA funds received by the Town towards the overall project budget of approximately \$8.4 million. Construction and other project costs incurred during the current year amounted to approximately \$4.8 million. The project is scheduled to be completed in fiscal year 2025.
- Public Works completed a multi-year transportation project for a road-diet and traffic circle improvement on a segment of Route 522 within the Town. The project budget was approximately \$3 million and 100% funded through the Virginia Department of Transportation with Federal funds. Construction and other project costs incurred during the current year were approximately \$1.3 million, with a final project cost of \$2,725,000.
- The Town purchased a land tract for the future expansion of recreational trails that can be connected to Rockwater Park at a total cost of \$661,000, offset by grant funding received in the amount of \$294,750 from the Virginia Outdoors Foundation, Preservation Trust Fund Program. No further project plans or project funding are intended at the current time.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS (Continued)

- Town PD purchased nine new or replacement fleet vehicles at a total cost of \$510,000 in the current year.
- Town Light and Power purchased a replacement backhoe and digger derrick used in operations for a total cost of \$427,000 in the current year.
- Public Works purchased replacement vehicles and equipment used in operations for a total cost of \$250,000 in the current year.
- Parks and Recreation installed new skate park amenities at Yowell Meadow Park for a total cost of \$207,250 in the current year.
- The Town installed a new natural gas generator at Town Hall at a total cost of \$149,000.

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, 2024, the Town had total debt outstanding of \$26,073,677. This amount is comprised of general obligation (GO) debt backed by the full faith and credit of the Town government, and outstanding lease liabilities and subscription liabilities recorded under GASB 87 and GASB 96, respectively.

The Town's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation Bonds	\$ 5,732,000	\$ 6,978,000	\$ 18,014,000	\$ 19,657,000	\$ 23,746,000	\$ 26,635,000
Bond premium	690,781	743,918	1,481,850	1,595,838	2,172,631	2,339,756
Leases liability	83,306	201,539	-	-	83,306	201,539
Subscriptions liability	71,741	112,696	-	-	71,741	112,696
Total	\$ 6,577,828	\$ 8,036,153	\$ 19,495,850	\$ 21,252,838	\$ 26,073,678	\$ 29,288,991

The Town's total net debt decreased by \$3,215,314 or 11.0% during the fiscal year ended June 30, 2024, primarily as a result of scheduled debt service payments. All fiscal year 2024 debt service payments were made timely.

The Town has maintained a rating of AA from Standard & Poor's and Aa2 from Moody's Investors Service for its outstanding general obligation debt. Moody's annual credit overview issued in June 2021 states the Town has a robust financial position, a healthy wealth and income profile, a sizable tax base, a manageable debt burden and a mid-ranged pension liability, with the Aa2 rating re-affirmed in March 2024.

Additional information on the Town's long-term debt can be found in Note 7 of the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2025 fiscal year:

- Overall real property tax receipts remain steady year over year, increasing primarily only for growth in residential development. Fiscal year 2025 real estate tax revenues were budgeted at approximately 0.5% (or \$7,500) higher than fiscal year 2024. Personal property tax revenues were budgeted at approximately the same level as fiscal year 2024, to reflect continued growth offset by decreasing values of used vehicles since the start of the pandemic. Actual personal property assessments were approximately 3.3% lower for the 2024 tax year and 1.3% lower for the 2023 tax year, coming off the nearly 40% increase in the 2022 tax year. Town Council adopted a 2024 real estate tax rate of \$0.066 per \$100 of assessed value, which represents no change from the prior year. Town Council adopted a tax rate on vehicles of \$0.75 per \$100 of assessed value, a rate of \$1.00 per \$100 for all other classes of personal property unchanged at \$1.00 per \$100, and a rate for machinery and tools of \$0.80 per \$100.
- Other local taxes (sales and use tax, meals tax, lodging tax, admissions tax) were budgeted upwards in fiscal year 2025 by \$300,000 (or 3%), as growth has returned to more closely monitor inflation instead of the higher rebounds in the past two years from the drop-offs experienced at the onset of the pandemic.
- Budgeted general fund operating expenditures in fiscal year 2025 of \$26.7 million are approximately \$1.3 million greater than the fiscal year 2024 amended budget amounts. The primary drivers for this increase are staff wage and benefit increases of approximately 7% to be able to remain competitive in the local job market and in the current low unemployment environment, as well as inflationary increases in operating costs across all departments.
- After a slowdown as a result of the economic impact of the pandemic, the rate of building and development activity has increased significantly going into fiscal year 2025, and the continued need for residential units throughout the Town is strong, based on existing demand as well as future growth projections. Growth is best measured by water and sewer tap sales, with 167 new water and sewer taps in fiscal year 2024, up from 74 water and sewer taps in fiscal year 2023. Initial projections are for 140 new taps in fiscal year 2025, with 126 realized to date through end of October. Infill residential construction is ongoing, with developer plans approved for several hundred more units in the Town limits and just outside in the water and sewer service area with buildout expected to take place within the next 2-3 years.
- Town Council approved a 5% increase in water utility rates for fiscal year 2025, a 3% increase in sewer utility rates, and adopted a 2% rate increase for the electric fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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

BASIC FINANCIAL STATEMENTS

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2024

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 3,852,558	\$ 3,340,862	\$ 7,193,420	\$ 75,523
Investments (Note 2)	27,831,237	21,417,940	49,249,177	-
Receivables, net (Note 3)	1,162,163	3,451,522	4,613,685	-
Due from other governmental units (Note 5)	881,478	-	881,478	-
Lease receivable (Note 8)	555,853	-	555,853	-
Inventories	-	2,202,474	2,202,474	-
Cash and cash equivalents, restricted (Note 2)	942,109	-	942,109	51,700
Investments, restricted (Note 2)	1,836,437	-	1,836,437	-
Receivables, restricted (Note 3)	550	-	550	-
Prepaid items	209,771	12,492	222,263	-
Capital assets (Note 6)				
Nondepreciable	11,458,605	8,065,084	19,523,689	-
Depreciable, net	48,651,909	69,139,247	117,791,156	-
Total assets	97,382,670	107,629,621	205,012,291	127,223
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 10)	1,940,021	710,267	2,650,288	-
Deferred outflows related to other postemployment benefits (Note 10 & 11)	335,437	130,817	466,254	-
Deferred amount on refunding	126,332	567,651	693,983	-
Total deferred outflows of resources	2,401,790	1,408,735	3,810,525	-
LIABILITIES				
Accounts payable and accrued liabilities	545,007	1,448,356	1,993,363	-
Accrued payroll and related liabilities	861,100	258,577	1,119,677	-
Accrued interest payable	66,918	229,990	296,908	-
Due to other governments	171,805	-	-	-
Retainage payable	117,352	279,820	-	-
Bonds and security deposits	121,839	880,312	1,002,151	-
Debt service reserve	-	-	-	47,630
Unearned revenue	703,597	159,500	863,097	-
Noncurrent liabilities:				
Due within one year:				
Other long-term debt (Note 7)	1,427,113	1,454,000	2,881,113	-
Total other postemployment benefits liability (Note 11 & 12)	63,509	24,454	87,963	-
Compensated absences (Note 7)	1,032,779	363,756	1,396,535	-
Due in more than one year:				
Other long-term debt (Note 7)	5,150,715	18,041,850	23,192,565	-
Compensated absences (Note 7)	207,586	166,404	373,990	-
Pension liability (Note 10)	3,586,646	1,313,117	4,899,763	-
Total other postemployment benefits liability (Note 11 & 12)	1,647,663	639,821	2,287,484	-
Total liabilities	15,703,629	25,259,957	40,963,586	47,630
DEFERRED INFLOWS OF RESOURCES				
Lease related (Note 8)	547,642	-	547,642	-
Property taxes collected in advance	36,063	-	36,063	-
Deferred inflows related to pensions (Note 10)	953,245	348,995	1,302,240	-
Deferred inflows related to other postemployment benefits (Note 11 & 12)	664,087	256,535	920,622	-
Total deferred inflows of resources	2,201,037	605,530	2,806,567	-
NET POSITION				
Net investment in capital assets	53,215,487	57,682,479	110,897,966	-
Restricted				
Special tax districts	308,254	-	308,254	-
Public safety - asset seizure funds	45,202	-	45,202	-
Cemetery	1,600,204	-	1,600,204	-
Salem Volunteer Fire Department	-	-	-	51,700
Unrestricted	26,710,647	25,490,390	52,201,037	27,893
Total net position	\$ 81,879,794	\$ 83,172,869	\$ 165,052,663	\$ 79,593

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF ACTIVITIES Year Ended June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities	Totals	
Governmental activities:								
General government administration	\$ 2,090,647	\$ 48,127	\$ 234,196	\$ -	\$ (1,808,324)	\$ -	\$ (1,808,324)	
Public safety	8,032,407	116,239	1,121,187	-	(6,794,981)	-	(6,794,981)	
Public works	6,599,448	239,074	4,533,857	-	(1,826,517)	-	(1,826,517)	
Parks, recreation and cultural	956,199	65,575	249,051	-	(641,573)	-	(641,573)	
Community development	2,467,671	349,495	452,344	-	(1,665,832)	-	(1,665,832)	
Parking Authority	20,640	-	-	-	(20,640)	-	(20,640)	
Interest on long-term debt	142,570	-	-	-	(142,570)	-	(142,570)	
Total governmental activities	20,309,582	818,510	6,590,635	-	(12,900,437)	-	(12,900,437)	
Business-type activities:								
Water	6,009,378	4,299,273	1,196,507	-	-	(513,598)	(513,598)	
Wastewater	6,339,488	5,371,926	1,789,842	4,759,781	-	5,582,061	5,582,061	
Electric	15,297,165	16,006,355	-	-	-	709,190	709,190	
Total business-type activities	27,646,031	25,677,554	2,986,349	4,759,781	-	5,777,653	5,777,653	
Total primary government	\$ 47,955,613	\$ 26,496,064	\$ 9,576,984	\$ 4,759,781	(12,900,437)	5,777,653	(7,122,784)	
Component Unit:								
Industrial Development Authority	\$ 25,429	\$ -	\$ -	\$ -	-	-	-	\$ (25,429)
Total component unit	\$ 25,429	\$ -	\$ -	\$ -	-	-	-	(25,429)
General Revenues:								
Taxes:								
General property taxes					3,932,229	-	3,932,229	-
Other local taxes:								
Meals tax					6,059,675	-	6,059,675	-
Local sales and use tax					2,656,120	-	2,656,120	-
Business license tax					1,389,689	-	1,389,689	-
Bank stock tax					556,919	-	556,919	-
Cigarette tax					174,610	-	174,610	-
Hotel and motel room tax					769,667	-	769,667	-
Other local taxes					184,968	-	184,968	-
Intergovernmental revenue					229,563	-	229,563	24,105
Use of money and property					2,034,284	1,230,566	3,264,850	554
Miscellaneous					340,291	-	340,291	-
Transfers (Note 4)					710,611	(710,611)	-	-
Total general revenues and transfers					19,038,626	519,955	19,558,581	24,659
Change in net position					6,138,189	6,297,608	12,435,797	(770)
Net Position, beginning					75,741,605	76,875,261	152,616,866	80,363
Net Position, ending					\$ 81,879,794	\$ 83,172,869	\$ 165,052,663	\$ 79,593

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2024

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents (Note 2)	\$ 3,852,558	\$ -	\$ 3,852,558
Investments (Note 2)	27,831,237	-	27,831,237
Receivables, net (Note 3)	1,162,163	-	1,162,163
Due from other governmental units (Note 5)	881,478	-	881,478
Lease receivable (Note 8)	555,853	-	555,853
Investments, restricted (Note 2)	700,099	1,136,338	1,836,437
Cash and cash equivalents, restricted (Note 2)	478,793	463,316	942,109
Receivables, restricted (Note 2)	-	550	550
Prepaid items	209,771	-	209,771
Total assets	\$ 35,671,952	\$ 1,600,204	\$ 37,272,156
LIABILITIES			
Accounts payable and accrued liabilities	\$ 545,007	\$ -	\$ 545,007
Due to other governments	171,805	-	171,805
Retainage payable	117,352	-	117,352
Accrued payroll and related liabilities	861,100	-	861,100
Bonds and security deposits	121,839	-	121,839
Unearned revenue	703,597	-	703,597
Total liabilities	2,520,700	-	2,520,700
DEFERRED INFLOWS OF RESOURCES			
Lease related (Note 8)	547,642	-	547,642
Property taxes collected in advance	36,063	-	36,063
Unavailable revenue	613,950	-	613,950
Total deferred inflows of resources	1,197,655	-	1,197,655
FUND BALANCES			
Nonspendable	209,771	1,304,222	1,513,993
Restricted	353,456	295,982	649,438
Committed	1,429,104	-	1,429,104
Assigned	14,159,570	-	14,159,570
Unassigned	15,801,696	-	15,801,696
Total fund balances	31,953,597	1,600,204	33,553,801
Total liabilities, deferred inflows of resources and fund balances	\$ 35,671,952	\$ 1,600,204	\$ 37,272,156

TOWN OF CULPEPER, VIRGINIA

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

June 30, 2024

	Governmental Funds	
Total fund balances - governmental funds	\$ 33,553,801	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Nondepreciable	\$ 11,458,605	
Depreciable and amortizable, net	48,651,909	
Net capital assets		60,110,514
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 \$1,115,879 net of accumulated amortization of \$425,098.	(690,781)	
Deferred loss on refunding total \$458,475 net of accumulated amortization of \$332,143.	126,332	
		(564,449)
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		613,950
Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pension	1,940,021	
Other postemployment benefits	335,437	
Deferred inflows related to:		
Pension	(953,245)	
Other postemployment benefits	(664,087)	
Net Pension liability	(3,586,646)	
Total other postemployment benefits liability	(1,711,172)	
		(4,639,692)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(5,732,000)	
Subscription liability	(71,741)	
Lease liability	(83,306)	
Compensated absences	(1,240,365)	
Accrued interest	(66,918)	
		(7,194,330)
Net position of governmental activities		\$ 81,879,794

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2024

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 3,961,420	\$ -	\$ 3,961,420
Other local taxes	11,791,648	-	11,791,648
Permits, privilege fees and regulatory licenses	275,343	-	275,343
Fines and forfeitures	215,091	-	215,091
Use of money and property	1,994,118	40,166	2,034,284
Charges for services	328,075	-	328,075
Miscellaneous	240,791	99,500	340,291
Recovered costs	3,681,790	-	3,681,790
Intergovernmental	6,571,867	-	6,571,867
Total revenues	29,060,143	139,666	29,199,809
Expenditures:			
Current:			
General government administration	5,593,267	-	5,593,267
Public safety	8,165,471	-	8,165,471
Public works	4,457,497	-	4,457,497
Parks, recreation and cultural	981,519	-	981,519
Community development	2,464,980	-	2,464,980
Parking Authority	20,640	-	20,640
Capital projects	4,753,291	-	4,753,291
Debt service			
Principal retirement	1,566,125	-	1,566,125
Interest and fiscal charges	186,740	-	186,740
Total expenditures	28,189,530	-	28,189,530
Revenues over expenditures	870,613	139,666	1,010,279
Other financing sources:			
Issuance of lease liability	30,840	-	30,840
Issuance of subscription liability	130,097	-	130,097
Transfers in (Note 4)	710,611	-	710,611
Total other financing sources	871,548	-	871,548
Net change in fund balances	1,742,161	139,666	1,881,827
Fund balances, beginning	30,211,436	1,460,538	31,671,974
Fund balances, ending	\$ 31,953,597	\$ 1,600,204	\$ 33,553,801

TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2024

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	1,881,827
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization in the current period.		
Expenditures for capital assets	\$	5,936,164
Less: depreciation and amortization expense		(3,260,762)
Excess of capital outlays over depreciation and amortization		2,675,402
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		(209,488)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		(29,191)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment 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		1,246,000
Amortization of bond premiums		53,137
Amortization of loss on refunding		(30,613)
Issuance of lease liability		(30,840)
Issuance of subscription liability		(130,097)
Leases principal		149,073
Subscriptions principal		171,052
		1,427,712
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest		21,646
Changes in pension liabilities and related deferred outflows and inflows of resources		375,806
Changes in OPEB liabilities and related deferred outflows and inflows of resources		27,927
Compensated absences		(33,452)
		391,927
Change in net position of governmental activities	\$	6,138,189

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 4,014,150	\$ 4,014,150	\$ 3,961,420	\$ (52,730)
Other local taxes	10,318,400	10,318,400	11,791,648	1,473,248
Permits, privilege fees and regulatory licenses	165,000	165,000	275,343	110,343
Fines and forfeitures	141,000	141,000	215,091	74,091
Use of money and property	736,702	736,702	1,994,118	1,257,416
Charges for services	318,000	318,000	328,075	10,075
Miscellaneous	134,500	134,500	240,791	106,291
Recovered costs	3,632,983	3,736,869	3,681,790	(55,079)
Intergovernmental	4,335,748	3,252,076	6,571,867	3,319,791
Total revenues	23,796,483	22,816,697	29,060,143	6,243,446
Expenditures:				
Current:				
General government administration	5,816,716	5,856,679	5,593,267	(263,412)
Public safety	8,118,386	8,377,251	8,165,471	(211,780)
Public works	4,733,086	5,525,410	4,457,497	(1,067,913)
Parks, recreation and cultural	5,629,347	5,896,518	981,519	(4,914,999)
Community development	2,540,185	2,863,100	2,464,980	(398,120)
Parking authority	90,950	90,950	20,640	(70,310)
Capital projects	1,860,000	8,201,786	4,753,291	(3,448,495)
Debt service:				
Principal retirement	1,246,000	1,246,000	1,566,125	320,125
Interest and fiscal charges	183,707	183,707	186,740	3,033
Total expenditures	30,218,377	38,241,401	28,189,530	(10,051,871)
Excess (deficiency) of revenues over (under) expenditures	(6,421,894)	(15,424,704)	870,613	16,295,317
Other Financing Sources:				
Reserve balances	5,711,283	14,714,093	-	(14,714,093)
Issuance of lease	-	-	30,840	30,840
Issuance of subscription liability	-	-	130,097	130,097
Transfer in (Note 4)	710,611	710,611	710,611	-
Total other financing sources	6,421,894	15,424,704	871,548	(14,553,156)
Net change in fund balance	\$ -	\$ -	\$ 1,742,161	\$ 1,742,161

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 1,007,142	\$ 1,274,434	\$ 1,059,286	\$ 3,340,862
Receivables, net (Note 3)	539,148	739,099	2,173,275	3,451,522
Investments (Note 2)	7,067,922	6,921,064	7,428,954	21,417,940
Inventories	504,671	339,384	1,358,419	2,202,474
Prepaid expenses	3,656	5,442	3,394	12,492
Total current assets	9,122,539	9,279,423	12,023,328	30,425,290
Noncurrent assets:				
Capital assets (Note 6)				
Nondepreciable	2,125,595	5,367,939	571,550	8,065,084
Depreciable, net	33,564,564	31,957,474	3,617,209	69,139,247
Total noncurrent assets	35,690,159	37,325,413	4,188,759	77,204,331
Total assets	44,812,698	46,604,836	16,212,087	107,629,621
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 10)	227,074	211,357	271,836	710,267
Deferred outflows related to other postemployment benefits (Note 11 & 12)	39,964	45,223	45,630	130,817
Deferred amount on refunding	1,742	520,723	45,186	567,651
Total deferred outflows of resources	268,780	777,303	362,652	1,408,735
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	118,727	326,110	1,003,519	1,448,356
Retainage payable	-	279,820	-	279,820
Accrued payroll and related liabilities	74,262	91,044	93,271	258,577
Accrued interest payable	31,676	175,208	23,106	229,990
Unearned revenue	-	-	159,500	159,500
Customer security deposits	177,047	-	703,265	880,312
Current portion of other long-term debt (Note 7)	630,000	520,000	304,000	1,454,000
Compensated absences (Note 7)	104,335	118,789	140,632	363,756
Total other postemployment benefits liability (Note 11 & 12)	7,389	9,060	8,005	24,454
Total current liabilities	1,143,436	1,520,031	2,435,298	5,098,765
Noncurrent liabilities:				
Other long-term debt (Note 7)	4,691,532	11,393,326	1,956,992	18,041,850
Compensated absences (Note 7)	21,703	57,243	87,458	166,404
Net Pension liability (Note 10)	419,807	390,749	502,561	1,313,117
Total other postemployment benefits liability (Note 11 & 12)	194,750	226,505	218,566	639,821
Total noncurrent liabilities	5,327,792	12,067,823	2,765,577	20,161,192
Total liabilities	6,471,228	13,587,854	5,200,875	25,259,957
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 10)	111,575	103,852	133,568	348,995
Deferred inflows related to other postemployment benefits (Note 11 & 12)	77,733	93,421	85,381	256,535
Total deferred inflows of resources	189,308	197,273	218,949	605,530
NET POSITION				
Net investment in capital assets	30,335,433	25,374,829	1,972,217	57,682,479
Unrestricted	8,085,509	8,222,183	9,182,698	25,490,390
Total net position	\$ 38,420,942	\$ 33,597,012	\$ 11,154,915	\$ 83,172,869

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Revenues:				
Charges for services	\$ 4,046,663	\$ 5,201,855	\$ 15,347,433	\$ 24,595,951
Other	252,610	170,071	658,922	1,081,603
Total operating revenues	4,299,273	5,371,926	16,006,355	25,677,554
Operating Expenses:				
Treatment	3,263,707	3,980,933	-	7,244,640
Transmission, distribution and collection	1,252,930	585,810	2,422,927	4,261,667
Generation (Note 15)	-	-	10,291,250	10,291,250
Administration	-	-	1,832,782	1,832,782
Depreciation and amortization	1,412,152	1,395,965	701,532	3,509,649
Total operating expenses	5,928,789	5,962,708	15,248,491	27,139,988
Operating income (loss)	(1,629,516)	(590,782)	757,864	(1,462,434)
Nonoperating Revenue (Expenses)				
Tap fees	1,084,250	1,660,250	-	2,744,500
Net investment income	413,292	308,802	508,472	1,230,566
Intergovernmental revenues	112,257	129,592	-	241,849
Interest expense	(80,589)	(376,780)	(48,674)	(506,043)
Net nonoperating revenue	1,529,210	1,721,864	459,798	3,710,872
Income (loss) before capital contributions and transfers	(100,306)	1,131,082	1,217,662	2,248,438
Capital contributions and transfers				
Intergovernmental revenues	-	4,759,781	-	4,759,781
Transfers out (Note 4)	(134,459)	(164,057)	(412,095)	(710,611)
Net capital contributions and transfers	(134,459)	4,595,724	(412,095)	4,049,170
Change in net position	(234,765)	5,726,806	805,567	6,297,608
Net position, beginning	38,655,707	27,870,206	10,349,348	76,875,261
Net position, ending	<u>\$ 38,420,942</u>	<u>\$ 33,597,012</u>	<u>\$ 11,154,915</u>	<u>\$ 83,172,869</u>

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CASH FLOWS –PROPRIETARY FUNDS Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Activities				
Receipts from customers	\$ 4,230,620	\$ 5,261,630	\$ 15,545,124	\$ 25,037,374
Payments to suppliers	(2,642,520)	(2,332,040)	(13,958,362)	(18,932,922)
Payments to employees	(1,804,276)	(2,197,844)	(2,070,580)	(6,072,700)
Net cash provided by (used in) operating activities	(216,176)	731,746	(483,818)	31,752
Noncapital Financing Activities				
Intergovernmental revenues	112,257	129,592	-	241,849
Tap fees collected	1,084,250	1,660,250	-	2,744,500
Interfund transfers	(134,459)	(164,057)	(412,095)	(710,611)
Net cash provided by (used in) noncapital financing activities	1,062,048	1,625,785	(412,095)	2,275,738
Capital and Related Financing Activities				
Intergovernmental revenues	-	4,759,781	-	4,759,781
Acquisition of capital assets	(434,785)	(5,032,904)	(533,004)	(6,000,693)
Principal paid on general obligation bonds	(623,000)	(635,000)	(385,000)	(1,643,000)
Interest paid on general obligation bonds	(84,909)	(436,376)	(63,759)	(585,044)
Net cash used in capital and related financing activities	(1,142,694)	(1,344,499)	(981,763)	(3,468,956)
Investing Activities				
Proceeds from the sale of investments	2,143,440	2,098,785	2,863,232	7,105,457
Purchase of investments	(2,736,430)	(3,736,008)	(2,262,520)	(8,734,958)
Interest received, net fair value change	413,292	308,802	508,472	1,230,566
Net cash provided by (used in) investing activities	(179,698)	(1,328,421)	1,109,184	(398,935)
Net decrease in cash and cash equivalents	(476,520)	(315,389)	(768,492)	(1,560,401)
Cash and Cash Equivalents				
Beginning	1,483,662	1,589,823	1,827,778	4,901,263
Ending	\$ 1,007,142	\$ 1,274,434	\$ 1,059,286	\$ 3,340,862
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities				
Operating income (loss)	\$ (1,629,516)	\$ (590,782)	\$ 757,864	\$ (1,462,434)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,412,152	1,395,965	701,532	3,509,649
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(71,698)	(110,296)	(472,039)	(654,033)
Inventories	42,476	(75,918)	(293,688)	(327,130)
Prepaid expenses	276	(458)	(2,030)	(2,212)
Pension related deferred outflows of resources	(24,818)	(25,088)	(25,585)	(75,491)
OPEB related deferred outflows of resources	934	(65)	(838)	31
(Decrease) increase in:				
Accounts payable and accrued liabilities	77,018	140,312	(1,317,756)	(1,100,426)
Accrued payroll and related liabilities	17,727	26,079	206,652	250,458
Customer security deposits	3,045	-	10,808	13,853
Net pension liability	114,530	109,602	130,882	355,014
Net OPEB liability	(13,572)	(8,069)	(5,236)	(26,877)
Pension related deferred inflows of resources	(138,938)	(126,860)	(171,437)	(437,235)
OPEB related deferred inflows of resources	(5,792)	(2,676)	(2,947)	(11,415)
Net cash provided by (used in) operating activities	\$ (216,176)	\$ 731,746	\$ (483,818)	\$ 31,752
Noncash Capital and Related Financing Activities				
Capital asset additions included in accounts payable at year-end	\$ 34,936	\$ 557,981	\$ 736	\$ 593,653

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Culpeper, Virginia (the “Town”) was established in 1870. The Town provides a full range of municipal services, including general government administration, public safety, public works, and electric, water and wastewater utilities. The Town is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor and eight other members elected at large. The Council has responsibility for appointing the Town Manager, Town Clerk, and Town Attorney. The Town has taxing power subject to statewide restrictions and debt 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). During the current year, The Town adopted GASB Statement No. 99, *Omnibus 2022*, and GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment to GASB Statement No. 62*. As required by GAAP, the financial statements of the reporting entity include those of the Town (the primary government) and its component unit.

B. Discretely Presented Component Unit

The Industrial Development Authority of the Town of Culpeper, Virginia (IDA or the Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Culpeper, Virginia on October 29, 1968 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Section 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Mayor of the Town to four-year terms and there is a financial benefit/burden relationship between the IDA and the Town. The Authority does not issue separate financial statements but is included in the Town’s financial statements for the fiscal year ended June 30, 2024 as a discretely presented component unit.

The Authority is empowered, among other things, to acquire, own, lease and dispose of any of its facilities and to make loans or grants in furtherance of its purposes as set forth by law, including to promote industry and develop trade by inducing manufacturing, industrial, government, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth and further the use of its agricultural products and natural resources.

The Authority is specifically authorized to issue bonds for any of its purposes, including the payment of the cost of its facilities and the payment or retirement of bonds previously issued by it. All bonds issued by the Authority are payable solely from the revenues and receipts derived from the leasing or sale by the Authority of its facilities or any part thereof or from the payments received by the Authority in connection with its loans. In addition, depending upon the financing structure, the bonds of the Authority may be further secured by a deed of trust or other collateral documents. No bonds of the Authority shall be deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. 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. The effect of interfund activity has been eliminated 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 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.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide 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 in which they are billed. 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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following governmental funds:

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

The Cemetery Perpetual Care Fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's cemetery and is not considered a major fund.

The Cemetery Permanent Fund is used to account for the cemetery corpus, which is included in the nonspendable portion of fund balance and is not considered a major fund.

The Town reports the following major proprietary funds:

The Water Fund accounts for the activities of the Town's water treatment and distribution system.

The Wastewater Fund accounts for the activities of the Town's wastewater collection and treatment system.

The Electric Fund accounts for the activities of the Town's electric system.

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

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

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

- 1) Prior to June 30, the Town Manager submits to Town Council a proposed operating and capital budget for the subsequent fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the subsequent year budget is legally enacted through passage of an appropriations resolution. The appropriations resolution places legal restrictions on expenditures at the fund 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.

F. 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.

G. 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 January 31 of the subsequent year. A penalty of 10% for late payment and interest at the rate of 10% per annum are charged on unpaid balances. The Town bills and collects its own property taxes.

Town ordinance provides for an economic development program which allows eligible businesses to receive tax incentives based on the new taxes they pay to partially compensate for new investments and job training expenses in the Town. Businesses must invest at least \$500,000 in a year and submit an application for each year their investments exceed this level for review and approval prior to any incentives being paid in subsequent years. Total incentives paid in fiscal year 2024 were approximately \$24,000.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Allowance for Uncollectible Accounts

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

J. Restricted Cash

The General Fund's restricted cash and cash equivalents include grant proceeds in which cash was received before expenditures have been incurred, as well as developer project cash bonds and Special Tax District funds. The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted cash and cash equivalents balances are restricted in accordance with the trust agreement.

K. Restricted Investments

The General Fund's restricted investments include ARPA grant proceeds in which cash was received before expenditures have been incurred, and were invested with maturities beyond the end of the current fiscal year. The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted investment balances are restricted in accordance with the trust agreement.

L. Inventories

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

M. Capital Assets

Capital assets, which include property, plant and equipment, intangible right-to-use lease equipment and subscription assets, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of a minimum of five years. Right-to-use lease equipment and subscription assets may have an estimated useful life of a minimum of one year, based on the term of the agreement. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value. There were no impaired assets at year end.

