

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020



TOWN OF CULPEPER, VIRGINIA

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FISCAL YEAR ENDED JUNE 30, 2020

PREPARED BY:

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

TOWN OF CULPEPER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2020

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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 18, 2020

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statutes, the Town of Culpeper hereby submits the audited Comprehensive Annual Financial Report (CAFR) on its financial position and activities for the fiscal year ended June 30, 2020. 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 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 8,500 customers.

ECONOMIC CONDITION AND OUTLOOK

Population growth continues within the Town in 2020, as evidenced by a multi-year trend of continued residential development. The Town is positioned in the D.C./Northern Virginia growth ring with a forecasted steady population increase of 29% during the next two decades by the UVA Weldon Cooper Center for Public Service. This growth trend is changing the face of the Town to that of a regional marketing area and commuter-oriented town. Culpeper is recognized regionally and statewide as a healthy and growing market, and has taken economic development initiatives to promote prospective commercial development properties and incentivize residential apartment development in the downtown business district. Recent growth and development shows that new opportunities exist for businesses that have located in or are considering building in the area. The County unemployment rate for Culpeper is 4.4%, which is below both the Virginia Statewide rate (6.2%) and the national rate (7.7%) as of September 2020.

During the last quarter of fiscal year 2020, the economic impact of the COVID-19 pandemic has been felt locally. Operating and capital budget reductions were made to the adopted fiscal year 2021 budget prior to the start of the new fiscal year, including a reduction in force for personnel due to the then-unknown severity and duration of the pandemic. The Town tourism-based taxes such as meals and lodging taxes saw declines from pre-pandemic levels. However, as of October 2020, they have recovered to at or more than 90% of prior year pre-pandemic amounts (meals tax 98%, lodging 90%), and fiscal year 2021 local sales and use tax revenues are exceeding the prior year due to continued local spending and the Town's share of taxes from internet shopping purchases. Fiscal year 2021 property tax assessments have been strong, but it is still unknown what impact the pandemic will have on business receipts for 2021 BPOL tax filings.

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

MAJOR INITIATIVES IN FISCAL YEAR 2020

Fiscal year 2020 brought a continued focus on improvements to Town infrastructure and operations, and planning for the future of our growing community. Certain projects were delayed as a result of budget cuts made in response to the economic conditions from the COVID-19 pandemic, and will be re-evaluated for inclusion in the upcoming fiscal year 2022 budget cycle. The following either began or continued during this past fiscal year:

- *Culpeper 20/20 Strategic Vision Plan* – The Culpeper 20/20 Strategic Vision Plan was created from a 2010 project to incorporate public input towards the development of a plan for Town development and improvements. The plan examined multiple areas of focus, and is updated annually as progress is made and needs are re-assessed. The plan was last updated in 2020, with primary areas of focus on the Downtown Masterplan, park access and recreation improvements, and sidewalk and road improvements, and bringing this vision to completion. A complete copy of the Culpeper 20/20 Strategic Vision Plan can be found on the Town website.
- *Debt refunding* – The Town had a successful debt refunding during fiscal year 2020, working with our financial advisors to refinance \$14.3 million of prior debt with a new loan with JPMorgan Chase. The Town will see cash flow savings from a reduction in debt service over the next 15 years totaling \$1,044,000.
- *Police Department Assigned Vehicle Program* – With the adoption of the fiscal year 2019 budget, Town Council approved funding for a significant expansion of the Assigned Vehicle Program. The program is designed to provide better response time to service calls, and benefits the community by having a fully

equipped police response to the scene. The program will also provide a benefit towards recruitment and retention of qualified police officers, as this program is in place in other jurisdictions that Culpeper competes with regionally for hiring. A total of thirteen new vehicles are budgeted for purchase under the program over two years in fiscal year 2019 and fiscal year 2020.

- *Rockwater Park* – In fiscal year 2018, Rockwater Park opened with 32 acres of green space, a picnic pavilion, restrooms, parking and one mile of walking trails. Park improvements completed since included a disc golf course, splash park and fitness course, along with an additional trail and pedestrian bridge to connect the park to a nearby hospital complex and residential community. Future improvements scheduled for fiscal year 2021 include additional park access points and parking, and the installation of children’s playground equipment funded in part by a local not-for-profit agency.
- *ERP implementation* – The Town continues working on a multi-year project to implement a new enterprise resource planning (ERP) system to replace its outdated legacy financial and business management software. The project began in fiscal year 2016, and to date the Town has implemented the following modules; General Ledger, Accounts Payable, Permitting, Business License, Cashiering and Human Resources/Payroll. The final phase to implement the Taxes and Utility Billing modules continued during fiscal year 2020, and is anticipated for final completion in 2021.

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 sixteenth consecutive year for its Comprehensive Annual Financial Report for the fiscal year ended, June 30, 2019. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. In order to be awarded a Certificate of Achievement, a government unit must timely publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must easily satisfy both generally accepted governmental accounting principles and applicable legal requirements.
- *Directors Award* – The Culpeper Water Treatment Plant maintained the Partnership for Safe Water Director’s Award for 2019. 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 7 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.

LONG –TERM FINANCIAL PLANNING

Capital Improvements Plan

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

Enterprise Fund Planning

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

Bond Credit Rating

The Town continues to maintain a credit rating of Aa2 from Moody's as well as an AA credit rating from Standard & 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. To date, Council has designated approximately \$5.9 million of fund balance to assigned fund balance under the policy.

ACCOUNTING SYSTEM, INTERNAL CONTROLS AND BUDGETARY CONTROLS

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

Staffing

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

Internal Controls

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'H. A. Kartel', is centered on the page.

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

TOWN OF CULPEPER, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS AS OF NOVEMBER 18, 2020

TOWN COUNCIL

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

Keith L. Brown
Jamie Clancey
Keith D. Price
Frank Reaves, Jr.

Pranas A. Rimeikis
Jon D. Russell
Meaghan Taylor

APPOINTED OFFICIALS

TOWN MANAGER
Christopher Hively

TOWN CLERK
Kimberly D. Allen

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

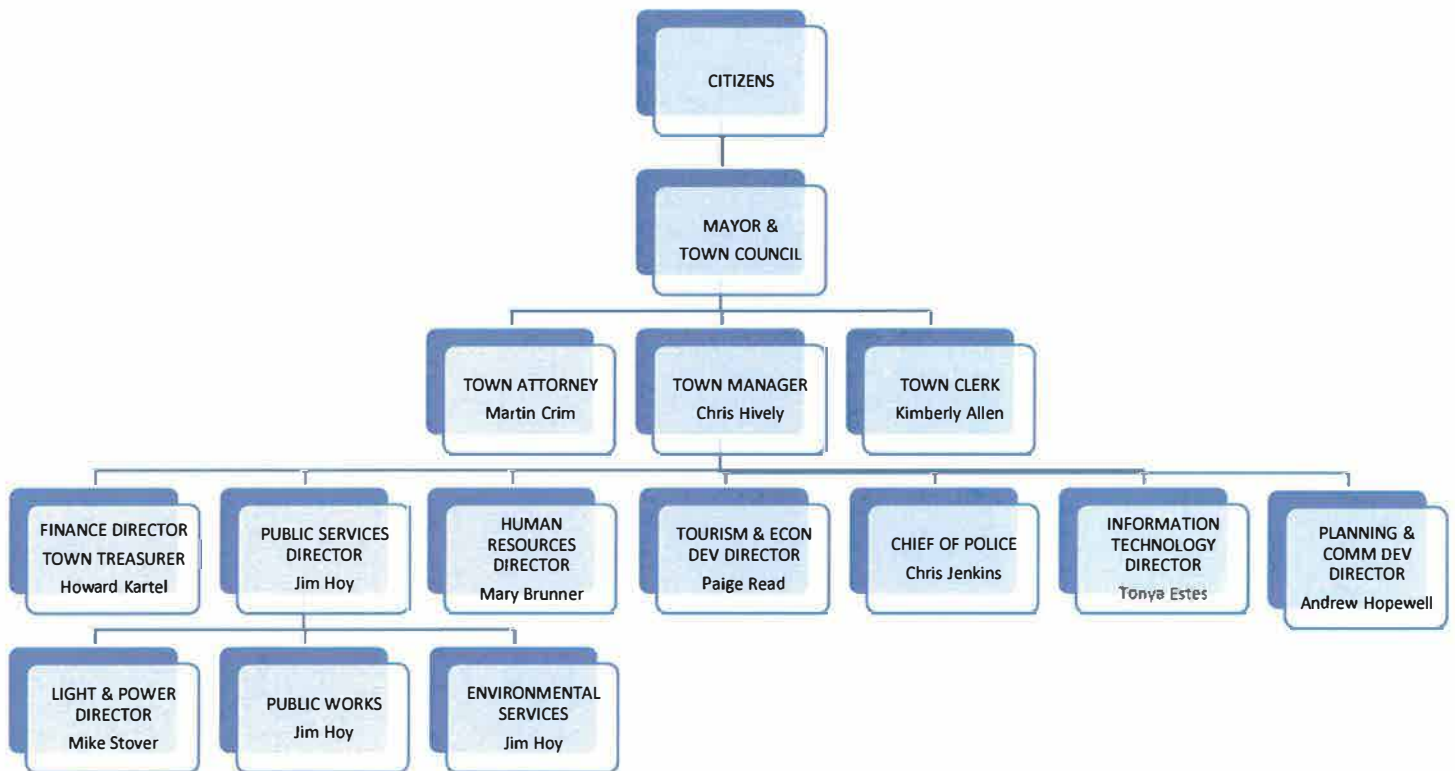
**DIRECTOR OF INFORMATION
TECHNOLOGY**
Tonya Estes

CHIEF OF POLICE
Chris Jenkins

**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 Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business- type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Culpeper, Virginia (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison of the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-15 and 68-76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020 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 the Town's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 18, 2020

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, 2020. 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, 2020 by \$127,796,779 (net position), an increase of \$2,445,431, or 2.0%, from the prior year. Of the current year amount, \$33,045,437 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, 2020, the Town's governmental funds reported an ending fund balance of \$16,091,040, a decrease of \$(28,330), or (0.2)%, from the prior year. This amount is available for spending at the government's discretion. During fiscal year 2020, the Town increased its Strategic Reserves Assigned Fund Balance for future budget stabilization and capital project purposes by \$708,000 to approx. \$5.9 million.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities 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 nonmajor funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (see 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 over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$127,796,779 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, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 19,664,182	\$ 18,129,365	\$ 28,874,752	\$ 28,047,863	\$ 48,538,934	\$ 46,177,228
Capital assets, net	53,021,164	53,098,658	78,169,811	80,282,021	131,190,975	133,380,679
Total assets	72,685,346	71,228,023	107,044,563	108,329,884	179,729,909	179,557,907
Deferred outflows - Pensions	1,447,247	745,505	516,744	269,379	1,963,991	1,014,884
Deferred outflows - OPEB	180,570	99,552	66,972	37,425	247,542	136,977
Deferred amount on refunding	262,135	297,198	816,599	880,148	1,078,734	1,177,346
Total deferred outflows of resources	1,889,952	1,142,255	1,400,315	1,186,952	3,290,267	2,329,207
Current liabilities	3,027,261	1,810,280	2,496,021	3,681,606	5,523,282	5,491,886
Noncurrent liabilities	19,062,798	19,622,937	29,370,100	30,710,576	48,432,898	50,333,513
Total liabilities	22,090,059	21,433,217	31,866,121	34,392,182	53,956,180	55,825,399
Deferred inflows - Pensions	779,050	411,834	278,162	148,812	1,057,212	560,646
Deferred inflows - OPEB	153,025	108,719	56,980	41,002	210,005	149,721
Total deferred inflows of resources	932,075	520,553	335,142	189,814	1,267,217	710,367
Net position:						
Net investment in capital assets	41,338,919	40,546,104	52,243,951	52,906,194	93,582,870	93,452,298
Restricted	1,168,472	1,280,286	-	-	1,168,472	1,280,286
Unrestricted	9,045,773	8,590,118	23,999,664	22,028,646	33,045,437	30,618,764
Total net position	\$ 51,553,164	\$ 50,416,508	\$ 76,243,615	\$ 74,934,840	\$ 127,796,779	\$ 125,351,348

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position. A discussion of fiscal year 2020 activities and results are on the subsequent pages of this MD&A section.

A significant portion of the Town's net position, \$93,582,870 (73.2%) reflects net investment in capital assets, which provide services to its citizens; consequently, these assets are not available for future spending. Of the remaining components of net position, \$33,045,437 (25.9%) 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, \$1,168,472 (0.09%) are amounts legally reserved for specific purposes, such as the cemetery permanent and perpetual care funds, unspent grant proceeds and unspent police asset seizure funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

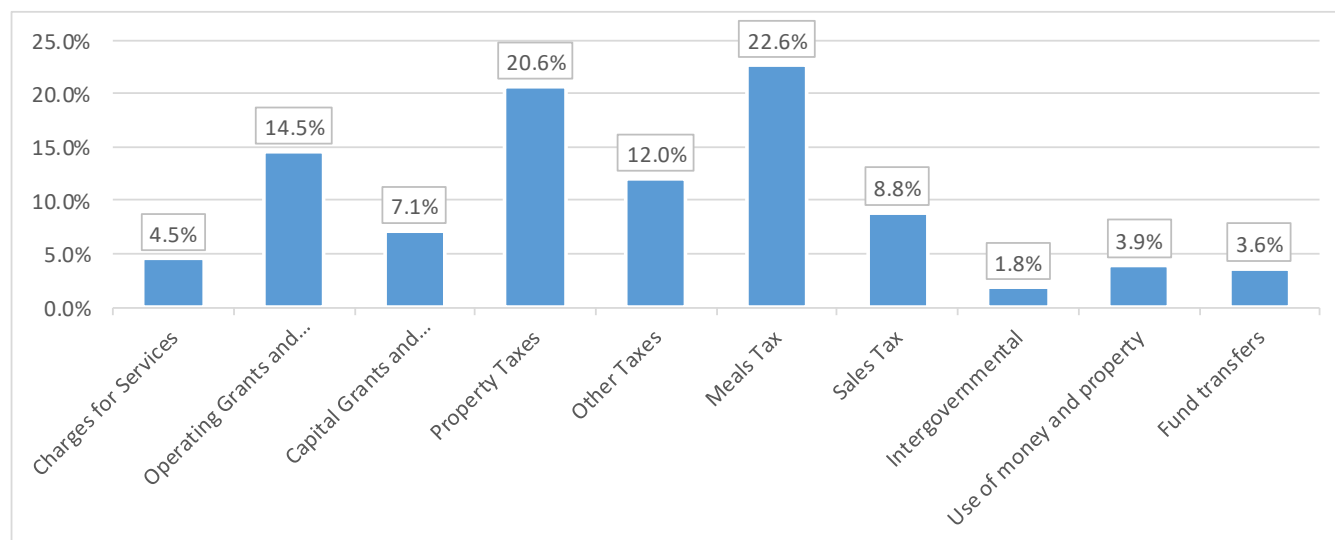
The Town's Net Position increased by \$2,445,431 during the current fiscal year. This increase is largely due to investment portfolio earnings due to the effect of longer term investing at higher rates prior to the pandemic and developer contributions of water and wastewater infrastructure totaling approximately \$1.1 million during the current year for the Town's water and wastewater enterprise funds. The following table summarizes the Town's Statements of Changes in Net Position:

