

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023



TOWN OF CULPEPER, VIRGINIA

TOWN OF CULPEPER, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023

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, 2023

TABLE OF CONTENTS

<i>INTRODUCTORY SECTION</i>	
Letter of Transmittal	i – v
Directory of Principal Officials	vi
Organizational Chart	vii
Certificate of Achievement for Excellence in Financial Reporting – 2022	viii

<i>FINANCIAL SECTION</i>	
INDEPENDENT AUDITOR’S REPORT	1 – 3
Management’s Discussion and Analysis	4 – 16
<i>Basic Financial Statements</i>	
Government-wide financial statements:	
Statement of net position	17
Statement of activities	18
Fund financial statements:	
Balance sheet – governmental funds	19
Reconciliation of the balance sheet of the governmental funds to the statement of net position	20
Statement of revenues, expenditures and changes in fund balances – governmental funds	21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	22
Statement of revenues, expenditures and changes in fund balance – budget and actual general fund	23
Statement of net position – proprietary funds	24
Statement of revenues, expenditures and changes in fund net position – proprietary funds	25
Statement of cash flows – proprietary funds	26
Notes to financial statements	27 – 68

FINANCIAL SECTION (Continued)

Required Supplementary Information

Schedule of changes in the Town's net pension liability and related ratios – Virginia Retirement System	69
Schedule of Town contributions – Virginia Retirement System	70
Notes to Required Supplementary Information – Virginia Retirement System	71
Schedules of changes in the Town's net OPEB liability and related ratios – local plan	72
Schedule of employer contributions – local plan	73
Schedule of employer's share of net OPEB liability – OPEB group life insurance program	74
Schedule of employer contributions – OPEB group life insurance program	75
Notes to Required Supplementary Information – Other Postemployment Benefits	76 – 77

Other Supplementary Information

Combining balance sheet – nonmajor governmental funds	78
Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds	79
Schedule of revenues – budget and actual – general fund	80 – 81
Schedule of expenditures – budget and actual – general fund	82 – 84
Balance sheet – discretely presented component unit	85
Statement of revenues, expenditures and changes in fund balance – discretely presented component unit	86

STATISTICAL SECTION

Tables

1	Net position/assets by component	87
2	Changes in net position/assets	88 - 89
3	Fund balances – governmental funds	90
4	Changes in fund balances – governmental funds	91
5	Assessed value and actual value of taxable property	92
6	Direct and overlapping property tax rates	93
7	Principal property taxpayers	94
8	Property tax levies and collections	95
9	Ratios of outstanding debt by type	96
10	Ratios of general bonded debt outstanding	97
11	Legal debt margin information	98
12	Pledged revenue coverage	99
13	Demographic and economic statistics	100
14	Principal employers	101
15	Full-time equivalent Town government employees by function/programs	102
16	Operating indicators by function/programs	103
17	Capital asset statistics by function	104

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	105
Notes to the Schedule of Expenditures of Federal Awards	106
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 <i>GOVERNMENT AUDITING STANDARDS</i>	107 – 108
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	109 – 111
Schedule of Finding and Questioned Costs	112 – 113
Summary Schedule of Prior Audit Findings	114

INTRODUCTORY SECTION



TOWN of CULPEPER

FINANCE DIVISION/TREASURER'S OFFICE

400 S. Main St., Suite 109 • Culpeper, VA 22701
(540) 829-8220 • FAX (540) 829-8239
www.culpeperva.gov

November 15, 2023

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statutes, the Town of Culpeper hereby submits the audited Annual Comprehensive Financial Report on its financial position and activities for the fiscal year ended June 30, 2023. 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 is the only discretely presented component unit of the Town.

The Town of Culpeper provides a full range of services to its citizens including government administration; police protection; sanitation; the construction and maintenance of highways, streets, and infrastructure; general engineering; and planning and community development. In addition, the Town contributes to 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 2023, as evidenced by the National 2020 Census and 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 38% through the year 2050 by the UVA Weldon Cooper Center for Public Service. This growth trend is changing the face of the Town to that of a regional marketing area and commuter-oriented town, 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 2023 was 2.8%, which was comparable to the Virginia Statewide rate (2.7%) and below the national rate (3.6%) as of June 2023.

The economic impact of the COVID-19 pandemic and more recent inflationary conditions has created uncertainty and greater fluctuations in financial results over the past three years. Operating and capital budgets were adopted with an eye to maintaining financial stability during the pandemic, 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. As the recovery unfolded and revenues started to return to pre-pandemic levels during fiscal years 2022 and 2023, staff was 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. Local tax revenues have remained strong throughout this period and exceeded budget forecasts for fiscal year 2023. 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 2023 tax years. Offsetting these positive trends are inflationary increases to materials, fuel and chemicals used in Town operations across all Funds, and while overall supply chain issues have resolved themselves nationally, there are still 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 General Assembly designation for 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 Governmental Fund budget. The Town is working to address the demands from a growing population, including improvements to capital infrastructure, utilities and quality of life services, such as public safety, transportation and recreational facilities. Several projects were initiated or ongoing in 2023, with others planned for the coming years to meet these needs, and are discussed below in this narrative.

MAJOR INITIATIVES IN FY23

FY23 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, budgeted at approximately \$3 million, is 100% funded by the Virginia Department of Transportation (VDOT) using Federal funds, and was recently completed in October 2023.

- 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 design contract was awarded by the County in June 2023, and the County anticipates the pool to be operational for the start of the 2025 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 planning and design for a new parking area, pedestrian bridge over the railroad tracks and a park was completed during FY23. A construction contract has been awarded to construct the bridge across the railroad and 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. Funding is primarily through the Town Strategic Reserve funds, with a projected total cost of approximately \$5 million.

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 nineteenth consecutive year for its Annual Comprehensive Financial Report for the fiscal year ended, June 30, 2022. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. In order to be awarded a Certificate of Achievement, a government unit must timely publish an easily readable and efficiently organized comprehensive annual financial report, 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 2023. 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.
- 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.

- *Virgo Travel and Tourism Awards* – The Virginia Association of Destination Marketing Organizations (VADMO) awarded the Town of Culpeper’s Tourism and Economic Development team a Virgo Award for ‘Niche Tourism’ in April 2023. This award is given to a destination that has created a creative and successful tourism initiative that showcases a destination’s niche tourism market. This award was received as a result of the *Right the Record* project, which aimed to raise awareness regarding the vast wealth of African American history and heritage within the community and celebrate African American History in Culpeper.
- *TheTravel* – In June 2023, Culpeper was named one of the 10 Truly Underrated Towns in Virginia that deserve to be explored.

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, 2023, Town Council has designated approximately \$14 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. The FY24 Town budget allocates an additional \$4,750,000 from Strategic Reserves for the Joint Town and County Community Pool referenced above in this letter.

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/Treasurer's department 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, 2023

TOWN COUNCIL

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

B. Travis Brown
Jamie Clancey
Erick Kalenga
Pranas A. Rimeikis

Janie Schmidt
Joe Short
Meaghan Taylor

APPOINTED OFFICIALS

TOWN MANAGER
Christopher D. Hively

TOWN CLERK
Ashley R. Clatterbuck

TOWN ATTORNEY
Martin R. Crim

DEPARTMENT HEADS

DIRECTOR OF PUBLIC WORKS
Jim Hoy

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

DIRECTOR OF LIGHT & POWER
Michael Stover

DIRECTOR OF HUMAN RESOURCES
Mary Brunner

**DIRECTOR OF PLANNING AND
COMMUNITY DEVELOPMENT**
Andrew Hopewell

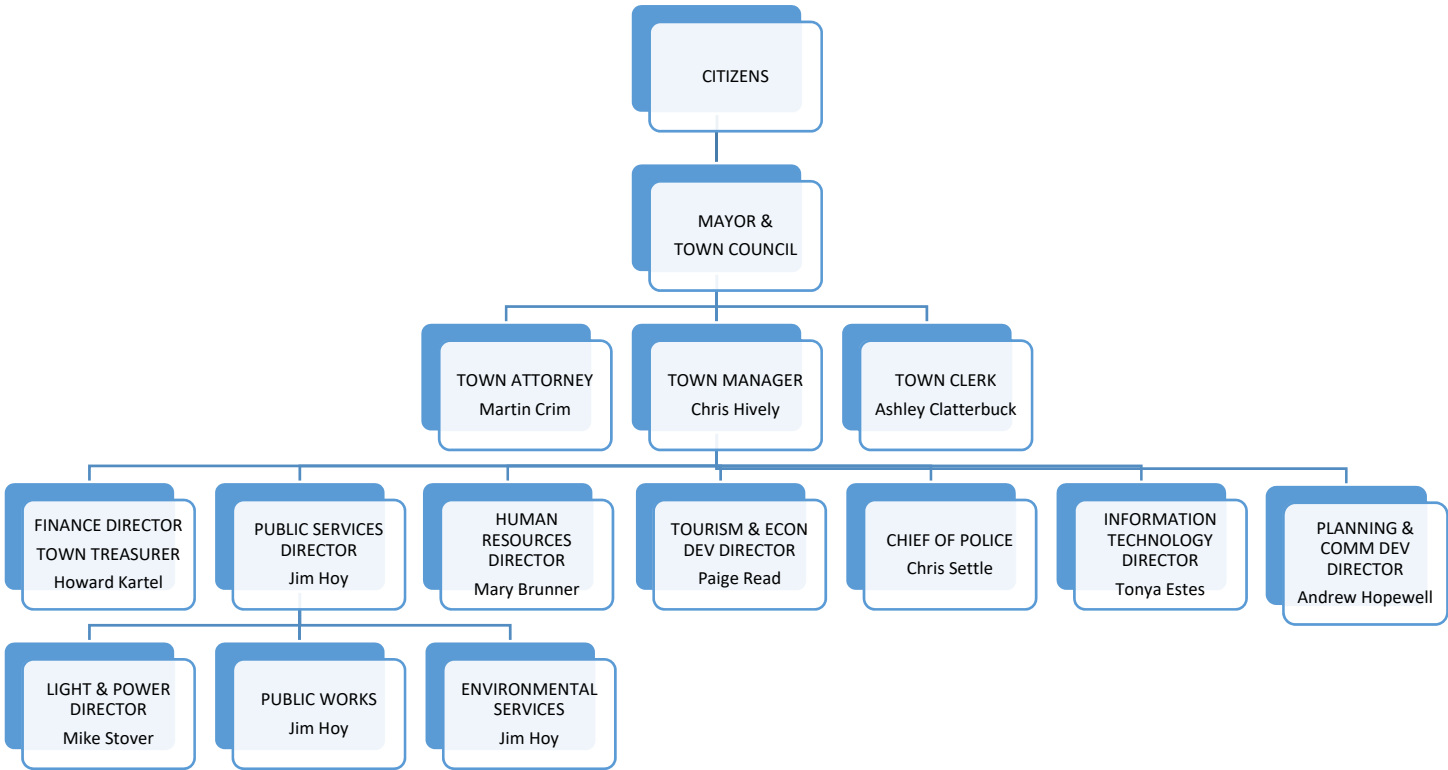
**DIRECTOR OF INFORMATION
TECHNOLOGY**
Tonya Estes

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, 2022

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, and the 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, 2023, 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 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, 2023, 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; 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 12 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the table of contents as 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, 2023 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, 2023

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, 2023. 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, 2023 by \$152,616,866 (net position), an increase of \$8,985,123 or 6.3%, from the prior year restated balance. Of the current year amount, \$47,915,434 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, 2023, the Town's governmental funds reported an ending fund balance of \$31,671,974, an increase of \$7,357,727, or 30.3%, from the prior year. This amount is available for spending at the government's discretion, other than \$1,929,458 which is classified as non-spendable or restricted. During fiscal year 2023, the Town increased its Strategic Reserves (committed and assigned fund balance) for future budget stabilization and capital project purposes by a net amount of \$661,039 to approximately \$8.8 million.
- 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, 2023, approximately \$12.6 million (\$7 million during FY 2023) 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 approximately \$5.5 million are intended to be used towards the WPCF improvements, with the balance allocated for ongoing rehiring of staff and revenue replacement expenditures.

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 \$152,616,866 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, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 41,227,838	\$ 30,898,806	\$ 29,372,815	\$ 28,321,543	\$ 70,600,653	\$ 59,220,349
Capital assets, net	57,644,600	57,610,141	74,713,287	76,187,341	132,357,887	133,797,482
Total assets	98,872,438	88,508,947	104,086,102	104,508,884	202,958,540	193,017,831
Deferred outflows of resources	2,185,987	2,954,728	1,391,572	1,722,713	3,577,559	4,677,441
Total assets and deferred outflows of resources	101,058,425	91,463,675	105,477,674	106,231,597	206,536,099	197,695,272
Current liabilities	8,413,741	5,343,562	4,180,756	2,435,360	12,594,497	7,778,922
Noncurrent liabilities	13,538,033	13,837,501	23,367,477	24,784,295	36,905,510	38,621,796
Total liabilities	21,951,774	19,181,063	27,548,233	27,219,655	49,500,007	46,400,718
Deferred inflows of resources	3,365,046	5,731,036	1,054,180	1,931,775	4,419,226	7,662,811
Total liabilities and deferred inflows of resources	25,316,820	24,912,099	28,602,413	29,151,430	53,919,233	54,063,529
Net position:						
Net investment in capital assets	49,465,248	48,485,616	53,481,200	53,774,016	102,946,448	102,259,632
Restricted	1,754,984	1,645,740	-	-	1,754,984	1,645,740
Unrestricted	24,521,373	16,420,220	23,394,061	23,306,151	47,915,434	39,726,371
Total net position	\$ 75,741,605	\$ 66,551,576	\$ 76,875,261	\$ 77,080,167	\$ 152,616,866	\$ 143,631,743

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 2023 activities and results are on the subsequent pages of this MD&A section.