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

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

Buildings and improvements	20 - 99 years
Software, machinery and equipment	5 - 30 years
Intangible right-to-use lease equipment and subscription assets	1 - 5 years
Infrastructure	30 - 70 years

Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc.

N. 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has several items that qualify for reporting in this category. The first item is a deferred charge on refunding resulting from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded or refunding debt. The remaining items relate to the pension plan and the other postemployment benefits (OPEB) plans. See Notes 10 through 12 for details regarding these items.

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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Several types of items qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also recognizes lease related charges as deferred inflows in the governmental activities. The remaining items relate to the pension plan and the OPEB plans. See Notes 10 through 12 for details regarding these items.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

O. Compensated Absences

Employees accumulate vacation time and sick leave depending upon their length of service. Accumulated vacation is paid upon termination to a limit based on years of service. Sick leave is paid to employees who leave the Town in good standing with 5 or more years of service at 25% of their accumulated sick leave up to a maximum of \$5,000. 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. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

P. Pension

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Town's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expenses, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan fiduciary net position have been determined on the same basis as they were reported by 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.

Q. Other Postemployment Benefits

Local Plan

The Town's Local Plan is a single-employer defined benefit plan administered by the Town. Health benefits include medical, dental, and vision insurance. Retirees may also elect to cover eligible spouses and/or dependents. It provides post-employment medical coverage for retired employees. 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. Participating retirees pay 100% of the monthly premium cost to continue with the Town's insurance plans.

Further, retirees with 15 or more years of service are eligible to receive a Town contribution towards medical coverage. Retirees also must have participated in the Town's health insurance program for the five years immediately preceding retirement.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Other Postemployment Benefits (Continued)

Group Life Insurance

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Long-Term Obligations

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

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

S. Leases

Lessee: The Town is a lessee for noncancellable leases of equipment. The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. The Town recognized lease liabilities with an individual or class value of \$5,000 or more.

At the commencement of the lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

S. Leases (Continued)

Key estimates and judgements related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Town is a lessor for noncancellable leases of property. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of the lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

T. Subscription-Based Information Technology Arrangements (SBITAs)

For new or modified contracts, the Town determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Town records a right-to-use subscription asset and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Town will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Town recognizes a subscription liability and a right-to-use subscription asset on the Statements of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Town measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The right-to-use subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

U. Fund Balances

In the fund financial statements, governmental funds report classifications of fund balance 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.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council through adoption of a resolution. Only Town Council may modify or rescind the commitment.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the Town Council or by the Town Manager or Town Treasurer, who has been designated this authority by the Town Council.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the General Fund.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

V. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

W. 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.

X. Minimum Fund Balance Policy

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

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

Y. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Z. 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 \$2,699,076, \$274,264, \$2,364,002, and \$348,799, respectively, as of June 30, 2024.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

AA. Subsequent Events

The Town has evaluated subsequent events through November 15, 2024, the date on which the financial statements were available to be issued.

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, as well as the Atlantic Union Certificate of Deposit included in investments.

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, bankers’ acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, the Virginia State Non-Arbitrage Program (SNAP) or other authorized arbitrage investment management programs, the State Treasurer’s Local Government Investment Pool (the Virginia LGIP), and the Virginia Investment Pool (VIP).

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Fair Value

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

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

	Level 1	Level 2
U.S. Treasury and Agency securities	\$ 13,582,528	\$ 11,001,233
Municipal bonds	-	14,424,589
Certificates of deposit	-	7,937,185
Virginia Investment Pool 1 - 3 Bond Fund	-	1,009,955

As of June 30, 2024, the Town has the following deposits and investments:

Type	Fair Value	Credit Rating	Percent of Portfolio
Primary Government			
Demand deposits	\$ 1,398,759	NR	2.36%
Certificates of deposit	10,367,210	NR	17.51%
U.S. Treasury and Agency	24,583,761	N/A	41.51%
Municipal bonds	14,424,589	AA-, AA+, AAA	24.36%
LGIP	248,935	AAAm	0.42%
VIP	8,197,889	AAAm	13.84%
Primary government investments	\$ 59,221,143		100.00%
Primary Government reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 7,193,420		
Investments	49,249,177		
Cash and cash equivalents, restricted	942,109		
Investments, restricted	1,836,437		
Total deposits and investments	\$ 59,221,143		
Component Unit - IDA:			
Demand deposits	\$ 127,223	NR	100.00%
Component Unit - IDA reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 75,523		
Cash and cash equivalents, restricted	51,700		
	\$ 127,223		

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk

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

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

Concentration of Credit Risk

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

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

Issuer	Fair Value	Percent of Total Portfolio
U.S. Treasury Securities	\$ 12,182,350	23.85%
Federal Home Loan Banks	6,030,822	11.81%
Federal Farm Credit Bank	4,080,103	7.99%

Interest Rate Risk

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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, 2024, investments are held in a bank’s trust department in the Town’s name.

Restricted Amounts

Restricted cash and cash equivalents and investments consist of the following:

ARPA funding	\$	703,597
Non-expendable corpus of the cemetery perpetual care fund		1,303,623
Cemetery perpetual care funds		296,031
Lafayette Ridge Special Tax District		33,635
Willow Shade Special Tax District		42,464
Southridge Special Tax District		215,325
Cash bonds held by Town		121,839
Public safety asset seizure funds		34,071
Public safety Laurel Park proffer		11,131
Parks and rec Laurel Park proffer		16,830
		<u>2,778,546</u>
	\$	<u>2,778,546</u>

In addition, the IDA held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$51,700. These funds will be used towards the IDA’s payment on their Rural Development loan. The loan has not been reflected in the statement of net position for the IDA in accordance with the adoption of GASB Statement No. 91.

Note 3. Receivables

Primary Government

Receivables for the individual funds are as follows:

	General	Non-major Governmental	Water	Wastewater	Electric	Total
Receivables						
Property taxes	\$ 559,470	\$ -	\$ -	\$ -	\$ -	\$ 559,470
Restricted trade and other accounts	-	550	-	-	-	550
Trade and other accounts	824,306	-	552,356	754,804	2,222,460	4,353,926
Gross receivables	<u>1,383,776</u>	<u>550</u>	<u>552,356</u>	<u>754,804</u>	<u>2,222,460</u>	<u>4,913,946</u>
Less: allowance for uncollectibles	(221,613)	-	(13,208)	(15,705)	(49,185)	(299,711)
Receivables, net	<u>\$ 1,162,163</u>	<u>\$ 550</u>	<u>\$ 539,148</u>	<u>\$ 739,099</u>	<u>\$ 2,173,275</u>	<u>\$ 4,614,235</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Transfers

Interfund transfers are as follows:

Transfer Out Fund	Transfer In Fund	Total Transferred Out
Water	General	\$ 134,459
Wastewater	General	164,057
Electric	General	412,095
Total transferred in		\$ 710,611

The purpose of the transfers to the General Fund is payments in lieu of taxes.

Note 5. Due From Other Governmental Units

Amounts due from other governmental units are as follows:

Primary Government:

Governmental Funds:

Unrestricted:

General Fund

County of Culpeper:

Local sales tax	\$ 486,140
Court fines and e-ticketing	7,863

Commonwealth of Virginia:

Virginia Department of Transportation grant proceeds	293,662
Police department grant proceeds	26,964
Virginia Tourism Corporation	45,000
Communication sales & use tax	12,597
Car rental tax	3,878
Rolling stock tax	5,374

Total General Fund	881,478
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Total Governmental Funds	881,478
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Total Primary Government	\$ 881,478
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TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activities for the year ended June 30, 2024 are as follows:

	Beginning Balance July 1, 2023	Additions	Disposals	Transfers	Ending Balance June 30, 2024
Governmental Activities:					
Capital assets not being depreciated or amortized:					
Land and easements	\$ 7,159,933	\$ 661,012	\$ -	\$ 400,266	\$ 8,221,211
Artwork and statues	29,348	-	-	-	29,348
Construction in progress	2,110,500	3,971,564	(209,488)	(2,664,530)	3,208,046
Total capital assets not being depreciated or amortized	9,299,781	4,632,576	(209,488)	(2,264,264)	11,458,605
Capital assets being depreciated or amortized:					
Buildings and improvements	29,757,601	275,871	-	-	30,033,472
Software, machinery and equipment	11,910,047	805,694	(312,856)	149,056	12,551,941
Intangible right-to-use lease equipment	462,892	30,840	(28,975)	-	464,757
Right-to-use subscription assets	163,412	133,849	-	-	297,261
Infrastructure	63,552,590	57,334	-	2,115,208	65,725,132
Total capital assets being depreciated or amortized	105,846,542	1,303,588	(341,831)	2,264,264	109,072,563
Less accumulated depreciation or amortization for:					
Buildings and improvements	14,929,286	728,484	-	-	15,657,770
Software, machinery and equipment	9,413,426	699,310	(312,856)	-	9,799,880
Intangible right-to-use lease equipment	262,882	120,475	(28,975)	-	354,382
Right-to-use subscription assets	20,083	93,392	-	-	113,475
Infrastructure	32,876,046	1,619,101	-	-	34,495,147
Total accumulated depreciation or amortization, as restated	57,501,723	3,260,762	(341,831)	-	60,420,654
Total capital assets being depreciated or amortized, net	48,344,819	(1,957,174)	-	2,264,264	48,651,909
Governmental activities capital assets, net	\$ 57,644,600	\$ 2,675,402	\$ (209,488)	\$ -	\$ 60,110,514

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance July 1, 2023	Additions	Disposals	Transfers	Ending Balance June 30, 2024
Business-Type Activities					
Capital assets not being depreciated or amortized:					
Land	\$ 1,755,835	\$ -	\$ -	\$ -	\$ 1,755,835
Construction in progress	1,820,871	5,317,878	-	(829,500)	6,309,249
Total capital assets not being depreciated or amortized	3,576,706	5,317,878	-	(829,500)	8,065,084
Capital assets being depreciated or amortized:					
Buildings and improvements	107,048,297	72,689	-	-	107,120,986
Software, machinery and equipment	13,226,587	568,075	(126,221)	829,500	14,497,941
Infrastructure	30,251,868	42,051	-	-	30,293,919
Total capital assets being depreciated or amortized	150,526,752	682,815	(126,221)	829,500	151,912,846
Less accumulated depreciation or amortization for:					
Buildings and improvements	64,896,895	2,200,219	-	-	67,097,114
Software, machinery and equipment	10,552,259	443,163	(126,221)	-	10,869,201
Infrastructure	3,941,017	866,267	-	-	4,807,284
Total accumulated depreciation or amortization	79,390,171	3,509,649	(126,221)	-	82,773,599
Total capital assets being depreciated or amortized, net	71,136,581	(2,826,834)	-	829,500	69,139,247
Business-type activities capital assets, net	\$ 74,713,287	\$ 2,491,044	\$ -	\$ -	\$ 77,204,331

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 146,392
Public safety	648,255
Public works	2,393,794
Parks, recreation and cultural	42,593
Community development	29,728
Total depreciation and amortization expense - governmental activities	\$ 3,260,762
Business-Type activities:	
Water	\$ 1,412,152
Wastewater	1,395,965
Electric	701,532
	\$ 3,509,649

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities

Primary Government

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

	Beginning Balance July 1, 2023	Additions	Deletions	Ending Balance June 30, 2024	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 6,978,000	\$ -	\$ 1,246,000	\$ 5,732,000	\$ 1,298,000
Bond premium	743,918	-	53,137	690,781	53,137
Leases	201,539	30,840	149,073	83,306	31,921
Subscription liabilities	112,696	130,097	171,052	71,741	44,055
Compensated absences	1,206,913	1,247,174	1,213,722	1,240,365	1,032,779
Governmental activities long-term liabilities	\$ 9,243,066	\$ 1,408,111	\$ 2,832,984	\$ 7,818,193	\$ 2,459,892
Business-Type Activities:					
General obligation bonds	\$ 19,657,000	\$ -	\$ 1,643,000	\$ 18,014,000	\$ 1,454,000
Bond premium	1,595,838	-	113,988	1,481,850	113,988
Compensated absences	465,384	478,646	413,870	530,160	363,756
Business-type activities long-term liabilities	\$ 21,718,222	\$ 478,646	\$ 2,170,858	\$ 20,026,010	\$ 1,931,744

Governmental activities long-term liabilities are liquidated by the General Fund.

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

Year(s) Ending June 30,	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 1,298,000	\$ 133,388	\$ 1,454,000	\$ 534,101
2026	1,249,000	81,736	1,501,000	487,005
2027	979,000	53,220	1,537,000	449,886
2028	859,000	37,584	1,543,000	411,238
2029	191,000	22,318	1,524,000	359,476
2030-2034	1,156,000	41,646	6,660,000	1,166,160
2035-2038	-	-	3,795,000	250,950
	\$ 5,732,000	\$ 369,892	\$ 18,014,000	\$ 3,658,816

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Primary Government:

\$4,870,000 2016 refunding series, issued June 2016, due in annual maturities of \$80,000 to \$930,000 through August 2029, plus interest at 2.00% to 5.00%	\$ 2,215,000
\$5,216,000 2020 refunding series, issued April 2020, due in annual maturities of \$101,000 to \$899,000 through February 2033, plus interest at 1.40%	<u>3,517,000</u>
Total General Obligation Bonds	<u><u>\$ 5,732,000</u></u>

Business-Type Activities:

\$15,875,000 2016 refunding series, issued June 2016, due in annual maturities of \$350,000 to \$1,015,000 through August 2037, plus interest at 2.00% to 5.00%	\$ 11,680,000
\$9,227,000 2020 refunding series, issued April 2020, due in annual maturities of \$160,000 to \$757,000 through February 2034, plus interest at 1.40%	<u>6,334,000</u>
Total General Obligation Bonds	<u><u>\$ 18,014,000</u></u>

Note 8. Leases

Leases Receivable

During the current fiscal year, the Town leased property to various third parties. The leases vary in length with the longest expiring in May 2030. The Town will receive quarterly and monthly payments ranging from \$1,000 to \$8,750 during the life of the leases. The Town recognized \$206,050 in lease revenue and \$10,244 in interest revenue during the current fiscal year related to these leases. As of June 30, 2024, the Town's receivable for lease payments was \$555,853. Also, the Town has deferred inflows of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2024, the balance of the deferred inflow of resources was \$547,642.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Leases (Continued)

Leases Payable

During the current fiscal year, the Town had various lease agreements as lessee for equipment. As of June 30, 2024, the value of the lease liability was \$83,306. The Town is required to make monthly and annual principal and interest payments ranging from \$21 to \$69,484. The leases have interest rates ranging from 0.514% to 3.269%. The equipment has 1 to 5 years estimated useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$464,757 and had accumulated amortization of \$354,382.

The future principal and interest lease payments as of June 30, 2024 are as follows:

Year Ending June 30,	Leases	
	Primary Government	
	Principal	Interest
2025	\$ 31,921	\$ 1,588
2026	25,508	950
2027	19,328	434
2028	6,549	77
	<u>\$ 83,306</u>	<u>\$ 3,049</u>

Note 9. Subscription-Based Information Technology Arrangements

During the current fiscal year, the Town had eleven SBITAs. As of June 30, 2024, the subscription liability was \$71,741. The Town is required to make annual principal and interest payments ranging from \$2,500 to \$36,000. The subscriptions include interest rates ranging from 2.354% to 3.631%. The right-to-use subscription assets have a 2-5 year estimated useful lives. The value of the right-to-use subscription assets as of the end of the current fiscal year was \$297,261 and reported accumulated amortization of \$113,475.