Summary Statements of Changes in Net Position Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 837,045	\$ 1,184,143	\$ 22,901,860	\$ 23,432,382	\$ 23,738,905	\$ 24,616,525
Operating grants and contributions	2,669,291	2,512,485	8,812	16,341	2,678,103	2,528,826
Capital grants and contributions	1,312,239	62,000	1,063,423	7,340,842	2,375,662	7,402,842
General revenues:						
Property taxes	3,789,988	3,726,136	-	-	3,789,988	3,726,136
Other taxes	7,989,856	8,295,026	-	-	7,989,856	8,295,026
Intergovernmental revenue, unrestricted	332,387	393,438	-	-	332,387	393,438
Investment earnings, unrestricted	712,349	345,501	701,426	527,505	1,413,775	873,006
Other	122,307	512,269	-	9,219	122,307	521,488
Total revenues	17,765,462	17,030,998	24,675,521	31,326,289	42,440,983	48,357,287
Expenses:						
General government administration	2,024,609	2,039,237	-	-	2,024,609	2,039,237
Public safety	6,073,416	5,942,851	-	-	6,073,416	5,942,851
Public works	6,487,486	6,310,254	-	-	6,487,486	6,310,254
Parks, recreation and cultural	638,436	775,021	-	-	638,436	775,021
Community development	1,712,175	1,613,569	-	-	1,712,175	1,613,569
Interest on long-term debt	357,229	365,932	-	-	357,229	365,932
Water	-	-	5,783,979	4,257,892	5,783,979	4,257,892
Wastewater	-	-	5,169,641	5,282,858	5,169,641	5,282,858
Electric	-	-	11,748,581	11,218,357	11,748,581	11,218,357
Total expenses	17,293,351	17,046,864	22,702,201	20,759,107	39,995,552	37,805,971
Excess (deficiency) before transfers	472,111	(15,866)	1,973,320	10,567,182	2,445,431	10,551,316
Transfers	664,545	604,380	(664,545)	(604,380)	-	-
Change in net position	1,136,656	588,514	1,308,775	9,962,802	2,445,431	10,551,316
Net Position, beginning	50,416,508	49,827,994	74,934,840	64,972,038	125,351,348	114,800,032
Net Position, ending	\$ 51,553,164	\$ 50,416,508	\$ 76,243,615	\$ 74,934,840	\$ 127,796,779	\$ 125,351,348

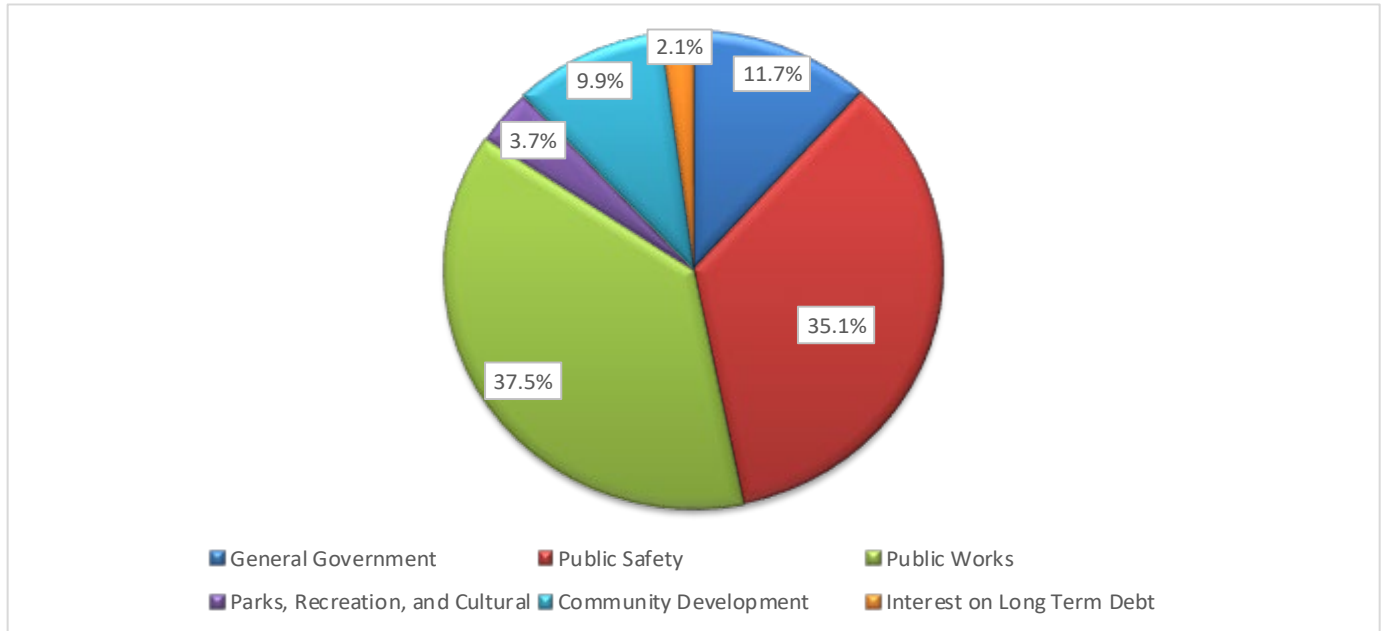
Governmental Activities – Program revenues, tax revenues and transfers for governmental activities totaled \$18,430,007 for fiscal year 2020, an increase of \$794,629 (or 4.5%) from the previous year primarily from an increase in developer contributions (\$1.3 million) offset by lower local taxes (meals, lodging, bank stock, admissions combined at \$347,000) and tourism grants (\$60,000) as a result of the pandemic. Major revenue sources in fiscal year 2020 include meals taxes \$4,156,443 (22.6%), property taxes \$3,789,988 (20.6%), other local taxes \$2,210,029 (12.0%), VDOT street and highway maintenance reimbursement \$2,030,271 (11.0%) and local sales and use taxes \$1,623,384 (8.8%).

Revenues by Source – Governmental Activities, year ended June 30, 2020



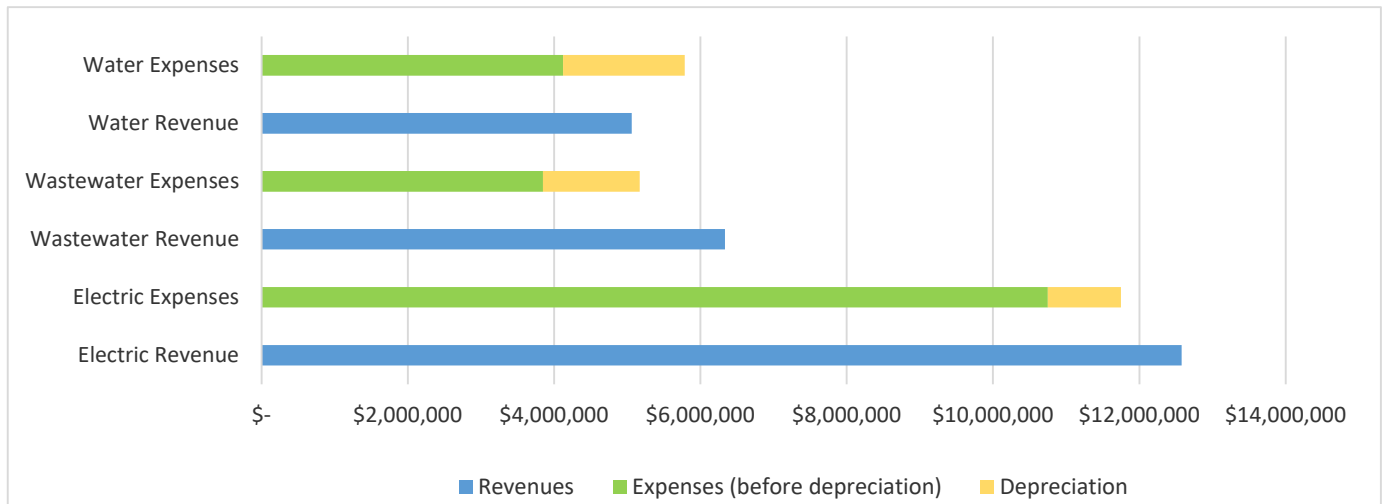
Governmental activity expenses are broken down in a format that focuses on the cost of providing services by function of the government (general government, public works, public safety, etc.). The total expenses for fiscal year 2020 were \$17,293,351, an increase of \$246,487 (or 1.4%) above the previous year. The primary factors for the increase related to increased personnel costs from filling staffing vacancies and budgeted pay increases, offset by nominal fluctuations in spending across various departmental budget lines. The governmental activities overall net position increased by \$1,136,656 during the current fiscal year.

Expenses – Governmental Activities, Year ended June 30, 2020

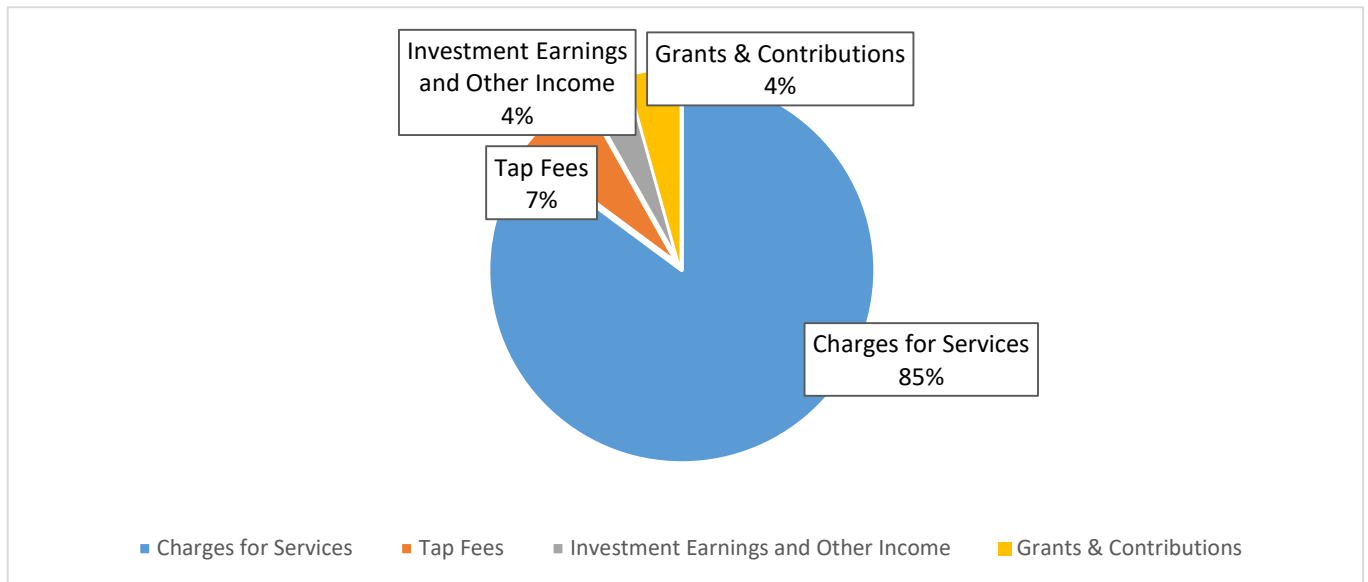


Business-type Activities – The water, wastewater, and electric funds concluded fiscal year 2020 with an increase in net position of \$1,308,775, which is approximately \$8,650,000 less than the increase in net position for the prior year. The multi-year dam rehabilitation project was completed in the prior year, thus no grant reimbursement proceeds were recognized in the current year, a difference of \$7.3 million. Overall operating revenues declined approximately \$113,000, primarily due to decreased commercial utility consumption during the pandemic, in addition to reduced utility bill late fees and penalties as Town Council suspended these charges in response to the pandemic during the last quarter of the year. Operating expenses and depreciation in fiscal year 2020 totaled \$21.8 million, or \$1.9 million increase over the prior year. The water fund incurred increased personnel costs during the year related to operating the water treatment plant to ensure uninterrupted water supply during the pandemic, in addition to the finalization of an independent water system study requested by Town Council and increased sewage charges (\$115,000) from higher plant discharge volumes related to operational changes at the water treatment facility. The electric fund incurred increased personnel costs due to filling staffing vacancies, higher maintenance costs for clearing right of way access and tree-trimming to improve system reliability, higher substation repair costs due to damages caused by wildlife and storms, increased fuel oil costs to run the generators longer to offset peak power demand charges, along with increased purchased power costs as a result of prior year cost true-ups (\$282,000) passed along from Dominion Energy to the electric cooperative the Town is a member of. Interest income increased by 33% or approximately \$174,000 due to the effect of longer term investing at higher rates prior to the pandemic. Finally, there were developer contributions of water and sewer infrastructure assets in fiscal year 2020 totaling approximately \$1.1 million, in contrast to none in the prior year.

Program Revenues and Expenses – Business-Type Activities, Year Ended June 30, 2020



Revenues by Source – Business-Type Activities, Year ended June 30, 2020



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, 2020, the Town's governmental funds reported an ending fund balance of \$16,091,040, a decrease of \$(28,330) in comparison with the end of the prior year. Approximately 44.1% of this total amount, or \$7,099,140 constitutes unassigned fund balance, which is available for spending at the Town's discretion. During fiscal year 2020, Town Council designated an additional \$708,000 to Strategic Reserves as assigned fund balance, bringing the total to \$5,913,660 or 36.8% of total fund balance. These funds are designated for future budget stabilization and not yet identified capital project reserves, and may be used in accordance with the Strategic Reserves policy only to restore minimum operating reserves or, with the approval of Council, can be used for other purposes. The remainder of fund balance is non-spendable, restricted, or assigned to indicate that it is not available for new spending because it has already been designated for other uses.

As a measure of the governmental fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance at June 30, 2020 represents 28.7% and 65.1% of total governmental fund expenditures, respectively.

The Town's General Fund balance decreased \$(105,537) in fiscal year 2020, primarily due to lower local tax revenues as a result of economic conditions resulting from the pandemic and bond issuance costs incurred with the 2020 debt refunding. The Town's Cemetery Perpetual Care and Permanent Funds saw a combined increase in fund balance of \$77,207 as a result of cemetery lot sales and investment income during fiscal year 2020.

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, 2020 was \$8,960,822; the wastewater fund equaled \$7,780,129; and the electric fund amounted to \$7,258,713. The total combined increase in net position for the year ended June 30, 2020 was \$1,308,775, primarily due to tap fee revenues for new water and sewer connections and developer contributions, offset by combined administrative cost transfers to the general fund and combined net operating losses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the adopted expenditure budget and the amended budget was a total increase of \$10,478,759. Highlights of amendments, primarily due to a debt refunding and amounts carried forward to fiscal year 2020 from fiscal year 2019 are as follows:

- \$5.2 million for the refunding of multiple debt series with 2020 General Obligation Refunding Bonds.
- \$82,000 for various department operating expenditures relating to projects not completed before the end of the prior fiscal year;
- \$984,000 for new capital projects related to land acquisition (\$875,000) and other capital projects approved by Town Council during fiscal year 2020.
- \$3.4 million for grant-funded road projects currently in the design phase;
- \$500,000 for various other incomplete prior year capital projects.

Differences between the amended expenditure budget and actual results amounted to approx. \$5.2 million. Highlights are:

- Various General Fund capital projects budgeted were not completed during fiscal year 2020, creating a positive budget variance of approximately \$4.3 million, of which \$3.6 million was carried forward to fiscal year 2021;
- There were positive budget variances of approximately \$926,000 across all General Fund operating departments, due primarily to scaling back expenditures in response to the economic impact of the COVID-19 pandemic. Public Works departments had a positive budget variance of approximately \$352,000 mainly due to the postponement of an order for a new sanitation truck, and Community Development departments had a positive budget variance of approximately \$254,000 mainly due to suspending Tourism activities during the pandemic and an unfinished zoning ordinance review project as of the end of the year. In total, approximately \$625,000 represented unfinished projects and were carried forward to fiscal year 2021.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets - The Town's net investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$131.2 million (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. The total net decrease in the investment in capital assets for the current year was \$(2.2 million) or (1.6%), with decreases in both governmental activities of (0.1%) and business-type activities of (2.6%). The overall decrease is comprised of \$4.6 million in additions, offset by \$551,000 in disposals and \$6.7 million in depreciation.

The Town's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,436,051	\$ 4,781,677	\$ 1,755,835	\$ 1,696,469	\$ 7,191,886	\$ 6,478,146
Buildings and improvements	27,488,927	26,072,166	104,397,196	103,167,529	131,886,123	129,239,695
Software, machinery and equipment	9,540,906	9,402,215	11,509,076	11,469,396	21,049,982	20,871,611
Infrastructure	62,539,444	62,424,343	29,041,391	28,716,101	91,580,835	91,140,444
Construction in progress	510,307	356,615	37,830	138,527	548,137	495,142
Less accumulated depreciation	(52,494,471)	(49,938,358)	(68,571,517)	(64,906,001)	(121,065,988)	(114,844,359)
Capital assets, net	\$ 53,021,164	\$ 53,098,658	\$ 78,169,811	\$ 80,282,021	\$ 131,190,975	\$ 133,380,679

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

- Developer contributions from finished phases of new residential sub-divisions were accepted by the Town in the amount of \$2,375,662. This amount includes roads, water and sewer infrastructure, and storm water collection assets.
- Public Safety received approval in the prior year for a 2-year program to purchase 13 new vehicles to support a new take-home vehicle program for police officers. The fiscal year 2020 vehicles were delayed due to the pandemic, and were received in fiscal year 2021.
- The Town purchased 2 land parcels across from the train depot near the historic downtown district in fiscal year 2020 at a cost of \$654,000. These parcels will be held and incorporated into a potential development project intended to bring enhanced retail, recreation and residential opportunities to the downtown area.
- Recreation areas added to Rockwater Park included a splash pad, climbing boulder and obstacle course at a total cost of \$587,000. Of this amount, \$260,000 was received in fiscal year 2019 as a donation from a local not for profit community organization towards the project.
- The first phase of a project to install new generators for greater reliability at the wastewater treatment plant was completed with a new 600kW generator and automatic transfer switch installed for a cost of \$144,000.

