

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021



TOWN OF CULPEPER, VIRGINIA

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2021

PREPARED BY:

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

TOWN OF CULPEPER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended June 30, 2021

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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 16, 2021

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statutes, the Town of Culpeper hereby submits the audited Annual Comprehensive Financial Report on its financial position and activities for the fiscal year ended June 30, 2021. This report was audited by the independent certified public accounting firm of PBMares, LLP, however the responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town's management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and reported in a manner that presents fairly the financial position and results of operations of the Town's various funds, and component units. All necessary disclosures have been included to enable the reader to gain an understanding of the financial activities of the Town.

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

THE REPORTING ENTITY AND SERVICES PROVIDED

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

The Town of Culpeper provides a full range of services to its citizens including government administration; police protection; sanitation; the construction and maintenance of highways, streets, and infrastructure; general engineering; and planning and community development. In addition, the Town contributes to County volunteer fire and rescue departments, local economic and tourism development programs, cultural events, recreational activities and other civic and community service non-profit organizations. The Town also operates electric, water, and sewer utilities, that provide service to approximately 8,700 customers.

ECONOMIC CONDITION AND OUTLOOK

Population growth continues within the Town into 2021, as evidenced by the National 2020 Census and the multi-year trend of continued residential development. The Town is positioned in the D.C./Northern Virginia growth ring with a forecasted steady population increase of 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 3.0%, which is below both the Virginia Statewide rate (4.0%) and the national rate (4.8%) as of September 2021.

The economic impact of the COVID-19 pandemic has been felt locally over the past 18 months. Operating and capital budget reductions were made to the adopted FY21 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 received over \$3 million in Federal CARES Act funding, which was used to provide economic assistance to local businesses and utility customers, and to offset Town expenditures related to combatting the negative economic impact of the pandemic. Local tax revenues have all remained strong and exceeded the reduced budget forecasts for both the prior year and for the current year to date. Property tax assessments for the 2021 tax year saw significant increases due to the strong real estate market and increased vehicle market values, which suggest meeting or exceeding budgeted revenues as long as collection rates continue at prior year levels. Further, in June 2021 the Town was awarded Federal ARPA Coronavirus State and Local Fiscal Recovery Funds of \$19,581,052, and has begun planning to use the funds in accordance with the ARPA legislation.

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 2021, with more ongoing currently and planned for the coming years to meet these needs, and are discussed in this narrative.

MAJOR INITIATIVES IN FY21

Fiscal year 2021 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 have been re-evaluated for inclusion in upcoming budget cycles and to utilize Federal ARPA funding through the end of calendar 2024. 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 was updated annually as progress was made and needs re-assessed. The final plan update was made in 2020, with primary areas of focus on the Downtown Masterplan, park access and recreation improvements, and sidewalk and road improvements bringing this vision to completion. A complete copy of the Culpeper 20/20 Strategic Vision Plan can be found on the Town website. Management has begun development of the next ten-year plan, Culpeper 2030, to be presented to Town Council in early 2022.
- *Rockwater Park* – In FY18, Rockwater Park opened with 32 acres of green space, a picnic pavilion, restrooms, parking and one mile of walking trails. Park improvements 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. Improvements completed in FY21 included additional park access points and parking due to increased use of the park and its facilities, and the installation of playground equipment for children ages 5-12 to round out the full complement of play amenities, which was funded in part by a grant from a local not for profit agency.

- ERP implementation – With the implementation of the final modules, Taxes and Utility Billing, the Town has completed in FY21 a multi-year project to implement a new enterprise resource planning (ERP) system to replace its outdated legacy financial and business management software. The project began in FY16, by implementing the following modules in phases during prior years: General Ledger, Accounts Payable, Content Management, Permitting, Business License, Cashiering and Human Resources/Payroll.
- Pandemic Grant Programs – The Town received approximately \$3.3 million of direct Federal CARES funding in calendar 2020, allocating \$1.3 million towards grant programs and other spending to support Town businesses adversely impacted by the pandemic and \$70,000 to Town utility customers eligible for assistance. Remaining CARES funding was used by the Town for reimbursement of expenses allowed under the CARES Act. Further, the Town secured additional CARES funding of \$1.1 million provided through the Virginia Department of Housing and Community Development to operate a Small Business Recovery Grant program geared towards Culpeper small, women and minority owned businesses. Approximately \$400,000 was distributed through June 30, 2021, and the program continues in FY22 until all funds have been awarded.

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 seventeenth consecutive year for its Annual Comprehensive Financial Report for the fiscal year ended, June 30, 2020. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. In order to be awarded a Certificate of Achievement, a government unit must timely publish an easily readable and efficiently organized annual comprehensive financial report, where the contents conform to program standards. Such reports must easily satisfy both generally accepted governmental accounting principles and applicable legal requirements.
- Directors Award – The Culpeper Water Treatment Plant maintained the Partnership for Safe Water Director's Award for 2020. This award recognizes the Town's continual commitment in protecting public health and providing high quality water services. The Partnership for Safe Water is an unprecedented alliance of six prestigious drinking water organizations which include: AWWA – American Water Works Association, AMWA – Association of Metropolitan Water Agencies, ASDWA – Association of State Drinking Water Administrators, NAWC – National Association of Water Companies, USEPA – U.S. Environmental Protection Agency, and WRF - Water Research Foundation. The Partnership's mission is to improve the quality of water delivered to customers by optimizing water system operations.
- Commission on Accreditation of Law Enforcement Agencies – The Culpeper Police Department maintains a standard of excellence and accountability by its participation and following established law enforcement best practices set forth by the Commission on Accreditation of Law Enforcement Agencies (CALEA). The Police Department successfully completed the independent on-site assessment and annual review, including evaluation of policies and procedures and interviews of personnel and community members, culminating in an appearance by the Chief of Police before the CALEA Commission to answer questions affirming the Town's adherence to CALEA standards. The Commission voted unanimously for Culpeper's status of Advanced Re-Accreditation with Meritorious Achievement for 2020.