The future principal and interest subscription payments as of June 30, 2024 are as follows:

Year Ending June 30,	Subscription liabilities	
	Primary Government	
	Principal	Interest
2025	\$ 44,055	\$ 2,066
2026	18,863	757
2027	6,390	231
2028	2,433	67
	<u>\$ 71,741</u>	<u>\$ 3,121</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Town 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 available at:

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

B. Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	128
Inactive members:	
Vested	37
Non-vested	58
Active elsewhere in VRS	75
Total inactive members	170
Active members	174
Total covered employees	472

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

C. Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2024 was 11.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,516,931 and \$1,425,001 for the years ended June 30, 2024 and 2023, respectively.

D. Net Pension Liability

The Town's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2022 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, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
– Post-retirement:	Pub-2020 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
– Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years, 90% of rates for females set back 3 years.
– Beneficiaries and Survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
– Mortality Improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2022, 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 as of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates:	45% of deaths are assumed to be service related.
– Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.
– Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males, 105% of rates for females set forward 3 years.
– Post-disablement:	Pub-2010 Amount Weighted General Disabled Rated projected generationally with a Modified MP-2020 Improvements Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
– Beneficiaries and Survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.
– Mortality Improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rated based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		* Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

E. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2022	\$ 49,574,636	\$ 46,047,034	\$ 3,527,602
Changes for the Year:			
Service cost	1,400,360	-	1,400,360
Interest	3,341,672	-	3,341,672
Difference between expected and actual experience	1,584,837	-	1,584,837
Contributions – employer	-	1,425,001	(1,425,001)
Contributions – employee	-	600,398	(600,398)
Net investment income	-	2,957,749	(2,957,749)
Benefit payments, including refunds of employee contributions	(2,937,502)	(2,937,502)	-
Administrative expense	-	(29,630)	29,630
Other changes	-	1,190	(1,190)
Net changes	3,389,367	2,017,206	1,372,161
Balances at June 30, 2023	\$ 52,964,003	\$ 48,064,240	\$ 4,899,763

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

E. Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the Town, using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's net pension liability (asset)	\$ 12,331,354	\$ 4,899,763	\$ (1,091,634)

F. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Town recognized pension expense of \$983,356. The Town also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,053,015	\$ (613,765)
Changes of assumptions	80,342	-
Net difference between projected and actual earnings on pension plan investments	-	(688,475)
Employer contributions subsequent to the measurement date	1,516,931	-
Total	\$ 2,650,288	\$ (1,302,240)

The \$1,516,931 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	\$ (475,393)
2026	(376,914)
2027	659,687
2028	23,737
	<u>\$ (168,883)</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

G. Pension Plan Data

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

H. Payables to the Pension Plan

At June 30, 2024, approximately \$179,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

Note 11. Other Postemployment Benefits – Local Plan

A. Plan Description and Benefits Provided

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

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

Further, effective on or after July 1, 2020, retirees with 15 or more years of service are eligible to receive a Town contribution towards medical coverage. Retirees also must have participated in the Town's health insurance program for the five years immediately preceding retirement.

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

B. Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries	13
Active plan members	171
Total	184

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Local Plan (Continued)

C. Total OPEB Liability

The Town's total OPEB liability of \$1,725,059 was measured as of June 30, 2023 and was determined based on an actuarial valuation performed as of June 30, 2023.

The plan is not administered through a trust or equivalent arrangement, and there are no assets accumulated in a GASB-compliant trust.

D. Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation	3.5 – 5.35%
Discount rate	3.65%
Healthcare cost trend rates	5.4% in 2023 3.9% by 2074

The discount rate was based on the Bond Buyer General Obligation 20 Bond Municipal Index.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study examining actual experience over the four year period ending June 30, 2020. The retiree and spousal election assumptions were based on actual retiree election experience between the period from April 1, 2016 to June 30, 2020.

E. Changes in the Total OPEB Liability

Balance at June 30, 2023	<u>\$ 1,784,712</u>
Changes for the year:	
Service cost	89,914
Interest	65,143
Changes in economic/demographic gains or losses	(105,092)
Changes in assumptions or other inputs	(40,122)
Benefit payments	<u>(69,496)</u>
Net changes	<u>(59,653)</u>
Balance at June 30, 2024	<u><u>\$ 1,725,059</u></u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Local Plan (Continued)

E. Changes in the Total OPEB Liability (Continued)

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

The following presents the total OPEB liability of the Town calculated using the discount rate of 3.65%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Total OPEB Liability	\$ 1,926,254	\$ 1,725,059	\$ 1,554,195

F. Sensitivity of the Town's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.4%) or one percentage point higher (6.4%) than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 1,576,818	\$ 1,725,059	\$ 1,905,153

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$65,277. At June 30, 2024, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (563,210)
Change in assumptions	178,282	(257,143)
Employer contributions subsequent to the measurement date	87,963	-
Total	\$ 266,245	\$ (820,353)

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Local Plan (Continued)

F. Sensitivity of the Town's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (Continued)

The \$87,963 reported as deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year(s) Ending June 30,</u>	<u>Amount</u>
2025	\$ (89,780)
2026	(88,946)
2027	(81,415)
2028	(80,280)
2029	(70,016)
Thereafter	<u>(231,634)</u>
Total	<u><u>\$ (642,071)</u></u>

G. The Local OPEB Plan issues a stand-alone report that can be obtained by writing the Director of Finance/Treasurer of the Town of Culpeper at 400 S. Main Street, Culpeper, VA 22701, or by email at hkartel@culpeperva.gov.

Note 12. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

All full-time, salaried permanent employees of the Town are automatically covered by the CRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

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

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

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Town were \$74,233 and \$68,979 for the years ended June 30, 2024 and 2023, respectively.

In June 2023, the Commonwealth of Virginia made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by Chapter 2 of the Acts if the Assembly Reconvened Session, and is classified as a special employer contribution. The Town's share of this contribution was \$5,502.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2024, the Town reported a liability of \$650,388 for its proportionate share of the net GLI OPEB Liability. The net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was .05423% as compared to 0.05248% at June 30, 2022.

For the year ended June 30, 2024, the Town employees recognized GLI OPEB expense of \$36,232. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,958	\$ (19,743)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(26,136)
Change in assumptions	13,902	(45,061)
Changes in proportionate share	46,916	(9,329)
Employer contributions subsequent to the measurement date	74,233	-
Total	\$ 200,009	\$ (100,269)

The \$74,233 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2025	\$ 4,470
2026	(18,132)
2027	18,217
2028	10,886
2029	10,066
Total	\$ 25,507

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50%-5.35%
Locality – hazardous duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Largest 10 Locality Employers - General Employees

Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally, males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers-Hazardous Duty Employees

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% for females set forward 3 years.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability

The net OPEB Liability (NOL) for the GLI represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts (in thousands) for the GLI are as follows (in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,907,052
Plan fiduciary net position	2,707,739
Employers' net GLI OPEB liability	\$ 1,199,313

Plan fiduciary net position as a percentage of the total
GLI OPEB liability 69.30%

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

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
	Inflation		2.50%
			8.25%

* Expected arithmetic nominal return

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Group Life Insurance Program (Continued)

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the participating employers for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

H. Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the Town's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town	\$ 964,078	\$ 650,388	\$ 396,767

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Summary of Pension and Other Postemployment Benefit Elements

	Governmental Activities	Business-Type Activities	Total Primary Government
Deferred outflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 770,811	\$ 282,204	\$ 1,053,015
Changes of assumptions	58,810	21,532	80,342
Employer contributions subsequent to the measurement date	1,110,400	406,531	1,516,931
Total deferred outflow of resources, Pensions	\$ 1,940,021	\$ 710,267	\$ 2,650,288
Deferred outflows of resources - OPEB			
Difference between expected and actual experience - VRS - GLI	\$ 46,598	\$ 18,360	\$ 64,958
VRS - GLI	9,945	3,957	13,902
Local Plan	128,720	49,562	178,282
Changes in proportion - VRS - GLI	33,562	13,354	46,916
Employer contributions subsequent to the measurement date			
Local Plan	63,509	24,454	87,963
VRS - GLI	53,103	21,130	74,233
Total deferred outflow of resources, OPEB	\$ 335,437	\$ 130,817	\$ 466,254
Total deferred outflows of resources	\$ 2,275,458	\$ 841,084	\$ 3,116,542
Net pension liability - VRS	\$ 3,586,646	\$ 1,313,117	\$ 4,899,763
Total OPEB liability			
Local Plan	\$ 1,245,909	\$ 479,150	\$ 1,725,059
VRS - GLI	465,263	185,125	650,388
Total OPEB liability	\$ 1,711,172	\$ 664,275	\$ 2,375,447
Deferred inflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 449,286	\$ 164,479	\$ 613,765
Net difference between projected and actual earnings on pension plan investments	503,959	184,516	688,475
Total deferred inflows of resources, Pensions	\$ 953,245	\$ 348,995	\$ 1,302,240
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Local Plan	\$ 406,700	\$ 156,510	\$ 563,210
VRS - GLI	14,123	5,620	19,743
Net difference between projected and actual earnings on pension plan investments - VRS GLI	18,697	7,439	26,136
Changes of assumptions			
Local Plan	185,658	71,485	257,143
VRS - GLI	32,235	12,826	45,061
Change in proportionate share - VRS - GLI	6,674	2,655	9,329
Total deferred inflows of resources, OPEB	\$ 664,087	\$ 256,535	\$ 920,622
Total deferred inflows of resources	\$ 1,617,332	\$ 605,530	\$ 2,222,862
Pension expense	\$ 719,817	\$ 263,539	\$ 983,356
OPEB expense			
Local Plan	\$ 47,130	\$ 18,147	\$ 65,277
VRS - GLI	25,919	10,313	36,232
Total OPEB expense	\$ 73,049	\$ 28,460	\$ 101,509

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Fund Balance

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

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

	General Fund	Other Governmental Funds
Restricted for:		
Public safety - asset seizure funds	\$ 45,202	\$ -
General government administration	291,424	-
Parks and Rec	16,830	-
Cemetery perpetual care	-	295,982
Total restricted	353,456	295,982
Nonspendable:		
Prepaid items	209,771	-
Corpus of a permanent fund	-	1,304,222
Total nonspendable	209,771	1,304,222
Committed:		
Future Capital Improvements	1,429,104	-
Total nonspendable	1,429,104	-
Assigned for:		
General government administration	16,455	-
Public safety	16,751	-
Public works	1,677,503	-
Parks, recreation and cultural	4,863,850	-
Community development	286,241	-
Capital outlay	3,168,770	-
Budget stabilization fund	4,130,000	-
Total assigned	14,159,570	-
Unassigned	15,801,696	-
Total fund balance	\$ 31,953,597	\$ 1,600,204

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. 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 \$9,940,150 for the year ended June 30, 2024. Of these purchases, \$854,958 is included in accounts payable as of June 30, 2024. 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 fiscal year 2024, expenses were increased by approximately \$530,729 as part of the annual true-up based on actual costs.

Note 16. Risk Management

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

Workers' Compensation

Premiums are based on covered payroll, job rates and claims experience. Total premiums for the year ended June 30, 2024 were approximately \$177,400.

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, 2024 were approximately \$48,000.

General Liability and Other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident, cyber security, and automobile liability from VACORP. The Town's property and contents are insured up to a limit of approximately \$89 million. The Town maintains an \$8,000,000 excess umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$10,000,000 limit for each, are provided through a policy with the VACORP. Total premiums for 2024 were approximately \$149,000.

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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Commitments and Contingencies

Grant Programs

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

Note 18. Pending GASB Statements

At June 30, 2024, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 101, *Compensated Absences*, will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires the Town to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires the Town to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If the Town determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement 102 will be effective for the Town beginning with its year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, provides guidance to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 will be effective for the Town beginning with its year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96., *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$ 910,207	\$ 945,867	\$ 972,070	\$ 1,020,476	\$ 989,413	\$ 986,499	\$ 1,131,394	\$ 1,153,554	\$ 1,241,601	\$ 1,400,360
Interest	2,233,895	2,338,187	2,447,694	2,559,097	2,661,480	2,777,386	2,825,254	3,045,421	3,302,956	3,341,672
Difference between expected and actual experience	-	27,383	(111,475)	74,729	(55,224)	(855,083)	1,338,742	(1,465,655)	(1,586,328)	1,584,837
Changes of assumptions	-	-	-	(403,442)	-	1,281,029	-	1,934,363	-	-
Benefit payments, including refunds of employee contributions	(1,557,640)	(1,750,779)	(1,743,316)	(1,690,336)	(1,886,164)	(1,993,575)	(2,028,740)	(2,038,564)	(2,149,342)	(2,937,502)
Net change in total pension liability	1,586,462	1,560,658	1,564,973	1,560,524	1,709,505	2,196,256	3,266,650	2,629,119	808,887	3,389,367
Total pension liability - beginning	32,691,602	34,278,064	35,838,722	37,403,695	38,964,219	40,673,724	42,869,980	46,136,630	48,765,749	49,574,636
Total pension liability - ending (a)	\$ 34,278,064	\$ 35,838,722	\$ 37,403,695	\$ 38,964,219	\$ 40,673,724	\$ 42,869,980	\$ 46,136,630	\$ 48,765,749	\$ 49,574,636	\$ 52,964,003
Plan Fiduciary Net Position										
Contributions - employer	\$ 965,805	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,021,113	\$ 1,108,409	\$ 1,216,274	\$ 1,425,001
Contributions - employee	413,261	429,532	454,467	469,814	459,863	518,066	502,753	493,420	541,125	600,398
Net investment income	3,870,612	1,292,934	512,613	3,609,673	2,427,272	2,321,265	701,307	10,083,149	(53,783)	2,957,749
Benefit payments, including refunds of employee contributions	(1,557,640)	(1,750,779)	(1,743,316)	(1,690,336)	(1,886,164)	(1,993,575)	(2,028,740)	(2,038,564)	(2,149,342)	(2,937,502)
Administrative expense	(20,826)	(17,631)	(18,024)	(20,645)	(20,933)	(22,868)	(23,755)	(24,834)	(28,755)	(29,630)
Other	204	(272)	(216)	(3,222)	(2,168)	(1,466)	(832)	955	1,082	1,190
Net change in plan fiduciary net position	3,671,416	1,058,216	282,868	3,354,464	1,958,770	1,798,077	171,846	9,622,535	(473,399)	2,017,206
Plan fiduciary net position - beginning	24,602,241	28,273,657	29,331,873	29,614,741	32,969,205	34,927,975	36,726,052	36,897,898	46,520,433	46,047,034
Plan fiduciary net position - ending (b)	\$ 28,273,657	\$ 29,331,873	\$ 29,614,741	\$ 32,969,205	\$ 34,927,975	\$ 36,726,052	\$ 36,897,898	\$ 46,520,433	\$ 46,047,034	\$ 48,064,240
The Town's net pension liability - ending (a) - (b)	\$ 6,004,407	\$ 6,506,849	\$ 7,788,954	\$ 5,995,014	\$ 5,745,749	\$ 6,143,928	\$ 9,238,732	\$ 2,245,316	\$ 3,527,602	\$ 4,899,763
Plan fiduciary net position as a percentage of the total pension liability	82.48%	81.84%	79.18%	84.61%	85.87%	85.67%	79.98%	95.40%	92.88%	90.75%
Covered payroll	\$ 8,329,057	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881
The Town's net pension liability as a percentage of covered payroll	72.09%	75.36%	85.34%	63.48%	60.77%	61.24%	87.94%	21.74%	30.90%	38.36%