A significant portion of the Town's net position, \$102,946,448 (67.5%) 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, \$47,915,434 (31.4%) reflects unrestricted net position, which may be used towards the Town's ongoing obligations to its citizens and towards debt service obligations to its creditors. Restricted net position, \$1,754,984 (1.1%), 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 \$8,985,123 during the current fiscal year. This increase is largely due to Federal ARPA SLFRF funds recognized of approximately \$7.1 million, and local business license and meals taxes of approximately \$1.1 million in excess of budgeted revenues. The following table summarizes the Town's Statements of Changes in Net Position:

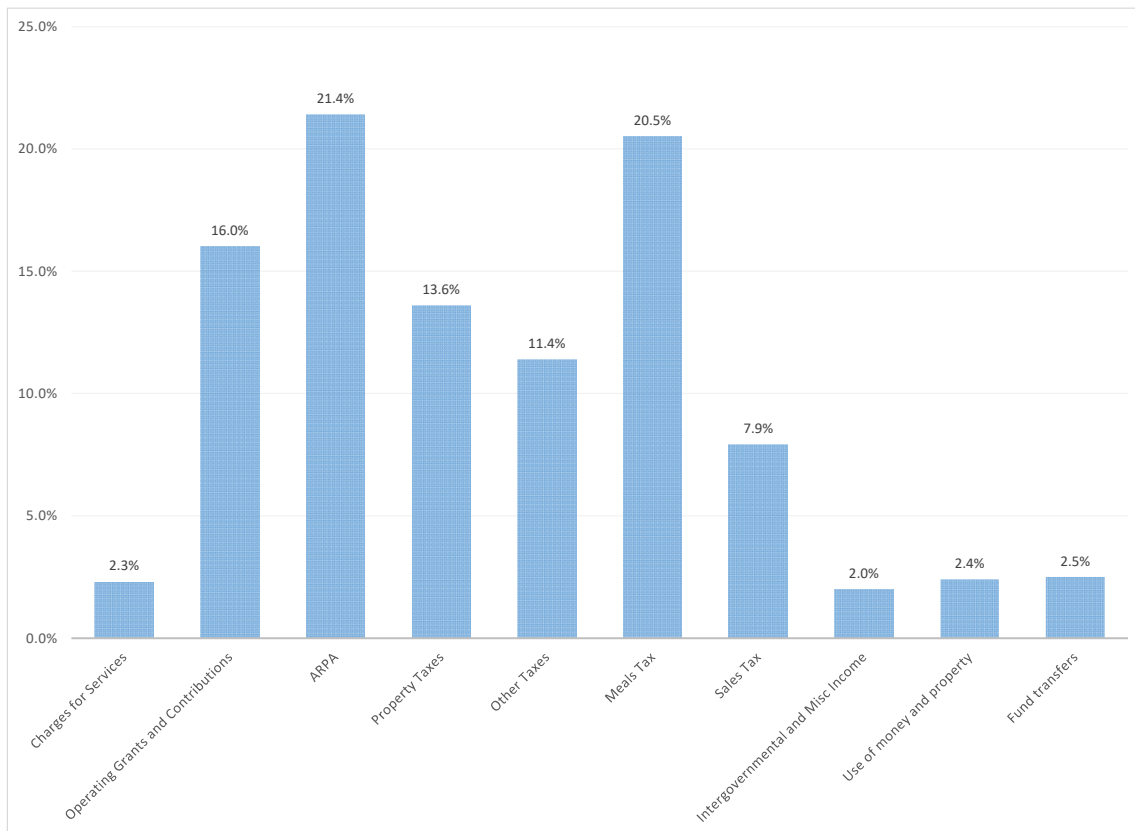
Summary Statements of Changes in Net Position Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 631,387	\$ 914,721	\$ 24,261,134	\$ 22,074,795	\$ 24,892,521	\$ 22,989,516
Operating grants and contributions	10,464,478	8,893,126	1,409,994	228,278	11,874,472	9,121,404
Capital grants and contributions	-	1,347,537	836,622	3,549,027	836,622	4,896,564
General revenues:						
Property taxes	3,803,071	4,222,522	-	-	3,803,071	4,222,522
Other local taxes	11,111,407	9,869,152	-	-	11,111,407	9,869,152
Intergovernmental revenue	229,015	231,475	-	-	229,015	231,475
Investment earnings	670,400	(580,986)	246,682	(963,540)	917,082	(1,544,526)
Sale of surplus real estate	-	1,150,000	-	-	-	1,150,000
Other	341,958	156,676	-	-	341,958	156,676
Total revenues	27,251,716	26,204,223	26,754,432	24,888,560	54,006,148	51,092,783
Expenses:						
General government administration	1,976,327	2,106,575	-	-	1,976,327	2,106,575
Public safety	7,425,757	6,767,415	-	-	7,425,757	6,767,415
Public works	6,269,470	6,786,040	-	-	6,269,470	6,786,040
Parks, recreation and cultural	712,143	672,197	-	-	712,143	672,197
Community development	2,110,846	2,796,267	-	-	2,110,846	2,796,267
Parking Authority	64,333	79,515	-	-	64,333	79,515
Interest on long-term debt	198,354	242,102	-	-	198,354	242,102
Water	-	-	5,524,431	5,576,830	5,524,431	5,576,830
Wastewater	-	-	6,033,149	5,545,772	6,033,149	5,545,772
Electric	-	-	14,706,215	12,579,151	14,706,215	12,579,151
Total expenses	18,757,230	19,450,111	26,263,795	23,701,753	45,021,025	43,151,864
Excess before transfers	8,494,486	6,754,112	490,637	1,186,807	8,985,123	7,940,919
Transfers	695,543	673,159	(695,543)	(673,159)	-	-
Change in net position	9,190,029	7,427,271	(204,906)	513,648	8,985,123	7,940,919
Net Position, beginning	66,551,576	59,124,305	77,080,167	76,566,519	143,631,743	135,690,824
Net Position, ending	\$ 75,741,605	\$ 66,551,576	\$ 76,875,261	\$ 77,080,167	\$ 152,616,866	\$ 143,631,743

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

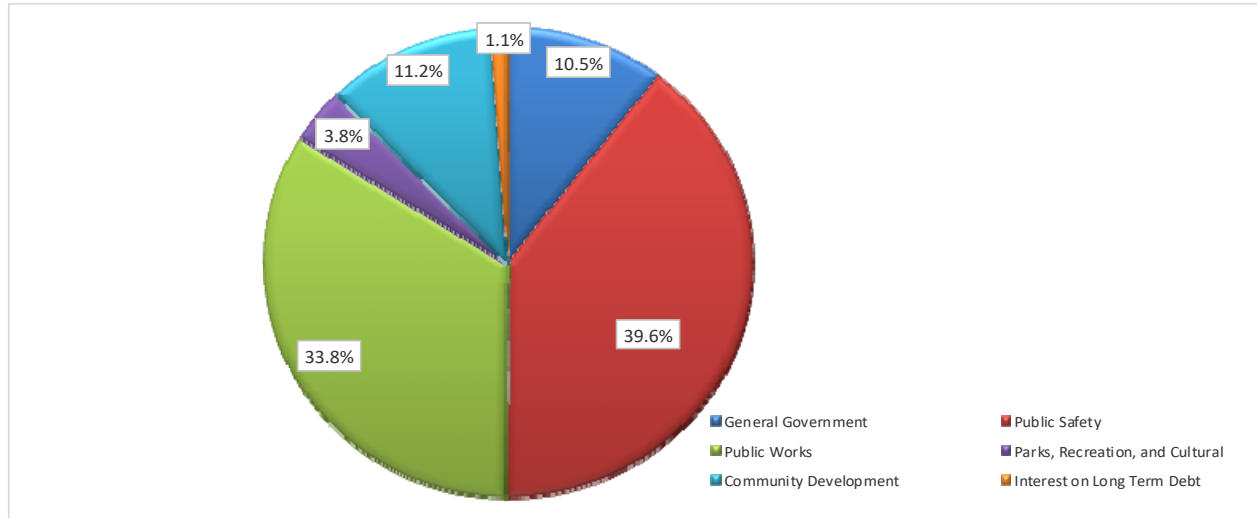
Governmental Activities – Program revenues, tax revenues, and transfers for governmental activities and other revenues totaled \$27,947,259 for fiscal year 2023, an increase of \$1,069,877 (or 4.0%) from the previous year. This is primarily from increased net investment income of approximately \$1.2 million due to higher interest rates on deposit balances and re-investment of fixed-income funds at maturity, along with lower unrealized fair market value losses due to rising interest rates; increased local tax revenues of approximately \$1.2 million for meals tax, lodging tax, bank stock tax and business license tax, all buoyed by improved economic conditions and partially due to the impact of inflation on these revenue drivers; offset by the one-time proceeds from the sale of surplus property of \$1,150,000 that occurred in the prior fiscal year. Major revenue sources in fiscal year 2023 include meals taxes \$5,728,428 (20.5%), property taxes \$3,803,071 (13.6%), Federal ARPA SLFRF funding \$5,980,839 (21.4%), other local taxes \$3,177,117 (11.4%), VDOT street and highway maintenance reimbursement \$2,442,574 (8.7%) and local sales and use taxes \$2,205,862 (7.9%).

Revenues by Source – Governmental Activities, year ended June 30, 2023



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 2023 were \$18,757,230, a decrease of \$(692,881) (or 3.6%) below the prior fiscal year. The primary factors for the decrease related to reduced community support of approximately \$1 million that had been subsidized by Federal CARES funding in the prior year, offset by additional costs related to the regional E-911 center of \$251,000, and nominal fluctuations in spending across various departmental budget lines. The governmental activities overall net position increased by \$9,190,029 during the current fiscal year.

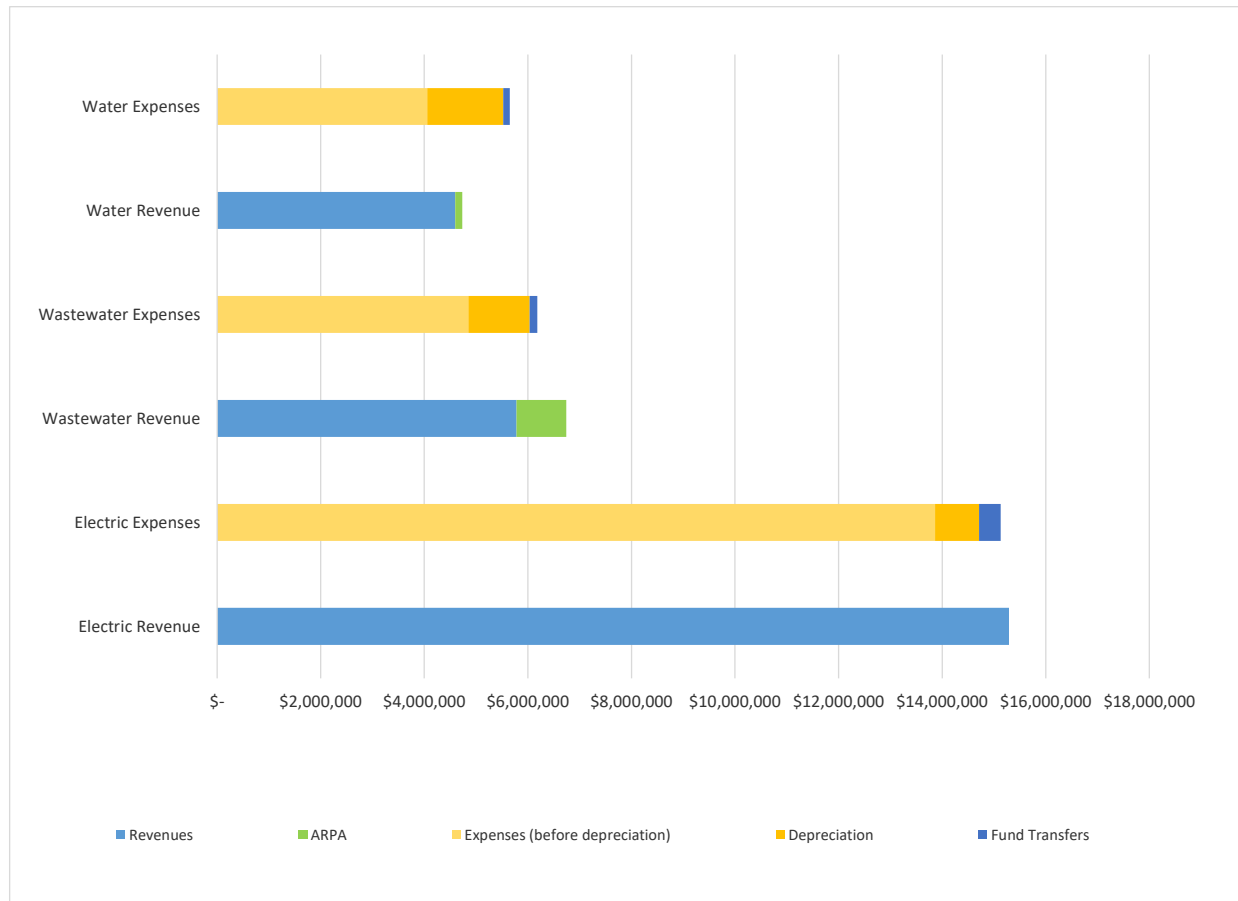
Expenses – Governmental Activities, Year ended June 30, 2023



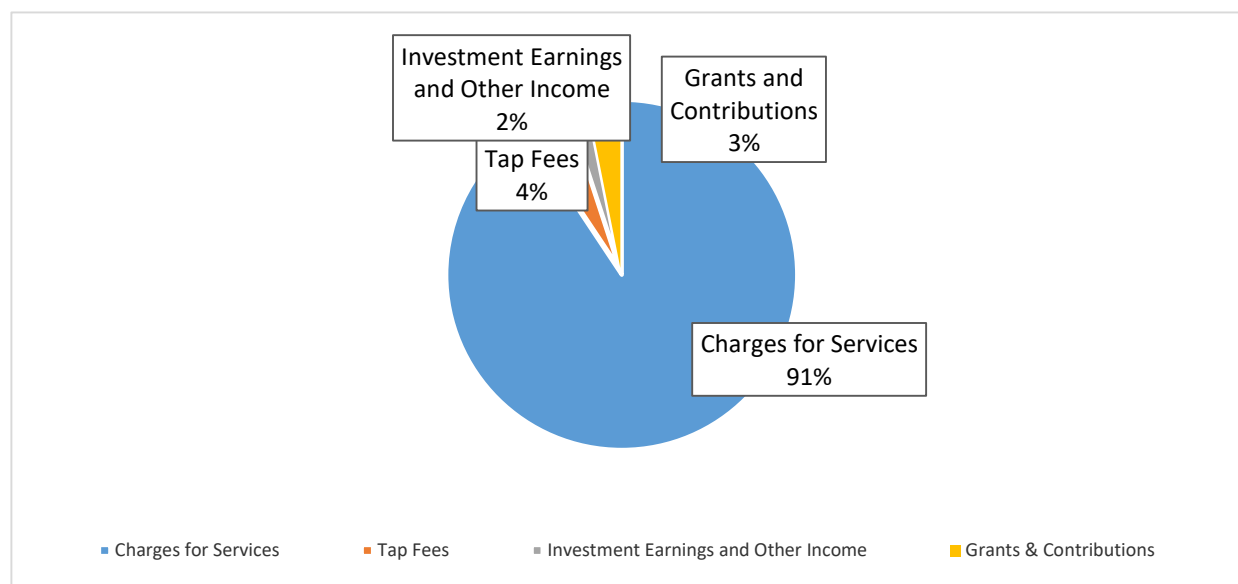
Business-type Activities – The Water, Wastewater, and Electric funds concluded fiscal year 2023 with a combined decrease in net position of \$(204,906), which is approximately \$719,000 lower than the increase in net position for the prior year. Overall revenues increased approximately \$2.2 million, primarily due to increased electric utility billings of approximately \$1.9 million related to a scheduled rate increase, an increase in the pass-through fuel adjustment charge and increased consumption from a large commercial customer; higher net investment income of approximately \$1.2 million due to higher interest rates on deposit balances and re-investment of fixed-income funds at maturity, along with lower unrealized fair market value losses due to rising interest rates; first year ARPA recoveries of approximately \$837,000 for project costs at the WPCF facility which will be ongoing through 2025; offset by lower water and sewer tap fees of \$454,000 and a decrease of approximately \$1.9 million in developer capital contributions of completed infrastructure assets, both as a result of decreased real estate development activity over the prior year. Capital contributions from developers represents utility assets such as water lines, sewer lines, fire hydrants, meters and electric substations that are installed by residential and commercial developers and then inspected and accepted by the Town into the respective Town utility funds.