LONG –TERM FINANCIAL PLANNING

Capital Improvements Plan

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

Enterprise Fund Planning

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

Bond Credit Rating

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

Strategic Reserves

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 \$7.9 million of fund balance to assigned fund balance under the policy, and used \$1.7 million for land purchases related to the downtown development and parking project.

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, investments, debt administration, and financial analysis and reporting.

Internal Controls

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

Budgetary Controls

The Town prepares an annual budget for operating expenditures, and as previously referenced, a capital budget based on the CIP. The annual budget is prepared by management and then reviewed and approved by Town Council before the start of each fiscal year. The Town reviews and controls spending both at the organization level and the

department level. All spending is subject to Town Manager and Director of Finance/Town Treasurer approval at designated thresholds, and expenditures are reported monthly to Town Council for their review and approval. Further, Town Directors are responsible for budget control within their areas of responsibility. Controlling expenditures at multiple levels strengthens overall budgetary and spending controls.

OTHER INFORMATION

Independent Audit

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

Acknowledgments

The preparation of the Annual Comprehensive Financial Report is partly outsourced, with contributions provided by the dedicated service of the Finance Division/Treasurer's Office staff. I extend my sincere appreciation for the efforts of staff towards the preparation of this report. I also wish to thank the Town Council, Town Manager, and Town-wide department 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,



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

TOWN OF CULPEPER, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS AS OF NOVEMBER 16, 2021

TOWN COUNCIL

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

Pranas A. Rimeikis
Jon D. Russell
Meaghan Taylor
Vacant

Jamie Clancey
Keith D. Price
Frank Reaves, Jr.

APPOINTED OFFICIALS

TOWN MANAGER
Christopher D. 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

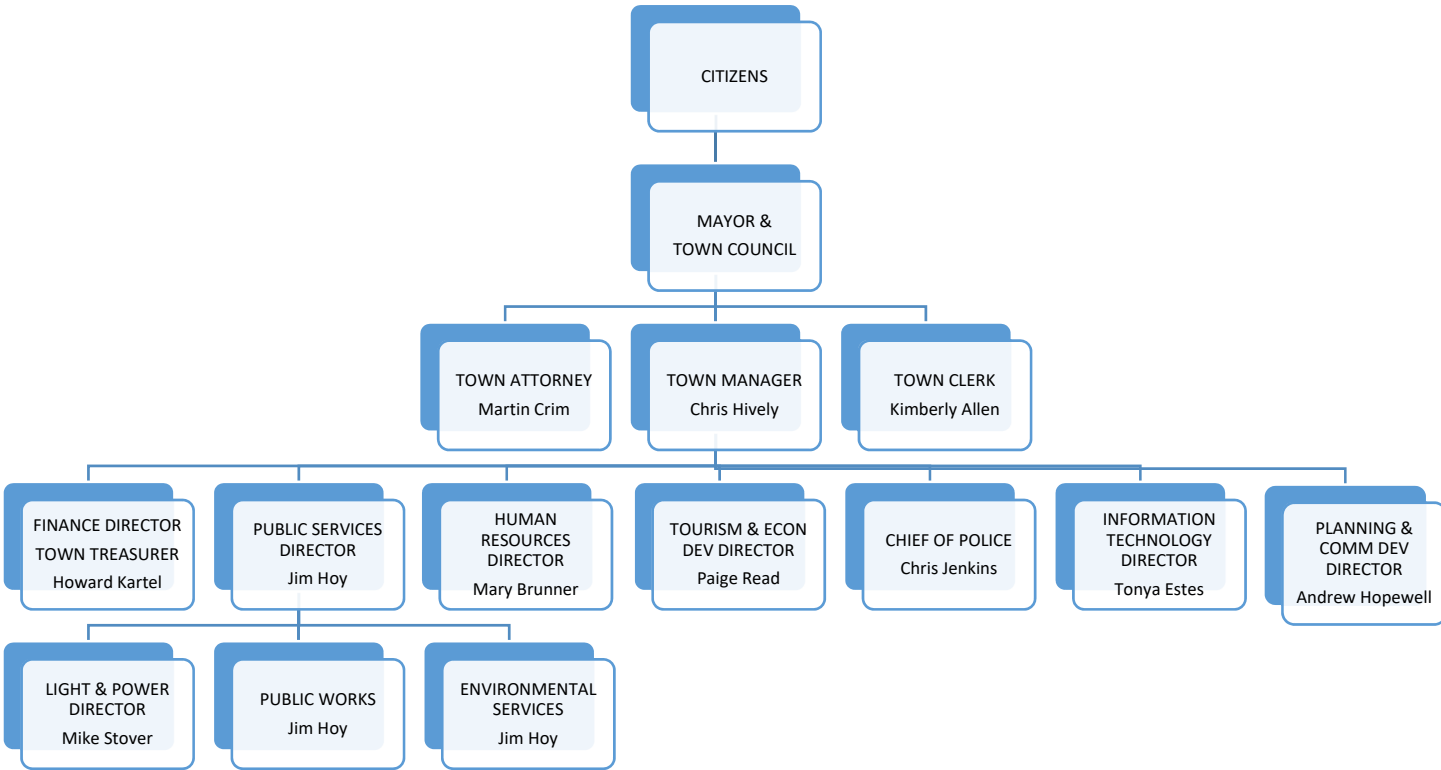
**DIRECTOR OF INFORMATION
TECHNOLOGY**
Tonya Estes

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, 2020

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, each major fund, the aggregate discretely presented component unit and the 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, 2021, 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, each major fund, the aggregate discretely presented component unit and the remaining fund information of the Town, as of June 30, 2021, 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.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 18 to the financial statements, the Town restated beginning net position of the governmental activities and the general fund in order to record fiduciary activities in accordance with the implementation of Governmental Accounting Standards Board Statement No. 84.