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

Long-Term Debt - At the end of the fiscal year ended June 30, 2020, the Town had total debt outstanding of \$38,342,566. This amount is comprised of general obligation (GO) debt backed by the full faith and credit of the Town government.

The Town's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ 10,663,818	\$ 11,801,353	\$ 24,759,195	\$ 26,134,647	\$ 35,423,013	\$ 37,936,000
Bond premium	946,982	1,043,769	1,972,571	2,121,328	2,919,553	3,165,097
Total	<u>\$ 11,610,800</u>	<u>\$ 12,845,122</u>	<u>\$ 26,731,766</u>	<u>\$ 28,255,975</u>	<u>\$ 38,342,566</u>	<u>\$ 41,101,097</u>

The Town's total net debt decreased by \$2,758,531 or 6.7% during the fiscal year ended June 30, 2020 primarily as a result of scheduled debt service payments. In April 2020, the Town issued \$14,443,000 in Series 2020 Refunding Bonds to refund the remaining outstanding Series 2012, 2013 and 2014 Bonds, plus the costs of issuance. The Series 2020 bonds have a fixed rate of 1.4%, and will result in savings of \$1,044,000 over the life of the bonds, without extending the maturity date of the debt service payments.

The Town has maintained a rating of AA from Standard & Poor's and Aa2 from Moody's for its outstanding general obligation debt. Moody's annual credit overview issued in May 2020 states the Town has a robust financial position, a healthy wealth and income profile, a solid tax base and mid-ranged debt and pension liabilities.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2021 fiscal year:

- Overall tax receipts remain steady year over year. fiscal year 2021 tax revenues were budgeted at approx. 6% (or \$204,000) lower than fiscal year 2020, to reflect the uncertainty at the time the budget was developed of personal property tax assessments and collections due to the pandemic. Actual personal property assessments were \$102,000 higher in fiscal year 2021 than the prior year, and should result in a positive budget variance if collection rates are consistent with prior year results. Town Council adopted tax rates with no changes for the 2020 year, with a real estate tax rate of \$0.091 per \$100 of assessed value, a personal property tax rate of \$1.00 per \$100 and a machinery and tools tax rate of \$0.80 per \$100.

Other local taxes were budgeted lower in fiscal year 2021 by approx. \$1.5 million at the onset of the pandemic in response to the economic uncertainty at that time, including sales and use tax, meals tax, lodging tax, admissions tax and bank stock tax. Actual fiscal year 2021 tax collections in these categories have generally exceeded the fiscal year 2021 budgeted amounts, and are showing a YTD trend rate between 90% to 100% of prior year amounts. These taxes are intended to be reviewed and their respective budgets amended upward during fiscal year 2021, where applicable.

Budgeted general fund expenditures in fiscal year 2021 are approximately \$834,000 lower than the fiscal year 2020 amended budget amounts. The Town implemented a reduction in force at the end of fiscal year 2020 in response to the economic uncertainty due to the pandemic, and reduced other operating expenditures to maintain only necessary government services until there were sufficient indications of an economic recovery.

- The rate of building and development activity continues to be strong even in light of the pandemic, with increases in both residential and commercial development in Town. The 2018 Downtown Development Area Apartment Incentive Program has resulted in new residential units above the retail space in the downtown area, and the need for residential units throughout the Town is strong, based on existing demand and population growth projections. Growth is best measured by water tap sales, with 115 new taps paid in fiscal year 2020. Initial projections were for just 60 in fiscal year 2021, however, there have been 29 taps paid during the first quarter, and infill residential construction is ongoing. A developer rezoning request for an additional 300+ units has been approved by the Town Planning Commission and submitted to Town Council for its review and approval, with buildout expected to take place within the next 3-4 years if approved.
- Due to the economic uncertainty related to the pandemic at the time the fiscal year 2021 budget was approved, Town Council did not increase utility rates for the Water, Wastewater or Electric funds.

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, 2020

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 464,532	\$ 7,063,405	\$ 7,527,937	\$ 77,925
Investments (Note 2)	15,050,429	17,997,975	33,048,404	-
Receivables, net (Note 3)	805,750	2,756,457	3,562,207	24,161
Notes receivable (Note 3)	-	-	-	939,108
Due from other governmental units (Note 5)	398,064	8,812	406,876	-
Inventories	-	999,241	999,241	-
Cash and cash equivalents, restricted (Note 2)	1,590,684	-	1,590,684	51,216
Investments, restricted (Note 2)	1,023,395	-	1,023,395	-
Due from other governmental units, restricted (Note 5)	179,302	-	179,302	-
Prepaid items	152,026	48,862	200,888	-
Capital assets (Note 6)				
Nondepreciable	5,946,358	1,793,665	7,740,023	-
Depreciable, net	47,074,806	76,376,146	123,450,952	-
Total assets	72,685,346	107,044,563	179,729,909	1,092,410
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 9)	1,447,247	516,744	1,963,991	-
Deferred outflows related to other postemployment benefits (Note 10 & 11)	180,570	66,972	247,542	-
Deferred amount on refunding	262,135	816,599	1,078,734	-
Total deferred outflows of resources	1,889,952	1,400,315	3,290,267	-
LIABILITIES				
Accounts payable and accrued liabilities	514,146	1,151,626	1,665,772	-
Accrued payroll and related liabilities	563,831	132,322	696,153	-
Accrued interest payable	114,987	288,567	403,554	-
Bonds and security deposits	204,995	923,506	1,128,501	24,161
Debt service reserve	-	-	-	47,630
Unearned revenue (Note 8)	1,629,302	-	1,629,302	-
Noncurrent liabilities:				
Due within one year (Note 7)	2,095,626	2,118,715	4,214,341	15,935
Due in more than one year (Note 7)	10,597,731	24,948,903	35,546,634	923,173
Net pension liability (Note 9)	4,527,406	1,616,522	6,143,928	-
Net other postemployment benefits liability (Note 10 & 11)	1,842,035	685,960	2,527,995	-
Total liabilities	22,090,059	31,866,121	53,956,180	1,010,899
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 9)	779,050	278,162	1,057,212	-
Deferred inflows related to other postemployment benefits (Note 10 & 11)	153,025	56,980	210,005	-
Total deferred inflows of resources	932,075	335,142	1,267,217	-
NET POSITION				
Net investment in capital assets	41,338,919	52,243,951	93,582,870	-
Restricted				
Public safety - asset seizure funds	41,677	-	41,677	-
Nonexpendable - cemetery perpetual care	965,622	-	965,622	-
Cemetery perpetual care	161,173	-	161,173	-
Unrestricted	9,045,773	23,999,664	33,045,437	81,511
Total net position	\$ 51,553,164	\$ 76,243,615	\$ 127,796,779	\$ 81,511

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF ACTIVITIES Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Totals	
Governmental activities:								
General government administration	\$ 2,024,609	\$ 125,733	\$ 16,879	\$ -	\$ (1,881,997)	\$ -	\$ (1,881,997)	\$ -
Public safety	6,073,416	142,554	458,660	-	(5,472,202)	-	(5,472,202)	-
Public works	6,487,486	261,885	2,069,766	1,312,239	(2,843,596)	-	(2,843,596)	-
Parks, recreation and cultural	638,436	117,234	122,486	-	(398,716)	-	(398,716)	-
Community development	1,712,175	189,639	1,500	-	(1,521,036)	-	(1,521,036)	-
Interest on long-term debt	357,229	-	-	-	(357,229)	-	(357,229)	-
Total governmental activities	17,293,351	837,045	2,669,291	1,312,239	(12,474,776)	-	(12,474,776)	-
Business-type activities:								
Water	5,783,979	4,410,737	-	652,289	-	(720,953)	(720,953)	
Wastewater	5,169,641	5,914,111	8,812	411,134	-	1,164,416	1,164,416	
Electric	11,748,581	12,577,012	-	-	-	828,431	828,431	
Total business-type activities	22,702,201	22,901,860	8,812	1,063,423	-	1,271,894	1,271,894	
Total primary government	\$ 39,995,552	\$ 23,738,905	\$ 2,678,103	\$ 2,375,662	(12,474,776)	1,271,894	(11,202,882)	
Component Unit:								
Industrial Development Authority	\$ 110,182	\$ -	\$ 110,417	\$ -	-	-	-	235
Total component unit	\$ 110,182	\$ -	\$ 110,417	\$ -	-	-	-	235
General Revenues:								
Taxes:								
General property taxes					3,789,988	-	3,789,988	-
Other local taxes:								
Meals tax					4,156,443	-	4,156,443	-
Local sales and use tax					1,623,384	-	1,623,384	-
Business license tax					1,028,437	-	1,028,437	-
Bank stock tax					402,494	-	402,494	-
Cigarette tax					225,899	-	225,899	-
Hotel and motel room tax					358,721	-	358,721	-
Other local taxes					194,478	-	194,478	-
Intergovernmental revenue, unrestricted					332,387	-	332,387	-
Use of money and property					712,349	701,426	1,413,775	-
Miscellaneous					122,307	-	122,307	-
Transfers (Note 4)					664,545	(664,545)	-	-
Total general revenues and transfers					13,611,432	36,881	13,648,313	-
Change in net position					1,136,656	1,308,775	2,445,431	235
Net Position, beginning					50,416,508	74,934,840	125,351,348	81,276
Net Position, ending					\$ 51,553,164	\$ 76,243,615	\$ 127,796,779	\$ 81,511

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 464,532	\$ -	\$ 464,532
Investments	15,050,429	-	15,050,429
Receivables, net (Note 3)	801,250	4,500	805,750
Due from other governmental units (Note 5)	398,064	-	398,064
Cash and cash equivalents, restricted (Note 2)	1,491,784	98,900	1,590,684
Due from other governmental units, restricted (Note 5)	179,302	-	179,302
Investments, restricted	-	1,023,395	1,023,395
Prepays	152,026	-	152,026
Total assets	\$ 18,537,387	\$ 1,126,795	\$ 19,664,182
LIABILITIES			
Accounts payable and accrued liabilities	\$ 514,146	\$ -	\$ 514,146
Accrued payroll and related liabilities	563,831	-	563,831
Bonds and security deposits	204,995	-	204,995
Unearned revenue	1,629,302	-	1,629,302
Total liabilities	2,912,274	-	2,912,274
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue (Note 8)	660,868	-	660,868
Total deferred inflows of resources	660,868	-	660,868
FUND BALANCES			
Nonspendable	152,026	965,622	1,117,648
Restricted	41,677	161,173	202,850
Assigned	7,671,403	-	7,671,403
Unassigned	7,099,139	-	7,099,139
Total fund balances	14,964,245	1,126,795	16,091,040
Total liabilities, deferred inflows of resources and fund balances	\$ 18,537,387	\$ 1,126,795	\$ 19,664,182

TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2020

	Governmental Funds	
Total fund balances - governmental funds	\$	16,091,040
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	\$	5,946,358
Depreciable, net		47,074,806
Net capital assets		53,021,164
Deferred loss on refundings, discounts, and premiums are reported as expenditures or revenues in the governmental funds, but are amortized over the life of the debt in the statement of net position:		
Bond premiums total \$1,472,818 net of accumulated amortization of \$525,836.	(946,982)	
Deferred loss on refunding total \$467,804 net of accumulated amortization of \$205,669.	262,135	(684,847)
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		660,868
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	1,447,247	
Other postemployment benefits	180,570	
Deferred inflows related to:		
Pension	(779,050)	
Other postemployment benefits	(153,025)	
Net pension liability	(4,527,406)	
Net other postemployment benefits liability	(1,842,035)	(5,673,699)
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	(10,663,818)	
Compensated absences	(1,082,557)	
Accrued interest	(114,987)	(11,861,362)
Net position of governmental activities	\$	51,553,164

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2020

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 3,503,628	\$ -	\$ 3,503,628
Other local taxes	7,989,856	-	7,989,856
Permits, privilege fees and regulatory licenses	396,997	-	396,997
Fines and forfeitures	107,599	-	107,599
Use of money and property	683,892	28,457	712,349
Charges for services	283,699	48,750	332,449
Miscellaneous	122,307	-	122,307
Recovered costs	2,755,505	-	2,755,505
Intergovernmental	2,883,692	-	2,883,692
Total revenues	18,727,175	77,207	18,804,382
Expenditures:			
Current:			
General government administration	4,431,181	-	4,431,181
Public safety	5,572,833	-	5,572,833
Public works	4,080,007	-	4,080,007
Parks, recreation and cultural	630,020	-	630,020
Community development	1,699,081	-	1,699,081
Capital projects	1,467,841	-	1,467,841
Debt service			
Principal retirement	6,353,535	-	6,353,535
Interest and fiscal charges	434,116	-	434,116
Bond issuance cost	44,643	-	44,643
Total expenditures	24,713,257	-	24,713,257
Revenues over (under) expenditures	(5,986,082)	77,207	(5,908,875)
Other financing sources:			
Bond proceeds	5,216,000	-	5,216,000
Transfers in	664,545	-	664,545
Total other financing sources	5,880,545	-	5,880,545
Net change in fund balances	(105,537)	77,207	(28,330)
Fund balances, beginning	15,069,782	1,049,588	16,119,370
Fund balances, ending	\$ 14,964,245	\$ 1,126,795	\$ 16,091,040

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, 2020

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	(28,330)
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 depreciation and amortization exceeded capital outlays in the current period.		
Expenditures for capital assets	\$	1,391,907
Less: depreciation and amortization expense		(2,735,744)
Excess of capital outlays over depreciation and amortization		(1,343,837)
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		1,266,343
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		286,360
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.		
Bond proceeds		(5,216,000)
Debt principal repayment		6,353,535
Changes in bond premiums		96,787
Changes in loss on refunding		(35,063)
		1,199,259
Deferred outflows of resources - pension plan contributions subsequent to measurement date		752,135
Deferred outflows of resources - other postemployment benefits contributions subsequent to measurement date		89,090
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		59,806
Pension expense		(724,357)
OPEB expense		(124,427)
Compensated absences		(295,386)
		(1,084,364)
Change in net position of governmental activities	\$	1,136,656

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 3,434,150	\$ 3,434,150	\$ 3,503,628	\$ 69,478
Other local taxes	8,237,470	8,237,470	7,989,856	(247,614)
Permits, privilege fees and regulatory licenses	382,000	382,000	396,997	14,997
Fines and forfeitures	140,500	140,500	107,599	(32,901)
Use of money and property	475,000	475,000	683,892	208,892
Charges for services	210,600	210,600	283,699	73,099
Miscellaneous	97,900	97,900	122,307	24,407
Recovered costs	2,754,897	2,754,897	2,755,505	608
Intergovernmental	2,762,140	2,841,210	2,883,692	42,482
Total revenues	18,494,657	18,573,727	18,727,175	153,448
Expenditures:				
Current:				
General government administration	4,381,900	4,515,367	4,431,181	(84,186)
Public safety	5,710,297	5,688,222	5,572,833	(115,389)
Public works	4,375,549	4,432,305	4,080,007	(352,298)
Parks, recreation and cultural	678,251	749,951	630,020	(119,931)
Community development	1,833,099	1,952,949	1,699,081	(253,868)
Capital projects	818,851	5,721,879	1,467,841	(4,254,038)
Debt service:				
Principal retirement	1,214,548	6,353,535	6,353,535	-
Interest and fiscal charges	401,713	434,116	434,116	-
Bond issuance cost	-	44,643	44,643	-
Total expenditures	19,414,208	29,892,967	24,713,257	(5,179,710)
Excess of expenditures over revenues	(919,551)	(11,319,240)	(5,986,082)	5,333,158
Other Financing Sources:				
Reserve balances	255,006	5,438,695	-	(5,438,695)
Bond proceeds	-	5,216,000	5,216,000	-
Transfer in	664,545	664,545	664,545	-
Total other financing sources	919,551	11,319,240	5,880,545	(5,438,695)
Net change in fund balance	\$ -	\$ -	\$ (105,537)	\$ (105,537)