Operating expenses and depreciation in fiscal year 2023 totaled \$25.7 million, or a \$2.9 million increase over the prior year. Electric fund purchased power costs increased by approximately \$2.1 million due to supplier rate increases, the higher pass-through fuel adjustment charge and higher customer consumption, and water and wastewater treatment costs increased approximately \$600,000 largely due to increased chemical costs due to inflation and supply issues, while all other utility fund expenses experienced nominal budgetary fluctuations as compared to the prior year. Overall, the utility funds strived to maintain operating costs at prior year levels where possible in light of these factors, as well as Council adopted rate increases for the year of 5% for water, 0% for sewer and 2% for electric. The utility funds also made fund transfers to the General Fund as payments in lieu of taxes (PILOT) of \$696,000, an increase of \$23,000 from the prior year.

Program Revenues and Expenses – Business-Type Activities, Year Ended June 30, 2023



Revenues by Source – Business-Type Activities, Year ended June 30, 2023



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, 2023, the Town's governmental funds reported an ending fund balance of \$31,671,974, an increase of \$7,357,727 in comparison with the end of the prior year. Of this amount, 41.3%, or \$13,085,507 constitutes unassigned fund balance, which is available for spending at the Town's discretion. During fiscal year 2023, Town Council designated an additional amount of \$815,000 to Budget Stabilization Reserves as assigned fund balance, increasing the total to \$3,822,500 or 12.1% 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 \$2,846,039 to the Major Capital Improvement Fund (MCIF) which is classified as committed fund balance, offset by budget transfers to capital project budgets for costs for development in the downtown depot area in the amount of \$3 million, for a balance of \$5,019,253 at year end, or 15.8% of total fund balance. These designated funds are intended for future capital initiatives, with \$5 million of MCIF funds included in the fiscal year 2024 capital budget for the Town's contribution to a Joint Town and County Pool currently in design and to be constructed by Culpeper County at the County sports complex, 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, 2023 represents 53.9% and 130.5% of total fiscal year 2023 governmental fund expenditures, respectively.

The Town's General Fund balance increased by \$7,286,544 in fiscal year 2023, primarily due to higher than budgeted tax revenues (meals, lodging, sales, bank stock and business license of approximately \$1.7 million), Federal ARPA funds designated as revenue replacement of approximately \$6 million. The Town's Cemetery Perpetual Care and Permanent Funds saw a combined increase in fund balance of \$71,183 as a result of cemetery lot sales and investment income during fiscal year 2023.

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, 2023 was \$7,931,432; the wastewater fund equaled \$6,654,808; and the electric fund amounted to \$8,807,821. The total combined decrease in net position for the year ended June 30, 2023 was \$(204,906). Operating revenues, net investment income and ARPA recoveries were up over the prior year as discussed earlier in this MD&A narrative, offset by lower developer contributions, tap fees and higher electric purchased power costs. For the year, the water fund had a reduction in net position of \$(920,036), and the sewer fund and electric fund had increases of \$556,181 and \$158,949, respectively.

BUDGETARY HIGHLIGHTS

Differences between the adopted expenditure budget and the amended budget was a total increase of approximately \$8.3 million. Highlights of amendments, of which approximately \$5.5 million relates to amounts carried forward to fiscal year 2023 from fiscal year 2022, are as follows:

- \$2.5 million of additional funding towards the downtown development projects previously approved by Town Council, specifically construction costs in excess of amounts previously budgeted for the pedestrian bridge over the railroad;
- \$2.4 million carryforward for grant-funded road projects in the design or construction phases, as well as an additional \$400,000 for construction and project management costs;
- \$2.1 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;
- \$1.7 million carryforward for downtown development and other capital projects previously approved by Town Council;
- \$1.1 million increase in contracted WPCF capital improvement project costs in excess of amounts previously budgeted;
- \$978,000 carryforward for police vehicles and utility equipment on order and not delivered prior to the start of fiscal year 2023;
- \$700,000 for land purchased to support future expansion and improvements of Town police department facilities;
- \$327,000 carryforward for various department operating expenditures relating to projects not completed before the end of the prior fiscal year;
- \$303,000 to support advance funding of sanitation truck replacements, which are subject to significant delivery delays due to lingering market supply chain issues; and
- \$250,000 for design costs related to an agreement with Culpeper County for the Joint Town and County Community Pool.

Differences between the General Fund amended expenditure budget and actual results amounted to spending less than budget by approximately \$9 million. Highlights are:

- Various General Fund capital projects budgeted were not completed during fiscal year 2023, creating a positive budget variance of approximately \$7.8 million, of which \$7.6 million was carried forward to fiscal year 2024.
- There were positive budget variances of approximately \$1.5 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 \$934,000 represented unfinished projects and were carried forward to fiscal year 2024.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets - The Town's capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$132.4 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 decrease in the investment in capital assets for the current year was approximately \$1.4 million or 1.05%, as depreciation and amortization exceeded new additions for the year. This suggests that the utilization of assets based on estimated useful lives is occurring more quickly than investments in new assets and infrastructure. The overall decrease is comprised of \$5.3 million in additions, offset by \$67,210 in disposals and \$6.7 million in depreciation and amortization.

The Town's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and non-depreciable	\$ 7,189,281	\$ 6,534,660	\$ 1,755,835	\$ 1,755,835	\$ 8,945,116	\$ 8,290,495
Buildings and improvements	29,757,601	29,731,259	107,048,297	107,007,377	136,805,898	136,738,636
Software, machinery and equipment	11,910,047	11,126,006	13,226,587	12,737,356	25,136,634	23,863,362
Infrastructure	63,552,590	63,508,090	30,251,868	30,019,713	93,804,458	93,527,803
Intangible right-to-use lease equipment	462,892	429,921	-	-	462,892	429,921
Intangible right-to-use subscription assets	163,412	-	-	-	163,412	-
Construction in progress	2,110,500	611,204	1,820,871	558,639	3,931,371	1,169,843
Less accumulated depreciation	(57,501,723)	(54,330,999)	(79,390,171)	(75,891,579)	(136,891,894)	(130,222,578)
Capital assets, net	\$ 57,644,600	\$ 57,610,141	\$ 74,713,287	\$ 76,187,341	\$ 132,357,887	\$ 133,797,482

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. Various design and other project costs incurred during the current year of approximately \$820,000 will be incorporated into a development project intended to bring enhanced parking, street access, a pedestrian bridge over the train tracks, retail, recreation and residential opportunities to the downtown area. Total project costs are budgeted at approximately \$6.8 million, with construction of the pedestrian bridge and recreation amenities ongoing into 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, moving to the construction phase in the current year with project costs incurred of approximately \$840,000 during the year. The total project budget is approximately \$8.4 million, with ARPA funds allocated of \$6.3 million. The project is scheduled to be completed in fiscal year 2025.
- Public Works is engaged in 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 is approximately \$3 million and is 100% funded through the Virginia Department of Transportation with Federal funds. Costs incurred during the current year were approximately \$1.1 million, and the projected was completed in October 2023.
- The Town purchased vacant land for the potential future expansion and improvement of police department facilities at a total cost of \$655,000. No further project plans or project funding are intended at the current time.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS (Continued)

- Town PD purchased various fleet vehicles, a motorcycle and electric bikes at a total cost of \$499,000 in the current year.
- Town Light and Power purchased a replacement work truck, excavator and a wire puller all used in operations for a total cost of \$350,000 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.

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, 2023, the Town had total debt outstanding of \$29,288,991. 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	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 6,978,000	\$ 8,172,000	\$ 19,657,000	\$ 21,393,000	\$ 26,635,000	\$ 29,565,000
Bond premium	743,918	797,055	1,595,838	1,709,826	2,339,756	2,506,881
Leases liability	201,539	313,053	-	-	201,539	313,053
Subscriptions liability	112,696	-	-	-	112,696	-
Total	\$ 8,036,153	\$ 9,282,108	\$ 21,252,838	\$ 23,102,826	\$ 29,288,991	\$ 32,384,934

The Town's total net debt decreased by \$3,095,943 or 9.6% during the fiscal year ended June 30, 2023, primarily as a result of scheduled debt service payments. All fiscal year 2023 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 June 2023.

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 2024 fiscal year:

- Overall real property tax receipts remain steady year over year, increasing primarily only for growth in residential development. Fiscal year 2024 real estate tax revenues were budgeted at approximately 3.0% (or \$50,000) higher than fiscal year 2023. Personal property tax revenues were budgeted at approximately 5.1% (or \$100,000) higher than fiscal year 2023, to reflect continued growth and increasing assessments on vehicles due to inflation. Actual personal property assessments were approximately 1.3% lower for the 2023 tax year, coming off the nearly 40% increase in the prior year. Town Council adopted a 2023 real estate tax rate of \$0.066 per \$100 of assessed value, which

represents an equalized rate due to reassessments in 2023. Council continued the reduced prior year tax rate on vehicles from \$1.00 to \$0.75 per \$100 of assessed value, while leaving the rate for all other classes of personal property unchanged at \$1.00 per \$100, as well as for machinery and tools at a rate of \$0.80 per \$100.

Other local taxes (sales and use tax, meals tax, lodging tax, admissions tax) were budgeted upwards in fiscal year 2024 by \$615,000 (or 10.9%), as these taxes have continued to rebound from the drop-offs experienced at the onset of the pandemic, and actual prior year results exceeded prior year budgeted amounts.

Budgeted general fund operating expenditures in fiscal year 2024 of \$24.1 million are approximately \$533,000 greater than the fiscal year 2023 amended budget amounts. Vehicle and equipment replacements were greater in 2023 and not planned at the same level in the current year, and is offset by inflationary increases in operating costs across all departments, and 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.

The Town was awarded total Federal ARPA Coronavirus State and Local Fiscal Recovery Funds of \$19,581,052, with approximately \$6.9 million remaining to be recovered in fiscal year 2024 and 2025. Of this amount, \$5.5 million is allocated towards the ongoing improvements at the Water Pollution Control Facility which began in December 2022.

- After a slowdown as a result of the economic impact of the pandemic, the rate of building and development activity has started to increase going into fiscal year 2024, and the need for residential units throughout the Town is strong, based on existing demand as well as future growth projections. Prior year forecasted activity was not met, due to inflationary pressure and increasing interest rates. Growth is best measured by water and sewer tap sales, with 74 new water and sewer taps in fiscal year 2023, down from 105 water and 93 sewer taps in fiscal year 2022. Initial projections are for 100 new taps in fiscal year 2024, with 49 realized to date through end of October. Infill residential construction is ongoing, with developer plans approved for more than 300 additional units approved by the Town with buildout expected to take place within the next 2-3 years.
- Town Council approved a 3% increase in water utility rates for fiscal year 2024, a 4% increase in sewer utility rates, and adopted a 9% rate increase for the Electric fund as a direct result of increased demand charge costs from the Town's purchased power supplier.

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, 2023

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 5,305,845	\$ 4,901,263	\$ 10,207,108	\$ 76,808
Investments (Note 2)	24,173,495	19,788,439	43,961,934	-
Receivables, net (Note 3)	1,242,859	2,797,489	4,040,348	-
Due from other governmental units (Note 5)	1,001,366	-	1,001,366	-
Lease receivable (Note 8)	540,513	-	540,513	-
Inventories	-	1,875,344	1,875,344	-
Cash and cash equivalents, restricted (Note 2)	1,807,564	-	1,807,564	51,185
Investments, restricted (Note 2)	6,980,823	-	6,980,823	-
Receivables, restricted (Note 3)	900	-	900	-
Prepaid items	174,473	10,280	184,753	-
Capital assets (Note 6)				
Nondepreciable	9,299,781	3,576,706	12,876,487	-
Depreciable, net	48,344,819	71,136,581	119,481,400	-
Total assets	98,872,438	104,086,102	202,958,540	127,993
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 10)	1,702,381	634,776	2,337,157	-
Deferred outflows related to other postemployment benefits (Note 10 & 11)	326,661	130,848	457,509	-
Deferred amount on refunding	156,945	625,948	782,893	-
Total deferred outflows of resources	2,185,987	1,391,572	3,577,559	-
LIABILITIES				
Accounts payable and accrued liabilities	448,371	2,828,602	3,276,973	-
Accrued payroll and related liabilities	774,682	232,395	1,007,077	-
Accrued interest payable	88,564	253,300	341,864	-
Bonds and security deposits	153,892	866,459	1,020,351	-
Debt service reserve	-	-	-	47,630
Unearned revenue	6,948,232	-	6,948,232	-
Noncurrent liabilities:				
Due within one year:				
Other long-term debt (Note 7)	1,518,122	1,756,988	3,275,110	-
Compensated absences (Note 7)	946,882	334,045	1,280,927	-
Due in more than one year:				
Other long-term debt (Note 7)	6,518,031	19,495,850	26,013,881	-
Compensated absences (Note 7)	260,031	131,339	391,370	-
Net pension liability (Note 10)	2,569,499	958,103	3,527,602	-
Net other postemployment benefits liability (Note 11 & 12)	1,725,468	691,152	2,416,620	-
Total liabilities	21,951,774	27,548,233	49,500,007	47,630
DEFERRED INFLOWS OF RESOURCES				
Lease related (Note 8)	539,080	-	539,080	-
Property taxes collected in advance	48,466	-	48,466	-
Deferred inflows related to pensions (Note 10)	2,108,558	786,230	2,894,788	-
Deferred inflows related to other postemployment benefits (Note 11 & 12)	668,942	267,950	936,892	-
Total deferred inflows of resources	3,365,046	1,054,180	4,419,226	-
NET POSITION				
Net investment in capital assets	49,465,248	53,481,200	102,946,448	-
Restricted				
Special tax districts	261,108	-	261,108	-
Public safety - asset seizure funds	33,338	-	33,338	-
Cemetery	1,460,538	-	1,460,538	-
Salem Volunteer Fire Department	-	-	-	51,185
Unrestricted	24,521,373	23,394,061	47,915,434	29,178
Total net position	\$ 75,741,605	\$ 76,875,261	\$ 152,616,866	\$ 80,363

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF ACTIVITIES Year Ended June 30, 2023