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 4-16 and 69-77, 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 accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and 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 Schedule of Expenditures of Federal Awards and 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 16, 2021 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 16, 2021

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, 2021. 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, 2021 by \$131,597,182 (net position), an increase of \$3,868,244 or 3.0%, from the prior year. Of the current year amount, \$35,485,705 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, 2021, the Town's governmental funds reported an ending fund balance of \$18,137,206, an increase of \$2,114,007, or 13.2%, from the prior year. This amount is available for spending at the government's discretion, other than \$1,705,770 which is classified as non-spendable or restricted. During fiscal year 2021, the Town increased its Strategic Reserves (committed and assigned fund balance) for future budget stabilization and capital project purposes by a net amount of \$299,000 to approx. \$6.2 million.
- In response to the economic uncertainties due to the COVID-19 pandemic, prior to the start of fiscal 2021, management presented a revised budget to Council reducing overall expenditures by more than \$2.9 million, with an effort to maintain costs at or below prior year levels. The Town received Federal CARES Act funds of approximately \$3.3 million during FY 2021, which were used to subsequently amend the budget to provide economic support to small business and utility customers, and to support spending by Town departments across all funds to respond to the pandemic.

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 non-major funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve 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 \$131,597,182 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, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 29,771,034	\$ 19,664,182	\$ 29,885,632	\$ 28,874,752	\$ 59,656,666	\$ 48,538,934
Capital assets, net	54,064,071	53,021,164	76,200,128	78,169,811	130,264,199	131,190,975
Total assets	83,835,105	72,685,346	106,085,760	107,044,563	189,920,865	179,729,909
Deferred outflows - Pensions	2,721,931	1,447,247	1,027,198	516,744	3,749,129	1,963,991
Deferred outflows - OPEB	398,918	180,570	152,321	66,972	551,239	247,542
Deferred amount on refunding	227,071	262,135	753,050	816,599	980,121	1,078,734
Total deferred outflows of resources	3,347,920	1,889,952	1,932,569	1,400,315	5,280,489	3,290,267
Current liabilities	11,174,054	3,027,261	2,585,140	2,496,021	13,759,194	5,523,282
Noncurrent liabilities	20,472,194	19,062,798	28,715,612	29,370,100	49,187,806	48,432,898
Total liabilities	31,646,248	22,090,059	31,300,752	31,866,121	62,947,000	53,956,180
Property taxes collected in advance	106,250	-	-	-	106,250	-
Deferred inflows - Pensions	284,602	779,050	107,402	278,162	392,004	1,057,212
Deferred inflows - OPEB	115,262	153,025	43,656	56,980	158,918	210,005
Total deferred inflows of resources	506,114	932,075	151,058	335,142	550,922	1,267,217
Net position:						
Net investment in capital assets	43,829,900	41,338,919	51,984,648	52,243,951	95,814,548	93,582,870
Restricted	296,929	1,168,472	-	-	296,929	1,168,472
Unrestricted	10,903,834	9,045,773	24,581,871	23,999,664	35,485,705	33,045,437
Total net position	\$ 55,030,663	\$ 51,553,164	\$ 76,566,519	\$ 76,243,615	\$ 131,597,182	\$ 127,796,779

At the end of the current fiscal year, the Town continues to report positive balances in all categories of net position. A discussion of fiscal year 2021 activities and results are on the subsequent pages of this MD&A section.

A significant portion of the Town's net position, \$95,814,548 (72.8%) reflects net investment in capital assets, which are used to provide services to its citizens, and, consequently, these assets are not available for future spending for other purposes. Of the remaining components of net position, \$35,485,705 (27.0%) reflects unrestricted net position, which may be used towards the Town's ongoing obligations to its citizens and towards debt service obligations to its creditors. Restricted net position, \$296,929 (0.2%) 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 \$3,868,244 during the current fiscal year. This increase is largely due to developer contributions of roads, storm water, water and wastewater infrastructure totaling approximately \$1.9 million during the current year for the Town's general fund, and water and wastewater enterprise funds; and the impact of an overall emphasis of reducing expenditures for all funds in response to the uncertain economic conditions due to the pandemic, while also realizing some higher than budgeted tax revenues. The following table summarizes the Town's Statements of Changes in Net Position:

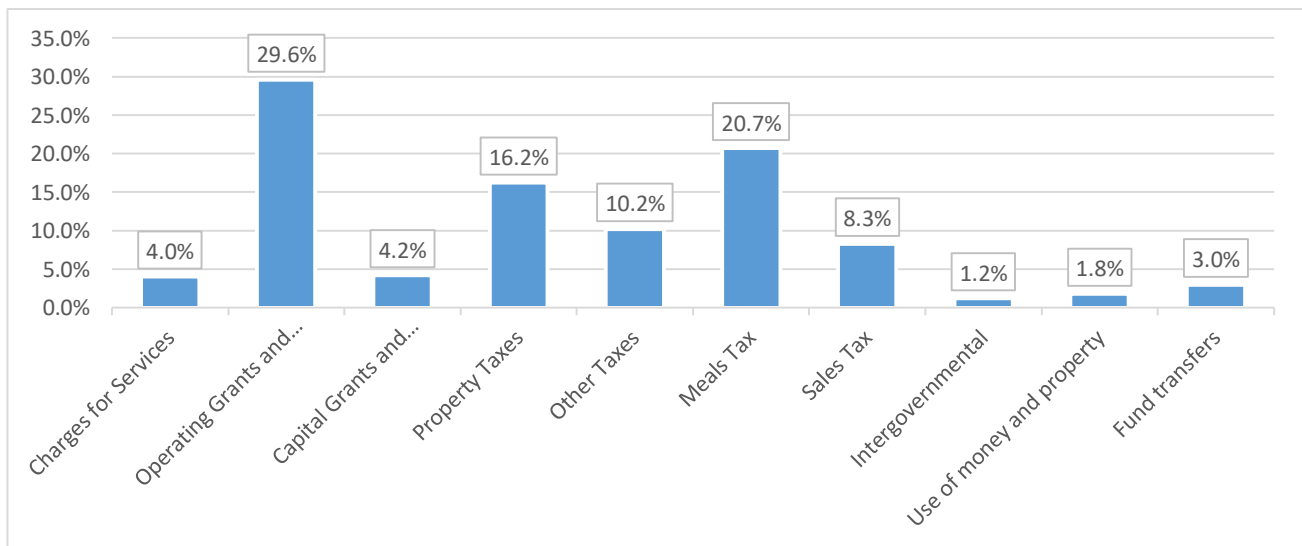
Summary Statements of Changes in Net Position Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 887,841	\$ 837,045	\$ 21,779,481	\$ 22,901,860	\$ 22,667,322	\$ 23,738,905
Operating grants and contributions	6,563,585	2,669,291	218,514	8,812	6,782,099	2,678,103
Capital grants and contributions	938,037	1,312,239	1,133,623	1,063,423	2,071,660	2,375,662
General revenues:						
Property taxes	3,605,747	3,789,988	-	-	3,605,747	3,789,988
Other taxes	8,708,866	7,989,856	-	-	8,708,866	7,989,856
Intergovernmental revenue, unrestricted	275,075	332,387	-	-	275,075	332,387
Investment earnings, unrestricted	405,956	712,349	228,589	701,426	634,545	1,413,775
Other	147,371	122,307	-	-	147,371	122,307
Total revenues	21,532,478	17,765,462	23,360,207	24,675,521	44,892,685	42,440,983
Expenses:						
General government administration	2,054,689	2,024,609	-	-	2,054,689	2,024,609
Public safety	6,000,711	6,073,416	-	-	6,000,711	6,073,416
Public works	6,257,085	6,487,486	-	-	6,257,085	6,487,486
Parks, recreation and cultural	667,456	638,436	-	-	667,456	638,436
Community development	3,436,651	1,712,175	-	-	3,436,651	1,712,175
Parking Authority	10,880	-	-	-	10,880	-
Interest on long-term debt	232,514	357,229	-	-	232,514	357,229
Water	-	-	5,469,453	5,783,979	5,469,453	5,783,979
Wastewater	-	-	5,909,741	5,169,641	5,909,741	5,169,641
Electric	-	-	10,985,261	11,748,581	10,985,261	11,748,581
Total expenses	18,659,986	17,293,351	22,364,455	22,702,201	41,024,441	39,995,552
Excess before transfers	2,872,492	472,111	995,752	1,973,320	3,868,244	2,445,431
Transfers	672,848	664,545	(672,848)	(664,545)	-	-
Change in net position	3,545,340	1,136,656	322,904	1,308,775	3,868,244	2,445,431
Net Position, beginning, as restated	51,485,323	50,416,508	76,243,615	74,934,840	127,728,938	125,351,348
Net Position, ending	\$ 55,030,663	\$ 51,553,164	\$ 76,566,519	\$ 76,243,615	\$ 131,597,182	\$ 127,796,779

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

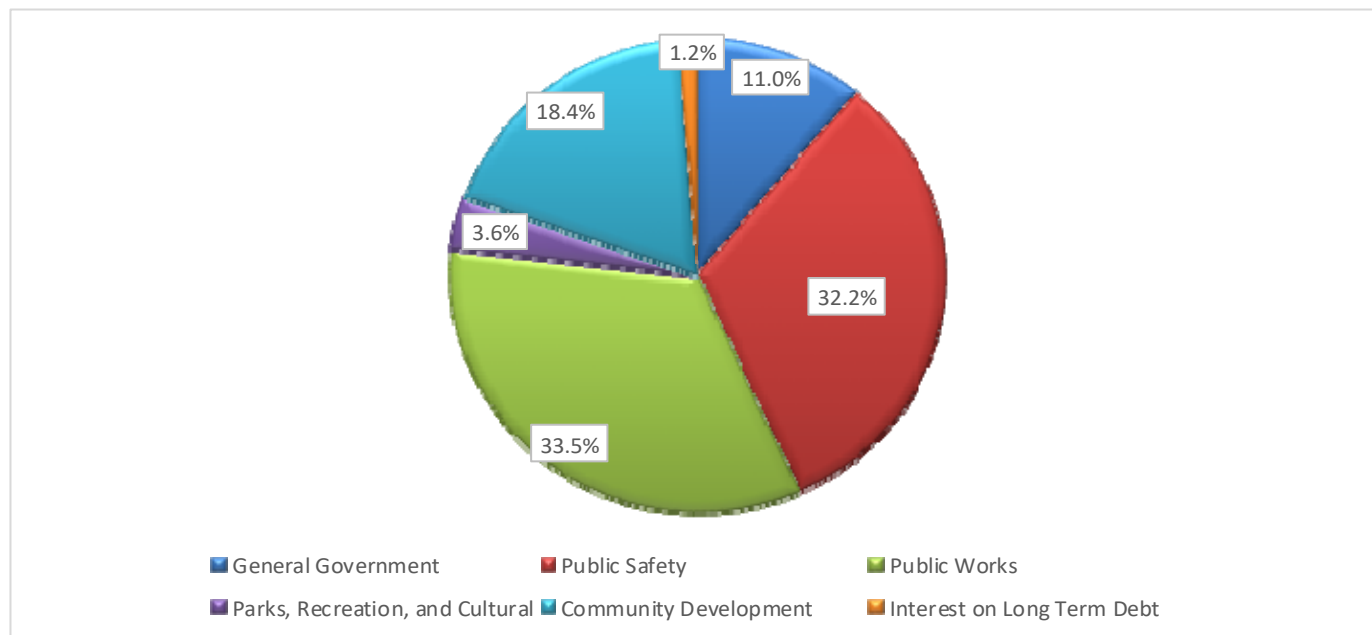
Governmental Activities – Program revenues, tax revenues and transfers for governmental activities totaled \$22,205,326 for fiscal year 2021, an increase of \$3,775,319 (or 20.5%) from the previous year primarily from CARES Act funding received in fiscal year 2021 of \$3.1 million and higher local taxes including meals, lodging, bank stock, admissions, and sales tax (\$719,000), offset by lower investment income due to near-zero short term interest rates (\$306,000) as a result of the pandemic. Major revenue sources in fiscal year 2021 include meals taxes \$4,594,500 (20.7%), property taxes \$3,605,747 (16.2%), CARES Act funding \$3,138,946 (14.1%), other local taxes \$2,266,732 (10.2%), VDOT street and highway maintenance reimbursement \$2,073,000 (9.3%) and local sales and use taxes \$1,847,634 (8.3%).