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution (CRC)	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,021,113	\$ 1,108,409	\$ 1,216,274	\$ 1,425,001	\$ 1,516,931
Contributions in relation to the CRC	1,104,432	1,077,344	989,180	980,900	976,655	1,021,113	1,108,409	1,216,274	1,425,001	1,516,931
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787
Contributions as a percentage of covered payroll	12.79%	11.80%	10.47%	10.38%	9.73%	9.72%	10.73%	10.65%	11.16%	11.05%

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2024

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a Modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OWN OF CULPEPER, VIRGINIA

SCHEDULES OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN

	Fiscal Year June 30,						
	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service cost	\$ 85,789	\$ 88,792	\$ 85,767	\$ 84,393	\$ 120,056	\$ 121,517	\$ 89,914
Interest	55,992	59,997	67,535	61,299	55,742	42,614	65,143
Effect of economic/demographic gains or losses	-	-	(39,303)	370,322	(634,555)	-	(105,092)
Changes of assumptions	-	(66,086)	(62,153)	297,138	(22,741)	(205,480)	(40,122)
Benefit payments, including refunds of employee contributions	(30,314)	(30,313)	(44,143)	(67,632)	(88,150)	(50,341)	(69,496)
Net change in total OPEB liability	111,467	52,390	7,703	745,520	(569,648)	(91,690)	(59,653)
Total OPEB liability - beginning	1,528,970	1,640,437	1,692,827	1,700,530	2,446,050	1,876,402	1,784,712
Total OPEB liability - ending (a)	<u>\$ 1,640,437</u>	<u>\$ 1,692,827</u>	<u>\$ 1,700,530</u>	<u>\$ 2,446,050</u>	<u>\$ 1,876,402</u>	<u>\$ 1,784,712</u>	<u>\$ 1,725,059</u>
Covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881
The Town's Total OPEB liability as a percentage of covered-employee payroll	17.37%	17.91%	16.95%	23.28%	18.17%	15.63%	13.50%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.
- (2) There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – LOCAL PLAN

	Fiscal Year June 30,								
	2017	2018	2019	2020	2021	2022	2023	2024	
Contractually required contribution (CRC)	\$ 44,301	\$ 30,314	\$ 30,313	\$ 67,632	\$ 88,150	\$ 50,341	\$ 69,496	\$ 87,963	
Contributions in relation to the CRC	44,301	30,314	30,313	67,632	88,150	50,341	69,496	87,963	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Employer's covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787	
Contributions as a percentage of covered-employee payroll	0.47%	0.32%	0.30%	0.64%	0.85%	0.44%	0.54%	0.64%	

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.
- (2) There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – OPEB GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,						
	2017	2018	2019	2020	2021	2022	2023
Employer's proportion of the net GLI OPEB liability	0.05127%	0.04973%	0.05085%	0.05106%	0.05003%	0.05248%	0.05423%
Employer's proportionate share of the net GLI OPEB liability	\$ 772,000	\$ 755,000	\$ 827,465	\$ 852,108	\$ 582,485	\$ 631,910	\$ 650,388
Employer's covered payroll	9,444,008	9,454,182	10,033,310	10,506,032	10,329,112	11,415,967	12,773,881
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.17%	7.99%	8.25%	8.11%	5.64%	5.54%	5.09%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%	69.30%

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years which information is available.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution (CRC)	\$ 41,460	\$ 43,912	\$ 49,173	\$ 49,555	\$ 51,834	\$ 54,595	\$ 55,777	\$ 61,646	\$ 68,979	\$ 74,233
Contributions in relation to the CRC	41,460	43,912	49,173	49,555	51,834	54,595	55,777	61,646	68,979	74,233
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967	\$ 12,773,881	\$ 13,722,787
Contributions as a percentage of covered payroll	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%	0.54%

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2024

Note 1. Retiree Healthcare Plan

Changes of Benefit Terms

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

Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2023	3.65%
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Note 2. Group Life Insurance Program

Changes of Benefit Terms

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

Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2024

Note 2. Group Life Insurance Program (Continued)

Changes of Assumptions (Continued)

Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rated to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CULPEPER, VIRGINIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents, restricted (Note 2)	\$ 85,848	\$ 377,468	\$ 463,316
Investments, restricted	210,134	926,204	1,136,338
Receivables, restricted	-	550	550
Total assets	\$ 295,982	\$ 1,304,222	\$ 1,600,204
FUND BALANCES			
Nonspendable	\$ -	\$ 1,304,222	\$ 1,304,222
Restricted	295,982	-	295,982
Total fund balances	\$ 295,982	\$ 1,304,222	\$ 1,600,204

TOWN OF CULPEPER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
Revenues:			
Use of money and property	\$ 40,166	\$ -	\$ 40,166
Other income	-	99,500	99,500
Total revenues	40,166	99,500	139,666
Net change in fund balances	40,166	99,500	139,666
Fund balances, beginning	255,816	1,204,722	1,460,538
Fund balances, ending	\$ 295,982	\$ 1,304,222	\$ 1,600,204

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2024

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 1,719,000	\$ 1,719,000	\$ 1,712,995	\$ (6,005)
Personal property taxes	2,050,150	2,050,150	1,963,638	(86,512)
Machinery and tools tax	215,000	215,000	252,083	37,083
Public service real estate and property taxes	30,000	30,000	32,704	2,704
Total general property taxes	4,014,150	4,014,150	3,961,420	(52,730)
Other local taxes:				
Local sales and use taxes	2,000,000	2,000,000	2,656,120	656,120
Business license taxes	1,288,400	1,288,400	1,389,689	101,289
Franchise license tax	80,000	80,000	80,885	885
Bank stock taxes	450,000	450,000	556,919	106,919
Cigarette taxes	180,000	180,000	174,610	(5,390)
Hotel and motel room tax	780,000	780,000	769,667	(10,333)
Meals tax	5,450,000	5,450,000	6,059,675	609,675
Admissions tax	30,000	30,000	29,773	(227)
Local consumption taxes	60,000	60,000	74,310	14,310
Total other local taxes	10,318,400	10,318,400	11,791,648	1,473,248
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	165,000	165,000	275,343	110,343
Total permits, privilege fees, and regulatory license	165,000	165,000	275,343	110,343
Fines and forfeitures	141,000	141,000	215,091	74,091
Use of money and property:				
Net revenue from use of money	375,000	375,000	1,627,596	1,252,596
Revenue from use of property	361,702	361,702	366,522	4,820
Total revenue from use of money and property	736,702	736,702	1,994,118	1,257,416
Charges for services:				
Sanitation equipment replacement fee	170,000	170,000	179,300	9,300
Trash disposal fee	58,000	58,000	59,774	1,774
Crosswalk traffic control	16,000	16,000	17,600	1,600
Cable Media Network PEG fees	7,000	7,000	5,452	(1,548)
Police department counter transactions	-	-	712	712
Burial permits	65,000	65,000	61,300	(3,700)
Consumer tour program	-	-	1,625	1,625
FOIA request fees	2,000	2,000	2,312	312
Total charges for services	318,000	318,000	328,075	10,075
Miscellaneous	134,500	134,500	240,791	106,291
Total revenue from local sources	15,827,752	15,827,752	18,806,486	2,978,734

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND **Year Ended June 30, 2024**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Recovered costs:				
County of Culpeper:				
Cable Media Network contributions	\$ 141,302	\$ 141,302	\$ 144,000	\$ 2,698
Time and material charges	-	103,886	104,332	446
Water Fund:				
Utility services	918,418	918,418	903,862	(14,556)
Motor pool	10,000	10,000	10,000	-
Mow, mulch and trim	6,000	6,000	6,000	-
Wastewater Fund:				
Utility services	918,418	918,418	903,862	(14,556)
Motor pool	31,000	31,000	31,000	-
Mow, mulch and trim	15,000	15,000	15,000	-
Light and Power Fund:				
Utility services	1,534,345	1,534,345	1,505,234	(29,111)
Motor pool	51,000	51,000	51,000	-
Mow, mulch and trim	7,500	7,500	7,500	-
Total recovered costs	3,632,983	3,736,869	3,681,790	(55,079)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	224,104	224,104	224,104	-
Rolling stock tax	4,000	4,000	5,459	1,459
Total non-categorical aid	228,104	228,104	229,563	1,459
Categorical aid:				
Litter control	8,000	8,000	10,469	2,469
Law enforcement grants	323,144	335,644	492,968	157,324
Fire program	75,000	90,328	90,328	-
Street and highway maintenance	2,200,000	2,350,000	2,659,392	309,392
Tourism grant	-	52,500	91,065	38,565
Other	181,500	187,500	122,557	(64,943)
Total categorical aid	2,787,644	3,023,972	3,466,779	442,807
Total intergovernmental revenue from the Commonwealth	3,015,748	3,252,076	3,696,342	444,266
Revenue from the Federal government:				
Categorical aid:				
American Rescue Plan Act	-	-	1,246,092	1,246,092
Department of Transportation	1,320,000	-	1,629,433	1,629,433
Total categorical aid	1,320,000	-	2,875,525	2,875,525
Total intergovernmental revenue from the Federal government	1,320,000	-	2,875,525	2,875,525
Total intergovernmental revenue	4,335,748	3,252,076	6,571,867	3,319,791
Total General Fund	\$ 23,796,483	\$ 22,816,697	\$ 29,060,143	\$ 6,243,446

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2024

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personnel	\$ 102,000	\$ 102,000	\$ 101,100	\$ (900)
Fringe benefits	28,874	28,874	40,410	11,536
Other charges	45,550	49,211	38,575	(10,636)
Total Town Council	176,424	180,085	180,085	-
Total legislative	176,424	180,085	180,085	-
General and financial:				
Town Manager's office:				
Personnel	103,340	103,340	103,648	308
Fringe benefits	49,356	49,356	51,164	1,808
Other charges	7,650	7,650	4,602	(3,048)
Total Town manager's office	160,346	160,346	159,414	(932)
Town clerk's office:				
Personnel	227,971	227,971	233,161	5,190
Fringe benefits	87,510	87,510	88,679	1,169
Other charges	24,400	25,308	19,208	(6,100)
Contractual services	1,300	1,300	1,040	(260)
Total Town clerk's office	341,181	342,089	342,088	(1)
Treasurer's office:				
Personnel	1,172,739	1,172,739	1,096,217	(76,522)
Fringe benefits	422,044	422,044	400,745	(21,299)
Other charges	210,750	202,908	180,304	(22,604)
Contractual services	5,000	5,000	792	(4,208)
Leased equipment	2,500	2,500	10,318	7,818
Total treasurer's office	1,813,033	1,805,191	1,688,376	(116,815)
Human resources office:				
Personnel	243,693	243,693	248,548	4,855
Fringe benefits	95,599	95,599	98,182	2,583
Other charges	93,200	93,200	62,188	(31,012)
Total human resources office	432,492	432,492	408,918	(23,574)
Information Technology:				
Personnel	793,440	793,440	798,237	4,797
Fringe benefits	234,100	234,100	242,436	8,336
Leased equipment	-	-	53,439	53,439
Contractual services	707,974	718,144	557,062	(161,082)
Telecommunications	316,620	316,620	313,331	(3,289)
Other charges	133,600	142,819	134,664	(8,155)
Total information technology	2,185,734	2,205,123	2,099,169	(105,954)
Motor pool:				
Personnel	292,078	292,078	294,239	2,161
Fringe benefits	104,253	104,253	113,812	9,559
Other charges	37,800	49,993	38,273	(11,720)
Total motor pool	434,131	446,324	446,324	-
General and financial administration:				
Legal	100,000	100,000	94,235	(5,765)
Independent auditor and actuary	76,400	84,781	74,410	(10,371)
Insurance and bonding	96,975	100,248	100,248	-
Total general and financial administration	273,375	285,029	268,893	(16,136)
Total general government administration	5,816,716	5,856,679	5,593,267	(263,412)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2024

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Public safety:				
Law enforcement and traffic control:				
Police department:				
Personnel	\$ 4,608,648	\$ 4,608,648	\$ 4,543,581	\$ (65,067)
Fringe benefits	1,579,371	1,579,371	1,643,946	64,575
Leased equipment	-	-	69,488	69,488
Vehicle operation	808,325	915,056	862,272	(52,784)
Drug fund	15,000	15,000	7,541	(7,459)
E911 center	785,747	785,747	785,747	-
Other charges	321,295	473,429	252,896	(220,533)
Total law enforcement and traffic control	8,118,386	8,377,251	8,165,471	(211,780)
Total public safety	8,118,386	8,377,251	8,165,471	(211,780)
Public works:				
General engineering:				
Personnel	154,332	154,332	141,279	(13,053)
Fringe benefits	62,288	62,288	58,684	(3,604)
Other charges	14,800	14,800	14,400	(400)
Total general engineering	231,420	231,420	214,363	(17,057)
Highways, streets, bridges and sidewalks:				
Personnel	1,168,432	1,168,432	1,153,272	(15,160)
Fringe benefits	429,190	429,190	459,287	30,097
Other charges	293,200	443,200	327,849	(115,351)
Repairs and maintenance	906,000	1,009,886	409,104	(600,782)
Contractual services	25,000	25,000	10,664	(14,336)
Rental of street lights	180,000	180,000	190,047	10,047
Snow and ice removal	85,700	112,387	112,386	(1)
Traffic engineering	218,290	215,617	202,614	(13,003)
Total highways, streets, bridges, and sidewalks	3,305,812	3,583,712	2,865,223	(718,489)
Refuse collection:				
Personnel	258,694	258,694	214,388	(44,306)
Fringe benefits	111,460	111,460	103,533	(7,927)
Vehicle operation	99,200	402,150	125,307	(276,843)
Other charges	103,500	103,500	100,209	(3,291)
Total refuse collection	572,854	875,804	543,437	(332,367)
General properties:				
Personnel	207,403	207,403	211,916	4,513
Fringe benefits	74,797	74,797	76,993	2,196
Contractual services	95,000	95,000	111,219	16,219
Repairs and maintenance	96,500	145,773	167,160	21,387
Utilities	122,750	122,750	121,949	(801)
Other charges	26,550	188,751	145,237	(43,514)
Total general properties	623,000	834,474	834,474	-
Total public works	4,733,086	5,525,410	4,457,497	(1,067,913)
Parks, recreation and cultural:				
Parks and recreation:				
Personnel	215,165	215,165	227,397	12,232
Fringe benefits	76,865	76,865	91,691	14,826
Other charges	122,650	139,821	92,514	(47,307)
Joint pool project	4,750,000	5,000,000	163,900	(4,836,100)
Total parks and recreation	5,164,680	5,431,851	575,502	(4,856,349)
Cultural:				
Culpeper Media Network	286,603	286,603	274,854	(11,749)
Total cultural	286,603	286,603	274,854	(11,749)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2024