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	\$ 1,976,327	\$ 45,932	\$ 1,010,262	\$ -	\$ (920,133)	\$ -	\$ (920,133)	\$ -
Public safety	7,425,757	139,407	5,177,571	-	(2,108,779)	-	(2,108,779)	-
Public works	6,269,470	233,827	3,740,862	-	(2,294,781)	-	(2,294,781)	-
Parks, recreation and cultural	712,143	65,550	149,920	-	(496,673)	-	(496,673)	-
Community development	2,110,846	146,671	385,863	-	(1,578,312)	-	(1,578,312)	-
Parking Authority	64,333	-	-	-	(64,333)	-	(64,333)	-
Interest on long-term debt	198,354	-	-	-	(198,354)	-	(198,354)	-
Total governmental activities	18,757,230	631,387	10,464,478	-	(7,661,365)	-	(7,661,365)	-
Business-type activities:								
Water	5,524,431	4,031,048	585,825	-	-	(907,558)	(907,558)	
Wastewater	6,033,149	5,000,777	824,169	836,622	-	628,419	628,419	
Electric	14,706,215	15,229,309	-	-	-	523,094	523,094	
Total business-type activities	26,263,795	24,261,134	1,409,994	836,622	-	243,955	243,955	
Total primary government	\$ 45,021,025	\$ 24,892,521	\$ 11,874,472	\$ 836,622	(7,661,365)	243,955	(7,417,410)	
Component Unit:								
Industrial Development Authority	\$ 25,453	\$ -	\$ 25,055	\$ -	-	-	-	(398)
Total component unit	\$ 25,453	\$ -	\$ 25,055	\$ -	-	-	-	(398)
General Revenues:								
Taxes:								
General property taxes					3,803,071	-	3,803,071	-
Other local taxes:								
Meals tax					5,728,428	-	5,728,428	-
Local sales and use tax					2,205,862	-	2,205,862	-
Business license tax					1,400,394	-	1,400,394	-
Bank stock tax					631,658	-	631,658	-
Cigarette tax					194,250	-	194,250	-
Hotel and motel room tax					764,651	-	764,651	-
Other local taxes					186,164	-	186,164	-
Intergovernmental revenue					229,015	-	229,015	-
Use of money and property					670,400	246,682	917,082	40
Miscellaneous					341,958	-	341,958	-
Transfers (Note 4)					695,543	(695,543)	-	-
Total general revenues and transfers					16,851,394	(448,861)	16,402,533	40
Change in net position					9,190,029	(204,906)	8,985,123	(358)
Net Position, beginning					66,551,576	77,080,167	143,631,743	80,721
Net Position, ending					\$ 75,741,605	\$ 76,875,261	\$ 152,616,866	\$ 80,363

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents (Note 2)	\$ 5,305,845	\$ -	\$ 5,305,845
Investments (Note 2)	24,173,495	-	24,173,495
Receivables, net (Note 3)	1,242,859	-	1,242,859
Due from other governmental units (Note 5)	1,001,366	-	1,001,366
Lease receivable (Note 8)	540,513	-	540,513
Cash and cash equivalents, restricted (Note 2)	1,454,989	352,575	1,807,564
Investments, restricted (Note 2)	5,873,760	1,107,063	6,980,823
Receivables, restricted (Note 2)	-	900	900
Prepaid items	174,473	-	174,473
Total assets	\$ 39,767,300	\$ 1,460,538	\$ 41,227,838
LIABILITIES			
Accounts payable and accrued liabilities	\$ 448,371	\$ -	\$ 448,371
Accrued payroll and related liabilities	774,682	-	774,682
Bonds and security deposits	153,892	-	153,892
Unearned revenue	6,948,232	-	6,948,232
Total liabilities	8,325,177	-	8,325,177
DEFERRED INFLOWS OF RESOURCES			
Lease related (Note 8)	539,080	-	539,080
Property taxes collected in advance	48,466	-	48,466
Unavailable revenue	643,141	-	643,141
Total deferred inflows of resources	1,230,687	-	1,230,687
FUND BALANCES			
Nonspendable	174,473	1,204,722	1,379,195
Restricted	294,447	255,816	550,263
Committed	5,019,253	-	5,019,253
Assigned	11,637,756	-	11,637,756
Unassigned	13,085,507	-	13,085,507
Total fund balances	30,211,436	1,460,538	31,671,974
Total liabilities, deferred inflows of resources and fund balances	\$ 39,767,300	\$ 1,460,538	\$ 41,227,838

TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2023

	Governmental Funds	
Total fund balances - governmental funds	\$ 31,671,974	
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	\$ 9,299,781	
Depreciable and amortizable, net	48,344,819	
Net capital assets		57,644,600
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 \$371,961.	(743,918)	
Deferred loss on refunding total \$458,475 net of accumulated amortization of \$301,530.	156,945	
		(586,973)
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		643,141
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	1,702,381	
Other postemployment benefits	326,661	
Deferred inflows related to:		
Pension	(2,108,558)	
Other postemployment benefits	(668,942)	
Net pension liability	(2,569,499)	
Net other postemployment benefits liability	(1,725,468)	
		(5,043,425)
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	(6,978,000)	
Subscription liability	(112,696)	
Lease liability	(201,539)	
Compensated absences	(1,206,913)	
Accrued interest	(88,564)	
		(8,587,712)
Net position of governmental activities		\$ 75,741,605

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 3,939,046	\$ -	\$ 3,939,046
Other local taxes	11,111,407	-	11,111,407
Permits, privilege fees and regulatory licenses	156,589	-	156,589
Fines and forfeitures	148,474	-	148,474
Use of money and property	635,717	34,683	670,400
Charges for services	326,324	-	326,324
Miscellaneous	305,458	36,500	341,958
Recovered costs	3,472,992	-	3,472,992
Intergovernmental	10,559,547	-	10,559,547
Total revenues	30,655,554	71,183	30,726,737
Expenditures:			
Current:			
General government administration	5,616,529	-	5,616,529
Public safety	7,635,518	-	7,635,518
Public works	4,325,267	-	4,325,267
Parks, recreation and cultural	718,898	-	718,898
Community development	2,149,947	-	2,149,947
Parking Authority	64,333	-	64,333
Capital projects	2,127,497	-	2,127,497
Debt service			
Principal retirement	1,403,739	-	1,403,739
Interest and fiscal charges	233,746	-	233,746
Total expenditures	24,275,474	-	24,275,474
Revenues over expenditures	6,380,080	71,183	6,451,263
Other financing sources:			
Issuance of lease liability	48,909	-	48,909
Issuance of subscription liability	162,012	-	162,012
Transfers in (Note 4)	695,543	-	695,543
Total other financing sources	906,464	-	906,464
Net change in fund balances	7,286,544	71,183	7,357,727
Fund balances, beginning	22,924,892	1,389,355	24,314,247
Fund balances, ending	\$ 30,211,436	\$ 1,460,538	\$ 31,671,974

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, 2023

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ 7,357,727	
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	\$ 3,272,393	
Less: depreciation and amortization expense	<u>(3,236,614)</u>	
Excess of capital outlays over depreciation and amortization		35,779
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		(1,320)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		(135,975)
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	1,194,000	
Amortization of bond premiums	53,137	
Amortization of loss on refunding	(35,064)	
Issuance of lease liability	(48,910)	
Issuance of subscription liability	(162,012)	
Leases principal	160,424	
Subscriptions principal	<u>49,316</u>	
		1,210,891
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	17,319	
Changes in pension liabilities and related deferred outflows and inflows of resources	719,278	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	38,675	
Compensated absences	<u>(52,345)</u>	
		<u>722,927</u>
Change in net position of governmental activities		<u><u>\$ 9,190,029</u></u>

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 3,856,150	\$ 3,856,150	\$ 3,939,046	\$ 82,896
Other local taxes	9,380,000	9,380,000	11,111,407	1,731,407
Permits, privilege fees and regulatory licenses	182,000	182,000	156,589	(25,411)
Fines and forfeitures	156,000	156,000	148,474	(7,526)
Use of money and property	478,600	478,600	635,717	157,117
Charges for services	283,500	283,500	326,324	42,824
Miscellaneous	132,000	187,213	305,458	118,245
Recovered costs	3,472,992	3,472,992	3,472,992	-
Intergovernmental	2,850,248	3,668,676	10,559,547	6,890,871
Total revenues	20,791,490	21,665,131	30,655,554	8,990,423
Expenditures:				
Current:				
General government administration	5,652,881	5,718,925	5,616,529	(102,396)
Public safety	7,071,164	7,899,425	7,635,518	(263,907)
Public works	4,807,541	5,153,706	4,325,267	(828,439)
Parks, recreation and cultural	779,224	792,324	718,898	(73,426)
Community development	2,219,757	2,368,283	2,149,947	(218,336)
Parking authority	70,450	98,450	64,333	(34,117)
Capital projects	3,027,580	9,881,784	2,127,497	(7,754,287)
Debt service:				
Principal retirement	1,194,000	1,194,000	1,403,739	209,739
Interest and fiscal charges	231,153	231,153	233,746	2,593
Total expenditures	25,053,750	33,338,050	24,275,474	(9,062,576)
Excess (deficiency) of revenues over (under) expenditures	(4,262,260)	(11,672,919)	6,380,080	18,052,999
Other Financing Sources:				
Reserve balances	3,566,717	10,977,376	-	(10,977,376)
Issuance of lease	-	-	48,909	48,909
Issuance of subscription liability	-	-	162,012	162,012
Transfer in (Note 4)	695,543	695,543	695,543	-
Total other financing sources	4,262,260	11,672,919	906,464	(10,766,455)
Net change in fund balance	\$ -	\$ -	\$ 7,286,544	\$ 7,286,544

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 1,483,662	\$ 1,589,823	\$ 1,827,778	\$ 4,901,263
Receivables, net (Note 3)	467,450	628,803	1,701,236	2,797,489
Investments (Note 2)	6,474,932	5,283,841	8,029,666	19,788,439
Inventories	547,147	263,466	1,064,731	1,875,344
Prepaid expenses	3,932	4,984	1,364	10,280
Total current assets	8,977,123	7,770,917	12,624,775	29,372,815
Noncurrent assets:				
Capital assets (Note 6)				
Nondepreciable	1,738,530	1,372,658	465,518	3,576,706
Depreciable, net	34,928,996	32,315,816	3,891,769	71,136,581
Total noncurrent assets	36,667,526	33,688,474	4,357,287	74,713,287
Total assets	45,644,649	41,459,391	16,982,062	104,086,102
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 10)	202,256	186,269	246,251	634,776
Deferred outflows related to other postemployment benefits (Note 11 & 12)	40,898	45,158	44,792	130,848
Deferred amount on refunding	2,322	568,074	55,552	625,948
Total deferred outflows of resources	245,476	799,501	346,595	1,391,572
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	41,709	465,618	2,321,275	2,828,602
Accrued payroll and related liabilities	67,269	83,229	81,897	232,395
Accrued interest payable	35,535	188,438	29,327	253,300
Customer security deposits	174,002	-	692,457	866,459
Current portion of other long-term debt (Note 7)	624,041	728,717	404,230	1,756,988
Compensated absences (Note 7)	93,772	104,240	136,033	334,045
Total current liabilities	1,036,328	1,570,242	3,665,219	6,271,789
Noncurrent liabilities:				
Other long-term debt (Note 7)	5,321,532	11,913,326	2,260,992	19,495,850
Compensated absences (Note 7)	21,532	53,528	56,279	131,339
Net pension liability (Note 10)	305,277	281,147	371,679	958,103
Net other postemployment benefits liability (Note 11 & 12)	215,711	243,634	231,807	691,152
Total noncurrent liabilities	5,864,052	12,491,635	2,920,757	21,276,444
Total liabilities	6,900,380	14,061,877	6,585,976	27,548,233
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 10)	250,513	230,712	305,005	786,230
Deferred inflows related to other postemployment benefits (Note 11 & 12)	83,525	96,097	88,328	267,950
Total deferred inflows of resources	334,038	326,809	393,333	1,054,180
NET POSITION				
Net investment in capital assets	30,724,275	21,215,398	1,541,527	53,481,200
Unrestricted	7,931,432	6,654,808	8,807,821	23,394,061
Total net position	\$ 38,655,707	\$ 27,870,206	\$ 10,349,348	\$ 76,875,261

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Revenues:				
Charges for services	\$ 3,825,924	\$ 4,852,453	\$ 14,958,757	\$ 23,637,134
Other	205,124	148,324	270,552	624,000
Total operating revenues	4,031,048	5,000,777	15,229,309	24,261,134
Operating Expenses:				
Treatment	2,890,755	3,887,600	-	6,778,355
Transmission, distribution and collection	1,077,204	550,955	1,934,833	3,562,992
Generation (Note 15)	-	-	10,100,889	10,100,889
Administration	-	-	1,763,542	1,763,542
Depreciation and amortization	1,466,686	1,182,048	849,858	3,498,592
Total operating expenses	5,434,645	5,620,603	14,649,122	25,704,370
Operating income (loss)	(1,403,597)	(619,826)	580,187	(1,443,236)
Nonoperating Revenue (Expenses)				
Net investment income	115,664	79,983	51,035	246,682
Interest expense	(89,786)	(413,075)	(64,740)	(567,601)
Gain on disposal of capital assets	-	529	7,647	8,176
Tap fees	450,580	698,710	-	1,149,290
Intergovernmental revenues	135,245	125,459	-	260,704
Net nonoperating revenue (loss)	611,703	491,606	(6,058)	1,097,251
Income (loss) before capital contributions and transfers	(791,894)	(128,220)	574,129	(345,985)
Capital contributions and transfers				
Intergovernmental revenues	-	836,622	-	836,622
Transfers out (Note 4)	(128,142)	(152,221)	(415,180)	(695,543)
Net capital contributions and transfers	(128,142)	684,401	(415,180)	141,079
Change in net position	(920,036)	556,181	158,949	(204,906)
Net position, beginning	39,575,743	27,314,025	10,190,399	77,080,167
Net position, ending	\$ 38,655,707	\$ 27,870,206	\$ 10,349,348	\$ 76,875,261

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CASH FLOWS –PROPRIETARY FUNDS Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Activities				
Receipts from customers	\$ 4,040,707	\$ 5,031,821	\$ 15,375,129	\$ 24,447,657
Payments to suppliers	(2,585,702)	(2,458,651)	(10,970,172)	(16,014,525)
Payments to employees	(1,744,877)	(2,002,149)	(1,919,513)	(5,666,539)
Net cash provided by (used in) operating activities	(289,872)	571,021	2,485,444	2,766,593
Noncapital Financing Activities				
Intergovernmental revenues	135,245	125,459	-	260,704
Tap fees collected	450,580	698,710	-	1,149,290
Interfund transfers	(128,142)	(152,221)	(415,180)	(695,543)
Net cash provided by (used in) noncapital financing activities	457,683	671,948	(415,180)	714,451
Capital and Related Financing Activities				
Acquisition of capital assets	(34,941)	(777,098)	(607,302)	(1,419,341)
Proceeds from the disposal of capital assets	-	529	7,647	8,176
Principal paid on general obligation bonds	(615,000)	(745,000)	(376,000)	(1,736,000)
Intergovernmental revenues	-	836,622	-	836,622
Interest paid on general obligation bonds	(94,060)	(470,874)	(78,453)	(643,387)
Net cash used in capital and related financing activities	(744,001)	(1,155,821)	(1,054,108)	(2,953,930)
Investing Activities				
Proceeds from the sale of investments	2,303,490	1,880,400	2,867,610	7,051,500
Purchase of investments	(1,026,525)	(982,968)	(2,762,855)	(4,772,348)
Interest received, net fair value change	115,664	79,983	51,035	246,682
Net cash provided by investing activities	1,392,629	977,415	155,790	2,525,834
Net increase in cash and cash equivalents	816,439	1,064,563	1,171,946	3,052,948
Cash and Cash Equivalents				
Beginning	667,223	525,260	655,832	1,848,315
Ending	\$ 1,483,662	\$ 1,589,823	\$ 1,827,778	\$ 4,901,263
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities				
Operating income (loss)	\$ (1,403,597)	\$ (619,826)	\$ 580,187	\$ (1,443,236)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,466,686	1,182,048	849,858	3,498,592
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	10,636	31,046	165,356	207,038
Inventories	(210,452)	(99,510)	(297,266)	(607,228)
Prepaid expenses	7,890	74,989	39,835	122,714
Pension related deferred outflows of resources	72,069	73,884	121,777	267,730
OPEB related deferred outflows of resources	1,806	(1,129)	(819)	(142)
(Decrease) increase in:				
Accounts payable and accrued liabilities	(99,292)	19,303	1,217,839	1,137,850
Accrued payroll and related liabilities	8,510	16,825	22,878	48,213
Customer security deposits	(977)	-	(19,536)	(20,513)
Compensated absences	11,664	27,052	48,577	87,293
Net pension liability	120,579	105,991	123,892	350,462
Net OPEB liability	(31,074)	4,736	5,779	(20,559)
Pension related deferred inflows of resources	(255,833)	(249,476)	(374,299)	(879,608)
OPEB related deferred inflows of resources	11,513	5,088	1,386	17,987
Net cash provided by (used in) operating activities	\$ (289,872)	\$ 571,021	\$ 2,485,444	\$ 2,766,593
Noncash Capital and Related Financing Activities				
Capital asset additions included in accounts payable at year-end	\$ -	\$ 399,107	\$ 206,090	\$ 605,197
Noncash Noncapital Financing Activities				
State non-employer contributions to GLI OPEB plan	15,974	-	-	15,974

See Notes to Financial Statements.