Revenues by Source – Governmental Activities, year ended June 30, 2021



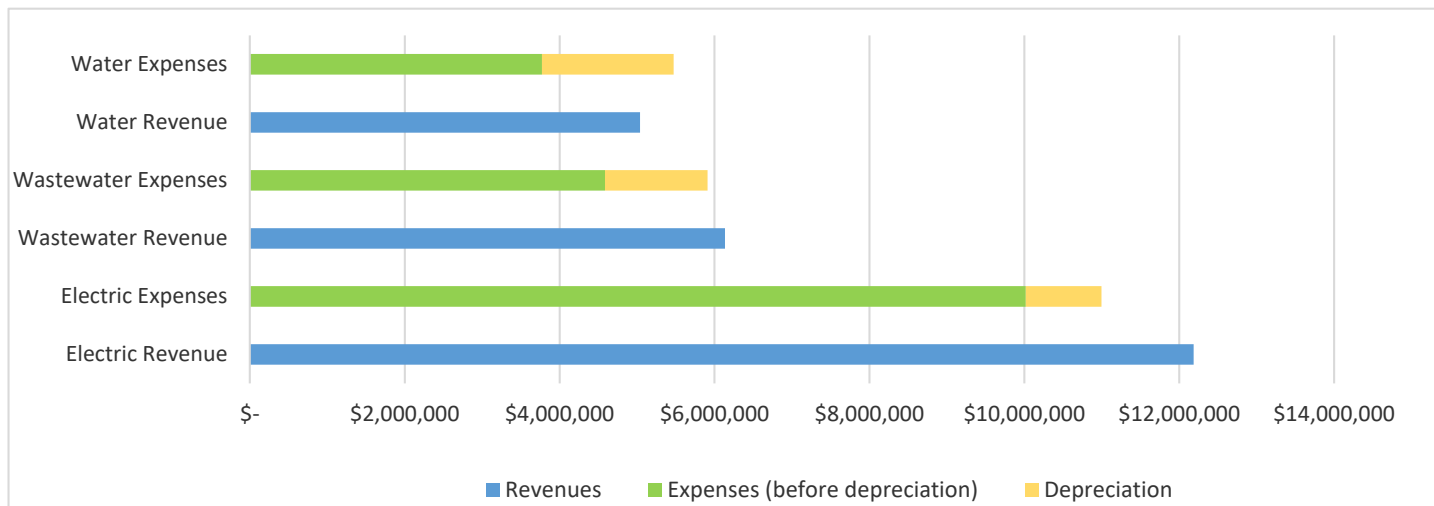
Governmental activity expenses are broken down in a format that focuses on the cost of providing services by function of the government (general government, public works, public safety, etc.). The total expenses for fiscal year 2021 were \$18,659,986, an increase of \$1,366,635 (or 7.9%) above the previous year. The primary factors for the increase related to economic assistance grants to small business and utility customers of approximately \$1.3 million from CARES Act funds, while holding all other expenditures at prior year levels due to the uncertain economic conditions resulting from the pandemic, offset by nominal fluctuations in spending across various departmental budget lines. The governmental activities overall net position increased by \$3,545,340 during the current fiscal year.