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Parks, recreation and cultural: (continued)				
Cemetery:				
Personnel	\$ 70,557	\$ 70,557	\$ 56,092	\$ (14,465)
Fringe benefits	22,107	22,107	21,800	(307)
Other charges	77,900	77,900	53,155	(24,745)
Contractual services	7,500	7,500	116	(7,384)
Total cemetery	178,064	178,064	131,163	(46,901)
Total parks, recreation and cultural	5,629,347	5,896,518	981,519	(4,914,999)
Community development:				
Planning and zoning:				
Personnel	673,743	673,743	638,723	(35,020)
Fringe benefits	253,047	253,047	242,663	(10,384)
Other charges	162,690	210,431	119,670	(90,761)
Total planning and zoning	1,089,480	1,137,221	1,001,056	(136,165)
Visitors center:				
Personnel	28,931	63,786	63,722	(64)
Fringe benefits	2,287	4,949	4,904	(45)
Other charges	29,060	35,060	11,630	(23,430)
Total visitors center	60,278	103,795	80,256	(23,539)
Tourism:				
Personnel	360,568	360,568	354,051	(6,517)
Fringe benefits	133,491	133,491	124,227	(9,264)
Advertising and promotion	189,300	221,736	105,084	(116,652)
Programming	28,500	83,500	65,833	(17,667)
Other charges	52,500	181,393	134,083	(47,310)
Total tourism	764,359	980,688	783,278	(197,410)
Economic development:				
Virginia Main Street program	200,000	200,000	200,000	-
Other charges	76,130	76,130	35,124	(41,006)
Total economic development	276,130	276,130	235,124	(41,006)
Community support:				
Volunteer fire department	170,000	185,328	185,328	-
Rescue services	25,000	25,000	25,000	-
Virginia Regional Transit	154,938	154,938	154,938	-
Total community support	349,938	365,266	365,266	-
Total community development	2,540,185	2,863,100	2,464,980	(398,120)
Parking authority:				
Repairs and maintenance	80,000	80,000	10,941	(69,059)
Other charges	10,950	10,950	9,699	(1,251)
Total parking authority	90,950	90,950	20,640	(70,310)
Capital projects	1,860,000	8,201,786	4,753,291	(3,448,495)
Debt service:				
Principal	1,246,000	1,246,000	1,566,125	320,125
Interest	183,707	183,707	186,740	3,033
Total debt service	1,429,707	1,429,707	1,752,865	323,158
Total General Fund	\$ 30,218,377	\$ 38,241,401	\$ 28,189,530	\$ (10,051,871)

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2024

	Industrial Development Authority
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 75,523
Cash and cash equivalents, restricted	<hr/> 51,700
Total assets	<hr/> \$ 127,223 <hr/>
LIABILITIES	
Debt service reserve	<hr/> \$ 47,630
Total liabilities	<hr/> 47,630
FUND BALANCE	
Restricted	51,700
Unassigned	<hr/> 27,893
Total fund balance	<hr/> 79,593
Total liabilities and fund balance	<hr/> \$ 127,223 <hr/>

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2024**

	Industrial Development Authority
Revenues:	
Intergovernmental	\$ 24,105
Revenue from use of property	<u>554</u>
Total revenues	<u>24,659</u>
Expenditures:	
Community development	<u>25,429</u>
Total expenditures	<u>25,429</u>
Expenditures under revenues	<u>(770)</u>
Net change in fund balance	(770)
Fund balance, beginning	<u>80,363</u>
Fund balance, ending	<u><u>\$ 79,593</u></u>

STATISTICAL SECTION

TOWN OF CULPEPER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the Town's annual comprehensive financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends	
These tables contain trend information to help the reader understand how the Town's financial performance and financial well being have changed over time.	1 – 4
Revenue Capacity	
These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	5 – 8
Debt Capacity	
These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	9 – 12
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	13 – 15
Operating Information	
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	16 – 17

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial report for the relevant year.

TOWN OF CULPEPER, VIRGINIA

Table 1

NET POSITION / ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018	2019	2020 ⁽¹⁾	2021	2022 ⁽¹⁾	2023	2024
Governmental activities:										
Net investment in capital assets	\$ 43,149,400	\$ 43,759,691	\$ 41,387,460	\$ 40,487,615	\$ 40,546,104	\$ 41,338,919	\$ 43,829,900	\$ 48,485,616	\$ 49,465,248	\$ 53,215,487
Restricted	1,581,752	1,739,191	1,811,790	1,296,274	1,280,286	1,168,472	1,551,372	1,645,740	1,754,984	1,953,660
Unrestricted	870,870	1,364,636	4,297,760	8,044,105	8,590,118	9,045,773	9,649,391	16,420,220	24,521,373	26,710,647
Total governmental activities net position	\$ 45,602,022	\$ 46,863,518	\$ 47,497,010	\$ 49,827,994	\$ 50,416,508	\$ 51,553,164	\$ 55,030,663	\$ 66,551,576	\$ 75,741,605	\$ 81,879,794
Business-type activities:										
Net investment in capital assets	\$ 26,550,954	\$ 27,865,064	\$ 32,641,915	\$ 46,875,816	\$ 52,906,194	\$ 52,243,951	\$ 51,984,648	\$ 53,774,016	\$ 53,481,200	\$ 57,682,479
Unrestricted	23,270,667	23,628,617	20,951,828	18,096,222	22,028,646	23,999,664	24,581,871	23,306,151	23,394,061	25,490,390
Total business-type activities net position	\$ 49,821,621	\$ 51,493,681	\$ 53,593,743	\$ 64,972,038	\$ 74,934,840	\$ 76,243,615	\$ 76,566,519	\$ 77,080,167	\$ 76,875,261	\$ 83,172,869
Primary government										
Net investment in capital assets	\$ 69,700,354	\$ 71,624,755	\$ 74,029,375	\$ 87,363,431	\$ 93,452,298	\$ 93,582,870	\$ 95,814,548	\$ 102,259,632	\$ 102,946,448	\$ 110,897,966
Restricted	1,581,752	1,739,191	1,811,790	1,296,274	1,280,286	1,168,472	1,551,372	1,645,740	1,754,984	1,953,660
Unrestricted	24,141,537	24,993,253	25,249,588	26,140,327	30,618,764	33,045,437	34,231,262	39,726,371	47,915,434	52,201,037
Total primary government net position	\$ 95,423,643	\$ 98,357,199	\$ 101,090,753	\$ 114,800,032	\$ 125,351,348	\$ 127,796,779	\$ 131,597,182	\$ 143,631,743	\$ 152,616,866	\$ 165,052,663

Note:

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

TOWN OF CULPEPER, VIRGINIA

Table 2
Page 1

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 1,580,634	\$ 1,782,797	\$ 2,118,903	\$ 1,813,136	\$ 2,039,237	\$ 2,024,609	\$ 2,054,689	\$ 2,106,575	\$ 1,976,327	\$ 2,090,647
Public safety	4,466,205	4,826,442	5,392,894	5,279,682	5,942,851	6,073,416	6,000,711	6,767,415	7,425,757	8,032,407
Public works	4,622,046	4,677,492	5,381,340	5,378,213	6,310,254	6,487,486	6,257,085	6,786,040	6,269,470	6,599,448
Parks, recreation and cultural	658,510	734,657	727,557	777,456	775,021	638,436	667,456	672,197	712,143	956,199
Community development	1,403,802	1,404,450	1,443,117	1,688,724	1,613,569	1,712,175	3,436,651	2,796,267	2,110,846	2,467,671
Parking Authority	-	-	-	-	-	-	10,880	79,515	64,333	20,640
Interest	502,905	557,705	323,497	390,139	365,932	357,229	232,514	242,102	198,354	142,570
Total governmental activities	13,234,102	13,983,543	15,387,308	15,327,350	17,046,864	17,293,351	18,659,986	19,450,111	18,757,230	20,309,582
Business-type activities:										
Water	3,483,189	3,880,069	4,074,774	5,256,395	4,257,892	5,783,979	5,469,453	5,576,830	5,524,431	6,009,378
Wastewater	5,146,396	5,533,867	5,345,589	5,055,057	5,282,858	5,169,641	5,909,741	5,545,772	6,033,149	6,339,488
Electric	11,640,544	10,710,274	10,939,680	11,253,585	11,218,357	11,748,581	10,985,261	12,579,151	14,706,215	15,297,165
Total business-type activities expense	20,270,129	20,124,210	20,360,043	21,565,037	20,759,107	22,702,201	22,364,455	23,701,753	26,263,795	27,646,031
Total primary government expenses	33,504,231	34,107,753	35,747,351	36,892,387	37,805,971	39,995,552	41,024,441	43,151,864	45,021,025	47,955,613
Program revenues:										
Governmental activities:										
Charges for services:										
General government	63,438	81,443	90,053	117,936	90,556	125,733	177,246	150,921	45,932	48,127
Public safety	159,236	195,365	202,554	188,458	233,361	142,554	116,134	137,294	139,407	116,239
Public works	390,969	432,509	313,983	366,920	318,291	261,885	194,676	220,814	233,827	239,074
Parks, recreation and cultural	410,854	420,362	430,210	461,456	509,131	117,234	168,146	182,500	65,550	65,575
Community development	35,243	37,304	19,471	27,718	32,804	189,639	231,639	223,192	146,671	349,495
Operating grants and contributions	2,180,092	2,164,513	2,377,321	2,355,582	2,512,485	2,669,291	6,563,585	8,893,126	10,464,478	6,590,635
Capital grants and contributions	7,738,062	294,304	365,253	2,285,924	62,000	1,312,239	938,037	1,347,537	-	-
Total primary government program revenues	10,977,894	3,625,800	3,798,845	5,803,994	3,758,628	4,818,575	8,389,463	11,155,384	11,095,865	7,409,145
Business-type activities:										
Charges for services:										
Water	4,265,875	5,125,832	4,455,697	4,562,888	4,510,584	4,410,737	4,163,328	3,853,703	4,031,048	4,299,273
Wastewater	5,269,322	5,662,133	5,768,125	5,952,387	5,940,563	5,914,111	5,543,331	5,047,068	5,000,777	5,371,926
Electric	12,106,864	11,592,942	11,711,465	12,486,678	12,981,235	12,577,012	12,072,822	13,174,024	15,229,309	16,006,355
Operating grants and contributions	1,369	24,020	29,542	15,597	16,341	8,812	218,514	228,278	1,409,994	2,986,349
Capital grants and contributions	-	-	994,049	10,846,873	7,340,842	1,063,423	1,133,623	3,549,027	836,622	4,759,781
Total business-type activities program revenues	21,643,370	22,404,927	22,958,878	33,864,423	30,789,565	23,974,095	23,131,618	25,852,100	26,507,750	33,423,684
Total primary government program revenues	32,621,264	26,030,727	26,757,723	39,668,417	34,548,193	28,792,670	31,521,081	37,007,484	37,603,615	40,832,829
Net (expense) revenue:										
Governmental activities	(2,256,208)	(10,357,743)	(11,588,463)	(9,523,356)	(13,288,236)	(12,474,776)	(10,270,523)	(8,294,727)	(7,661,365)	(12,900,437)
Business-type activities	1,373,241	2,280,717	2,598,835	12,299,386	10,030,458	1,271,894	767,163	2,150,347	243,955	5,777,653
Total primary government net expense	(882,967)	(8,077,026)	(8,989,628)	2,776,030	(3,257,778)	(11,202,882)	(9,503,360)	(6,144,380)	(7,417,410)	(7,122,784)

TOWN OF CULPEPER, VIRGINIA

Table 2
Page 2

CHANGES IN NET POSITION / ASSETS Last Ten Fiscal Years (accrual basis of accounting) (Unaudited)

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 3,095,547	\$ 3,062,450	\$ 3,334,858	\$ 3,814,435	\$ 3,726,136	\$ 3,789,988	\$ 3,605,747	\$ 4,222,522	\$ 3,803,071	\$ 3,932,229
Food and beverage tax	3,727,506	3,941,061	4,115,524	4,257,578	4,332,531	4,156,443	4,594,500	5,176,632	5,728,428	6,059,675
Sales taxes	1,371,546	1,363,040	1,555,660	1,641,902	1,585,041	1,623,384	1,847,634	2,125,855	2,205,862	2,656,120
Business license tax	1,035,641	1,043,272	1,072,996	1,115,874	1,010,442	1,028,437	1,023,686	1,159,132	1,400,394	1,389,689
Bank stock tax	349,495	338,243	390,832	431,595	483,997	402,494	494,982	510,246	631,658	556,919
Cigarette tax	162,582	167,265	156,238	165,818	247,326	225,899	220,301	207,338	194,250	174,610
Hotel and motel tax	325,775	342,965	449,636	498,669	448,369	358,721	368,494	503,564	764,651	769,667
Other local taxes	194,523	180,285	178,811	188,325	187,320	194,478	159,269	186,385	186,164	184,968
Intergovernmental revenue	231,499	231,707	230,933	285,596	393,438	332,387	275,075	231,475	229,015	229,563
Use of money and property	18,793	36,412	45,754	117,859	345,501	712,349	405,956	(580,986)	670,400	2,034,284
Sale of surplus of real estate	-	-	-	-	-	-	-	1,150,000	-	-
Miscellaneous	165,826	331,402	50,778	92,164	512,269	122,307	147,371	156,676	341,958	340,291
Transfers	625,612	593,538	611,435	607,965	604,380	664,545	672,848	673,159	695,543	710,611
Total governmental activities	11,304,345	11,631,640	12,193,455	13,217,780	13,876,750	13,611,432	13,815,863	15,721,998	16,851,394	19,038,626
Business-type activities:										
Investment earnings	30,050	60,471	127,950	242,858	527,505	701,426	228,589	(963,540)	246,682	1,230,566
Other	6,668	8,301	13,212	-	9,219	-	-	-	-	-
Insurance recovery	7,929	3,474	-	-	-	-	-	-	-	-
Transfers	(625,612)	(593,538)	(611,435)	(607,965)	(604,380)	(664,545)	(672,848)	(673,159)	(695,543)	(710,611)
Total business-type activities	(580,965)	(521,292)	(470,273)	(365,107)	(67,656)	36,881	(444,259)	(1,636,699)	(448,861)	519,955
Total primary government	10,723,380	11,110,348	11,723,182	12,852,673	13,809,094	13,648,313	13,371,604	14,085,299	16,402,533	19,558,581
Changes in net position/assets:										
Governmental activities	9,048,137	1,273,897	604,992	3,694,424	588,514	13,611,432	3,545,340	7,427,271	9,190,029	6,138,189
Business-type activities	792,276	1,759,425	2,128,562	11,934,279	9,962,802	36,881	322,904	513,648	(204,906)	6,297,608
Total primary government	\$ 9,840,413	\$ 3,033,322	\$ 2,733,554	\$ 15,628,703	\$ 10,551,316	\$ 13,648,313	\$ 3,868,244	\$ 7,940,919	\$ 8,985,123	\$ 12,435,797

Note:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parenthesis are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