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. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, and certain provisions of GASB 99, *Omnibus 2022*. 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 and there is a financial benefit/burden relationship. A director is appointed to a four-year term and can serve two consecutive terms. The Authority does not issue separate financial statements but is included in the Town’s financial statements for the fiscal year ended June 30, 2023 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 the following January 31. 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 2023 were approximately \$25,000.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Property Taxes (Continued)

In April 2022, Town Council adopted an Ordinance to incorporate additional land areas into the Town in accordance with the Voluntary Settlement of Annexation and Utility Issues Between Town of Culpeper, Virginia and County of Culpeper, Virginia dated May 4, 2011 (Voluntary Settlement Agreement), to be effective July 1, 2022. The 2011 Agreement allows for the Town to annex areas at 10 year intervals in 2022, 2032 and 2042 with appropriate notice to the County. For the 2022 boundary adjustment, the two areas included primarily commercial property located in the northeast area along Brandy Road, and in the southern area along Lovers Lane, totaling approximately 135 acres. Further, these areas are subject to all Town business licensing and property tax requirements for 2022 for the pro-rated year effective July 1, 2022.

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 leased 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 leased 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 leased 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 leased assets (leased 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 leased 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 or 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.

T. Subscription-Based Information Technology Arrangements (SBITAs)

The Town adopted GASB Statement No. 96 on July 1, 2022.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

T. Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

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

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 \$6,565,772, \$201,367, \$7,418,870, and \$1,025,493, respectively, as of June 30, 2023.

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, 2023, 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	\$ 17,663,148	\$ 8,559,707
Municipal bonds	-	14,208,171
Certificates of deposit	-	9,544,450
Virginia Investment Pool 1 - 3 Bond Fund	-	967,281

As of June 30, 2023, the Town has the following deposits and investments:

Type	Fair Value	Credit Rating	Percent of Portfolio
Primary Government			
Demand deposits	\$ 1,267,048	NR	2.01%
Certificate of deposit	9,544,450	NR	15.16%
U.S. Treasury and Agency	26,222,855	N/A	41.66%
Municipal bonds	14,208,171	AA-, AA+, AAA	22.57%
LGIP	235,695	AAAm	0.37%
VIP	11,479,210	AAAm	18.23%
Primary government investments	\$ 62,957,429		100.00%
Primary Government reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 10,207,018		
Investments	43,961,934		
Cash and cash equivalents, restricted	1,807,654		
Investments, restricted	6,980,823		
Total deposits and investments	\$ 62,957,429		
Component Unit - IDA:			
Demand deposits	\$ 127,993	NR	100.00%
Component Unit - IDA reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 76,808		
Cash and cash equivalents, restricted	51,185		
	\$ 127,993		

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	\$ 16,316,872	32.03%
Federal Home Loan Banks	5,891,524	11.56%

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, 2023, 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	\$ 6,948,232
Non-expendable corpus of the cemetery perpetual care fund	1,203,822
Cemetery perpetual care funds	255,816
Lafayette Ridge Special Tax District	28,953
Willow Shade Special Tax District	40,393
Southridge Special Tax District	191,762
Cash bonds held by Town	86,071
Public safety asset seizure funds	33,338
	<hr/>
	\$ 8,788,387

In addition, the IDA held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$51,185. 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	\$ 579,835	\$ -	\$ -	\$ -	\$ -	\$ 579,835
Restricted trade and other accounts	-	900	-	-	-	900
Trade and other accounts	849,347	-	480,658	644,508	1,750,420	3,724,933
	<hr/>					
Gross receivables	1,429,182	900	480,658	644,508	1,750,420	4,305,668
	<hr/>					
Less: allowance for uncollectibles	(186,323)	-	(13,208)	(15,705)	(49,184)	(264,420)
	<hr/>					
Receivables, net	\$ 1,242,859	\$ 900	\$ 467,450	\$ 628,803	\$ 1,701,236	\$ 4,041,248

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	\$ 128,142
Wastewater	General	152,221
Electric	General	<u>415,180</u>
Total transferred in		<u><u>\$ 695,543</u></u>

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

Note 5. Due From Other Governmental Units

Amounts due from other governmental units are as follows:

Primary Government:

Governmental Funds:

Unrestricted:

General Fund

County of Culpeper:

Local sales tax \$ 381,255

Court fines and e-ticketing 8,795

Commonwealth of Virginia:

Virginia Department of Transportation grant proceeds 585,799

Police department grant proceeds 2,676

Communication sales & use tax 13,531

Car rental tax 4,403

Rolling stock tax 4,907

Total General Fund 1,001,366

Total Governmental Funds 1,001,366

Total Primary Government \$ 1,001,366

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activities for the year ended June 30, 2023 are as follows:

	Beginning Balance July 1, 2022	Additions	Disposals	Transfers	Ending Balance June 30, 2023
Governmental Activities:					
Capital assets not being depreciated or amortized:					
Land and easements	\$ 6,505,312	\$ 654,621	\$ -	\$ -	\$ 7,159,933
Artwork and statues	29,348	-	-	-	29,348
Construction in progress	611,204	1,499,296	-	-	2,110,500
Total capital assets not being depreciated or amortized	7,145,864	2,153,917	-	-	9,299,781
Capital assets being depreciated or amortized:					
Buildings and improvements	29,731,259	26,342	-	-	29,757,601
Software, machinery and equipment	11,126,006	835,312	(51,271)	-	11,910,047
Intangible right-to-use leased equipment	429,921	48,910	(15,939)	-	462,892
Right-to-use subscription assets	-	163,412	-	-	163,412
Infrastructure	63,508,090	44,500	-	-	63,552,590
Total capital assets being depreciated or amortized	104,795,276	1,118,476	(67,210)	-	105,846,542
Less accumulated depreciation or amortization for:					
Buildings and improvements	14,193,416	735,870	-	-	14,929,286
Software, machinery and equipment	8,754,839	708,538	(49,951)	-	9,413,426
Intangible right-to-use leased equipment	135,700	143,121	(15,939)	-	262,882
Right-to-use subscription assets	-	20,083	-	-	20,083
Infrastructure	31,247,044	1,629,002	-	-	32,876,046
Total accumulated depreciation or amortization, as restated	54,330,999	3,236,614	(65,890)	-	57,501,723
Total capital assets being depreciated or amortized, net	50,464,277	(2,118,138)	(1,320)	-	48,344,819
Governmental activities capital assets, net	\$ 57,610,141	\$ 35,779	\$ (1,320)	\$ -	\$ 57,644,600

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance July 1, 2022	Additions	Disposals	Transfers	Ending Balance June 30, 2023
Business-Type Activities					
Capital assets not being depreciated or amortized:					
Land	\$ 1,755,835	\$ -	\$ -	\$ -	\$ 1,755,835
Construction in progress	558,639	1,262,232	-	-	1,820,871
Total capital assets not being depreciated or amortized	2,314,474	1,262,232	-	-	3,576,706
Capital assets being depreciated or amortized:					
Buildings and improvements	107,007,377	40,920	-	-	107,048,297
Software, machinery and equipment	12,737,356	489,231	-	-	13,226,587
Infrastructure	30,019,713	232,155	-	-	30,251,868
Total capital assets being depreciated or amortized	149,764,446	762,306	-	-	150,526,752
Less accumulated depreciation or amortization for:					
Buildings and improvements	63,080,265	1,816,630	-	-	64,896,895
Software, machinery and equipment	9,741,396	810,863	-	-	10,552,259
Infrastructure	3,069,918	871,099	-	-	3,941,017
Total accumulated depreciation or amortization	75,891,579	3,498,592	-	-	79,390,171
Total capital assets being depreciated or amortized, net	73,872,867	(2,736,286)	-	-	71,136,581
Business-type activities capital assets, net	\$ 76,187,341	\$ (1,474,054)	\$ -	\$ -	\$ 74,713,287

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

Governmental activities:	
General government administration	\$ 107,239
Public safety	614,286
Public works	2,459,028
Parks, recreation and cultural	28,219
Community development	27,842
Total depreciation and amortization expense - governmental activities	\$ 3,236,614
Business-Type activities:	
Water	\$ 1,466,686
Wastewater	1,182,048
Electric	849,858
	\$ 3,498,592

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, 2022	Additions	Deletions	Ending Balance June 30, 2023	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 8,172,000	\$ -	\$ 1,194,000	\$ 6,978,000	\$ 1,246,000
Bond premium	797,055	-	53,137	743,918	53,137
Leases	313,053	48,910	160,424	201,539	144,725
Subscription liabilities	-	162,012	49,316	112,696	74,260
Compensated absences	1,154,568	1,174,071	1,121,726	1,206,913	946,882
Governmental activities long-term liabilities	\$ 10,436,676	\$ 1,384,993	\$ 2,578,603	\$ 9,243,066	\$ 2,465,004
Business-Type Activities:					
General obligation bonds	\$ 21,393,000	\$ -	\$ 1,736,000	\$ 19,657,000	\$ 1,643,000
Bond premium	1,709,826	-	113,988	1,595,838	113,988
Compensated absences	378,091	450,992	363,699	465,384	334,045
Business-type activities long-term liabilities	\$ 23,480,917	\$ 450,992	\$ 2,213,687	\$ 21,718,222	\$ 2,091,033

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
2024	\$ 1,246,000	\$ 183,707	\$ 1,643,000	\$ 585,043
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
2029-2033	1,347,000	63,964	7,164,000	1,373,996
2034-2038	-	-	4,815,000	402,590
	\$ 6,978,000	\$ 553,599	\$ 19,657,000	\$ 4,243,859

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%	\$ 3,090,000
\$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>3,888,000</u>
Total General Obligation Bonds	<u><u>\$ 6,978,000</u></u>

Business-Type Activities:

\$15,875,000 2016 refunding series, issued June 2016, due in annual maturities of \$715,000 to \$995,000 through August 2037, plus interest at 2.00% to 5.00%	\$ 12,595,000
\$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>7,062,000</u>
Total General Obligation Bonds	<u><u>\$ 19,657,000</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 \$200,504 in lease revenue and \$9,310 in interest revenue during the current fiscal year related to these leases. As of June 30, 2023, the Town's receivable for lease payments was \$540,513. Also, the Town has deferred inflows of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2023, the balance of the deferred inflow of resources was \$539,080.

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, 2023, the value of the lease liability was \$201,539. 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 0.387% 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 \$462,892 and had accumulated amortization of \$262,882.

The future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Leases	
	Primary Government	
	Principal	Interest
2024	\$ 144,725	\$ 2,279
2025	25,505	943
2026	18,353	494
2027	11,979	172
2028	977	2
	<u>\$ 201,539</u>	<u>\$ 3,890</u>

Note 9. Subscription-Based Information Technology Arrangements

During the current fiscal year, the Town had five SBITAs. In accordance with the implementation of GASB Statement 96, an initial subscription liability was recorded in the amount of \$163,412 during the current fiscal year. As of June 30, 2023, the subscription liability was \$114,096. The Town is required to make annual principal and interest payments ranging from \$4,120 to \$36,000. The subscriptions include interest rates ranging from 2.354% to 3.144%. 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 \$163,412 and reported accumulated amortization of \$20,083. All of the subscriptions above began in the current fiscal year, resulting in \$163,412 in issuance of subscription liabilities.

The future principal and interest subscription payments as of June 30, 2023 are as follows:

Year Ending June 30,	Subscription liabilities	
	Primary Government	
	Principal	Interest
2024	\$ 74,260	\$ 2,170
2025	30,491	1,129
2026	3,924	196
2027	4,021	99
	<u>\$ 112,696</u>	<u>\$ 3,594</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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	121
Inactive members:	
Vested	35
Non-vested	60
Active elsewhere in VRS	70
Total inactive members	165
Active members	166
Total covered employees	452

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, 2023 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 an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,425,060 and \$1,216,274 for the years ended June 30, 2023 and 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021 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, 2022.

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, 2021 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, 2019. 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, 2021, 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, 2022.

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, 2021 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, 2019. 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year expected return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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, 2023, 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, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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, 2021	\$ 48,765,749	\$ 46,520,433	\$ 2,245,316
Changes for the Year:			
Service cost	1,241,601	-	1,241,601
Interest	3,302,956	-	3,302,956
Difference between expected and actual experience	(1,586,328)	-	(1,586,328)
Contributions – employer	-	1,216,274	(1,216,274)
Contributions – employee	-	541,125	(541,125)
Net investment income	-	(53,783)	53,783
Benefit payments, including refunds of employee contributions	(2,149,342)	(2,149,342)	-
Administrative expense	-	(28,755)	28,755
Other changes	-	1,082	(1,082)
Net changes	808,887	(473,399)	1,282,286
Balances at June 30, 2022	\$ 49,574,636	\$ 46,047,034	\$ 3,527,602

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)	\$ 10,332,004	\$ 3,527,602	\$ (2,003,930)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$444,366. 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	\$ 213,748	\$ (1,598,744)
Changes of assumptions	698,349	-
Net difference between projected and actual earnings on pension plan investments	-	(1,296,044)
Employer contributions subsequent to the measurement date	1,425,060	-
Total	\$ 2,337,157	\$ (2,894,788)

The \$1,425,060 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, 2024.

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
2024	\$ (665,847)
2025	(1,030,954)
2026	(921,840)
2027	635,950
	\$ (1,982,691)

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 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-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, 2023, approximately \$166,900 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 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, 2022 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries	7
Active plan members	164
Total	171

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 \$1,784,712 was measured as of June 30, 2022 and was determined based on an actuarial valuation performed as of June 30, 2021.