Expenses – Governmental Activities, Year ended June 30, 2021

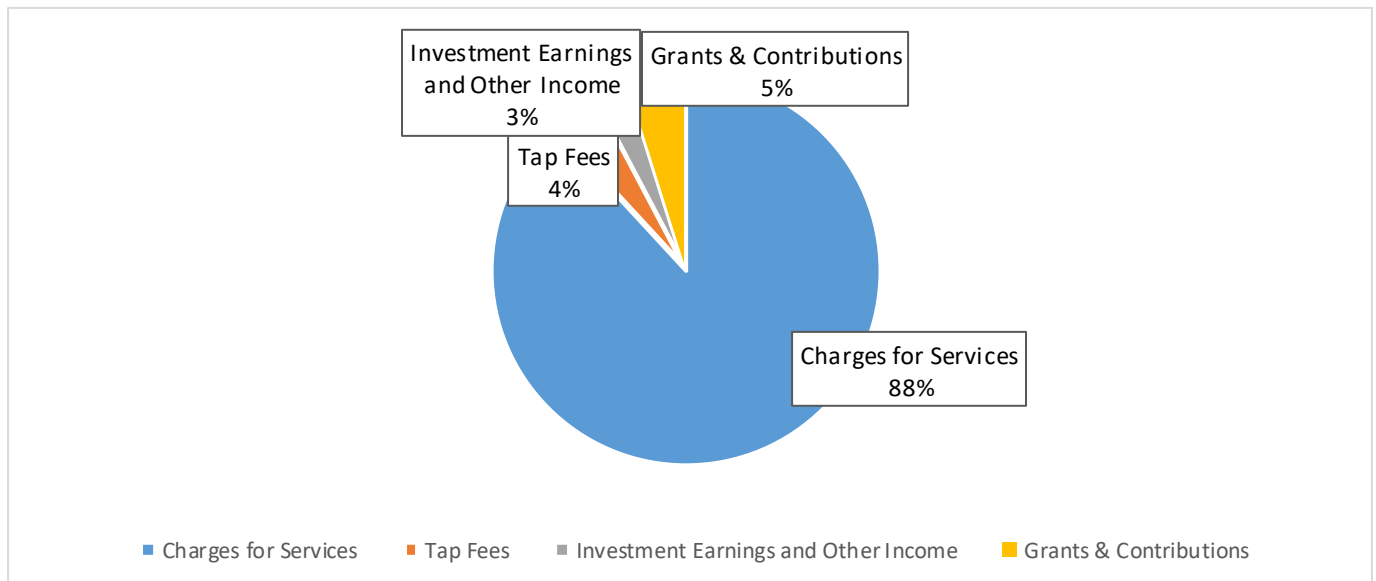


Business-type Activities – The water, wastewater, and electric funds concluded fiscal year 2021 with an increase in net position of \$322,904, which is approximately \$986,000 less than the increase in net position for the prior year. Overall operating revenues declined approximately \$435,000, primarily 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 first few months of the year. Operating expenses and depreciation in fiscal year 2021 totaled \$21.7 million, or a \$73,000 decrease from the prior year. Electric fund purchased power costs decreased by approximately \$565,000 due to lower consumption, while wastewater costs increased approximately \$756,000 due primarily to increased plant maintenance and repair expenditures required during the year. Debt service interest expense was down by \$210,000 over the prior year, resulting from lower interest rates due to a refunding near the end of the prior year, as well as final payments made on other debt obligations in FY 2020. Overall, utility funds strived to maintain operating costs at prior year levels in response to the financial impact of the pandemic, along with Council declining to adopt any rate increases for FY 2021. Interest income decreased by 67% or approximately \$472,000 due to the effect of short term investing rates at near zero due to the pandemic, and the re-investment of maturing positions at lower rates. Finally, water and sewer tap fees decreased by \$687,000 over the prior year due to limited residential development activity during the pandemic.

Program Revenues and Expenses – Business-Type Activities, Year Ended June 30, 2021



Revenues by Source – Business-Type Activities, Year ended June 30, 2021



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.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

At June 30, 2021, the Town's governmental funds reported an ending fund balance of \$18,137,206, an increase of \$2,114,007 in comparison with the end of the prior year. Approximately 42.6% of this total amount, or \$7,725,840 constitutes unassigned fund balance, which is available for spending at the Town's discretion. During fiscal year 2021, Town Council designated an additional amount of \$101,652 to Budget Stabilization Reserves as assigned fund balance, bringing the total to \$2,849,000 or 15.7% of total fund balance. Town Council also designated an additional amount of \$1,266,581 to Capital Improvement Reserves which are classified as committed fund balance, offset by authorized spending on acquisition of property near the downtown depot for future development of \$1,068,971, for a balance of \$3,363,922 at year end, or 18.5% of total fund balance. These designated funds are intended for future budget stabilization or not yet identified capital projects, 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, 2021 represents 34.7% and 81.4% of total governmental fund expenditures, respectively.

The Town's General Fund balance increased by \$1,986,359 in fiscal year 2021, primarily due to higher than budgeted tax revenues, and reduced expenditure budgets, as budgets were lowered due to the uncertain economic conditions at the onset of the pandemic. Further, a portion of budgeted public safety payroll expenditures qualified as eligible expenditures under the CARES Act, and with no additional spending, those amounts contributed to the increase in fund balance. The Town's Cemetery Perpetual Care and Permanent Funds saw a combined increase in fund balance of \$127,648 as a result of cemetery lot sales and investment income during fiscal year 2021.

For fiscal year 2021, the Town's General Fund balance was restated to comply with the adoption of GASB 84. See Note 18 in the Notes to the Financial Statements for additional detail.

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, 2021 was \$8,634,405; the wastewater fund equaled \$7,525,175; and the electric fund amounted to \$8,422,291. The total combined increase in net position for the year ended June 30, 2021 was \$322,904. With decreased development activity due to the pandemic, tap fee revenues for new water and sewer connections decreased by approximately \$690,000, or nearly 60% from the prior year. This factor, coupled with Council decision to forego a rate increase during the pandemic are the primary drivers for the water fund reduction in net position of \$543,120 during the year, and the sewer fund with a minimal increase of \$69,764. Electric fund offset the water fund decrease, with an overall increase in net position of \$796,260 or approximately 8.7% over the prior year, all from normal operating activity.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the adopted expenditure budget and the amended budget was a total increase of \$9,535,663. Highlights of amendments, primarily due to Federal CARES Act funds received and amounts carried forward to fiscal year 2021 from fiscal year 2020 are as follows:

- \$3.1 million of Federal CARES Act funds received in response to the COVID-19 pandemic, in addition to \$850,000 Community Development Block Grant funds awarded to provide further economic assistance to Town businesses to respond to the negative economic conditions caused by the pandemic.
- \$625,000 for various department operating expenditures relating to projects not completed before the end of the prior fiscal year;
- \$1.5 million for new capital projects related to: land acquisition (\$1.1 million), park improvements (\$295,000) and downtown development projects (\$121,000) approved by Town Council during fiscal year 2021;
- \$2.9 million for grant-funded road projects in the design or construction phases; and
- \$360,000 for various other incomplete prior year capital projects.