TOWN OF CULPEPER, VIRGINIA

Table 3

FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

*(modified accrual basis of accounting)***(Unaudited)**

	2015	2016	2017	2018	2019
General Fund:					
Nonspendable	\$ -	\$ -	\$ 82,081	\$ 125,672	\$ 121,487
Restricted	5,300,787	5,399,922	2,957,401	339,124	230,698
Committed	-	176,088	-	-	-
Assigned	86,656	448,203	2,491,370	3,504,418	7,368,961
Unassigned	5,377,641	5,663,645	6,818,439	10,711,025	7,348,636
Total General Fund	\$ 10,765,084	\$ 11,687,858	\$ 12,349,291	\$ 14,680,239	\$ 15,069,782
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ 847,322	\$ 916,872
Restricted	758,254	822,133	893,371	109,828	132,716
Total all other governmental funds	\$ 758,254	\$ 822,133	\$ 893,371	\$ 957,150	\$ 1,049,588
	2020	2021	2022	2023	2024
General Fund:					
Nonspendable	\$ 152,026	\$ 154,128	\$ 220,372	\$ 174,473	\$ 209,771
Restricted	41,677	297,199	256,385	294,447	353,456
Committed	-	3,363,922	5,173,214	5,019,253	1,429,104
Assigned	7,671,403	5,341,674	4,828,735	11,637,756	14,159,570
Unassigned	7,099,139	7,725,840	12,446,186	13,085,507	15,801,696
Total General Fund	\$ 14,964,245	\$ 16,882,763	\$ 22,924,892	\$ 30,211,436	\$ 31,953,597
All Other Governmental Funds:					
Nonspendable	\$ 965,622	\$ 1,063,922	\$ 1,168,222	\$ 1,204,722	\$ 1,304,222
Restricted	161,173	190,521	221,133	255,816	295,982
Total all other governmental funds	\$ 1,126,795	\$ 1,254,443	\$ 1,389,355	\$ 1,460,538	\$ 1,600,204

TOWN OF CULPEPER, VIRGINIA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Table 4

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues:										
Taxes	\$ 10,185,335	\$ 10,456,591	\$ 11,264,283	\$ 12,022,628	\$ 12,127,817	\$ 11,493,484	\$ 12,501,854	\$ 13,786,185	\$ 15,050,453	\$ 15,753,068
Permits, privilege fees and regulatory licenses	275,969	364,246	297,808	339,691	370,949	396,997	431,300	434,046	156,589	275,343
Fines and forfeitures	122,292	118,324	134,158	113,085	131,494	107,599	144,263	127,949	148,474	215,091
Use of money and property	202,029	212,379	213,887	364,243	597,370	712,349	405,956	(580,986)	670,400	2,034,284
Charges for services	328,502	279,147	295,860	378,002	353,125	332,449	312,278	352,726	326,324	328,075
Miscellaneous	300,545	196,889	131,122	251,708	622,890	122,307	147,371	156,676	341,958	340,291
Recovered costs	2,027,731	2,208,363	2,288,113	2,332,603	2,521,534	2,755,505	3,023,520	3,125,417	3,472,992	3,681,790
Intergovernmental	4,707,381	2,690,525	2,853,111	2,807,406	2,928,570	2,883,692	6,742,609	8,972,727	10,559,547	6,571,867
Total revenues	18,149,784	16,526,464	17,478,342	18,609,366	19,653,749	18,804,382	23,709,151	26,374,740	30,726,737	29,199,809
Expenditures:										
General government administration	3,306,228	3,590,533	3,738,385	3,814,621	4,177,881	4,431,181	4,384,552	5,214,536	5,616,529	5,593,267
Public safety	4,317,699	4,619,766	4,996,798	5,020,076	5,250,136	5,572,833	5,684,021	6,345,823	7,635,518	8,165,471
Public works	3,259,396	3,514,464	3,628,459	3,184,690	4,334,914	4,080,007	4,151,405	4,497,507	4,325,267	4,457,497
Parks, recreation and cultural	665,109	730,184	703,051	769,988	752,292	630,020	687,039	679,757	718,898	981,519
Community development	1,425,637	1,414,780	1,417,717	1,570,997	1,545,830	1,699,081	1,722,392	1,934,072	2,149,947	2,464,980
Parking Authority	-	-	-	-	-	-	10,880	79,515	64,333	20,640
Pandemic expenses	-	-	-	-	-	-	1,971,481	1,033,775	-	-
Capital projects	5,709,587	884,820	1,284,343	738,983	1,988,530	1,467,841	2,107,280	690,677	2,127,497	4,753,291
Debt service:										
Principal	1,074,903	1,227,548	1,249,267	1,265,780	1,284,036	6,353,535	1,259,818	1,348,868	1,403,739	1,566,125
Interest and fiscal charges	533,486	511,519	410,324	457,469	442,579	434,116	289,124	274,397	233,746	186,740
Bond issuance costs	7,896	73,022	-	-	-	44,643	-	-	-	-
Total expenditures	20,299,941	16,566,636	17,428,344	16,822,604	19,776,198	24,713,257	22,267,992	22,098,927	24,275,474	28,189,530
Revenues over (under) expenditures	(2,150,157)	(40,172)	49,998	1,786,762	(122,449)	(5,908,875)	1,441,159	4,275,813	6,451,263	1,010,279
Other financing sources (uses):										
Proceeds from borrowing	430,000	4,990,000	-	-	-	5,216,000	-	-	-	-
Bond premium on issuance	-	1,115,879	-	-	-	-	-	-	-	-
Payments to escrow agent	-	(6,036,403)	-	-	-	-	-	-	-	-
Issuance of lease	-	-	-	-	-	-	-	78,069	48,909	30,840
Issuance of subscription liability	-	-	-	-	-	-	-	-	162,012	130,097
Sale of surplus real estate	-	299,932	-	-	-	-	-	1,150,000	-	-
Transfers in	625,612	593,538	611,435	607,965	604,380	664,545	672,848	673,159	695,543	710,611
Total other financing sources, net	1,055,612	962,946	611,435	607,965	604,380	5,880,545	672,848	1,901,228	906,464	871,548
Net change in fund balances	\$ (1,094,545)	\$ 922,774	\$ 661,433	\$ 2,394,727	\$ 481,931	\$ (28,330)	\$ 2,114,007	\$ 6,177,041	\$ 7,357,727	\$ 1,881,827
Debt service as a percentage of noncapital expenditures:	11.23%	11.90%	10.33%	12.02%	9.43%	29.10%	8.08%	7.79%	7.80%	7.88%

TOWN OF CULPEPER, VIRGINIA

Table 5

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	Tax Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities		Total Assessed Value	Total Direct Tax Rate ⁽¹⁾⁽²⁾
					Real Estate	Personal Property		
2015	2014	\$ 1,430,676,100	\$ 145,472,196	\$ 19,641,375	\$ 29,676,346	\$ 48,955	\$ 1,625,514,972	\$ 1.91
2016	2015	1,639,650,120	152,345,370	18,897,435	35,389,078	17,350	1,846,299,353	1.91
2017	2016	1,664,811,915	163,594,889	23,736,598	34,518,204	12,199	1,886,673,805	1.91
2018	2017	1,789,850,200	168,970,393	22,987,435	40,667,473	110,293	2,022,585,794	1.90
2019	2018	1,802,236,200	177,408,463	27,859,148	38,027,777	86,953	2,045,618,541	1.90
2020	2019	1,957,644,000	182,616,130	29,219,133	43,204,181	77,045	2,212,760,489	1.891
2021	2020	1,984,258,700	193,272,186	28,669,380	41,868,265	-	2,248,068,531	1.891
2022	2021	2,236,107,800	220,123,107	26,952,068	44,547,014	-	2,527,729,989	1.882
2023	2022	2,253,630,200	284,805,896	25,638,476	38,005,051	-	2,602,079,623	1.882 / 1.632
2024	2023	2,821,311,500	274,893,651	31,510,402	46,800,436	-	3,174,515,989	1.866 / 1.616

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

(1) Per \$100 of assessed value

(2) Starting with the 2022 tax year, Town Council adopted a tax rate of \$0.75/\$100 of assessed value for most classes of vehicles in response to increased assessment values, as opposed to the standard personal property tax rate of \$1.00/\$100 of assessed value. The lower rate was applied to approximately \$220 million of assessed value of assets for the 2022 tax year, and approximately \$205 million for the 2023 tax year.

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

TOWN OF CULPEPER, VIRGINIA

Table 6

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Tax Year	Real Property	Vehicle Personal Property (2)	All Other Personal Property	Machinery and Tools	Public Utilities		Overlapping Rates Culpeper County		Total Direct Tax Rate
						Real Estate	Personal Property	Real Property	Personal Property	
2015	2014	\$ 0.11	N/A	\$ 1.00	\$ 0.80	\$ 0.11	\$ 1.00	\$ 0.73	\$ 3.50	\$ 1.91
2016	2015	0.11	N/A	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2017	2016	0.11	N/A	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2018	2017	0.10	N/A	1.00	0.80	0.10	1.00	0.67	3.50	1.90
2019	2018	0.10	N/A	1.00	0.80	0.10	1.00	0.67	3.50	1.90
2020	2019	0.091	N/A	1.00	0.80	0.091	1.00	0.62	3.50	1.891
2021	2020	0.091	N/A	1.00	0.80	0.091	1.00	0.62	3.50	1.891
2022	2021	0.082	N/A	1.00	0.80	0.082	1.00	0.55	3.50	1.882
2023	2022	0.082	\$ 0.75	1.00	0.80	0.082	0.75	0.55	3.50	1.882 / 1.632
2024	2023	0.066	0.75	1.00	0.80	0.066	0.75	0.46	3.50	1.866 / 1.616

Notes:

- (1) All rates are per \$100 of assessed value.
- (2) Starting with the 2022 tax year, Town Council adopted a tax rate of \$0.75/\$100 of assessed value for most classes of vehicles in response to increased assessment values, as opposed to the standard personal property tax rate of \$1.00/\$100 of assessed value.

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

TOWN OF CULPEPER, VIRGINIA

Table 7

PRINCIPAL PROPERTY TAXPAYERS Current Year and Nine Years Ago (Unaudited)

Taxpayer	Type Business	Fiscal Year June 30, 2024			Fiscal Year June 30, 2015		
		2023 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2014 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Culpeper 2018, LLC	Shopping Center	\$ 27,344,900	1	0.97%	\$ -	-	-
Society for Worldwide Interbank	Data Center	23,590,600	2	0.84%	19,463,500	2	1.36%
Dominion Square - Culpeper LLC	Shopping Center	18,992,400	3	0.67%	14,683,600	3	1.03%
Columbia Gas of Virginia Inc.	Gas Utility	15,034,655	4	0.53%	-	-	-
Verizon Virginia LLC	Telecommunications	14,737,976	5	0.52%	12,773,507	4	0.89%
Frep IV - Center at Culpeper LLC	Shopping Center	14,193,100	6	0.50%	-	-	-
Wal-Mart	Retail/Grocery	13,022,200	7	0.46%	10,905,600	6	0.76%
VA Equities LLC	Shopping Center	11,592,300	8	0.41%	-	-	-
Culpeper Storage LLC	Public Storage	10,493,200	9	0.37%	-	-	-
602 Madison Road LLC	Healthcare	10,419,900	10	0.37%	-	-	-
Culpeper Memorial Hospital (1)	Healthcare	-	-	-	25,735,200	1	1.80%
Culpeper Regency LLC	Shopping Center	-	-	-	12,512,200	5	0.87%
Culpeper Marketplace Associates	Shopping Center	-	-	-	9,776,300	7	0.68%
Culpeper Shopping Center	Shopping Center	-	-	-	8,846,900	8	0.62%
Maloney Aquisition Inc.	Manufacturer	-	-	-	8,354,400	9	0.58%
CMH Health Corporation	Healthcare	-	-	-	7,288,900	10	0.51%
Total		<u>\$ 159,421,231</u>		<u>5.64%</u>	<u>\$ 130,340,107</u>		<u>9.10%</u>
Total Real Property Assessed Value		<u>\$ 2,821,311,500</u>		<u>100.00%</u>	<u>\$ 1,430,676,100</u>		<u>100.00%</u>

Notes:

(1) Now part of UVA Health System and property is tax-exempt

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

TOWN OF CULPEPER, VIRGINIA

Table 8

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Tax Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Write-Offs ⁽¹⁾	Total Collections to Date	
			Amount	Percentage of Levy			Amount	Percentage of Levy
2015	2014	\$ 3,026,106	\$ 2,816,413	93.07%	\$ 184,684	\$ 25,009	\$ 3,001,097	99.17%
2016	2015	3,070,128	2,880,923	93.84%	165,671	23,534	3,046,594	99.23%
2017	2016	3,229,653	3,071,240	95.10%	136,338	22,075	3,207,578	99.32%
2018	2017	3,600,849	3,401,152	94.45%	178,893	20,544	3,580,045	99.42%
2019	2018	3,699,140	3,511,769	94.93%	155,392	-	3,667,161	99.14%
2020	2019	3,692,620	3,496,445	94.69%	160,610	-	3,657,055	99.04%
2021	2020	3,794,161	3,545,724	93.45%	189,321	-	3,735,045	98.44%
2022	2021	4,029,505	3,703,175	91.90%	212,422	-	3,915,597	97.17%
2023	2022	4,031,595	3,704,956	91.90%	-	-	3,704,956	91.90%
2024	2023	4,013,266	3,720,163	92.70%	-	-	3,720,163	92.70%

Note:

(1) Personal Property write-offs required by the *Code of Virginia* at the end of the fifth calendar year after initially billed. Write-offs are approved each year by Town Council resolution.