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,708,419	\$ 2,727,385	\$ 2,627,601	\$ 7,063,405
Receivables, net (Note 3)	519,283	661,861	1,575,313	2,756,457
Due from other governmental units (Note 5)	-	8,812	-	8,812
Investments	7,659,788	5,293,817	5,044,370	17,997,975
Inventories	200,680	94,881	703,680	999,241
Prepaid expenses	5,243	30,722	12,897	48,862
Total current assets	10,093,413	8,817,478	9,963,861	28,874,752
Noncurrent assets:				
Capital assets (Note 6)				
Nondepreciable	1,753,543	32,784	7,338	1,793,665
Depreciable, net	37,589,571	33,177,507	5,609,068	76,376,146
Total noncurrent assets	39,343,114	33,210,291	5,616,406	78,169,811
Total assets	49,436,527	42,027,769	15,580,267	107,044,563
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 9)	185,272	125,465	206,007	516,744
Deferred outflows related to other postemployment benefits (Note 10 & 11)	22,685	19,560	24,727	66,972
Deferred amount on refunding	4,062	722,382	90,155	816,599
Total deferred outflows of resources	212,019	867,407	320,889	1,400,315
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	83,264	96,884	971,478	1,151,626
Accrued payroll and related liabilities	47,625	38,070	46,627	132,322
Accrued interest payable	20,131	228,639	39,797	288,567
Customer security deposits	174,323	-	749,183	923,506
Current portion of other long-term debt (Note 7)	626,417	824,195	395,340	1,845,952
Compensated absences (Note 7)	85,567	72,285	114,911	272,763
Total current liabilities	1,037,327	1,260,073	2,317,336	4,614,736
Noncurrent liabilities:				
Other long-term debt (Note 7)	7,164,656	14,284,476	3,436,682	24,885,814
Compensated absences (Note 7)	-	34,092	28,997	63,089
Net pension liability (Note 9)	579,584	392,489	644,449	1,616,522
Net other postemployment benefits liability (Note 10 & 11)	237,723	233,077	215,160	685,960
Total noncurrent liabilities	7,981,963	14,944,134	4,325,288	27,251,385
Total liabilities	9,019,290	16,204,207	6,642,624	31,866,121
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 9)	99,732	67,537	110,893	278,162
Deferred inflows related to other postemployment benefits (Note 10 & 11)	19,737	19,301	17,942	56,980
Total deferred inflows of resources	119,469	86,838	128,835	335,142
NET POSITION				
Net investment in capital assets	31,548,965	18,824,002	1,870,984	52,243,951
Unrestricted	8,960,822	7,780,129	7,258,713	23,999,664
Total net position	\$ 40,509,787	\$ 26,604,131	\$ 9,129,697	\$ 76,243,615

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Revenues:				
Charges for services	\$ 3,674,072	\$ 4,873,633	\$ 12,465,163	\$ 21,012,868
Penalties	24,755	24,755	25,509	75,019
Other	38,610	30,973	86,340	155,923
Total operating revenues	3,737,437	4,929,361	12,577,012	21,243,810
Operating Expenses:				
Water treatment	2,777,370	-	-	2,777,370
Wastewater collection	-	396,088	-	396,088
Wastewater treatment	-	3,004,889	-	3,004,889
Transmission and distribution	1,007,792	-	1,904,346	2,912,138
Electric generation (Note 14)	-	-	7,466,607	7,466,607
Administration	-	-	1,224,829	1,224,829
Other	-	-	33,839	33,839
Depreciation	1,662,960	1,321,475	999,916	3,984,351
Total operating expenses	5,448,122	4,722,452	11,629,537	21,800,111
Revenues over (under) expenditures	(1,710,685)	206,909	947,475	(556,301)
Nonoperating Revenue (Expenses)				
Interest income	265,281	222,631	213,514	701,426
Interest expense	(256,957)	(482,708)	(120,741)	(860,406)
Gain (loss) on disposal of capital assets	(78,900)	35,519	1,697	(41,684)
Tap fees	673,300	984,750	-	1,658,050
Intergovernmental revenues	-	8,812	-	8,812
Net nonoperating revenue	602,724	769,004	94,470	1,466,198
Income (loss) before capital contributions and transfers	(1,107,961)	975,913	1,041,945	909,897
Capital contributions and transfers				
Capital contributions	652,289	411,134	-	1,063,423
Transfers out (Note 4)	(120,863)	(149,910)	(393,772)	(664,545)
Net capital contributions and transfers	531,426	261,224	(393,772)	398,878
Change in net position	(576,535)	1,237,137	648,173	1,308,775
Net position, beginning	41,086,322	25,366,994	8,481,524	74,934,840
Net position, ending	\$ 40,509,787	\$ 26,604,131	\$ 9,129,697	\$ 76,243,615

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Activities				
Receipts from customers	\$ 3,701,508	\$ 4,890,551	\$ 12,477,494	\$ 21,069,553
Payments to suppliers	(3,502,309)	(1,975,421)	(8,750,717)	(14,228,447)
Payments to employees	(1,538,187)	(1,488,605)	(1,536,464)	(4,563,256)
Net cash provided by (used in) operating activities	(1,338,988)	1,426,525	2,190,313	2,277,850
Noncapital Financing Activities				
Interfund transfers	(120,863)	(149,910)	(393,772)	(664,545)
Intergovernmental revenues	1,446,788	16,341	339,382	1,802,511
Net cash provided by (used in) noncapital financing activities	1,325,925	(133,569)	(54,390)	1,137,966
Capital and Related Financing Activities				
Acquisition of capital assets	(517,823)	(176,157)	(110,255)	(804,235)
Proceeds from the disposal of capital assets	3,900	35,519	7,200	46,619
Principal paid on general obligation bonds	(380,729)	(677,098)	(317,625)	(1,375,452)
Tap fees collected	673,300	984,750	-	1,658,050
Interest paid on general obligation bonds	(411,745)	(562,276)	(152,918)	(1,126,939)
Net cash used in capital and related financing activities	(633,097)	(395,262)	(573,598)	(1,601,957)
Investing Activities				
Purchases of investments	(1,212,630)	(2,535,115)	(2,795,575)	(6,543,320)
Interest received	265,281	222,631	213,514	701,426
Net cash used in investing activities	(947,349)	(2,312,484)	(2,582,061)	(5,841,894)
Net decrease in cash and cash equivalents	(1,593,509)	(1,414,790)	(1,019,736)	(4,028,035)
Cash and Cash Equivalents				
Beginning	3,301,928	4,142,175	3,647,337	11,091,440
Ending	\$ 1,708,419	\$ 2,727,385	\$ 2,627,601	\$ 7,063,405
Reconciliation of Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities				
Operating income (loss)	\$ (1,710,685)	\$ 206,909	\$ 947,475	\$ (556,301)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,662,960	1,321,475	999,916	3,984,351
Other postemployment benefit expense net of employer contributions	16,513	(15,219)	(3,555)	(2,261)
Pension expense net of employer contributions	13,324	(56,020)	12,923	(29,773)
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(33,027)	(38,810)	(56,333)	(128,170)
Inventories	(25,394)	(1,912)	44,607	17,301
Prepaid expenses	736	1,928	2,902	5,566
(Decrease) increase in:				
Accounts payable and accrued liabilities	(1,298,262)	(7,388)	229,376	(1,076,274)
Accrued payroll and related liabilities	17,811	(6,340)	13,844	25,315
Customer security deposits	(2,902)	-	(43,185)	(46,087)
Compensated absences	19,938	21,902	42,343	84,183
Net cash provided by (used in) operating activities	\$ (1,338,988)	\$ 1,426,525	\$ 2,190,313	\$ 2,277,850
Noncash Capital and Related Financing Activities				
Capital asset additions included in accounts payable at year end	\$ 7,138	\$ -	\$ 3,555	\$ 10,693
Estimated value of assets received from developer contributions	652,289	411,134	-	1,063,423
Repayment of general obligation bonds via refunding	7,659,000	-	1,568,000	9,227,000

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUND

June 30, 2020

	Culpeper Parking Authority
<hr/>	
ASSETS	
Receivables, net	\$ 715
Future amounts to be collected to liquidate liabilities	<u>65,464</u>
Total assets	<u><u>\$ 66,179</u></u>
LIABILITIES	
Accounts payable	\$ 1,085
Due to fiscal agent	<u>65,094</u>
Total liabilities	<u><u>\$ 66,179</u></u>

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 tax limits.

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

Discretely Presented Component Unit

The Industrial Development Authority of the Town of Culpeper, Virginia (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. The Authority currently has three members, with four vacant positions. 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, 2020 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.

Fiduciary Fund

The fiduciary fund is not reflected in the government-wide financial statements because the resources of the fund are not available to support Town programs. *Culpeper Parking Authority*: The Parking Authority manages parking facilities within the Town.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. 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)

D. Budgets and Budgetary Accounting

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

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

E. Cash and Cash Equivalents

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

F. Property Taxes

Property is assessed and taxes are levied for both real estate and personal property, on January 1 for the assessment date, and become a lien as of that date. Tax assessments and levy information are provided by Culpeper County. Real estate and personal property taxes are payable in one annual installment on the following January 31. The real estate tax rate for 2019 taxes due January 31, 2020 was \$0.091 per \$100 of assessed value. Residents who live in the Southridge, Lafayette Ridge, and Willow Shade districts pay an additional special assessment of \$.06, \$.08, and \$.03 per \$100 of assessed value, respectively. The personal property and business equipment tax rate was \$1.00 per \$100 of assessed value. The machinery and tools tax rate was \$.80 per \$100 of assessed value. A penalty of 10% for late payment and interest at the rate of 10% are charged on unpaid balances. The Town bills and collects its own property taxes.

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 2020 were approximately \$78,000.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Allowance for Uncollectible Accounts

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

H. 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.

I. Restricted Cash

The General Fund's restricted cash and cash equivalents include grant proceeds in which cash was received before expenditures have been incurred. The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted cash and cash equivalents balances are restricted in accordance with the trust agreement.

J. Restricted Investments

The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted investment balances are restricted in accordance with the trust agreement.

K. Inventories

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

L. Capital Assets

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

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 - 10 years
Infrastructure	30 - 50 years

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has 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 9 through 11 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 position 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 remaining items relate to the pension plan and the OPEB plans. See Notes 9 through 11 for details regarding these items.

N. 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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

O. 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 net fiduciary 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.

P. 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.

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 net fiduciary 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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Q. 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.

R. 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.

S. 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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

T. 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.

U. 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.

V. 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.

W. 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 \$875,792, \$311,196, \$326,349, and \$58,672, respectively, as of June 30, 2020.

X. Subsequent Events

The Town has evaluated subsequent events through November 18, 2020, the date on which the financial statement were available to be issued.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 Certificates 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.

Fair Value:

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

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

		<u>Level 1</u>
U.S. Treasury and Agency securities	\$	16,185,818
Municipal bonds		5,621,719

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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

Type	Fair Value	Credit Rating	Percent of Portfolio
Primary Government			
Demand deposits	\$ 564,405	NR	1.31%
Certificate of deposit	12,264,262	NR	28.40%
U.S. Treasury and Agency	16,185,818	AA+	37.46%
Municipal bonds	5,621,719	AA-, AA+, AAA	13.02%
LGIP	625,122	AAAm	1.45%
VIP	7,929,094	AAAm	18.36%
Primary government investments	\$ 43,190,420		100.00%
Primary Government reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 7,527,937		
Investments	33,048,404		
Cash and cash equivalents, restricted	1,590,684		
Investments, restricted	1,023,395		
Total deposits and investments	\$ 43,190,420		
Component Unit - IDA:			
Demand deposits	\$ 129,141	NR	100.00%
Component Unit - IDA reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 77,925		
Cash and cash equivalents, restricted	51,216		
	\$ 129,141		

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	\$ 7,197,084	21.12%
Atlantic Union Certificate of Deposits	6,355,480	18.65%
Federal Farm Credit Bank	4,144,138	12.16%
Federal Home Loan Bank	2,819,251	8.27%
Virginia State Resource Authority	2,108,863	6.19%

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, 2020, investments are held in a bank’s trust department in the Town’s name.

Restricted Amounts:

Restricted cash and cash equivalents consist of the following:

CARES Act funding	\$ 1,450,107
Non-expendable corpus of the cemetery perpetual care fund	84,110
Cemetery perpetual care funds	14,790
Public safety asset seizure funds	<u>41,677</u>
	<u>\$ 1,590,684</u>

In addition, the IDA held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$51,216. These funds will be used towards the IDA’s payment on their Rural Development loan described in more detail in Notes 3 and 8.

Note 3. Receivables

Primary Government:

Receivables for the individual funds are as follows:

	General	Cemetery Permanent	Water	Wastewater	Electric	Total
Receivables						
Taxes	\$ 377,561	\$ -	\$ -	\$ -	\$ -	\$ 377,561
Accounts	594,598	4,500	532,491	677,566	1,624,497	3,433,652
Gross receivables	<u>972,159</u>	<u>4,500</u>	<u>532,491</u>	<u>677,566</u>	<u>1,624,497</u>	<u>3,811,213</u>
Less: allowance for uncollectibles	<u>(170,909)</u>	<u>-</u>	<u>(13,208)</u>	<u>(15,705)</u>	<u>(49,184)</u>	<u>(249,006)</u>
Receivables, net	<u>\$ 801,250</u>	<u>\$ 4,500</u>	<u>\$ 519,283</u>	<u>\$ 661,861</u>	<u>\$ 1,575,313</u>	<u>\$ 3,562,207</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables (Continued)

Industrial Development Authority:

In September 2012, the Industrial Development Authority (IDA) obtained a loan through Rural Development on behalf of the Salem Volunteer Fire Department. The loan was used to pay down a loan the Fire Department acquired in 2006 to construct and equip a fire station. The IDA is leasing the property back to the fire department for annual rent of \$47,630, which represents the principal and interest due on the loan each year. The lease is considered a financing lease. This amount has been recorded as a note receivable and had a balance of \$939,108 at June 30, 2020. The Town has also recorded \$24,161 of accrued interest receivable related to the note receivable at June 30, 2020. The County of Culpeper has provided a moral obligation to pay any amounts due the IDA should the Fire Department be unable to meet its obligations. The annual requirements to amortize the long-term receivable and related interest are as follows:

<u>Year(s) Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 15,935	\$ 31,695
2022	16,473	31,157
2023	17,029	30,601
2024	17,604	30,026
2025	18,198	29,432
2026-2030	100,626	137,524
2031-2035	118,793	119,357
2036-2040	140,239	97,911
2041-2045	165,556	72,594
2046-2050	195,444	42,706
2051-2053	133,211	9,678
	<u>\$ 939,108</u>	<u>\$ 632,681</u>

Note 4. Interfund Transfers

Interfund transfers are as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Total Transferred Out</u>
Water	General	\$ 120,863
Wastewater	General	149,910
Electric	General	<u>393,772</u>
Total Transferred In		<u><u>\$ 664,545</u></u>

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Due From Other Governmental Units

Amounts due from other government units are as follows:

Primary Government:

Governmental Funds:

Unrestricted:

General Fund

Parking Authority	\$ 65,093
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County of Culpeper:

Local sales tax	302,779
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Court fines and e-ticketing	2,470
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Commonwealth of Virginia:

Peg fees	1,970
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Communication sales & use tax	16,703
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Rolling stock tax	4,525
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Car rental tax	2,612
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Asset forfeiture and seizure funds	1,912
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Total General Fund	398,064
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Wastewater Fund:

Commonwealth of Virginia:

Virginia Nutrient Credit	8,812
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Total Wastewater Fund	8,812
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Total unrestricted	406,876
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Restricted:

General Fund

County of Culpeper:

CARES Act funds	179,302
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Total General Fund	179,302
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Total restricted	179,302
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Total Governmental Funds	586,178
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Total Primary Government	\$ 586,178
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TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activities for the year ended June 30, 2020 are as follows:

	Beginning Balance July 1, 2019	Additions	Deletions	Transfers	Ending Balance June 30, 2020
Governmental Activities:					
Capital assets not being depreciated or amortized:					
Land and easements	\$ 4,781,677	\$ 654,374	\$ -	\$ -	\$ 5,436,051
Construction in progress	356,615	451,745	(25,755)	(272,298)	510,307
Total capital assets not being depreciated or amortized	5,138,292	1,106,119	(25,755)	(272,298)	5,946,358
Capital assets being depreciated or amortized:					
Buildings and improvements	26,072,166	1,336,506	(181,220)	261,475	27,488,927
Software, machinery and equipment	9,402,215	146,418	(18,550)	10,823	9,540,906
Infrastructure	62,424,343	115,101	-	-	62,539,444
Total capital assets being depreciated or amortized	97,898,724	1,598,025	(199,770)	272,298	99,569,277
Less accumulated depreciation or amortization for:					
Buildings and improvements	13,453,844	563,214	(161,081)	-	13,855,977
Software, machinery and equipment	7,210,967	528,608	(18,550)	-	7,721,025
Infrastructure	29,273,547	1,643,922	-	-	30,917,469
Total accumulated depreciation or amortization	49,938,358	2,735,744	(179,631)	-	52,494,471
Total capital assets being depreciated or amortized, net	47,960,366	(1,137,719)	(20,139)	272,298	47,074,806
Governmental activities capital assets, net	\$ 53,098,658	\$ (31,600)	\$ (45,894)	\$ -	\$ 53,021,164

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance July 1, 2019	Additions	Deletions	Transfers	Ending Balance June 30, 2020
Business-Type Activities					
Capital assets not being depreciated or amortized:					
Land	\$ 1,696,469	\$ 59,366	\$ -	\$ -	\$ 1,755,835
Construction in progress	138,527	119,019	(1,046)	(218,670)	37,830
Total capital assets not being depreciated or amortized	1,834,996	178,385	(1,046)	(218,670)	1,793,665
Capital assets being depreciated or amortized:					
Buildings and improvements	103,167,529	1,302,551	-	(72,884)	104,397,196
Software, machinery and equipment	11,469,396	313,867	(323,999)	49,812	11,509,076
Infrastructure	28,716,101	83,548	-	241,742	29,041,391
Total capital assets being depreciated or amortized	143,353,026	1,699,966	(323,999)	218,670	144,947,663
Less accumulated depreciation or amortization for:					
Buildings and improvements	57,189,627	2,171,838	-	(57,029)	59,304,436
Software, machinery and equipment	7,214,684	978,745	(318,835)	-	7,874,594
Infrastructure	501,690	833,768	-	57,029	1,392,487
Total accumulated depreciation or amortization	64,906,001	3,984,351	(318,835)	-	68,571,517
Total capital assets being depreciated or amortized, net	78,447,025	(2,284,385)	(5,164)	218,670	76,376,146
Business-type activities capital assets, net	\$ 80,282,021	\$ (2,106,000)	\$ (6,210)	\$ -	\$ 78,169,811

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

Governmental activities:	
General government administration	\$ 49,046
Public safety	367,846
Public works	2,287,854
Parks, recreation and cultural	13,914
Community development	17,084
Total depreciation and amortization expense - governmental activities	\$ 2,735,744
Business-Type activities	
Water	\$ 1,662,960
Wastewater	1,321,475
Electric	999,916
	\$ 3,984,351

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, 2019	Additions	Deletions	Ending Balance June 30, 2020	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 11,801,353	\$ 5,216,000	\$ 6,353,535	\$ 10,663,818	\$ 1,259,804
Bond premium	1,043,769	-	96,787	946,982	96,787
Compensated absences	787,171	935,134	639,748	1,082,557	739,035
Governmental activities long-term liabilities	\$ 13,632,293	\$ 6,151,134	\$ 7,090,070	\$ 12,693,357	\$ 2,095,626
Business-Type Activities:					
General obligation bonds	\$ 26,134,647	\$ 9,227,000	\$ 10,602,452	\$ 24,759,195	\$ 1,697,195
Bond premium	2,121,328	-	148,757	1,972,571	148,757
Compensated absences	251,669	341,103	256,920	335,852	272,763
Business-type activities long-term liabilities	\$ 28,507,644	\$ 9,568,103	\$ 11,008,129	\$ 27,067,618	\$ 2,118,715

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

During the fiscal year, the Town defeased certain outstanding bonds by placing the proceeds of the newly issued bonds in an irrevocable escrow fund to provide for all future debt service payments on the old bonds. As of June 30, 2020 the outstanding bonds considered defeased but not yet redeemed are \$7,620,000 of general obligation bonds.

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

Year(s) Ended June 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,259,818	\$ 289,138	\$ 1,697,195	\$ 721,300
2022	1,232,000	272,996	1,669,000	702,688
2023	1,194,000	231,153	1,736,000	643,387
2024	1,246,000	183,707	1,643,000	585,043
2025	1,298,000	133,388	1,454,000	534,101
2026-2030	3,479,000	211,612	7,520,000	2,021,695
2031-2035	955,000	24,892	6,145,000	966,270
2036-2038	-	-	2,895,000	136,750
	\$ 10,663,818	\$ 1,346,886	\$ 24,759,195	\$ 6,311,234

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Primary Government:

\$10,156,250 2010 refunding series, issued October 2010, final installment of \$677,818 due in August 2020, plus interest at 3.00%	\$ 677,818
\$4,870,000 2016 refunding series, issued June 2016, due in annual maturities of \$90,000 to \$930,000 through August 2029, plus interest at 2.00% to 5.00%	4,770,000
\$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>5,216,000</u>
Total General Obligation Bonds	<u><u>\$ 10,663,818</u></u>

Business-Type Activities:

\$9,768,750 2010 refunding series, issued October 2010, final installment of \$597,195, due in August 2020, plus interest at 3.00%	\$ 597,195
\$15,875,000 2016 refunding series, issued June 2016, due in annual maturities of \$365,000 to \$1,015,000 through August 2029, plus interest at 2.00% to 5.00%	14,935,000
\$9,227,000 2020 refunding series, issued April 2020, due in annual maturities of \$160,000 to \$757,000 through February 2033, plus interest at 1.40%	<u>9,227,000</u>
Total General Obligation Bonds	<u><u>\$ 24,759,195</u></u>

Discretely Presented Component Unit:

Industrial Development Authority

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

	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Due Within One Year
Rural Development Loan	\$ 954,523	\$ -	\$ 15,415	\$ 939,108	\$ 15,935

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

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

Year(s) Ended June 30	Rural Development Loan	
	Principal	Interest
2021	\$ 15,935	\$ 31,695
2022	16,473	31,157
2023	17,029	30,601
2024	17,604	30,026
2025	18,198	29,432
2026-2030	100,626	137,524
2031-2035	118,793	119,357
2036-2040	140,239	97,911
2041-2045	165,556	72,594
2046-2050	195,444	42,706
2051-2053	133,211	9,678
	<u>\$ 939,108</u>	<u>\$ 632,681</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Industrial Development Authority
Rural Development Loan	3.375%	2013	2053	\$ 1,037,000	<u>\$ 939,108</u>

Note 8. Unavailable and Unearned Revenue

The following is a summary of unavailable and unearned revenue:

	Unavailable	Unearned
CARES Act funds received in advance	\$ -	\$ 1,629,302
Uncollected property tax billing	154,278	-
Prepaid property taxes	212,887	-
Uncollected sales tax billing	155,427	-
Other	138,276	-
	<u>\$ 660,868</u>	<u>\$ 1,629,302</u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. 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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	111
Inactive members:	
Vested	28
Non-vested	47
Active elsewhere in VRS	59
Total inactive members	134
Active members	165
Total covered employees	410

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. 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, 2020 was 10.11% of covered compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

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 \$1,020,687 and \$976,655 for the years ended June 30, 2020 and 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

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*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension benefits.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees (Continued)

- Mortality Rates: 15% of deaths are assumed to be service related.
- Pre-retirement: RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
 - Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
 - Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018, 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, 2019.

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*

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

D. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality Rates:	45% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. 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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. 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, 2019, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2018, actuarial valuations, whichever was greater. From July 1, 2019 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 Pension	Net Pension Liability
Balances at June 30, 2018	\$ 40,673,724	\$ 34,927,975	\$ 5,745,749
Changes for the Year:			
Service cost	986,499	-	986,499
Interest	2,777,386	-	2,777,386
Changes of assumptions	1,281,029	-	1,281,029
Difference between expected and actual experience	(855,083)	-	(855,083)
Contributions – employer	-	976,655	(976,655)
Contributions – employee	-	518,066	(518,066)
Net investment income	-	2,321,265	(2,321,265)
Benefit payments, including refunds of employee contributions	(1,993,575)	(1,993,575)	-
Administrative expense	-	(22,868)	22,868
Other changes	-	(1,466)	1,466
Net changes	2,196,256	1,798,077	398,179
Balances at June 30, 2019	\$ 42,869,980	\$ 36,726,052	\$ 6,143,928

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. 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	\$ 11,972,164	\$ 6,143,928	\$ 1,514,811

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

For the year ended June 30, 2020, the Town recognized pension expense of \$966,326. The Town also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,116	\$ (650,505)
Changes of assumptions	925,188	(97,805)
Net difference between projected and actual earnings on pension plan investments	-	(308,902)
Employer contributions subsequent to the measurement date	1,020,687	-
Total	\$ 1,963,991	\$ (1,057,212)

The \$1,020,687 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, 2021.

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
2021	\$ 8,964
2022	(208,851)
2023	64,902
2024	21,077
	\$ (113,908)

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

G. Pension Plan Data

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-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, 2020, approximately \$126,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

Note 10. 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.

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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries	7
Active plan members	171
Total	178

C. Total OPEB Liability

The Town's total OPEB liability of \$1,700,530 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of June 30, 2019.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – Local Plan (Continued)

D. Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation	3.5 – 5.35%
Discount rate	3.87%
Healthcare cost trend rates	4.8% in 2020
	5.3% in 2021
	4.9% in 2022
	4.0% 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, 2020 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, 2017.

E. Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 1,692,827
Changes for the year:	
Service cost	85,767
Interest	67,535
Changes in economic/demographic gains or losses	(39,303)
Changes in assumptions or other inputs	(62,153)
Benefit payments	(44,143)
Net changes	7,703
Balance at June 30, 2019	<u><u>\$ 1,700,530</u></u>

F. 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	<u><u>\$ 1,860,779</u></u>	<u><u>\$ 1,700,530</u></u>	<u><u>\$ 1,556,703</u></u>

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – Local Plan (Continued)

G. 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 (3.8%) or one percentage point higher (5.8%) than the current healthcare cost trend rates:

	1% Decrease (3.8%)	Current Healthcare Cost Trend (4.8%)	1% Increase (5.8%)
Total OPEB Liability	\$ 1,512,114	\$ 1,700,530	\$ 1,925,049

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$133,538. At June 30, 2020, 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	\$ -	\$ (34,887)
Change in assumptions	-	(104,526)
Employer contributions subsequent to the measurement date	67,632	-
Total	\$ 67,632	\$ (139,413)

The \$67,632 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (19,764)
2022	(19,764)
2023	(19,764)
2024	(19,764)
2025	(19,764)
Thereafter	(40,593)
Total	\$ (139,413)

- I. 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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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.

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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 \$54,595 and \$51,834 for the years ended June 30, 2020 and 2019, respectively.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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

At June 30, 2020, the Town reported a liability of \$827,465 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.05085% as compared to 0.04973% at June 30, 2018.

For the year ended June 30, 2020, the Town employees recognized GLI OPEB expense of \$18,772. 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.

At June 30, 2020, 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	\$ 55,031	\$ (10,732)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(16,997)
Change in assumptions	52,241	(24,952)
Changes in proportion	18,043	(17,911)
Employer contributions subsequent to the measurement date	54,595	-
Total	\$ 179,910	\$ (70,592)

The \$54,595 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, 2021. 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
2021	\$ 2,577
2022	2,578
2023	9,777
2024	15,852
2025	18,274
Thereafter	5,665
Total	\$ 54,723

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Locality – hazardous duty employees	3.5%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 year; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service years
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Hazardous Duty Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2019, NOL amounts (in thousands) for the GLI are as follows (in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net GLI OPEB liability	\$ 1,627,266

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

52.00%

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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

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%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
			7.63%

* Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.63%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40% percentile of expected long-term results of the VRS fund asset allocation.

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 and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

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	\$ 1,087,060	\$ 827,465	\$ 616,941

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-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 12. 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	\$ 13,350	\$ 4,766	\$ 18,116
Changes of assumptions	681,771	243,417	925,188
Employer contributions subsequent to the measurement date	752,126	268,561	1,020,687
Total deferred outflow of resources, Pensions	\$ 1,447,247	\$ 516,744	\$ 1,963,991
Deferred outflows of resources - OPEB			
Difference between expected and actual experience			
VRS - GLI	\$ 40,173	\$ 14,858	\$ 55,031
Change in assumptions - VRS - GLI	38,136	14,105	52,241
Changes in proportion - VRS - GLI	13,171	4,872	18,043
Employer contributions subsequent to the measurement date			
Local Plan	49,236	18,396	67,632
VRS - GLI	39,854	14,741	54,595
Total deferred outflow of resources, OPEB	\$ 180,570	\$ 66,972	\$ 247,542
Total deferred outflows of resources	\$ 1,627,817	\$ 583,716	\$ 2,211,533
Net pension liability - VRS	\$ 4,527,406	\$ 1,616,522	\$ 6,143,928
Net OPEB liability			
Local Plan	\$ 1,237,986	\$ 462,544	\$ 1,700,530
VRS - GLI	604,049	223,416	827,465
Total net OPEB liability	\$ 1,842,035	\$ 685,960	\$ 2,527,995
Deferred inflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 479,347	\$ 171,158	\$ 650,505
Changes of assumptions	72,073	25,732	97,805
Net difference between projected and actual earnings on plan investments	227,630	81,272	308,902
Total deferred inflows of resources, Pensions	\$ 779,050	\$ 278,162	\$ 1,057,212
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Local Plan	\$ 25,398	\$ 9,489	\$ 34,887
VRS - GLI	7,834	2,898	10,732
Net difference between projected and actual earnings on plan investments - VRS - GLI	12,408	4,589	16,997
Changes of assumptions			
Local Plan	76,095	28,431	104,526
VRS - GLI	18,215	6,737	24,952
Change in proportionate share - VRS - GLI	13,075	4,836	17,911
Total deferred inflows of resources, OPEB	\$ 153,025	\$ 56,980	\$ 210,005
Total deferred inflows of resources	\$ 932,075	\$ 335,142	\$ 1,267,217
Pension expense	\$ 712,086	\$ 254,240	\$ 966,326
OPEB expense			
Local Plan	\$ 97,216	\$ 36,322	\$ 133,538
VRS - GLI	13,704	5,068	18,772
Total OPEB expense	\$ 110,920	\$ 41,390	\$ 152,310

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Fund Balance

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

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

	General Fund	Other Governmental Funds
Restricted for:		
Public safety - asset seizure funds	\$ 41,677	\$ -
Cemetery perpetual care	-	161,173
Total restricted	41,677	161,173
Nonspendable:		
Prepaid items	152,026	-
Corpus of a permanent fund	-	965,622
Total nonspendable	152,026	965,622
Assigned for:		
General government administration	181,409	-
Public safety	73,028	-
Public works	940,527	-
Parks, recreation and cultural	28,000	-
Community development	122,873	-
Capital outlay	411,906	-
Major capitalization improvement fund	3,166,312	-
Budget stabilization fund	2,747,348	-
Total assigned	7,671,403	-
Unassigned	7,099,139	-
Total fund balance	\$ 14,964,245	\$ 1,126,795

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Service Contracts

The Town is a member of the Virginia Municipal Electric Association (VMEA) which is a nonprofit organization created to purchase electricity from Dominion Virginia Power (Dominion) for resale to its members. A new contract was entered into in 2011, which extends VMEA's purchase agreement with Dominion to 2030. Purchases of electricity through VMEA totaled \$7,280,034 for the year ended June 30, 2020. Of these purchases, \$946,912 is included in accounts payable as of June 30, 2020. 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 20, expenses were increased by approximately \$282,000 as part of the annual true-up based on actual costs.

Note 15. 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, 2020 were approximately \$162,000.

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, 2020 were approximately \$41,000.

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 2020 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 16. 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 17. Pending GASB Statements

At June 30, 2020, 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. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 87, *Leases*, will increase the usefulness of the Town's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligation*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for the fiscal years beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*, will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate—most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2020, June 15, 2021, and December 31, 2021.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Pending GASB Statements (Continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, will (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

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

Note 18. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Town operates. While it is unknown how long these conditions will last, many Town activities were and continue to be affected.

Note 19. Subsequent Events

In September, the Town received an additional \$1.6 million in CARES Act funding from the County of Culpeper. The funding must be spent on COVID-19 related expenses incurred by the Town. Any remaining portion of funding received at December 30, 2020 must be repaid to the County.