Differences between the amended expenditure budget and actual results amounted to spending less than budget by approx. \$5.5 million. Highlights are:

- Various General Fund capital projects budgeted were not completed during fiscal year 2021, creating a positive budget variance of approximately \$2.9 million, of which \$2.8 million was carried forward to fiscal year 2022.
- There were positive budget variances of approximately \$2.5 million across all General Fund operating departments, due primarily to ongoing economic assistance grant programs (\$523,000), pandemic-related expenditures that were included in the Town budget that qualified as CARES Act funding expenditures (\$1.3 million), and scaling back expenditures across all departments in response to the economic impact of the COVID-19 pandemic. In total, approximately \$721,000 represented unfinished projects and were carried forward to fiscal year 2022.

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, 2021 amounted to \$130.3 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 \$(927,000) or (0.7%), with increases in governmental activities of 2.0% offset by decreases in business-type activities of (2.5%). The overall decrease is comprised of \$5.1 million in additions, offset by \$242,600 in disposals and \$6.8 million in depreciation.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS (Continued)

The Town's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and non-depreciable	\$ 6,534,660	\$ 5,436,051	\$ 1,755,835	\$ 1,755,835	\$ 8,290,495	\$ 7,191,886
Buildings and improvements	28,414,315	27,488,927	105,553,919	104,397,196	133,968,234	131,886,123
Software, machinery and equipment	10,668,904	9,540,906	11,791,548	11,509,076	22,460,452	21,049,982
Infrastructure	62,730,478	62,539,444	29,446,583	29,041,391	92,177,061	91,580,835
Construction in progress	801,103	510,307	212,298	37,830	1,013,401	548,137
Less accumulated depreciation	(55,085,389)	(52,494,471)	(72,560,055)	(68,571,517)	(127,645,444)	(121,065,988)
Capital assets, net	\$ 54,064,071	\$ 53,021,164	\$ 76,200,128	\$ 78,169,811	\$ 130,264,199	\$ 131,190,975

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 \$1,897,595. This amount includes roads, water and sewer infrastructure, and storm water collection assets.
- Public Safety received approval in a 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.
- Public safety completed a multi-year project in conjunction with neighboring jurisdictions to replace its radio communication equipment at a total cost of \$422,000.
- The Town purchased an additional three land parcels across from the train depot near the historic downtown district in fiscal year 2021 at a cost of \$1.07 million. These parcels will be held and incorporated into a potential development project intended to bring enhanced parking, retail, recreation and residential opportunities to the downtown area.
- An additional playground recreation area and parking were added to Rockwater Park at a total cost of \$191,000. Of this amount, \$67,000 was received as a donation from a local not for profit community organization towards the playground equipment.
- The next phase of a project to install new generators for greater reliability at the wastewater treatment plant was completed with the installation of a new UV Process generator and acquisition of a trailer-mounted mobile generator for a total cost of \$158,000.

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

CAPITAL ASSET AND LONG-TERM OBLIGATIONS (Continued)

Long-Term Debt - At the end of the fiscal year ended June 30, 2021, the Town had total debt outstanding of \$35,140,006. 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	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 9,404,000	\$ 10,663,818	\$ 23,062,000	\$ 24,759,195	\$ 32,466,000	\$ 35,423,013
Bond premium	850,192	946,982	1,823,814	1,972,571	2,674,006	2,919,553
Total	\$ 10,254,192	\$ 11,610,800	\$ 24,885,814	\$ 26,731,766	\$ 35,140,006	\$ 38,342,566

The Town's total net debt decreased by \$3,202,560 or 8.4% during the fiscal year ended June 30, 2021 primarily as a result of scheduled debt service payments. All FY 2021 debt service payments were made timely.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the Town's budget for the 2022 fiscal year:

- Overall property tax receipts remain steady year over year. Fiscal year 2022 tax revenues were budgeted at approx. 10% (or \$321,000) higher than fiscal year 2021, to reflect the restoration of budget that was reduced in the prior year due to uncertainty of personal property tax assessments and collections at the start of the pandemic. Actual personal property assessments were higher for the 2021 tax year primarily due to the increase in market value of new and used vehicles, and should result in a positive budget variance if collection rates are consistent with prior year results. Town Council adopted a 2021 real estate tax rate of \$0.082 per \$100 of assessed value, which represents an equalized rate after re-assessment, and no changes to the personal property tax rate of \$1.00 per \$100 or the machinery and tools tax rate of \$0.80 per \$100.

Other local taxes (sales and use tax, meals tax, lodging tax) were budgeted upwards in fiscal year 2022 by approx. \$438,000 (or 6.1%), as these taxes have rebounded from the drop-offs experienced at the onset of the pandemic, and actual prior year results exceeded prior year adjusted budget levels.

Budgeted general fund expenditures in fiscal year 2022 are approximately \$3.7 million lower than the fiscal year 2021 amended budget amounts, primarily due to the one-time Federal CARES Act funding received in fiscal year 2021. Subsequent to the adoption of the fiscal year 2022 budget, the Town was awarded Federal ARPA Coronavirus State and Local Fiscal Recovery Funds of \$19,581,052, and will be required to properly budget and use the funds in accordance with the ARPA legislation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

- The rate of building and development activity has declined in light of the economic impact of the pandemic, although the need for residential units throughout the Town is strong, based on existing demand and 2020 census population numbers as well as future growth projections. Growth is best measured by water tap sales, with just 64 new taps in fiscal year 2021, down from 115 in fiscal year 2020. Initial projections are for 60 new taps in fiscal year 2022. Infill residential construction is ongoing, and a developer rezoning request for an additional 300+ units has been approved by the Town with buildout expected to take place within the next 2-3 years.
- 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 and Wastewater funds, and adopted a 1% rate increase for the Electric fund.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION June 30, 2021