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

TOWN OF CULPEPER, VIRGINIA

Table 9

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Town Cumulative Personal Income	Debt Per Capita (3)
	General		General Obligation Bonds						
	Obligation Bonds(1)	Leases and SBITA(2)	Water Bonds	Wastewater Bonds	Electric Bonds	Capital Leases			
2015	\$ 17,787,190	\$ -	\$ 10,688,607	\$ 18,479,818	\$ 5,509,370	\$ 150,658	\$ 52,615,643	7.48%	\$ 2,980
2016	16,963,068	-	10,042,032	18,733,482	5,309,323	81,180	51,129,085	7.28%	2,870
2017	15,588,513	-	9,382,689	17,660,393	4,924,178	44,009	47,599,782	6.44%	2,632
2018	14,225,946	-	8,663,316	16,684,924	4,528,455	-	44,102,641	5.59%	2,396
2019	12,845,122	-	8,173,959	15,905,487	4,176,528	-	41,101,096	4.98%	2,207
2020	11,610,800	-	7,791,073	15,108,671	3,832,022	-	38,342,566	4.37%	2,032
2021	10,254,192	-	7,164,655	14,284,477	3,436,682	-	35,140,006	3.67%	1,752
2022	8,969,055	313,053	6,561,614	13,480,760	3,060,452	-	32,384,934	3.08%	1,542
2023	7,721,918	314,235	5,945,573	12,642,043	2,665,222	-	29,288,991	2.50%	1,368
2024	6,422,781	155,047	5,321,532	11,913,326	2,260,992	-	26,073,678	2.19%	1,217

Notes:

(1) Includes bond premiums

(2) Implementation of GASB 87, *Leases*, beginning in FY 2022, and Implementation of GASB 96, *Subscription-Based IT Arrangements (SBITA)*, beginning in FY 2023

(3) See Table 10

Source: Finance Department, Town of Culpeper, Virginia

RATIOS OF GENERAL BONDED DEBT OUTSTANDING**Last Ten Fiscal Years****(Unaudited)**

Fiscal Year June 30,	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	General Obligation Debt
	General Obligation Bond		Per Capita
2015	\$ 52,464,985	3.23%	\$ 2,971
2016	51,047,905	2.76%	2,865
2017	47,555,773	2.52%	2,630
2018	44,102,641	2.18%	2,396
2019	41,101,096	2.01%	2,207
2020	38,342,566	1.73%	2,032
2021	35,140,006	1.56%	1,752
2022	32,071,881	1.27%	1,542
2023	28,974,756	1.11%	1,368
2024	25,918,631	0.82%	1,217

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 11

LEGAL DEBT MARGIN INFORMATION Last Ten Fiscal Years (Unaudited)

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assessed value of real estate	\$ 1,460,352,446	\$ 1,675,039,198	\$ 1,699,330,119	\$ 1,830,517,673	\$ 1,840,263,977	\$ 2,000,848,181	\$ 2,026,126,965	\$ 2,280,654,814	\$ 2,291,635,251	\$ 2,868,111,936
Debt limit (10% of assessed value)	\$ 146,035,245	\$ 167,503,920	\$ 169,933,012	\$ 183,051,767	\$ 184,026,398	\$ 200,084,818	\$ 202,612,697	\$ 228,065,481	\$ 229,163,525	\$ 286,811,194
Less: Debt applicable to limit										
General obligation bonds	52,464,985	51,047,905	47,555,773	44,102,641	41,101,096	38,342,566	35,140,006	32,071,881	28,974,756	25,918,631
Capital leases	150,658	81,180	44,009	-	-	-	-	-	-	-
Leases - GASB 87	-	-	-	-	-	-	-	313,053	201,539	83,306
Subscriptions - GASB 96	-	-	-	-	-	-	-	-	112,696	71,741
Total	52,615,643	51,129,085	47,599,782	44,102,641	41,101,096	38,342,566	35,140,006	32,384,934	29,288,991	26,073,678
Legal debt margin	\$ 93,419,602	\$ 116,374,835	\$ 122,333,230	\$ 138,949,126	\$ 142,925,302	\$ 161,742,252	\$ 167,472,691	\$ 195,680,547	\$ 199,874,534	\$ 260,737,516
Total debt applicable to the limit as a percentage of debt limit	36.0%	30.5%	28.0%	24.1%	22.3%	19.2%	17.3%	14.2%	12.8%	9.1%
Total debt applicable to the limit as a percentage of assessed value	3.6%	3.1%	2.8%	2.4%	2.2%	1.9%	1.7%	1.4%	1.3%	0.9%
Debt applicable to limit:										
Allocated to General Fund	\$ 17,787,190	\$ 16,963,068	\$ 15,588,513	\$ 14,225,946	\$ 12,845,122	\$ 11,610,800	\$ 10,254,192	\$ 9,282,108	\$ 8,036,153	\$ 6,577,828
Allocated to Enterprise Funds	34,828,453	34,166,017	32,011,269	29,876,695	28,255,974	26,731,766	24,885,814	23,102,826	21,252,838	19,495,850
Total	\$ 52,615,643	\$ 51,129,085	\$ 47,599,782	\$ 44,102,641	\$ 41,101,096	\$ 38,342,566	\$ 35,140,006	\$ 32,384,934	\$ 29,288,991	\$ 26,073,678

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 12

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Operating Revenue	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service ⁽²⁾		Coverage
				Principal	Interest	
2015	\$ 19,844,964	\$ 16,239,392	\$ 3,605,572	\$ 1,689,567	\$ 1,256,130	1.22
2016	20,144,959	15,740,931	4,404,028	1,853,158	1,222,552	1.43
2017	19,650,537	16,697,265	2,953,272	2,033,903	867,744	1.02
2018	20,530,203	16,141,044	4,389,159	1,985,229	1,102,319	1.42
2019	21,356,576	16,394,418	4,962,158	1,471,964	959,118	2.04
2020 (3)	21,243,810	17,815,759	3,428,051	10,602,452	860,406	0.30
2021	20,808,231	17,723,865	3,084,366	1,697,195	650,312	1.31
2022	22,074,795	19,241,023	2,833,772	1,669,000	702,688	1.19
2023	24,261,133	22,205,776	2,055,357	1,736,000	643,387	0.86
2024	25,677,554	23,630,339	2,047,215	1,643,000	585,043	0.92

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.
- (3) Fiscal Year 2020 principal payments includes \$9,227,000 related to a refunding series.

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 13

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)**

Fiscal Year June 30,	Population	Cumulative Town Personal Income	Per Capita Personal Income	Median Household Income	Median Age	School Enrollment	Unemployment Rate
2015	17,657	\$ 703,578,479	\$ 39,847	\$ 66,697	38.8	3,755	5.00%
2016	17,815	702,196,040	39,416	66,964	39.0	3,775	3.70%
2017	18,083	738,690,550	40,850	67,232	39.4	3,776	3.60%
2018	18,409	789,543,601	42,889	67,682	39.2	3,929	3.00%
2019	18,619	825,491,984	44,336	69,318	39.2	4,065	2.30%
2020	18,873	877,783,230	46,510	72,111	39.3	4,147	6.00%
2021	20,062	956,736,718	47,689	79,739	39.4	4,236	3.70%
2022	20,798	1,050,486,182	50,509	80,151	39.8	4,456	2.70%
2023	21,184	1,172,237,824	55,336	82,220	39.0	5,105	2.80%
2024	21,293	1,191,598,866	55,962	94,287	39.5	5,426	3.00%

Sources: Virginia Employment Commission
Weldon Cooper Center for Public Service
Financial Reserve Bank of St. Louis Economic Research
United States Census Bureau
World Population Review

TOWN OF CULPEPER, VIRGINIA

Table 14

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)**

Employer	2024			2015		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Culpeper County School Board (1)	1000-2999	1	4.3%	1,237	1	5.5%
Novant Health UVA Culpeper Medical	500-999	2	2.9%	575	2	2.6%
Culpeper County Government (1)	250-499	3	2.0%	518	3	2.3%
Wal-Mart Stores	250-499	3	2.0%	506	4	2.2%
Rappahannock Rapidian Community Services (1)	200-349	5	1.3%	-	-	-
Masco Builder Cabinet Group	200-349	5	1.3%	340	7	1.5%
S.W.I.F.T., Inc.	200-349	5	1.3%	180	11	1.5%
Cintas Corporation	200-349	5	1.3%	265	9	1.7%
Virginia Baptist Homes	150-299	9	0.8%	-	-	-
Continental Automotive Systems (2)	150-299	9	0.8%	240	8	2.0%
Virginia Department of Transportation (1)	-	-	-	442	5	2.0%
Town of Culpeper	150-299	9	0.8%	442	5	2.0%
Culpeper Heath & Rehabilitation Center	-	-	-	186	10	1.2%
			<u>18.8%</u>			<u>24.5%</u>
Total County Employment	<u>26,326</u>			<u>15,247</u>		

Notes:

(1) Also has locations in the County

(2) Located in County, just outside of Town limits

Source: 2015 Planning Department, Town of Culpeper
County of Culpeper, 2014 Annual Comprehensive Financial Report
2024 Virginia Employment Commission, Economic Information & Analytics, QCEW
Bureau of Labor Statistics

TOWN OF CULPEPER, VIRGINIA

Table 15

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION / PROGRAMS
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government administration										
Management services (includes Council = 4.5)	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Finance and Human Resources	14	16	17	18	18	16	16	16	16	16
Planning	5	5	5	6	5	6	7	7	7	8
Building maintenance	4	4	5	5	4	6	6	6	6	6
Tourism and Visitors Center	2.5	3.5	4	4	4.5	4.5	4.5	5.125	5.125	5.5
Culpeper Media	2	2	2	2	2	2	2	2	2	2
Information Technology	6	7	6	6	7	4.5	5	7.525	7.525	7.525
Town Clerk	2	3	2	2.5	3	3	3	3	3	3
Public safety:										
Officers	42	40	42	43	46	46	46	46	46	48
Civilians	8	11	10	9	9	8	9	9	9	9
Public works:										
Refuse collection	5	5	4	4	4	4	4	4	4	5
Streets	18	17	18	17	18	16	16	16	16	16
Traffic engineering and motor pool	4	4	4	4	4	4	4	6	6	6
Parks and recreation										
Park	5	5	5	5	5	4	4	4	4	4
Cemetery	1.5	2	2	2	3	-	-	1	1	1
Water and wastewater operations	34	33	34	35	37	36	37	37	37	36
Electric operations	17	16	17	17	17	16	16	16	16	16
Total	175.5	179	182.5	185	192	181.5	185	191.15	191.15	194.53

Source: Human Resource Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 16

OPERATING INDICATORS BY FUNCTION / PROGRAMS
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public safety:										
Traffic violations	2,075	2,013	3,110	2,482	2,765	1,716	1,538	1,994	2,095	2,039
Parking violations	1,342	1,838	1,496	1,636	2,262	963	779	1,387	1,131	881
Arrests	1,330	1,266	1,167	1,205	1,151	1,107	1,049	1,292	1,473	1,255
Total crimes	1,680	1,742	1,681	1,801	1,587	1,542	1,465	1,954	2,310	3,098
Public works										
Street paving - crack sealant in pounds	693	-	-	129	-	-	-	-	-	-
Street paving - milling in sq. yds.	14,691	-	30,388	5,678	57,835	42,489	43,438	44,972	26,291	12,263
Street paving - bituminous concrete in tons	1,814	-	4,503	2,482	9,392	5,865	4,681	5,324	3,359	1,424
Recycling - cardboard in pounds	57,640	59,240	49,367	-	-	-	-	-	-	-
Water operations										
Number of service connections	6,930	7,093	7,103	7,352	7,504	7,588	7,676	7,742	7,798	7,951
Average daily water produced in gallons	2,070,638	2,011,007	2,060,000	2,080,000	2,000,000	2,024,658	2,109,589	2,041,041	2,018,877	2,259,616
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	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	2,420,000
Wastewater operations										
Number of service connections	6,667	6,823	6,849	7,024	7,178	7,256	7,315	7,349	7,412	7,530
Average daily flow in gallons	2,880,000	3,160,000	2,900,000	2,900,000	3,810,000	3,057,534	3,558,904	2,900,000	2,700,000	2,800,000
Maximum daily capacity of plant in gallons	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Electric operations										
Number of service connections	5,323	5,357	5,408	5,481	5,606	5,694	5,780	5,831	5,832	5,886
Average monthly consumption in kilowatt hrs	1,574	1,540	1,597	1,569	1,541	1,502	1,466	1,529	1,494	1,503
Highest system peak demand in megawatts	27.47	27.58	27.58	26.20	27.20	27.84	27.41	27.84	28.18	29.29

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

TOWN OF CULPEPER, VIRGINIA

Table 17

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	36	36	36	37	46	46	56	57	61	63
Public works:										
Streets (miles)	66	66	67	68	68	70	71	76	78	78
Street and yard lights	1,054	1,054	1,054	1,172	1,175	1,105	1,115	1,168	1,168	1,168
Traffic signals	19	19	19	17	17	17	17	17	18	18
Water operations:										
Miles of water main	102.6	104.0	104.7	106.0	106.0	107.0	107.3	108.4	108.4	108.4
Number of fire hydrants	713	725	734	750	750	761	763	769	769	769
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of wells	3	3	3	6	6	6	6	6	6	6
Wastewater operations:										
Miles of sanitary sewer	95.5	96.8	97.6	98.0	98.0	99.0	99.3	100.3	100.3	100.3
Miles of storm sewer	30.5	30.5	32.0	32.2	32.2	33.3	33.7	34.5	34.5	34.5
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	10	11	11	12	11	11	11	11	11	11
Electric operations:										
Miles of overhead lines	27.7	27.7	27.9	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Miles of underground lines	44.5	44.5	46.7	134.3	136.4	137.8	139.7	140.8	152.5	153.4
Number of sub-stations (115kV)	1	1	1	1	1	1	1	1	1	1
Number of delivery points (34.5kV)	1	1	1	1	1	1	1	1	1	1

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

COMPLIANCE SECTION

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2024

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF THE INTERIOR:				
Pass-through Payments:				
Virginia Department of Historic Resources:				
Historic Preservation Fund Grants-In-Aid	15.904	0000123750	\$ -	\$ 6,000
Total Department of Interior				<u>6,000</u>
DEPARTMENT OF JUSTICE:				
Direct Payments:				
Equitable Sharing Program	16.922	N/A	-	<u>2,180</u>
Pass-through Payments:				
Virginia Department of Criminal Justice Services				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Provided	-	<u>3,930</u>
Total Department of Justice				<u>6,110</u>
DEPARTMENT OF TRANSPORTATION:				
Pass-through Payment:				
Virginia Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	U000-204-176, UPC #109573	-	1,317,210
Safe Streets and Roads for All	20.939	Not Provided	-	<u>86,050</u>
Highway Safety Cluster:				
Pass-through Payment:				
Virginia Department of Motor Vehicles:				
State and Community Highway Safety	20.600	509311-9311 / 59315-9315 / 50399-20399 / 50396-20396	-	<u>14,401</u>
Total Highway Safety Cluster				<u>14,401</u>
Total Department of Transportation				<u>1,417,661</u>
DEPARTMENT OF THE TREASURY:				
Pass-through Payments:				
Commonwealth of Virginia:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	6,244,635
Virginia Tourism Corporation:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	28,271
Virginia Department of Criminal Justice Services:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	<u>119,646</u>
Total Department of the Treasury				<u>6,392,552</u>
Total Expenditures of Federal Awards				<u>\$ 7,822,323</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Town of Culpeper, Virginia (Town) under programs of the Federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define Federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – Major programs for the Town and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one Federal program for determining major programs. The following is the cluster administered by the Town and its component unit: Highway Safety.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For fiscal year 2024, the Town recognized amounts in the Schedule associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$2,180 of prior expenditures associated with the Equitable Sharing Program were included in the Schedule.

TOWN OF CULPEPER, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024

Note 3. Indirect Cost Rate

The Town has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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

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 (*Government Auditing Standards*); and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, the remaining fund information, and the budgetary comparison of the General Fund information of the Town of Culpeper, Virginia (the Town), as of and for the year ended June 30, 2024, 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 15, 2024.

Report on 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) as a basis for designing 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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a material misstatement of the Town'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 were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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.

PBMares, LLP

Harrisonburg, Virginia
November 15, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the Town of Culpeper, Virginia's (Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2024. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Finding and Response.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

PBMares, LLP

Harrisonburg, Virginia
November 15, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes √ No

Significant deficiencies identified?

_____ Yes √ None Reported

Noncompliance material to financial statements noted?

_____ Yes √ No

Federal Awards

Internal control over major federal program:

Material weaknesses identified?

_____ Yes √ No

Significant deficiencies identified?

_____ Yes √ None Reported

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

_____ Yes √ No

Identification of major federal programs:

Federal Assistance Listing

Number

Name of Federal Program or Cluster

21.027

COVID-19: Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?

√ Yes _____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

Section II. FINANCIAL STATEMENT FINDING

None.

Section III. FEDERAL AWARDS FINDING AND QUESTIONED COSTS

None.

TOWN OF CULPEPER, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

None.