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
Total Pension Liability						
Service cost	\$ 910,207	\$ 945,867	\$ 972,070	\$ 1,020,476	\$ 989,413	\$ 986,499
Interest	2,233,895	2,338,187	2,447,694	2,559,097	2,661,480	2,777,386
Difference between expected and actual experience	-	27,383	(111,475)	74,729	(55,224)	(855,083)
Changes of assumptions	-	-	-	(403,442)	-	1,281,029
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)
Net change in total pension liability	1,586,462	1,560,658	1,564,973	1,560,524	1,709,505	2,196,256
Total pension liability - beginning	32,691,602	34,278,064	35,838,722	37,403,695	38,964,219	40,673,724
Total pension liability - ending (a)	<u>\$ 34,278,064</u>	<u>\$ 35,838,722</u>	<u>\$ 37,403,695</u>	<u>\$ 38,964,219</u>	<u>\$ 40,673,724</u>	<u>\$ 42,869,980</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 965,805	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655
Contributions - employee	413,261	429,532	454,467	469,814	459,863	518,066
Net investment income	3,870,612	1,292,934	512,613	3,609,673	2,427,272	2,321,265
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)
Administrative expense	(20,826)	(17,631)	(18,024)	(20,645)	(20,933)	(22,868)
Other	204	(272)	(216)	(3,222)	(2,168)	(1,466)
Net change in plan fiduciary net position	3,671,416	1,058,216	282,868	3,354,464	1,958,770	1,798,077
Plan fiduciary net position - beginning	24,602,241	28,273,657	29,331,873	29,614,741	32,969,205	34,927,975
Plan fiduciary net position - ending (b)	<u>\$ 28,273,657</u>	<u>\$ 29,331,873</u>	<u>\$ 29,614,741</u>	<u>\$ 32,969,205</u>	<u>\$ 34,927,975</u>	<u>\$ 36,726,052</u>
The Town's net pension liability - ending (a) - (b)	<u>\$ 6,004,407</u>	<u>\$ 6,506,849</u>	<u>\$ 7,788,954</u>	<u>\$ 5,995,014</u>	<u>\$ 5,745,749</u>	<u>\$ 6,143,928</u>
Plan fiduciary net position as a percentage of the total pension liability	82.48%	81.84%	79.18%	84.61%	85.87%	85.67%
Covered payroll	\$ 8,329,057	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310
The Town's net pension liability as a percentage of covered payroll	72.09%	75.36%	85.34%	63.48%	60.77%	61.24%

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
Contractually required contribution (CRC)	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,020,687
Contributions in relation to the CRC	1,104,432	1,077,344	989,180	980,900	976,655	1,020,687
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032
Contributions as a percentage of covered-employee payroll	12.79%	11.80%	10.47%	10.38%	9.73%	9.72%

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, 2020

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, 2018 valuation were based on the results of an actual experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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
Total OPEB Liability			
Service cost	\$ 85,789	\$ 88,792	\$ 85,767
Interest	55,992	59,997	67,535
Effect of economic/demographic gains or losses	-	-	(39,303)
Changes of assumptions	-	(66,086)	(62,153)
Benefit payments, including refunds of employee contributions	(30,314)	(30,313)	(44,143)
Net change in total OPEB liability	111,467	52,390	7,703
Total OPEB liability - beginning	1,528,970	1,640,437	1,692,827
Total OPEB liability - ending (a)	<u>\$ 1,640,437</u>	<u>\$ 1,692,827</u>	<u>\$ 1,700,530</u>
Covered payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310
The Town's net OPEB liability as a percentage of covered payroll	17.37%	17.91%	16.95%

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 which information is available.

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – LOCAL PLAN

	2017	2018	2019	2020
Contractually required contribution (CRC)	\$ 44,301	\$ 30,314	\$ 30,313	\$ 67,632
Contributions in relation to the CRC	44,301	30,314	30,313	67,632
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032
Contributions as a percentage of covered payroll	0.47%	0.32%	0.30%	0.64%

TOWN OF CULPEPER, VIRGINIA

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

	Fiscal year June 30,		
	2017	2018	2019
Employer's proportion of the net GLI OPEB liability	0.05127%	0.04973%	0.05085%
Employer's proportionate share of the net GLI OPEB liability	\$ 772,000	\$ 755,000	\$ 827,465
Employer's covered payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.17%	7.99%	8.25%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Contractually required contribution (CRC)	\$ 19,982	\$ 37,037	\$ 39,686	\$ 41,460	\$ 43,912	\$ 49,173	\$ 49,555	\$ 51,834	\$ 54,595	
Contributions in relation to the CRC	19,982	37,037	39,686	41,460	43,912	49,173	49,555	51,834	54,595	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Employer's covered payroll	\$ 7,136,320	\$ 7,716,023	\$ 8,267,989	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	
Contributons as a percentage of covered payroll	0.28%	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2020

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:

2020	3.87%
------	-------

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, 2018 valuation were based on the results of an actual experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2020

Note 2. Group Life Insurance Program (Continued)

Changes of Assumptions (Continued)

Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CULPEPER, VIRGINIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
ASSETS			
Receivables, net (Note 3)	\$ -	\$ 4,500	\$ 4,500
Cash and cash equivalents, restricted (Note 2)	14,790	84,110	98,900
Investments, restricted	146,383	877,012	1,023,395
Total assets	\$ 161,173	\$ 965,622	\$ 1,126,795
FUND BALANCES			
Nonspendable	\$ -	\$ 965,622	\$ 965,622
Restricted	161,173	-	161,173
Total fund balances	\$ 161,173	\$ 965,622	\$ 1,126,795

TOWN OF CULPEPER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
Revenues:			
Use of money and property	\$ 28,457	\$ -	\$ 28,457
Charges for services	-	48,750	48,750
Total revenues	\$ 28,457	\$ 48,750	\$ 77,207
Net change in fund balances	28,457	48,750	77,207
Fund balances, beginning	132,716	916,872	1,049,588
Fund balances, ending	\$ 161,173	\$ 965,622	\$ 1,126,795

TOWN OF CULPEPER, VIRGINIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND – CULPEPER PARKING AUTHORITY
Year Ended June 30, 2020

Entity, Fund, Major and Minor Revenue Source	Balances Beginning	Additions	Deduction	Balances Ending
ASSETS				
Receivables, net (Note 3)	\$ 3,305	\$ -	\$ 2,590	\$ 715
Future amounts to be collected to liquidate liabilities	62,487	2,977	-	65,464
Total assets	\$ 65,792	\$ 2,977	\$ 2,590	\$ 66,179
LIABILITIES				
Accounts payable	\$ 698	\$ 387	\$ -	\$ 1,085
Due to fiscal agent	65,094	-	-	65,094
Total liabilities	\$ 65,792	\$ 387	\$ -	\$ 66,179

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND **Year Ended June 30, 2020**

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	\$ 1,621,000	\$ 1,621,000	\$ 1,393,737	\$ (227,263)
Personal property taxes	1,475,150	1,475,150	1,755,583	280,433
Machinery and tools tax	239,000	239,000	236,094	(2,906)
Real and personal public service corporations property tax	39,000	39,000	39,988	988
Interest and penalties on delinquent taxes	60,000	60,000	78,226	18,226
Total general property taxes	3,434,150	3,434,150	3,503,628	69,478
Other local taxes:				
Local sales and use taxes	1,600,000	1,600,000	1,623,384	23,384
Business license taxes	967,470	967,470	1,028,437	60,967
Franchise license tax	100,000	100,000	101,020	1,020
Bank stock taxes	400,000	400,000	402,494	2,494
Cigarette taxes	250,000	250,000	225,899	(24,101)
Hotel and motel room tax	460,000	460,000	358,721	(101,279)
Meals tax	4,350,000	4,350,000	4,156,443	(193,557)
Admissions tax	50,000	50,000	30,997	(19,003)
Local consumption taxes	60,000	60,000	62,461	2,461
Total other local taxes	8,237,470	8,237,470	7,989,856	(247,614)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	382,000	382,000	396,997	14,997
Total permits, privilege fees, and regulatory license	382,000	382,000	396,997	14,997
Fines and forfeitures	140,500	140,500	107,599	(32,901)
Use of money and property:				
Revenue from use of money	225,000	225,000	450,592	225,592
Revenue from use of property	250,000	250,000	233,300	(16,700)
Total revenue from use of money and property	475,000	475,000	683,892	208,892
Charges for services:				
Sanitation equipment replacement fee	145,000	145,000	155,920	10,920
Trash disposal fee	40,000	40,000	105,965	65,965
Crosswalk traffic control	18,000	18,000	13,600	(4,400)
Cable Media Network PEG fees	7,500	7,500	8,184	684
Sales of maps, plats, etc.	100	100	30	(70)
Total charges for services	210,600	210,600	283,699	73,099
Miscellaneous	97,900	97,900	122,307	24,407
Total revenue from local sources	12,977,620	12,977,620	13,087,978	110,358

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020

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	\$ 117,378	\$ 117,378	\$ 117,986	\$ 608
Water Fund:				
Utility services	841,898	841,898	841,898	-
Motor pool	10,000	10,000	10,000	-
Mow, mulch and trim	6,000	6,000	6,000	-
Wastewater Fund:				
Utility services	706,341	706,341	706,341	-
Motor pool	31,000	31,000	31,000	-
Mow, mulch and trim	15,000	15,000	15,000	-
Light and Power Fund:				
Utility services	968,780	968,780	968,780	-
Motor pool	51,000	51,000	51,000	-
Mow, mulch and trim	7,500	7,500	7,500	-
Total recovered costs	2,754,897	2,754,897	2,755,505	608
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	224,000	224,000	224,104	104
Rolling stock tax	7,000	7,000	10,122	3,122
Other	-	-	98,161	98,161
Total non-categorical aid	231,000	231,000	332,387	101,387
Categorical aid:				
Litter control	5,500	5,500	4,052	(1,448)
Law enforcement grants	297,140	374,145	393,894	19,749
Fire program	58,500	58,500	59,655	1,155
Street and highway maintenance	2,100,000	2,100,000	2,030,271	(69,729)
Virginia Department of Transportation inner loop	-	-	35,443	35,443
Tourism grant	55,000	56,500	1,500	(55,000)
Other	15,000	15,565	26,490	10,925
Total categorical aid	2,531,140	2,610,210	2,551,305	(58,905)
Total intergovernmental revenue from the Commonwealth	2,762,140	2,841,210	2,883,692	42,482
Total intergovernmental revenue	2,762,140	2,841,210	2,883,692	42,482
Total General Fund	\$ 18,494,657	\$ 18,573,727	\$ 18,727,175	\$ 153,448

SCHEDULE OF EXPENDITURES– BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personnel	\$ 102,000	\$ 102,000	\$ 102,000	\$ -
Fringe benefits	54,422	54,422	56,935	2,513
Other charges	39,600	39,600	32,663	(6,937)
Total Town Council	196,022	196,022	191,598	(4,424)
Total legislative	196,022	196,022	191,598	(4,424)
General and financial:				
Town Manager's office:				
Personnel	79,499	79,499	80,246	747
Fringe benefits	34,634	34,634	37,617	2,983
Other charges	14,400	14,400	8,010	(6,390)
Total town manager's office	128,533	128,533	125,873	(2,660)
Town clerk's office:				
Personnel	208,926	208,926	211,994	3,068
Fringe benefits	77,908	77,908	79,951	2,043
Other charges	21,650	22,072	17,763	(4,309)
Contractual services	2,000	2,000	1,168	(832)
Total town clerk's office	310,484	310,906	310,876	(30)
Treasurer's office:				
Personnel	977,547	899,208	891,104	(8,104)
Fringe benefits	354,276	327,837	340,292	12,455
Other charges	177,000	180,000	184,839	4,839
Contractual services	16,000	28,100	16,225	(11,875)
Total treasurer's office	1,524,823	1,435,145	1,432,460	(2,685)
Human resources office:				
Personnel	170,900	170,900	174,490	3,590
Fringe benefits	51,583	51,583	53,875	2,292
Other charges	88,050	88,050	73,630	(14,420)
Total human resources office	310,533	310,533	301,995	(8,538)
Information Technology:				
Personnel	521,363	599,702	611,715	12,013
Fringe benefits	141,641	168,080	179,546	11,466
Other charges	691,518	801,663	776,911	(24,752)
Total information technology	1,354,522	1,569,445	1,568,172	(1,273)
Motor pool:				
Personnel	172,878	172,878	173,806	928
Fringe benefits	73,993	73,993	74,146	153
Other charges	15,900	15,900	11,055	(4,845)
Total motor pool	262,771	262,771	259,007	(3,764)
General and financial administration:				
Legal	114,160	114,160	79,986	(34,174)
Independent auditor and actuary	67,500	75,300	67,400	(7,900)
Insurance and bonding	112,552	112,552	93,814	(18,738)
Total general and financial administration	294,212	302,012	241,200	(60,812)
Total general government administration	4,381,900	4,515,367	4,431,181	(84,186)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020

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	\$ 3,426,494	\$ 3,426,494	\$ 3,387,023	\$ (39,471)
Fringe benefits	1,227,786	1,227,786	1,210,333	(17,453)
Vehicle operation	128,000	128,000	103,171	(24,829)
Drug fund	24,400	27,412	16,970	(10,442)
E911 center	525,342	525,342	510,342	(15,000)
Other charges	378,275	353,188	344,994	(8,194)
Total law enforcement and traffic control	5,710,297	5,688,222	5,572,833	(115,389)
Total public safety	5,710,297	5,688,222	5,572,833	(115,389)
Public works:				
Public works department:				
Personnel	113,070	113,070	130,052	16,982
Fringe benefits	47,596	47,596	52,214	4,618
Other charges	33,625	43,366	14,957	(28,409)
Total public works department	194,291	204,032	197,223	(6,809)
Maintenance of highways, streets, bridges, sidewalks, and street lights:				
Highways, streets, bridges and sidewalks:				
Personnel	993,631	993,631	1,023,599	29,968
Fringe benefits	378,208	378,208	377,014	(1,194)
Other charges	114,000	146,424	121,088	(25,336)
Repairs and maintenance	907,000	907,000	845,393	(61,607)
Contractual services	25,000	50,000	93,168	43,168
Rental of street lights	157,722	157,722	164,499	6,777
Snow and ice removal	62,800	30,376	26,041	(4,335)
Traffic engineering	211,040	201,299	178,670	(22,629)
Total highways, streets, bridges, and sidewalks	2,849,401	2,864,660	2,829,472	(35,188)
Refuse collection:				
Personnel	183,527	183,527	187,265	3,738
Fringe benefits	89,497	89,497	89,193	(304)
Other charges	430,800	430,800	135,695	(295,105)
Total refuse collection	703,824	703,824	412,153	(291,671)
General properties:				
Personnel	176,009	176,009	177,284	1,275
Fringe benefits	79,834	79,834	82,780	2,946
Other charges	332,190	363,946	345,859	(18,087)
Contractual services	40,000	40,000	35,236	(4,764)
Total general properties	628,033	659,789	641,159	(18,630)
Total public works	4,375,549	4,432,305	4,080,007	(352,298)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020

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:				
Parks and recreation:				
Personnel	\$ 182,891	\$ 182,891	\$ 197,460	\$ 14,569
Fringe benefits	92,956	92,956	95,775	2,819
Other charges	84,650	84,650	67,876	(16,774)
Culpeper Media Network	234,208	241,908	198,513	(43,395)
Total parks and recreation	594,705	602,405	559,624	(42,781)
Cemetery:				
Personnel	44,213	44,213	35,400	(8,813)
Fringe benefits	18,983	18,983	17,001	(1,982)
Other charges	20,350	84,350	17,995	(66,355)
Total cemetery	83,546	147,546	70,396	(77,150)
Total parks, recreation and cultural	678,251	749,951	630,020	(119,931)
Community development:				
Planning and zoning:				
Personnel	507,279	507,279	499,116	(8,163)
Fringe benefits	176,505	176,505	171,205	(5,300)
Other charges	48,750	207,430	53,894	(153,536)
Total planning and zoning	732,534	891,214	724,215	(166,999)
Vistors center:				
Personnel	50,543	50,543	43,140	(7,403)
Fringe benefits	3,967	3,967	3,374	(593)
Other charges	9,700	11,850	8,666	(3,184)
Total visitors center	64,210	66,360	55,180	(11,180)
Tourism:				
Personnel	193,156	193,156	196,963	3,807
Fringe benefits	64,766	64,766	66,205	1,439
Other charges	261,932	219,632	155,620	(64,012)
Total tourism	519,854	477,554	418,788	(58,766)
Economic development:				
Other charges	206,161	206,326	189,403	(16,923)
Total economic development	206,161	206,326	189,403	(16,923)
Contributions:				
Volunteer fire department	153,500	154,655	154,655	-
Rescue services	25,000	25,000	25,000	-
Virginia Regional Transit	131,840	131,840	131,840	-
Total contributions	310,340	311,495	311,495	-
Total community development	1,833,099	1,952,949	1,699,081	(253,868)
Capital projects	818,851	5,721,879	1,467,841	(4,254,038)
Debt service:				
Principal	1,214,548	6,353,535	6,353,535	-
Interest	401,713	434,116	434,116	-
Bond issuance cost	-	44,643	44,643	-
Total debt service	1,616,261	6,832,294	6,832,294	-
Total General Fund	\$ 19,414,208	\$ 29,892,967	\$ 24,713,257	\$ (5,179,710)