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 – 4.75%
Discount rate	2.16%
Healthcare cost trend rates	4.6% in 2022 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, 2022 valuation were based on the results of an actuarial experience study examining actual experience over the four year period ending June 30, 2016. The retiree and spousal election assumptions were based on actual retiree election experience between the period from April 1, 2012 to June 30, 2016.

E. Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 1,876,402
Changes for the year:	
Service cost	121,517
Interest	42,614
Changes in assumptions or other inputs	(205,482)
Benefit payments	(50,341)
Net changes	(91,692)
Balance at June 30, 2023	\$ 1,784,710

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 3.54%, 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 (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	\$ 1,977,205	\$ 1,784,712	\$ 1,616,699

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 (4.0%) or one percentage point higher (6.0%) than the current healthcare cost trend rates:

	1% Decrease (4.0%)	Current Healthcare Cost Trend (5.0%)	1% Increase (6.0%)
Total OPEB Liability	\$ 1,611,463	\$ 1,784,712	\$ 1,993,280

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$89,019. At June 30, 2023, 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	\$ -	\$ (534,164)
Change in assumptions	207,996	(260,469)
Employer contributions subsequent to the measurement date	69,496	-
Total	\$ 277,492	\$ (794,633)

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

The \$69,496 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, 2024. 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>
2024	\$ (75,112)
2025	(75,112)
2026	(74,278)
2027	(66,747)
2028	(65,612)
Thereafter	<u>(229,776)</u>
Total	<u>\$ (586,637)</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, 2023 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 \$68,979 and \$61,646 for the years ended June 30, 2023 and 2022, respectively.

In June 2022, 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 a Budget Amendment included in Chapter 1 of the 2022 Appropriations Act. The Town's share of this contribution was \$15,974.

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, 2023, the Town reported a liability of \$631,910 for its proportionate share of the net GLI OPEB Liability. The net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.05248% as compared to 0.05003% at June 30, 2021.

For the year ended June 30, 2023, the Town employees recognized GLI OPEB expense of \$24,042. 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, 2023, 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	\$ 50,039	\$ (25,351)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(39,485)
Change in assumptions	23,569	(61,551)
Changes in proportionate share	37,430	(15,872)
Employer contributions subsequent to the measurement date	68,979	-
Total	\$ 180,017	\$ (142,259)

The \$68,979 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, 2024. 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
2024	\$ (7,709)
2025	(5,278)
2026	(27,160)
2027	7,974
2028	952
Total	\$ (31,221)

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, 2021, 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, 2022.

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 – General Employees

Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally, females set forward 2 years.

Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally, 110% of rates for females.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally, 110% of rates for males and females.

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, 2021 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, 2019. 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 – 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, 2021 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, 2019. 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, 2022, NOL amounts (in thousands) for the GLI are as follows (in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net GLI OPEB liability	\$ 1,204,096

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

67.21%

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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	Inflation		2.50%

* Expected arithmetic nominal return

7.83%

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 7.83%. 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 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40% percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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, 2022, 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 100% of the actuarially determined contribution rate. From July 1, 2022 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	\$ 919,503	\$ 631,910	\$ 399,495

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-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	\$ 155,694	\$ 58,054	\$ 213,748
Changes of assumptions	508,677	189,672	698,349
Employer contributions subsequent to the measurement date	1,038,010	387,050	1,425,060
Total deferred outflow of resources, Pensions	\$ 1,702,381	\$ 634,776	\$ 2,337,157
Deferred outflows of resources - OPEB			
Difference between expected and actual experience - VRS - GLI	\$ 35,728	\$ 14,311	\$ 50,039
VRS - GLI	16,828	6,741	23,569
Local Plan	148,509	59,487	207,996
Changes in proportion - VRS - GLI	26,725	10,705	37,430
Employer contributions subsequent to the measurement date			
Local Plan	49,620	19,876	69,496
VRS - GLI	49,251	19,728	68,979
Total deferred outflow of resources, OPEB	\$ 326,661	\$ 130,848	\$ 457,509
Total deferred outflows of resources	\$ 2,029,042	\$ 765,624	\$ 2,794,666
Net pension liability - VRS	\$ 2,569,499	\$ 958,103	\$ 3,527,602
Net OPEB liability			
Local Plan	\$ 1,274,284	\$ 510,426	\$ 1,784,710
VRS - GLI	451,184	180,726	631,910
Total net OPEB liability	\$ 1,725,468	\$ 691,152	\$ 2,416,620
Deferred inflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 1,164,525	\$ 434,219	\$ 1,598,744
Net difference between projected and actual earnings on pension plan investments	944,033	352,011	1,296,044
Total deferred inflows of resources, Pensions	\$ 2,108,558	\$ 786,230	\$ 2,894,788
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Local Plan	\$ 381,393	\$ 152,771	\$ 534,164
VRS - GLI	18,101	7,250	25,351
Net difference between projected and actual earnings on pension plan investments - VRS GLI	28,192	11,293	39,485
Changes of assumptions			
Local Plan	185,976	74,493	260,469
VRS - GLI	43,947	17,604	61,551
Change in proportionate share - VRS - GLI	11,333	4,539	15,872
Total deferred inflows of resources, OPEB	\$ 668,942	\$ 267,950	\$ 936,892
Total deferred inflows of resources	\$ 2,777,500	\$ 1,054,180	\$ 3,831,680
Pension expense	\$ 323,676	\$ 120,690	\$ 444,366
OPEB expense			
Local Plan	\$ 63,560	\$ 25,459	\$ 89,019
VRS - GLI	17,166	6,876	24,042
Total OPEB expense	\$ 80,726	\$ 32,335	\$ 113,061

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	\$ 33,339	\$ -
General government administration	261,108	-
Cemetery perpetual care	-	255,816
Total restricted	294,447	255,816
Nonspendable:		
Prepaid items	174,473	-
Corpus of a permanent fund	-	1,204,722
Total nonspendable	174,473	1,204,722
Committed:		
Future Capital Improvements	5,019,253	-
Total nonspendable	5,019,253	-
Assigned for:		
General government administration	225,293	-
Public safety	373,094	-
Public works	1,040,446	-
Parks, recreation and cultural	3,401	-
Community development	206,570	-
Capital outlay	5,966,452	-
Budget stabilization fund	3,822,500	-
Total assigned	11,637,756	-
Unassigned	13,085,507	-
Total fund balance	\$ 30,211,436	\$ 1,460,538

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 \$9,823,775 for the year ended June 30, 2023. Of these purchases, \$1,660,656 is included in accounts payable as of June 30, 2023. 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 2023, expenses were increased by approximately \$630,000 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, 2023 were approximately \$192,000.

Line of Duty Act Coverage

The Town purchases insurance coverage for Line of Duty Act (LODA) claims approved by the State for career and volunteer law enforcement officers who are injured or killed while performing their duties. Total premiums for the year ended June 30, 2023 were approximately \$44,000.

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 \$93 million. The Town maintains an \$8,000,000 excess umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$10,000,000 limit for each, are provided through a policy with the VACORP. Total premiums for 2023 were approximately \$141,000.

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, 2023, 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. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The portion of Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The portion of the Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

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.

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	
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	
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	
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)	
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)	
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	
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	
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	
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	
Contributions - employee	413,261	429,532	454,467	469,814	459,863	518,066	502,753	493,420	541,125	
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)	
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)	
Administrative expense	(20,826)	(17,631)	(18,024)	(20,645)	(20,933)	(22,868)	(23,755)	(24,834)	(28,755)	
Other	204	(272)	(216)	(3,222)	(2,168)	(1,466)	(832)	955	1,082	
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)	
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	
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	
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	
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%	
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	
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%	

Note 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 for which information is available.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
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	\$ 1,425,060	
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	1,425,060	
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	
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%	

Note 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 for which information is available.

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2023

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, 2021 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, 2019. 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

TOWN OF CULPEPER, VIRGINIA

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

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 85,789	\$ 88,792	\$ 85,767	\$ 84,393	\$ 120,056	\$ 121,517
Interest	55,992	59,997	67,535	61,299	55,742	42,614
Effect of economic/demographic gains or losses	-	-	(39,303)	370,322	(634,555)	-
Changes of assumptions	-	(66,086)	(62,153)	297,138	(22,741)	(205,482)
Benefit payments, including refunds of employee contributions	(30,314)	(30,313)	(44,143)	(67,632)	(88,150)	(50,341)
Net change in total OPEB liability	111,467	52,390	7,703	745,520	(569,648)	(91,692)
Total OPEB liability - beginning	1,528,970	1,640,437	1,692,827	1,700,530	2,446,050	1,876,402
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>\$ 1,784,710</u>
Covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967
The Town's net OPEB liability as a percentage of covered-employee payroll	17.37%	17.91%	16.95%	23.28%	18.17%	15.63%

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
Contractually required contribution (CRC)	\$ 44,301	\$ 30,314	\$ 30,313	\$ 67,632	\$ 88,150	\$ 50,341	\$ 69,496
Contributions in relation to the CRC	44,301	30,314	30,313	67,632	88,150	50,341	69,496
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
Contributions as a percentage of covered-employee payroll	0.47%	0.32%	0.30%	0.64%	0.85%	0.44%	0.54%

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
Employer's proportion of the net GLI OPEB liability	0.05127%	0.04973%	0.05085%	0.05106%	0.05003%	0.05248%
Employer's proportionate share of the net GLI OPEB liability	\$ 772,000	\$ 755,000	\$ 827,465	\$ 852,108	\$ 582,485	\$ 631,910
Employer's covered payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112	\$ 11,415,967
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%
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%

(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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 39,686	\$ 41,460	\$ 43,912	\$ 49,173	\$ 49,555	\$ 51,834	\$ 54,595	\$ 55,777	\$ 61,646	\$ 68,979
Contributions in relation to the CRC	39,686	41,460	43,912	49,173	49,555	51,834	54,595	55,777	61,646	68,979
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 8,267,989	\$ 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
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2023

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	3.54%
------	-------

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, 2019. 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, 2023

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, 2023

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents, restricted (Note 2)	\$ 61,912	\$ 290,663	\$ 352,575
Investments, restricted	193,904	913,159	1,107,063
Receivables, restricted	-	900	900
Total assets	\$ 255,816	\$ 1,204,722	\$ 1,460,538
FUND BALANCES			
Nonspendable	\$ -	\$ 1,204,722	\$ 1,204,722
Restricted	255,816	-	255,816
Total fund balances	\$ 255,816	\$ 1,204,722	\$ 1,460,538

TOWN OF CULPEPER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
Revenues:			
Use of money and property	\$ 34,683	\$ -	\$ 34,683
Other income	-	36,500	36,500
Total revenues	34,683	36,500	71,183
Net change in fund balances	34,683	36,500	71,183
Fund balances, beginning	221,133	1,168,222	1,389,355
Fund balances, ending	\$ 255,816	\$ 1,204,722	\$ 1,460,538

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2023

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	\$ 1,669,000	\$ 1,669,000	\$ 1,698,967	\$ 29,967
Personal property taxes	1,950,150	1,950,150	1,992,759	42,609
Machinery and tools tax	200,000	200,000	215,226	15,226
Public service real estate and property taxes	37,000	37,000	32,094	(4,906)
Total general property taxes	3,856,150	3,856,150	3,939,046	82,896
Other local taxes:				
Local sales and use taxes	2,000,000	2,000,000	2,205,862	205,862
Business license taxes	945,000	945,000	1,400,394	455,394
Franchise license tax	80,000	80,000	85,378	5,378
Bank stock taxes	450,000	450,000	631,658	181,658
Cigarette taxes	200,000	200,000	194,250	(5,750)
Hotel and motel room tax	525,000	525,000	764,651	239,651
Meals tax	5,100,000	5,100,000	5,728,428	628,428
Admissions tax	20,000	20,000	36,471	16,471
Local consumption taxes	60,000	60,000	64,315	4,315
Total other local taxes	9,380,000	9,380,000	11,111,407	1,731,407
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	182,000	182,000	156,589	(25,411)
Total permits, privilege fees, and regulatory license	182,000	182,000	156,589	(25,411)
Fines and forfeitures	156,000	156,000	148,474	(7,526)
Use of money and property:				
Net revenue from use of money	200,000	200,000	269,666	69,666
Revenue from use of property	278,600	278,600	366,051	87,451
Total revenue from use of money and property	478,600	478,600	635,717	157,117
Charges for services:				
Sanitation equipment replacement fee	170,000	170,000	176,822	6,822
Trash disposal fee	40,000	40,000	57,005	17,005
Crosswalk traffic control	16,000	16,000	19,800	3,800
Cable Media Network PEG fees	7,000	7,000	6,279	(721)
Police department counter transactions	-	-	607	607
Burial permits	50,000	50,000	61,600	11,600
Consumer tour program	-	-	1,220	1,220
FOIA request fees	500	500	2,991	2,491
Total charges for services	283,500	283,500	326,324	42,824
Miscellaneous	132,000	187,213	305,458	118,245
Total revenue from local sources	14,468,250	14,523,463	16,623,015	2,099,552

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND **Year Ended June 30, 2023**

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	\$ 133,946	\$ 133,946	\$ 133,946	\$ -
Water Fund:				
Utility services	880,004	880,004	880,004	-
Motor pool	10,000	10,000	10,000	-
Mow, mulch and trim	6,000	6,000	6,000	-
Wastewater Fund:				
Utility services	880,004	880,004	880,004	-
Motor pool	31,000	31,000	31,000	-
Mow, mulch and trim	15,000	15,000	15,000	-
Light and Power Fund:				
Utility services	1,458,538	1,458,538	1,458,538	-
Motor pool	51,000	51,000	51,000	-
Mow, mulch and trim	7,500	7,500	7,500	-
Total recovered costs	3,472,992	3,472,992	3,472,992	-
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	4,911	911
Total non-categorical aid	228,104	228,104	229,015	911
Categorical aid:				
Litter control	4,500	4,500	8,006	3,506
Law enforcement grants	323,144	497,081	372,889	(124,192)
Fire program	70,000	80,491	80,491	-
Street and highway maintenance	2,110,000	2,110,000	2,442,574	332,574
Tourism grant	99,500	99,500	25,000	(74,500)
Department of Transportation	-	-	188,325	188,325
Other	15,000	15,000	35,704	20,704
Total categorical aid	2,622,144	2,806,572	3,152,989	346,417
Total intergovernmental revenue from the Commonwealth	2,850,248	3,034,676	3,382,004	347,328
Revenue from the Federal government:				
Categorical aid:				
American Rescue Plan Act	-	250,000	5,980,839	5,730,839
FEMA	-	-	36,489	36,489
Department of Transportation	-	384,000	1,101,957	717,957
Law enforcement grants	-	-	58,258	58,258
Total categorical aid	-	634,000	7,177,543	6,543,543
Total intergovernmental revenue from the Federal government	-	634,000	7,177,543	6,543,543
Total intergovernmental revenue	2,850,248	3,668,676	10,559,547	6,890,871
Total General Fund	\$ 20,791,490	\$ 21,665,131	\$ 30,655,554	\$ 8,990,423