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2020

	Industrial Development Authority
ASSETS	
Cash and cash equivalents	\$ 77,925
Cash and cash equivalents, restricted	51,216
Total assets	\$ 129,141
LIABILITIES	
Debt service reserve	\$ 47,630
Total liabilities	47,630
FUND BALANCE	
Assigned	81,511
Total fund balance	81,511
Total liabilities and fund balance	\$ 129,141
Amounts reported in the Statement of Net Position are different because:	
Total fund balance	\$ 81,511
Long-term assets, including notes receivable and interest earned to date, are not due and receivable in the current period and, therefore' are not reported in the fund.	963,269
Long-term liabilities, including debt and interest payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(963,269)
Net position of governmental activities	\$ 81,511

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2020**

	Industrial Development Authority
Revenues:	
Intergovernmental	\$ 110,417
Total revenues	<u>110,417</u>
Expenditures:	
Community development	<u>110,182</u>
Total expenditures	<u>110,182</u>
Revenues over expenditures	<u>235</u>
Net change in fund balance	235
Fund balance, beginning	<u>81,276</u>
Fund balance, ending	<u><u>\$ 81,511</u></u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance	\$ 235
Interest earned related to long-term note receivable does not represent current financial resources and, therefore, is not reported as revenue in the fund.	(375)
Accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the fund.	<u>375</u>
Changes in net position of governmental activities	<u><u>\$ 235</u></u>

STATISTICAL SECTION

TOWN OF CULPEPER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the Town's comprehensive annual 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 comprehensive annual 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,									
	2011	2012	2013 ⁽¹⁾	2014	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 19,571,754	\$ 17,766,505	\$ 25,529,232	\$ 35,443,423	\$ 43,149,400	\$ 43,759,691	\$ 41,387,460	\$ 40,487,615	\$ 40,546,104	\$ 41,338,919
Restricted	542,416	598,758	1,303,598	1,438,266	1,581,752	1,739,191	1,811,790	1,296,274	1,280,286	2,797,881
Unrestricted	8,022,110	9,013,312	2,015,193	4,622,870	870,870	1,364,636	4,297,760	8,044,105	8,590,118	7,416,364
Total governmental activities net position	\$ 28,136,280	\$ 27,378,575	\$ 28,848,023	\$ 41,504,559	\$ 45,602,022	\$ 46,863,518	\$ 47,497,010	\$ 49,827,994	\$ 50,416,508	\$ 51,553,164
Business-type activities:										
Net investment in capital assets	\$ 27,499,978	\$ 29,971,833	\$ 25,590,844	\$ 27,911,757	\$ 26,550,954	\$ 27,865,064	\$ 32,641,915	\$ 46,875,816	\$ 52,906,194	\$ 52,243,951
Unrestricted	24,972,697	21,724,844	25,738,585	23,275,294	23,270,667	23,628,617	20,951,828	18,096,222	22,028,646	23,999,664
Total business-type activities net position	\$ 52,472,675	\$ 51,696,677	\$ 51,329,429	\$ 51,187,051	\$ 49,821,621	\$ 51,493,681	\$ 53,593,743	\$ 64,972,038	\$ 74,934,840	\$ 76,243,615
Primary government										
Net investment in capital assets	\$ 47,071,732	\$ 47,738,338	\$ 51,120,076	\$ 63,355,180	\$ 69,700,354	\$ 71,624,755	\$ 74,029,375	\$ 87,363,431	\$ 93,452,298	\$ 93,582,870
Restricted	542,416	598,758	1,303,598	1,438,266	1,581,752	1,739,191	1,811,790	1,296,274	1,280,286	1,168,472
Unrestricted	32,994,807	30,738,156	27,753,778	27,898,164	24,141,537	24,993,253	25,249,588	26,140,327	30,618,764	33,045,437
Total primary government net position	\$ 80,608,955	\$ 79,075,252	\$ 80,177,452	\$ 92,691,610	\$ 95,423,643	\$ 98,357,199	\$ 101,090,753	\$ 114,800,032	\$ 125,351,348	\$ 127,796,779

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 1,337,825	\$ 2,014,118	\$ 1,820,939	\$ 2,069,656	\$ 1,580,634	\$ 1,782,797	\$ 2,118,903	\$ 1,813,136	\$ 2,039,237	\$ 2,024,609
Public safety	4,014,472	3,982,363	4,355,486	4,620,506	4,466,205	4,826,442	5,392,894	5,279,682	5,942,851	6,073,416
Public works	3,230,087	3,609,893	3,927,287	4,882,783	4,622,046	4,677,492	5,381,340	5,378,213	6,310,254	6,487,486
Parks, recreation and cultural	581,190	759,713	952,084	869,890	658,510	734,657	727,557	777,456	775,021	638,436
Community development	1,854,682	1,374,210	1,448,109	1,463,571	1,403,802	1,404,450	1,443,117	1,688,724	1,613,569	1,712,175
Interest	338,982	430,650	529,532	567,245	502,905	557,705	323,497	390,139	365,932	357,229
Total governmental activities	11,357,238	12,170,947	13,033,437	14,473,651	13,234,102	13,983,543	15,387,308	15,327,350	17,046,864	17,293,351
Business-type activities:										
Water	2,989,018	3,080,472	3,173,641	3,947,082	3,483,189	3,880,069	4,074,774	5,256,395	4,257,892	5,783,979
Wastewater	5,480,065	5,322,081	5,438,022	5,401,822	5,146,396	5,533,867	5,345,589	5,055,057	5,282,858	5,169,641
Electric	10,158,556	11,195,220	10,592,276	11,823,318	11,640,544	10,710,274	10,939,680	11,253,585	11,218,357	11,748,581
Total business-type activities expense	18,627,639	19,597,773	19,203,939	21,172,222	20,270,129	20,124,210	20,360,043	21,565,037	20,759,107	22,702,201
Total primary government expenses	29,984,877	31,768,720	32,237,376	35,645,873	33,504,231	34,107,753	35,747,351	36,892,387	37,805,971	39,995,552
Program revenues:										
Governmental activities:										
Charges for services:										
General government	-	-	189,022	53,062	63,438	81,443	90,053	117,936	90,556	125,733
Public safety	188,207	244,823	185,890	157,238	159,236	195,365	202,554	188,458	233,361	142,554
Public works	134,538	216,426	224,756	322,027	390,969	432,509	313,983	366,920	318,291	261,885
Parks, recreation and cultural	477,141	401,784	408,606	430,869	410,854	420,362	430,210	461,456	509,131	117,234
Community development	8,461	19,357	31,878	41,585	35,243	37,304	19,471	27,718	32,804	189,639
Operating grants and contributions	2,527,695	1,892,927	2,088,055	2,400,103	2,180,092	2,164,513	2,377,321	2,355,582	2,512,485	2,669,291
Capital grants and contributions	-	-	959,384	2,292,433	7,738,062	294,304	365,253	2,285,924	62,000	1,312,239
Total primary government program revenues	3,336,042	2,775,317	4,087,591	5,697,317	10,977,894	3,625,800	3,798,845	5,803,994	3,758,628	4,818,575
Business-type activities:										
Charges for services:										
Water	2,893,750	3,177,413	3,711,935	4,102,902	4,265,875	5,125,832	4,455,697	4,562,888	4,510,584	4,410,737
Wastewater	3,204,475	3,421,975	4,441,288	5,224,087	5,269,322	5,662,133	5,768,125	5,952,387	5,940,563	5,914,111
Electric	10,680,058	10,855,157	11,188,316	11,444,085	12,106,804	11,592,942	11,711,465	12,486,678	12,981,235	12,577,012
Operating grants and contributions	-	14,852	-	3,047	1,369	24,020	29,542	15,597	16,341	8,812
Capital grants and contributions	11,806	2,083	22,000	818,910	-	-	994,049	10,846,873	7,340,842	1,063,423
Total business-type activities program revenues	16,790,089	17,471,480	19,363,539	21,593,031	21,643,370	22,404,927	22,958,878	33,864,423	30,789,565	23,974,095
Total primary government program revenues	20,126,131	20,246,797	23,451,130	27,290,348	32,621,264	26,030,727	26,757,723	39,668,417	34,548,193	28,792,670
Net (expense) revenue:										
Governmental activities	(8,021,196)	(9,395,630)	(8,945,846)	(8,776,334)	(2,256,208)	(10,357,743)	(11,588,463)	(9,523,356)	(13,288,236)	(12,474,776)
Business-type activities	(1,837,550)	(2,126,293)	159,600	420,809	1,373,241	2,280,717	2,598,835	12,299,386	10,030,458	1,271,894
Total primary government net expense	(9,858,746)	(11,521,923)	(8,786,246)	(8,355,525)	(882,967)	(8,077,026)	(8,989,628)	2,776,030	(3,257,778)	(11,202,882)

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,757,576	\$ 2,764,759	\$ 2,905,805	\$ 3,052,885	\$ 3,095,547	\$ 3,062,450	\$ 3,334,858	\$ 3,814,435	\$ 3,726,136	\$ 3,789,988
Sales taxes	986,332	1,257,483	1,299,219	1,409,401	1,371,546	1,363,040	1,555,660	1,641,902	1,585,041	1,623,384
Business license tax	1,010,056	1,060,265	1,092,986	1,044,986	1,035,641	1,043,272	1,072,996	1,115,874	1,010,442	1,028,437
Bank stock tax	329,972	273,240	287,309	305,972	349,495	338,243	390,832	431,595	483,997	402,494
Cigarette tax	144,010	126,516	183,297	173,094	162,582	167,265	156,238	165,818	247,326	225,899
Hotel and motel tax	256,929	299,089	249,896	328,032	325,775	342,965	449,636	498,669	448,369	358,721
Food and beverage tax	1,790,476	1,846,124	2,622,243	3,362,648	3,727,506	3,941,061	4,115,524	4,257,578	4,332,531	4,156,443
Other local taxes	198,877	198,623	189,255	193,414	194,523	180,285	178,811	188,325	187,320	194,478
Intergovernmental revenue	285,193	443,255	231,473	231,885	231,499	231,707	230,933	285,596	393,438	332,387
Investment earnings	22,309	13,663	25,279	20,845	18,793	36,412	45,754	117,859	345,501	712,349
Other	163,583	54,908	74,341	103,546	165,826	331,402	50,778	92,164	512,269	122,307
Special Item: Annexation of State Roads	-	-	680,433	-	-	-	-	-	-	-
Transfers	300,000	300,000	573,758	594,982	625,612	593,538	611,435	607,965	604,380	664,545
Total governmental activities	8,245,313	8,637,925	10,415,294	10,821,690	11,304,345	11,631,640	12,193,455	13,217,780	13,876,750	13,611,432
Business-Type Activities:										
Investment earnings	252,103	216,685	46,910	37,648	30,050	60,471	127,950	242,858	527,505	701,426
Other	1,252,125	1,443,610	-	-	6,668	8,301	13,212	-	9,219	-
Insurance recovery	-	-	-	447,114	7,929	3,474	-	-	-	-
Transfers	(300,000)	(300,000)	(573,758)	(594,982)	(625,612)	(593,538)	(611,435)	(607,965)	(604,380)	(664,545)
Total business-type activities	1,204,228	1,360,295	(526,848)	(110,220)	(580,965)	(521,292)	(470,273)	(365,107)	(67,656)	36,881
Total primary government	9,449,541	9,998,220	9,888,446	10,711,470	10,723,380	11,110,348	11,723,182	12,852,673	13,809,094	13,648,313
Changes in net position/assets:										
Governmental activities	224,117	(757,705)	1,469,448	2,045,356	9,048,137	1,273,897	604,992	3,694,424	588,514	1,136,656
Business-type activities	(633,322)	(775,998)	(367,248)	310,589	792,276	1,759,425	2,128,562	11,934,279	9,962,802	1,308,775
Total primary government	\$ (409,205)	\$ (1,533,703)	\$ 1,102,200	\$ 2,355,945	\$ 9,840,413	\$ 3,033,322	\$ 2,733,554	\$ 15,628,703	\$ 10,551,316	\$ 2,445,431

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)**

	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ 58,070	\$ 80,810	\$ 146,178	\$ 86,437	\$ -
Restricted	265,133	470,772	664,894	6,732,852	5,300,787
Committed	83,125	7,931,602	8,072,276	-	-
Assigned	4,557,951	648,657	1,353,321	352,985	86,656
Unassigned	4,000,756	314,975	823,784	4,726,934	5,377,641
Total General Fund	\$ 8,965,035	\$ 9,446,816	\$ 11,060,453	\$ 11,899,208	\$ 10,765,084
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	542,416	598,758	638,704	703,499	758,254
Total all other governmental funds	\$ 542,416	\$ 598,758	\$ 638,704	\$ 703,499	\$ 758,254
	2016	2017	2018	2019	2020
General Fund:					
Nonspendable	\$ -	\$ 82,081	\$ 125,672	\$ 121,487	\$ 152,026
Restricted	5,399,922	2,957,401	339,124	230,698	41,677
Committed	176,088	-	-	-	-
Assigned	448,203	2,491,370	3,504,418	7,368,961	7,671,403
Unassigned	5,663,645	6,818,439	10,711,025	7,348,636	7,099,139
Total General Fund	\$ 11,687,858	\$ 12,349,291	\$ 14,680,239	\$ 15,069,782	\$ 14,964,245
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ 847,322	\$ 916,872	\$ 965,622
Restricted	822,133	893,371	109,828	132,716	161,173
Total all other governmental funds	\$ 822,133	\$ 893,371	\$ 957,150	\$ 1,049,588	\$ 1,126,795

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Taxes	\$ 7,432,462	\$ 7,834,966	\$ 8,794,666	\$ 9,852,810	\$ 10,185,335	\$ 10,456,591	\$ 11,264,283	\$ 12,022,628	\$ 12,127,817	\$ 11,493,484
Permits, privilege fees and regulatory licenses	278,571	294,185	255,905	304,884	275,969	364,246	297,808	339,691	370,949	396,997
Fines and forfeitures	123,623	129,778	129,654	103,206	122,292	118,324	134,158	113,085	131,494	107,599
Investment earnings	232,691	191,908	210,859	210,983	202,029	212,379	213,887	364,243	597,370	712,349
Charges for services	200,374	284,563	255,751	293,820	328,502	279,147	295,860	378,002	353,125	332,449
Other	122,168	46,727	288,051	216,950	300,545	196,889	131,122	251,708	622,890	122,307
Recovered costs	2,052,104	2,009,672	1,817,446	1,835,240	2,027,731	2,208,363	2,288,113	2,332,603	2,521,534	2,755,505
Intergovernmental	2,975,718	2,342,176	3,279,435	3,953,986	4,707,381	2,690,525	2,853,111	2,807,406	2,928,570	2,883,692
Total revenues	13,417,711	13,133,975	15,031,767	16,771,879	18,149,784	16,526,464	17,478,342	18,609,366	19,653,749	18,804,382
Expenditures:										
General government administration	2,491,505	2,703,451	3,146,377	3,190,149	3,306,228	3,590,533	3,738,385	3,814,621	4,177,881	4,431,181
Public safety	3,920,633	3,902,392	4,018,716	4,290,573	4,317,699	4,619,766	4,996,798	5,020,076	5,250,136	5,572,833
Public works	2,820,311	3,045,848	3,110,447	3,330,713	3,259,396	3,514,464	3,628,459	3,184,690	4,334,914	4,080,007
Parks, recreation and cultural	654,533	715,352	906,712	828,728	665,109	730,184	703,051	769,988	752,292	630,020
Community development	1,140,210	1,335,520	1,286,951	1,435,055	1,425,637	1,414,780	1,417,717	1,570,997	1,545,830	1,699,081
Capital projects	1,628,829	841,828	3,918,542	5,466,703	5,709,587	884,820	1,284,343	738,983	1,988,530	1,467,841
Debt service:										
Principal	573,103	716,023	784,741	933,736	1,074,903	1,227,548	1,249,267	1,265,780	1,284,036	6,353,535
Interest and fiscal charges	412,271	419,506	442,610	520,199	533,486	511,519	410,324	457,469	442,579	434,116
Bond issuance costs	150,834	115,832	56,846	53,236	7,896	73,022	-	-	-	44,643
Total expenditures	13,792,229	13,795,752	17,671,942	20,049,092	20,299,941	16,566,636	17,428,344	16,822,604	19,776,198	24,713,257
Revenues over (under) expenditures	(374,518)	(661,777)	(2,640,175)	(3,277,213)	(2,150,157)	(40,172)	49,998	1,786,762	(122,449)	(5,908,875)
Other financing sources (uses):										
Proceeds from borrowing	10,223,397	900,000	3,720,000	3,676,500	430,000	4,990,000	-	-	-	5,216,000
Bond premium on issuance	804,730	-	-	-	-	1,115,879	-	-	-	-
Payments to escrow agent	(10,877,293)	-	-	-	-	(6,036,403)	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	299,932	-	-	-	-
Transfers in	300,000	300,000	573,758	594,982	625,612	593,538	611,435	607,965	604,380	664,545
Total other financing sources, net	450,834	1,200,000	4,293,758	4,271,482	1,055,612	962,946	611,435	607,965	604,380	5,880,545
Net change in fund balances	\$ 76,316	\$ 538,223	\$ 1,653,583	\$ 994,269	\$ (1,094,545)	\$ 922,774	\$ 661,433	\$ 2,394,727	\$ 481,931	\$ (28,330)
Debt service as a percentage of noncapital expenditures:	8.10%	8.77%	8.92%	9.97%	11.02%	11.09%	10.28%	10.71%	9.71%	41.44%