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2023

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personnel	\$ 102,000	\$ 102,000	\$ 102,000	\$ -
Fringe benefits	29,885	29,885	26,993	(2,892)
Other charges	38,250	42,950	40,605	(2,345)
Total Town Council	170,135	174,835	169,598	(5,237)
Total legislative	170,135	174,835	169,598	(5,237)
General and financial:				
Town Manager's office:				
Personnel	96,579	96,579	97,224	645
Fringe benefits	48,471	48,471	47,869	(602)
Other charges	7,750	7,750	6,238	(1,512)
Total Town manager's office	152,800	152,800	151,331	(1,469)
Town clerk's office:				
Personnel	243,627	243,627	213,713	(29,914)
Fringe benefits	94,639	94,639	86,277	(8,362)
Other charges	22,400	22,400	19,170	(3,230)
Contractual services	1,300	1,300	1,220	(80)
Total Town clerk's office	361,966	361,966	320,380	(41,586)
Treasurer's office:				
Personnel	1,044,898	1,044,898	1,027,908	(16,990)
Fringe benefits	423,755	423,755	395,270	(28,485)
Other charges	216,450	148,237	168,399	20,162
Contractual services	20,000	20,000	550	(19,450)
Total treasurer's office	1,705,103	1,636,890	1,592,127	(44,763)
Human resources office:				
Personnel	224,886	224,886	230,803	5,917
Fringe benefits	69,898	69,898	86,364	16,466
Other charges	93,750	93,750	68,030	(25,720)
Total human resources office	388,534	388,534	385,197	(3,337)
Special Projects Administration:				
Personnel	131,780	131,780	102,875	(28,905)
Fringe benefits	42,909	42,909	65,746	22,837
Other charges	-	-	940	940
Total Special Projects Administration	174,689	174,689	169,561	(5,128)
Information Technology:				
Personnel	723,288	723,288	736,987	13,699
Fringe benefits	239,846	239,846	236,536	(3,310)
Leased equipment	-	-	114,912	114,912
Other charges	1,074,293	1,165,756	1,099,678	(66,078)
Total information technology	2,037,427	2,128,890	2,188,113	59,223
Motor pool:				
Personnel	266,138	266,138	274,599	8,461
Fringe benefits	110,189	110,189	114,148	3,959
Other charges	15,050	32,599	20,521	(12,078)
Total motor pool	391,377	408,926	409,268	342
General and financial administration:				
Legal	100,050	100,050	62,609	(37,441)
Independent auditor and actuary	72,600	93,145	75,995	(17,150)
Insurance and bonding	98,200	98,200	92,350	(5,850)
Total general and financial administration	270,850	291,395	230,954	(60,441)
Total general government administration	5,652,881	5,718,925	5,616,529	(102,396)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2023

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	\$ 4,165,647	\$ 4,165,647	\$ 4,217,904	\$ 52,257
Fringe benefits	1,507,668	1,507,668	1,540,604	32,936
Leased equipment	-	-	97,410	97,410
Vehicle operation	315,041	879,517	843,163	(36,354)
Drug fund	15,000	15,000	5,606	(9,394)
E911 center	785,486	785,486	785,486	-
Other charges	282,322	546,107	145,345	(400,762)
Total law enforcement and traffic control	7,071,164	7,899,425	7,635,518	(263,907)
Total public safety	7,071,164	7,899,425	7,635,518	(263,907)
Public works:				
General engineering:				
Personnel	144,558	144,558	144,811	253
Fringe benefits	61,343	61,343	61,735	392
Other charges	13,600	14,427	14,010	(417)
Total general engineering	219,501	220,328	220,556	228
Highways, streets, bridges and sidewalks:				
Personnel	1,046,893	1,046,893	1,115,814	68,921
Fringe benefits	392,030	392,030	430,816	38,786
Other charges	351,050	314,601	381,387	66,786
Repairs and maintenance	906,000	918,000	630,208	(287,792)
Contractual services	25,000	25,000	40,015	15,015
Rental of street lights	165,000	165,000	172,346	7,346
Snow and ice removal	85,300	85,300	22,527	(62,773)
Traffic engineering	208,453	245,290	140,332	(104,958)
Total highways, streets, bridges, and sidewalks	3,179,726	3,192,114	2,933,445	(258,669)
Refuse collection:				
Personnel	219,575	219,575	190,286	(29,289)
Fringe benefits	103,639	103,639	94,333	(9,306)
Other charges	207,400	540,350	208,432	(331,918)
Total refuse collection	530,614	863,564	493,051	(370,513)
General properties:				
Personnel	188,433	188,433	181,717	(6,716)
Fringe benefits	79,217	79,217	69,105	(10,112)
Other charges	570,050	570,050	369,807	(200,243)
Contractual services	40,000	40,000	57,586	17,586
Total general properties	877,700	877,700	678,215	(199,485)
Total public works	4,807,541	5,153,706	4,325,267	(828,439)
Parks, recreation and cultural:				
Parks and recreation:				
Personnel	211,589	211,589	205,727	(5,862)
Fringe benefits	87,876	87,876	80,733	(7,143)
Other charges	102,800	115,900	70,630	(45,270)
Total parks and recreation	402,265	415,365	357,090	(58,275)
Cultural:				
Culpeper Media Network	267,893	267,893	265,688	(2,205)
Total cultural	267,893	267,893	265,688	(2,205)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2023

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	\$ 49,146	\$ 49,146	\$ 51,489	\$ 2,343
Fringe benefits	19,120	19,120	16,069	(3,051)
Other charges	33,300	33,300	25,369	(7,931)
Contractual services	7,500	7,500	3,193	(4,307)
Total cemetery	109,066	109,066	96,120	(12,946)
Total parks, recreation and cultural	779,224	792,324	718,898	(73,426)
Community development:				
Planning and zoning:				
Personnel	552,854	552,854	560,675	7,821
Fringe benefits	228,329	228,329	241,661	13,332
Other charges	56,590	95,244	48,812	(46,432)
Total planning and zoning	837,773	876,427	851,148	(25,279)
Visitors center:				
Personnel	56,921	56,921	55,257	(1,664)
Fringe benefits	4,440	4,440	4,290	(150)
Other charges	24,860	30,860	24,807	(6,053)
Total visitors center	86,221	92,221	84,354	(7,867)
Tourism:				
Personnel	300,510	300,510	326,113	25,603
Fringe benefits	99,372	99,372	115,850	16,478
Other charges	338,100	428,406	201,135	(227,271)
Total tourism	737,982	828,288	643,098	(185,190)
Economic development:				
Other charges	192,875	195,950	195,950	-
Total economic development	192,875	195,950	195,950	-
Community support:				
Volunteer fire department	195,000	205,491	205,491	-
Rescue services	25,000	25,000	25,000	-
Virginia Regional Transit	144,906	144,906	144,906	-
Total community support	364,906	375,397	375,397	-
Total community development	2,219,757	2,368,283	2,149,947	(218,336)
Parking authority:				
Other charges	70,450	98,450	64,333	(34,117)
Total parking authority	70,450	98,450	64,333	(34,117)
Capital projects	3,027,580	9,881,784	2,127,497	(7,754,287)
Debt service:				
Principal	1,194,000	1,194,000	1,403,739	209,739
Interest	231,153	231,153	233,746	2,593
Total debt service	1,425,153	1,425,153	1,637,485	212,332
Total General Fund	\$ 25,053,750	\$ 33,338,050	\$ 24,275,474	\$ (9,062,576)

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2023

	Industrial Development Authority
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 76,808
Cash and cash equivalents, restricted	<u>51,185</u>
Total assets	<u><u>\$ 127,993</u></u>
LIABILITIES	
Debt service reserve	<u>\$ 47,630</u>
Total liabilities	<u>47,630</u>
FUND BALANCE	
Restricted	51,185
Unassigned	<u>29,178</u>
Total fund balance	<u>80,363</u>
 Total liabilities and fund balance	 <u><u>\$ 127,993</u></u>

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2023**

	Industrial Development Authority
Revenues:	
Intergovernmental	\$ 25,055
Revenue from use of property	<u>40</u>
Total revenues	<u>25,095</u>
Expenditures:	
Community development	<u>25,453</u>
Total expenditures	<u>25,453</u>
Expenditures under revenues	<u>(358)</u>
Net change in fund balance	(358)
Fund balance, beginning	<u>80,721</u>
Fund balance, ending	<u><u>\$ 80,363</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,									
	2014	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018	2019	2020 ⁽¹⁾	2021	2022 ⁽¹⁾	2023
Governmental activities:										
Net investment in capital assets	\$ 35,443,423	\$ 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
Restricted	1,438,266	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
Unrestricted	4,622,870	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
Total governmental activities net position	\$ 41,504,559	\$ 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
Business-type activities:										
Net investment in capital assets	\$ 27,911,757	\$ 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
Unrestricted	23,275,294	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
Total business-type activities net position	\$ 51,187,051	\$ 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
Primary government										
Net investment in capital assets	\$ 63,355,180	\$ 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
Restricted	1,438,266	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
Unrestricted	27,898,164	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
Total primary government net position	\$ 92,691,610	\$ 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

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 2,069,656	\$ 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
Public safety	4,620,506	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
Public works	4,882,783	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
Parks, recreation and cultural	869,890	658,510	734,657	727,557	777,456	775,021	638,436	667,456	672,197	712,143
Community development	1,463,571	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
Parking Authority	-	-	-	-	-	-	-	10,880	79,515	64,333
Interest	567,245	502,905	557,705	323,497	390,139	365,932	357,229	232,514	242,102	198,354
Total governmental activities	14,473,651	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
Business-type activities:										
Water	3,947,082	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
Wastewater	5,401,822	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
Electric	11,823,318	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
Total business-type activities expense	21,172,222	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
Total primary government expenses	35,645,873	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
Program revenues:										
Governmental activities:										
Charges for services:										
General government	53,062	63,438	81,443	90,053	117,936	90,556	125,733	177,246	150,921	45,932
Public safety	157,238	159,236	195,365	202,554	188,458	233,361	142,554	116,134	137,294	139,407
Public works	322,027	390,969	432,509	313,983	366,920	318,291	261,885	194,676	220,814	233,827
Parks, recreation and cultural	430,869	410,854	420,362	430,210	461,456	509,131	117,234	168,146	182,500	65,550
Community development	41,585	35,243	37,304	19,471	27,718	32,804	189,639	231,639	223,192	146,671
Operating grants and contributions	2,400,103	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
Capital grants and contributions	2,292,433	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	5,697,317	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
Business-type activities:										
Charges for services:										
Water	4,102,902	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
Wastewater	5,224,087	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
Electric	11,444,085	12,106,804	11,592,942	11,711,465	12,486,678	12,981,235	12,577,012	12,072,822	13,174,024	15,229,309
Operating grants and contributions	3,047	1,369	24,020	29,542	15,597	16,341	8,812	218,514	228,278	1,409,994
Capital grants and contributions	818,910	-	-	994,049	10,846,873	7,340,842	1,063,423	1,133,623	3,549,027	836,622
Total business-type activities program revenues	21,593,031	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
Total primary government program revenues	27,290,348	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
Net (expense) revenue:										
Governmental activities	(8,776,334)	(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)
Business-type activities	420,809	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
Total primary government net expense	(8,355,525)	(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)

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 3,052,885	\$ 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
Food and beverage tax	3,362,648	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
Sales taxes	1,409,401	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
Business license tax	1,044,986	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
Bank stock tax	305,972	349,495	338,243	390,832	431,595	483,997	402,494	494,982	510,246	631,658
Cigarette tax	173,094	162,582	167,265	156,238	165,818	247,326	225,899	220,301	207,338	194,250
Hotel and motel tax	328,032	325,775	342,965	449,636	498,669	448,369	358,721	368,494	503,564	764,651
Other local taxes	193,414	194,523	180,285	178,811	188,325	187,320	194,478	159,269	186,385	186,164
Intergovernmental revenue	231,885	231,499	231,707	230,933	285,596	393,438	332,387	275,075	231,475	229,015
Use of money and property	20,845	18,793	36,412	45,754	117,859	345,501	712,349	405,956	(580,986)	670,400
Sale of surplus of real estate	-	-	-	-	-	-	-	-	1,150,000	-
Miscellaneous	103,546	165,826	331,402	50,778	92,164	512,269	122,307	147,371	156,676	341,958
Transfers	594,982	625,612	593,538	611,435	607,965	604,380	664,545	672,848	673,159	695,543
Total governmental activities	10,821,690	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
Business-type activities:										
Investment earnings	37,648	30,050	60,471	127,950	242,858	527,505	701,426	228,589	(963,540)	246,682
Other	-	6,668	8,301	13,212	-	9,219	-	-	-	-
Insurance recovery	447,114	7,929	3,474	-	-	-	-	-	-	-
Transfers	(594,982)	(625,612)	(593,538)	(611,435)	(607,965)	(604,380)	(664,545)	(672,848)	(673,159)	(695,543)
Total business-type activities	(110,220)	(580,965)	(521,292)	(470,273)	(365,107)	(67,656)	36,881	(444,259)	(1,636,699)	(448,861)
Total primary government	10,711,470	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
Changes in net position/assets:										
Governmental activities	2,045,356	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
Business-type activities	310,589	792,276	1,759,425	2,128,562	11,934,279	9,962,802	36,881	322,904	513,648	(204,906)
Total primary government	\$ 2,355,945	\$ 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

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)**

	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 86,437	\$ -	\$ -	\$ 82,081	\$ 125,672
Restricted	6,732,852	5,300,787	5,399,922	2,957,401	339,124
Committed	-	-	176,088	-	-
Assigned	352,985	86,656	448,203	2,491,370	3,504,418
Unassigned	4,726,934	5,377,641	5,663,645	6,818,439	10,711,025
Total General Fund	\$ 11,899,208	\$ 10,765,084	\$ 11,687,858	\$ 12,349,291	\$ 14,680,239
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 847,322
Restricted	703,499	758,254	822,133	893,371	109,828
Total all other governmental funds	\$ 703,499	\$ 758,254	\$ 822,133	\$ 893,371	\$ 957,150

	2019	2020	2021	2022	2023
General Fund:					
Nonspendable	\$ 121,487	\$ 152,026	\$ 154,128	\$ 220,372	\$ 174,473
Restricted	230,698	41,677	297,199	256,385	294,447
Committed	-	-	3,363,922	5,173,214	5,019,253
Assigned	7,368,961	7,671,403	5,341,674	4,828,735	11,637,756
Unassigned	7,348,636	7,099,139	7,725,840	12,446,186	13,085,507
Total General Fund	\$ 15,069,782	\$ 14,964,245	\$ 16,882,763	\$ 22,924,892	\$ 30,211,436
All Other Governmental Funds:					
Nonspendable	\$ 916,872	\$ 965,622	\$ 1,063,922	\$ 1,168,222	\$ 1,204,722
Restricted	132,716	161,173	190,521	221,133	255,816
Total all other governmental funds	\$ 1,049,588	\$ 1,126,795	\$ 1,254,443	\$ 1,389,355	\$ 1,460,538