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⁾
					Real Estate	Personal Property		
2011	2010	\$ 1,287,542,000	\$ 133,963,333	\$ 20,757,388	\$ 50,527,487	\$ 1,924,451	\$ 1,494,714,659	\$ 1.93
2012	2011	1,155,780,300	126,677,786	16,266,484	40,816,355	79,380	1,339,620,305	1.93
2013 ⁽²⁾	2012	1,346,564,800	134,140,673	16,413,572	39,446,496	357,302	1,536,922,843	1.93
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

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

(1) Per \$100 of assessed value

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

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,	Real Property	Personal Property	Machinery and Tools	Public Utilities		Overlapping Rates Culpeper County		Total Direct Tax Rate
				Real Estate	Personal Property	Real Property	Personal Property	
2011	\$ 0.13	\$ 1.00	\$ 0.80	\$ 0.11	\$ 1.00	\$ 0.74	\$ 3.50	\$ 1.93
2012	0.13	1.00	0.80	0.11	1.00	0.74	3.50	1.93
2013	0.13	1.00	0.80	0.11	1.00	0.83	3.50	1.93
2014	0.13	1.00	0.80	0.13	1.00	0.83	3.50	1.93
2015	0.11	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2016	0.11	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2017	0.11	1.00	0.80	0.11	1.00	0.73	3.50	1.91
2018	0.10	1.00	0.80	0.10	1.00	0.67	3.50	1.90
2019	0.10	1.00	0.80	0.10	1.00	0.62	3.50	1.90
2020	0.091	1.00	0.80	0.091	1.00	0.62	3.50	1.891

Notes:

(1) These rates are per \$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, 2020			Fiscal Year June 30, 2011		
		2020 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2011 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Culpeper 2018, LLC	Shopping Center	\$ 23,032,600	1	1.18%	\$ -		
Society for Worldwide Interbank	Data Center	21,533,500	2	1.10%	18,398,500	2	1.25%
Dominion Sqaure - Culpeper LLC	Shopping Center	16,684,100	3	0.85%	12,896,100	3	0.88%
Frep IV - Center at Culpeper LLC	Shopping Center	12,610,300	4	0.64%	-		-
Wal-Mart	Retail/Grocery	12,109,600	5	0.62%	10,905,600	4	0.74%
VA Equities LLC	Shopping Center	10,318,100	6	0.53%	-		-
Culpeper Shopping Center	Shopping Center	9,373,400	7	0.48%	6,400,100	8	0.44%
Maloney Acquisition, Inc.	Manufacturing	7,953,500	8	0.41%	-		-
Target Corporation	Retail/Grocery	7,667,300	9	0.39%	-		-
Southridge/Culpeper LP	Rental Residential & Commercial	7,661,500	10	0.39%	6,384,600	9	0.44%
Culpeper Memorial Hospital ⁽¹⁾	Healthcare	-		-	24,505,700	1	1.67%
Continental 181 Fund LLC	Shopping Center	-		-	9,861,100	5	0.67%
Masco Builder Cabinet Group	Manufacturing	-		-	6,541,200	6	0.45%
CMH Health Corporation	Healthcare	-		-	6,490,900	7	0.44%
Culpeper House LTD Partnership	Rental Residential	-		-	6,274,200	10	0.43%
Total		<u>\$ 128,943,900</u>		<u>6.59%</u>	<u>\$ 108,658,000</u>		<u>7.40%</u>
Total Real Property Assessed Value		<u>\$ 1,957,644,000</u>		<u>100.00%</u>	<u>\$ 1,467,477,300</u>		<u>100.00%</u>

Notes:

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

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

TOWN OF CULPEPER, VIRGINIA

Table 8

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Tax Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2011	2010	\$ 2,790,558	\$ 2,612,794	93.63%	\$ 193,882	\$ 2,806,676	100.58%
2012	2011	2,741,503	2,620,533	95.59%	139,996	2,760,529	100.69%
2013	2012	2,850,133	2,663,855	93.46%	218,312	2,882,167	101.12%
2014	2013	2,970,019	2,774,376	93.41%	239,745	3,014,121	101.48%
2015	2014	3,026,106	2,816,413	93.07%	260,736	3,077,149	101.69%
2016	2015	3,070,128	2,880,923	93.84%	238,586	3,119,509	101.61%
2017	2016	3,229,653	3,071,240	95.10%	225,845	3,297,085	102.09%
2018	2017	3,600,849	3,401,152	94.45%	261,276	3,662,428	101.71%
2019	2018	3,699,140	3,511,769	94.93%	189,184	3,700,953	100.05%
2020	2019	3,692,620	3,496,445	94.69%	-	3,496,445	94.69%

Note:

* Includes amounts collected for late payment interest and penalties

(1) 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	Business-Type Activities				Total Primary Government	Percentage of Town Cumulative Personal Income	Debt Per Capita
	Activities							
	General	General Obligation Bonds**						
	Obligation Bonds*	Water Bonds	Wastewater Bonds	Electric Bonds	Capital Leases			
2011	\$ 12,788,716	\$ 3,439,116	\$ 21,864,156	\$ 4,482,978	\$ -	\$ 42,574,966	7.74%	\$ 2,555
2012	12,866,875	3,037,383	20,857,910	4,245,381	109,073	41,116,622	6.51%	2,435
2013	15,758,484	6,764,750	20,076,104	6,114,792	67,430	48,781,560	7.50%	2,852
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

Notes:

* Includes bond premiums

** See Table 10

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
2011	\$ 42,574,966	2.85%	\$ 2,555
2012	41,007,549	3.06%	2,428
2013	48,714,130	3.17%	2,848
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

TOWN OF CULPEPER, VIRGINIA

Table 11

LEGAL DEBT MARGIN INFORMATION Last Ten Fiscal Years (Unaudited)

	Fiscal Year June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assessed value of real estate	\$ 1,338,069,487	\$ 1,196,596,655	\$ 1,386,011,296	\$ 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
Debt limit (10% of assessed value)	133,806,949	119,659,666	138,601,130	143,728,480	146,035,245	167,503,920	169,933,012	183,051,767	184,026,398	200,084,818
Less debt applicable to limit										
General obligation bonds	(42,574,966)	(41,007,549)	(48,714,130)	(50,993,995)	(52,464,985)	(51,047,905)	(47,555,773)	(44,102,641)	(41,101,096)	(38,342,566)
Capital leases	-	(109,073)	(67,430)	(212,707)	(150,658)	(81,180)	(44,009)	-	-	-
Legal debt margin	\$ 91,231,983	\$ 78,543,044	\$ 89,819,570	\$ 92,521,778	\$ 93,419,602	\$ 116,374,835	\$ 122,333,230	\$ 138,949,126	\$ 142,925,302	\$ 161,742,252
Total debt applicable to the limit as a percentage of debt limit	31.8%	34.4%	35.2%	35.6%	36.0%	30.5%	28.0%	24.1%	22.3%	19.2%
Total debt applicable to the limit as a percentage of assessed value	3.2%	3.4%	3.5%	3.6%	3.6%	3.1%	2.8%	2.4%	2.2%	1.9%
Debt applicable to limit:										
Allocated to General Fund	\$ 12,788,716	\$ 12,866,875	\$ 15,758,484	\$ 18,457,598	\$ 17,787,190	\$ 16,963,068	\$ 15,588,513	\$ 14,225,946	\$ 12,845,122	\$ 11,610,800
Allocated to Enterprise Funds	29,786,250	28,249,747	33,023,076	32,749,104	34,828,453	34,166,017	32,011,269	29,876,695	28,255,974	26,731,766
Total	\$ 42,574,966	\$ 41,116,622	\$ 48,781,560	\$ 51,206,702	\$ 52,615,643	\$ 51,129,085	\$ 47,599,782	\$ 44,102,641	\$ 41,101,096	\$ 38,342,566

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	
2011	\$ 16,778,283	\$ 14,392,590	\$ 2,385,693	\$ 1,268,044	\$ 1,236,347	0.95
2012	17,469,397	15,532,231	1,937,166	1,372,877	1,281,466	0.73
2013	17,874,539	15,233,615	2,640,924	1,430,259	1,113,035	1.04
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	21,243,810	17,815,759	3,428,051	10,602,452	860,406	0.00

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.

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 Enrollement	Unemployment Rate
2011	16,662	\$ 550,395,846	\$ 33,033	\$ 66,458	38.3	3,247	6.40%
2012	16,886	631,519,514	37,399	65,567	38.3	5,700	6.50%
2013	17,106	650,181,954	38,009	64,423	38.4	4,610	5.50%
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%

* Estimated

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

TOWN OF CULPEPER, VIRGINIA

Table 14

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

Employer	2020			2011		
	Employees	Rank	Percentage of Total County Employment ⁽²⁾	Employees	Rank	Percentage of Total County Employment ⁽²⁾
Culpeper County School Board ⁽¹⁾	1000-2999	1	N/A	1,190	1	8.2%
Culpeper Memorial Hospital	500-999	2	N/A	640	2	4.4%
Culpeper County Government ⁽¹⁾	500-999	2	N/A	415	4	2.9%
Wal-Mart Stores	500-999	2	N/A	435	3	3.0%
S.W.I.F.T., Inc.	200-499	5	N/A	-	-	-
Rappahannock Rapidan Community Services ⁽¹⁾	200-499	5	N/A	-	-	-
Cintas Corporation	200-499	5	N/A	250	6	1.7%
Virginia Department of Transportation ⁽¹⁾	200-499	5	N/A	200	7	1.4%
Culpeper Heath & Rehabilitation Center	200-499	5	N/A	175	8	1.2%
Masco Builder Cabinet Group	200-499	5	N/A	-	-	-
Continental Automotive Systems ⁽²⁾	-	-	-	275	5	1.9%
Town of Culpeper ⁽¹⁾	-	-	-	150	9	1.0%
Merchants Grocery Store Co, Inc.	-	-	-	150	10	1.0%
			<u>N/A</u>			<u>26.9%</u>
Total County Employment	<u>24,189</u>			<u>3,880</u>		

Notes:

(1) Also has locations in the County

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government administration										
Management services (includes Council = 4.5)	7	6	5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Finance and Human Resources	11	12	11	11	14	16	17	18	18	16
Planning	4	5	5	5	5	5	5	6	5	6
Building maintenance	4	4	4	4	4	4	5	5	4	6
Tourism and Visitors Center	2	2.5	2.5	2.5	2.5	3.5	4	4	4.5	4.5
Culpeper Media	2	2	2	2	2	2	2	2	2	2
Information Technology	2	4	5	6	6	7	6	6	7	4.5
Town Clerk	2	2	2	2	2	3	2	2.5	3	3
Public safety:										
Officers	41	39	42	42	42	40	42	43	46	46
Civilians	8	9	8	9	8	11	10	9	9	8
Public works:										
Refuse collection	5	5	4	5	5	5	4	4	4	4
Streets	13	10	15	16	18	17	18	17	18	16
Traffic engineering and motor pool	4	6	4	4	4	4	4	4	4	4
Parks and recreation										
Park	5	6	8	8	5	5	5	5	5	4
Cemetery	3	1	3	3	1.5	2	2	2	3	-
Water and wastewater operations	31	36	32	34	34	33	34	35	37	36
Electric operations	17	16	19	18	17	16	17	17	17	16
Total	161	165.5	171.5	177	175.5	179	182.5	185	192	181.5

Note:

(1) Source: Town of Culpeper Finance Department

TOWN OF CULPEPER, VIRGINIA

Table 16

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

Function/Program	Fiscal Year June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety:										
Traffic violations	3,471	2,180	2,755	2,246	2,075	2,013	3,110	2,482	2,765	1,716
Parking violations	1,643	1,439	1,876	1,226	1,342	1,838	1,496	1,636	2,262	963
Arrests	1,320	1,386	1,389	1,346	1,330	1,266	1,167	1,205	1,151	1,107
Total crimes	1,823	1,783	1,871	1,542	1,680	1,742	1,681	1,801	1,587	1,542
Public works										
Street paving - crack sealant in pounds	30,000	20,442	4,740	136	693	-	-	129	-	-
Street paving - milling in sq. yds.	9,575	21,755	1,011	10,384	14,691	-	30,388	5,678	57,835	42,489
Street paving - bituminous concrete in tons	4,504	5,495	2,884	1,858	1,814	-	4,503	2,482	9,392	5,865
Recycling - cardboard in pounds	89,320	81,420	73,020	69,540	57,640	59,240	49,367	-	-	-
Water operations										
Number of service connections	6,507	6,579	6,651	6,931	6,930	7,093	7,103	7,352	7,504	7,588
Average daily consumption in gallons	1,760,000	1,499,109	1,700,000	1,900,000	2,070,638	2,011,007	2,060,000	2,080,000	2,000,000	2,024,658
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
Wastewater operations										
Number of service connections	6,238	6,315	6,382	6,662	6,667	6,823	6,849	7,024	7,178	7,256
Average daily consumption in gallons	2,620,000	1,371,855	3,700,000	3,400,000	2,880,000	3,160,000	2,900,000	2,900,000	3,810,000	3,057,534
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	5,063	5,099	5,087	5,214	5,323	5,357	5,408	5,481	5,606	5,694
Average monthly consumption in kilowatt hrs	1,673	1,611	1,628	1,615	1,574	1,540	1,597	1,569	1,541	1,502
Highest system peak demand in megawatts	25.72	25.66	25.56	26.37	27.47	27.58	27.58	26.20	27.20	27.84

Note:

(1) 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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	33	33	33	36	36	36	36	37	46	46
Public works:										
Streets (miles)	64	62	66	66	66	66	67	68	68	70
Street and yard lights	1,133	1,116	1,109	1,054	1,054	1,054	1,054	1,172	1,175	1,105
Traffic signals	15	19	20	20	19	19	19	17	17	17
Water operations:										
Miles of water main	99.0	99.0	100.0	101.4	102.6	104.0	104.7	106.0	106.0	107.0
Number of fire hydrants	678	678	737	740	713	725	734	750	750	761
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of wells	-	-	-	-	3	3	3	6	6	6
Wastewater operations:										
Miles of sanitary sewer	95.0	95.0	96.0	95.5	95.5	96.8	97.6	98.0	98.0	99.0
Miles of storm sewer	20.0	20.0	30.0	30.5	30.5	30.5	32.0	32.2	32.2	33.3
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	9	9	9	9	10	11	11	12	11	11
Electric operations:										
Miles of overhead lines	27.7	27.7	27.7	27.7	27.7	27.7	27.9	32.2	32.2	32.2
Miles of underground lines	41.8	41.8	42.9	44.1	44.5	44.5	46.7	134.3	136.4	137.8
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

Note:

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

COMPLIANCE SECTION



**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*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund, 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, 2020, 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 18, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 18, 2020