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Taxes	\$ 9,852,810	\$ 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
Permits, privilege fees and regulatory licenses	304,884	275,969	364,246	297,808	339,691	370,949	396,997	431,300	434,046	156,589
Fines and forfeitures	103,206	122,292	118,324	134,158	113,085	131,494	107,599	144,263	127,949	148,474
Use of money and property	210,983	202,029	212,379	213,887	364,243	597,370	712,349	405,956	(580,986)	670,400
Charges for services	293,820	328,502	279,147	295,860	378,002	353,125	332,449	312,278	352,726	326,324
Miscellaneous	216,950	300,545	196,889	131,122	251,708	622,890	122,307	147,371	156,676	341,958
Recovered costs	1,835,240	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
Intergovernmental	3,953,986	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
Total revenues	16,771,879	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
Expenditures:										
General government administration	3,190,149	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
Public safety	4,290,573	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
Public works	3,330,713	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
Parks, recreation and cultural	828,728	665,109	730,184	703,051	769,988	752,292	630,020	687,039	679,757	718,898
Community development	1,435,055	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
Parking Authority	-	-	-	-	-	-	-	10,880	79,515	64,333
Pandemic expenses	-	-	-	-	-	-	-	1,971,481	1,033,775	-
Capital projects	5,466,703	5,709,587	884,820	1,284,343	738,983	1,988,530	1,467,841	2,107,280	690,677	2,127,497
Debt service:										
Principal	933,736	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
Interest and fiscal charges	520,199	533,486	511,519	410,324	457,469	442,579	434,116	289,124	274,397	233,746
Bond issuance costs	53,236	7,896	73,022	-	-	-	44,643	-	-	-
Total expenditures	20,049,092	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
Revenues over (under) expenditures	(3,277,213)	(2,150,157)	(40,172)	49,998	1,786,762	(122,449)	(5,908,875)	1,441,159	4,275,813	6,451,263
Other financing sources (uses):										
Proceeds from borrowing	3,676,500	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
Issuance of subscription liability	-	-	-	-	-	-	-	-	-	162,012
Sale of surplus real estate	-	-	299,932	-	-	-	-	-	1,150,000	-
Transfers in	594,982	625,612	593,538	611,435	607,965	604,380	664,545	672,848	673,159	695,543
Total other financing sources, net	4,271,482	1,055,612	962,946	611,435	607,965	604,380	5,880,545	672,848	1,901,228	906,464
Net change in fund balances	\$ 994,269	\$ (1,094,545)	\$ 922,774	\$ 661,433	\$ 2,394,727	\$ 481,931	\$ (28,330)	\$ 2,114,007	\$ 6,177,041	\$ 7,357,727
Debt service as a percentage of noncapital expenditures:	9.69%	11.23%	11.90%	10.33%	12.02%	9.43%	29.10%	8.08%	7.79%	7.12%

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		
2014	2013	\$ 1,411,785,500	\$ 142,461,383	\$ 18,781,109	\$ 25,499,302	\$ 58,635	\$ 1,598,585,929	\$ 1.93
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

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

(1) Per \$100 of assessed value

(2) For 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.

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	
2014	2013	\$ 0.13	N/A	\$ 1.00	\$ 0.80	\$ 0.13	\$ 1.00	\$ 0.83	\$ 3.50	\$ 1.93
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	0.62	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	1.00	0.55	3.50	1.882 / 1.632

Notes:

(1) All rates are per \$100 of assessed value.

(2) For 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 Ten Years Ago (Unaudited)

Taxpayer	Type Business	Fiscal Year June 30, 2023			Fiscal Year June 30, 2014		
		2022 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2013 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Culpeper 2018, LLC	Shopping Center	\$ 23,264,800	1	1.02%	\$ -	-	-
Society for Worldwide Interbank	Data Center	21,781,000	2	0.95%	19,463,500	2	1.34%
Dominion Square - Culpeper LLC	Shopping Center	16,880,800	3	0.74%	14,683,600	4	1.01%
Verizon Virginia LLC	Telecommunications	12,998,646	4	0.57%	15,063,937	3	1.04%
Frep IV - Center at Culpeper LLC	Shopping Center	12,756,900	5	0.56%	-	-	-
Columbia Gas of Virginia	Gas Utility	12,165,479	6	0.53%	7,628,996	10	0.53%
Wal-Mart	Retail/Grocery	12,126,700	7	0.53%	10,905,600	6	0.75%
VA Equities LLC	Shopping Center	10,262,100	8	0.45%	-	-	-
Culpeper Storage LLC	Public Storage	9,107,700	9	0.40%	-	-	-
Mulberry Condos LLC	Residential Housing	9,002,500	10	0.39%	-	-	-
Culpeper Memorial Hospital (1)	Healthcare	-	-	-	25,631,400	1	1.77%
Culpeper Marketplace Associates	Shopping Center	-	-	-	9,776,400	7	0.68%
Culpeper Regency LLC	Shopping Center	-	-	-	12,293,300	5	0.85%
Culpeper Shopping Center	Shopping Center	-	-	-	8,846,800	8	0.61%
Maloney Aquision Inc.	Manufacturer	-	-	-	8,351,200	9	0.58%
Total		\$ 140,346,625		6.14%	\$ 132,644,733		9.16%
Total Real Property Assessed Value		\$ 2,291,635,251		100.00%	\$ 1,448,309,295		100.00%

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
2014	2013	\$ 2,970,019	\$ 2,774,376	93.41%	\$ 147,026	\$ 48,617	\$ 2,921,402	98.36%
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%

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	
	General		General Obligation Bonds			Capital Leases		Town Cumulative Personal Income	Debt Per Capita (3)
	Obligation Bonds(1)	Leases and SBITA(2)	Water Bonds	Wastewater Bonds	Electric Bonds				
2014	\$ 18,457,598	\$ -	\$ 7,394,349	\$ 19,289,433	\$ 5,852,615	\$ 212,707	\$ 51,206,702	7.76%	\$ 2,945
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

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
2014	\$ 50,993,995	3.19%	\$ 2,933
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

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assessed value of real estate	\$ 1,437,284,802	\$ 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
Debt limit (10% of assessed value)	\$ 143,728,480	\$ 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
Less: Debt applicable to limit										
General obligation bonds	50,993,995	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
Capital leases	212,707	150,658	81,180	44,009	-	-	-	-	-	-
Leases - GASB 87	-	-	-	-	-	-	-	-	313,053	201,539
Subscriptions - GASB 96	-	-	-	-	-	-	-	-	-	112,696
Total	51,206,702	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
Legal debt margin	\$ 92,521,778	\$ 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
Total debt applicable to the limit as a percentage of debt limit	35.6%	36.0%	30.5%	28.0%	24.1%	22.3%	19.2%	17.3%	14.2%	12.8%
Total debt applicable to the limit as a percentage of assessed value	3.6%	3.6%	3.1%	2.8%	2.4%	2.2%	1.9%	1.7%	1.4%	1.3%
Debt applicable to limit:										
Allocated to General Fund	\$ 18,457,598	\$ 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
Allocated to Enterprise Funds	32,749,104	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
Total	\$ 51,206,702	\$ 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

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	
2014	\$ 18,653,465	\$ 16,993,104	\$ 1,660,361	\$ 1,585,474	\$ 1,187,744	0.60
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	24,261,134	22,205,778	2,055,356	1,736,000	643,387	0.86

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
2014	17,385	\$ 659,639,055	\$ 37,943	\$ 65,235	38.5	3,935	5.80%
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%

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	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Culpeper County School Board ⁽¹⁾	1000-2999	1	4.3%	1,100	1	7.2%
Novant Health UVA Culpeper Medical	500-999	2	2.9%	698	2	4.6%
Culpeper County Government ⁽¹⁾	250-499	3	2.0%	478	4	3.1%
Wal-Mart Stores	250-499	3	2.0%	500	3	3.3%
Masco Builder Cabinet Group	200-349	5	1.3%	340	6	2.2%
Rappahannock Rapidian Community Services ⁽¹⁾	200-349	5	1.3%	-	-	-
S.W.I.F.T., Inc.	200-349	5	1.3%	180	10	1.2%
Bingham and Taylor Corp	200-349	5	1.3%	-	-	-
Continental Automotive Systems ⁽²⁾	150-299	9	0.8%	240	8	1.6%
Coffewood Correctional Center	150-299	9	0.8%	-	-	-
Town of Culpeper	150-299	9	0.8%	177	11	1.2%
Cintas Corporation	-	-	-	265	7	1.7%
Culpeper Heath & Rehabilitation Center	-	-	-	186	9	1.2%
Virginia Department of Transportation ⁽¹⁾	-	-	-	415	5	2.7%
			<u>18.8%</u>			<u>30.0%</u>
Total County Employment	<u>25,874</u>			<u>15,247</u>		

Notes:

(1) Also has locations in the County

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

Source: 2014 Planning Department, Town of Culpeper
County of Culpeper, 2014 Annual Comprehensive Financial Report
2023 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	11	14	16	17	18	18	16	16	16	16
Planning	5	5	5	5	6	5	6	7	7	7
Building maintenance	4	4	4	5	5	4	6	6	6	6
Tourism and Visitors Center	2.5	2.5	3.5	4	4	4.5	4.5	4.5	5.125	5.125
Culpeper Media	2	2	2	2	2	2	2	2	2	2
Information Technology	6	6	7	6	6	7	4.5	5	7.525	7.525
Town Clerk	2	2	3	2	2.5	3	3	3	3	3
Public safety:										
Officers	42	42	40	42	43	46	46	46	46	46
Civilians	9	8	11	10	9	9	8	9	9	9
Public works:										
Refuse collection	5	5	5	4	4	4	4	4	4	4
Streets	16	18	17	18	17	18	16	16	16	16
Traffic engineering and motor pool	4	4	4	4	4	4	4	4	6	6
Parks and recreation										
Park	8	5	5	5	5	5	4	4	4	4
Cemetery	3	1.5	2	2	2	3	-	-	1	1
Water and wastewater operations	34	34	33	34	35	37	36	37	37	37
Electric operations	18	17	16	17	17	17	16	16	16	16
Total	177	175.5	179	182.5	185	192	181.5	185	191.15	191.15

Source: Finance 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety:										
Traffic violations	2,246	2,075	2,013	3,110	2,482	2,765	1,716	1,538	1,994	2,095
Parking violations	1,226	1,342	1,838	1,496	1,636	2,262	963	779	1,387	1,131
Arrests	1,346	1,330	1,266	1,167	1,205	1,151	1,107	1,049	1,292	1,473
Total crimes	1,542	1,680	1,742	1,681	1,801	1,587	1,542	1,465	1,954	2,310
Public works										
Street paving - crack sealant in pounds	136	693	-	-	129	-	-	-	-	-
Street paving - milling in sq. yds.	10,384	14,691	-	30,388	5,678	57,835	42,489	43,438	44,972	26,291
Street paving - bituminous concrete in tons	1,858	1,814	-	4,503	2,482	9,392	5,865	4,681	5,324	3,359
Recycling - cardboard in pounds	69,540	57,640	59,240	49,367	-	-	-	-	-	-
Water operations										
Number of service connections	6,931	6,930	7,093	7,103	7,352	7,504	7,588	7,676	7,742	7,798
Average daily water produced in gallons	1,900,000	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
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
Wastewater operations										
Number of service connections	6,662	6,667	6,823	6,849	7,024	7,178	7,256	7,315	7,349	7,412
Average daily flow in gallons	3,400,000	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
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	5,214	5,323	5,357	5,408	5,481	5,606	5,694	5,780	5,831	5,832
Average monthly consumption in kilowatt hrs	1,615	1,574	1,540	1,597	1,569	1,541	1,502	1,466	1,529	1,494
Highest system peak demand in megawatts	26.37	27.47	27.58	27.58	26.20	27.20	27.84	27.41	27.84	28.18

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	36	36	36	36	37	46	46	56	57	61
Public works:										
Streets (miles)	66	66	66	67	68	68	70	71	76	78
Street and yard lights	1,054	1,054	1,054	1,054	1,172	1,175	1,105	1,115	1,168	1,168
Traffic signals	20	19	19	19	17	17	17	17	17	18
Water operations:										
Miles of water main	101.4	102.6	104.0	104.7	106.0	106.0	107.0	107.3	108.4	108.4
Number of fire hydrants	740	713	725	734	750	750	761	763	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
Wastewater operations:										
Miles of sanitary sewer	95.5	95.5	96.8	97.6	98.0	98.0	99.0	99.3	100.3	100.3
Miles of storm sewer	30.5	30.5	30.5	32.0	32.2	32.2	33.3	33.7	34.5	34.5
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	9	10	11	11	12	11	11	11	11	11
Electric operations:										
Miles of overhead lines	27.7	27.7	27.7	27.9	32.2	32.2	32.2	32.2	32.2	32.2
Miles of underground lines	44.1	44.5	44.5	46.7	134.3	136.4	137.8	139.7	140.8	152.5
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, 2023

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 JUSTICE:				
Pass-through Payments:				
Virginia Department of Criminal Justice Services				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Provided	\$ -	\$ 41,674
Total Department of Justice				<u>41,674</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	-	<u>1,083,208</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>3,822</u>
Total Highway Safety Cluster				<u>3,822</u>
Total Department of Transportation				<u>1,087,030</u>
DEPARTMENT OF THE TREASURY:				
Pass-through Payments:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	7,077,087
Virginia Tourism Corporation:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	<u>21,729</u>
Total Department of the Treasury				<u>7,098,816</u>
Total Expenditures of Federal Awards				<u>\$ 8,227,520</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2023

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, 2023. 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.

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; 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, 2023, 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, 2023.

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, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE 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 the 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 the Town's major federal program for the year ended June 30, 2023. The Town's major federal program is 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 the Town's major federal program for the year ended June 30, 2023.

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; 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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, 2023

SCHEDULE OF FINDING AND QUESTIONED COSTS

Year Ended June 30, 2023

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 program:

Federal Assistance Listing

Number

Name of Federal Program or Cluster

21.027

COVID-19: Coronavirus State and Local Fiscal Recovery Funds

20.205

Highway Safety Cluster

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

√ Yes _____ No

SCHEDULE OF FINDING AND QUESTIONED COSTS
Year Ended June 30, 2023

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, 2023

FINANCIAL STATEMENT FINDING

A. 2022-001: Material Weakness Due to Material Audit Adjustment

Criteria: The year-end financial statements obtained from the Town to be audited should be final and free of material misstatements.

Condition: Upon auditing capital assets, we identified material audit entries related to beginning accumulated depreciation that resulted in a restatement.

Cause: Capital assets placed in service in previous years were being depreciated over the incorrect life.

Effect: The financial statements have been corrected to include the identified audit adjustment and restatement. The necessary entries were material to the financial statements, and were included as adjustments in order to more accurately represent the Town's financial position. Failure to record the material items noted above is a departure from GAAP.

Recommendation: We recommend the Town continue to be diligent in reviewing lives of capital assets.

Corrective Action Taken: The Town of Culpeper has reviewed all capital assets to ensure accumulated depreciation has been calculated correctly. Using the straight-line depreciation method, we have re-calculated the accumulated depreciation on each asset vs the useful life, date placed in service and the remaining periods for said assets. This will be an area of focus for assets placed in service in future years to ensure that depreciation is properly calculated each year.

Name of Contact Person: Howard A. Kartel, CPA, MGT
Director of Finance / Town Treasurer
(540)829-8220
hkartel@culpeperva.gov