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	\$ 2,143,617	\$ 5,468,189	\$ 7,611,806	\$ 77,722
Investments (Note 2)	14,464,390	20,293,337	34,757,727	-
Receivables, net (Note 3)	908,687	2,928,514	3,837,201	23,731
Notes receivable (Note 3)	-	-	-	923,173
Due from other governmental units (Note 5)	616,241	-	616,241	-
Inventories	-	1,097,432	1,097,432	-
Cash and cash equivalents, restricted (Note 2)	10,393,586	-	10,393,586	51,185
Investments, restricted (Note 2)	1,050,494	-	1,050,494	-
Due from other governmental units, restricted (Note 5)	39,891	-	39,891	-
Prepaid items	154,128	98,160	252,288	-
Capital assets (Note 6)				
Nondepreciable	7,335,763	1,968,133	9,303,896	-
Depreciable, net	46,728,308	74,231,995	120,960,303	-
Total assets	83,835,105	106,085,760	189,920,865	1,075,811
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 9)	2,721,931	1,027,198	3,749,129	-
Deferred outflows related to other postemployment benefits (Note 10 & 11)	398,918	152,321	551,239	-
Deferred amount on refunding	227,071	753,050	980,121	-
Total deferred outflows of resources	3,347,920	1,932,569	5,280,489	-
LIABILITIES				
Accounts payable and accrued liabilities	525,546	1,241,283	1,766,829	-
Accrued payroll and related liabilities	580,037	148,076	728,113	-
Accrued interest payable	120,103	302,787	422,890	-
Bonds and security deposits	194,982	892,994	1,087,976	23,731
Debt service reserve	-	-	-	47,630
Unearned revenue (Note 8)	9,753,386	-	9,753,386	-
Noncurrent liabilities:				
Due within one year:				
Other long-term debt (Note 7)	1,285,137	1,782,988	3,068,125	16,473
Compensated absences (Note 7)	755,472	275,742	1,031,214	-
Due in more than one year:				
Other long-term debt (Note 7)	8,969,055	23,102,826	32,071,881	906,700
Compensated absences (Note 7)	363,476	116,220	479,696	-
Net pension liability (Note 9)	6,707,479	2,531,253	9,238,732	-
Net other postemployment benefits liability (Note 10 & 11)	2,391,575	906,583	3,298,158	-
Total liabilities	31,646,248	31,300,752	62,947,000	994,534
DEFERRED INFLOWS OF RESOURCES				
Property taxes collected in advance	106,250	-	106,250	-
Deferred inflows related to pensions (Note 9)	284,602	107,402	392,004	-
Deferred inflows related to other postemployment benefits (Note 10 & 11)	115,262	43,656	158,918	-
Total deferred inflows of resources	506,114	151,058	657,172	-
NET POSITION				
Net investment in capital assets	43,829,900	51,984,648	95,814,548	-
Restricted				
Special tax districts	218,250	-	218,250	-
Public safety - asset seizure funds	31,783	-	31,783	-
Unspent grant proceeds	46,896	-	46,896	-
Unrestricted	10,903,834	24,581,871	35,485,705	81,277
Total net position	\$ 55,030,663	\$ 76,566,519	\$ 131,597,182	\$ 81,277

TOWN OF CULPEPER, VIRGINIA

Year Ended STATEMENT OF ACTIVITIES June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	
					Governmental Activities	Business-Type Activities	Totals	
Governmental activities:								
General government administration	\$ 2,054,689	\$ 177,246	\$ 331,067	\$ 23,075	\$ (1,523,301)	\$ -	\$ (1,523,301)	\$ -
Public safety	6,000,711	116,134	1,679,756	95,163	(4,109,658)	-	(4,109,658)	-
Public works	6,257,085	194,676	2,606,172	819,799	(2,636,438)	-	(2,636,438)	-
Parks, recreation and cultural	667,456	168,146	130,752	-	(368,558)	-	(368,558)	-
Community development	3,436,651	231,639	1,815,838	-	(1,389,174)	-	(1,389,174)	-
Parking Authority	10,880	-	-	-	(10,880)	-	(10,880)	-
Interest on long-term debt	232,514	-	-	-	(232,514)	-	(232,514)	-
Total governmental activities	18,659,986	887,841	6,563,585	938,037	(10,270,523)	-	(10,270,523)	-
Business-type activities:								
Water	5,469,453	4,163,328	107,920	687,543	-	(510,662)	(510,662)	
Wastewater	5,909,741	5,543,331	78,522	446,080	-	158,192	158,192	
Electric	10,985,261	12,072,822	32,072	-	-	1,119,633	1,119,633	
Total business-type activities	22,364,455	21,779,481	218,514	1,133,623	-	767,163	767,163	
Total primary government	\$ 41,024,441	\$ 22,667,322	\$ 6,782,099	\$ 2,071,660	(10,270,523)	767,163	(9,503,360)	
Component Unit:								
Industrial Development Authority	\$ 83,496	\$ -	\$ 83,262	\$ -	-	-	-	(234)
Total component unit	\$ 83,496	\$ -	\$ 83,262	\$ -	-	-	-	(234)
General Revenues:								
Taxes:								
General property taxes					3,605,747	-	3,605,747	-
Other local taxes:								
Meals tax					4,594,500	-	4,594,500	-
Local sales and use tax					1,847,634	-	1,847,634	-
Business license tax					1,023,686	-	1,023,686	-
Bank stock tax					494,982	-	494,982	-
Cigarette tax					220,301	-	220,301	-
Hotel and motel room tax					368,494	-	368,494	-
Other local taxes					159,269	-	159,269	-
Intergovernmental revenue, unrestricted					275,075	-	275,075	-
Use of money and property					405,956	228,589	634,545	-
Miscellaneous					147,371	-	147,371	-
Transfers (Note 4)					672,848	(672,848)	-	-
Total general revenues and transfers					13,815,863	(444,259)	13,371,604	-
Change in net position					3,545,340	322,904	3,868,244	(234)
Net Position, beginning, as restated					51,485,323	76,243,615	127,728,938	81,511
Net Position, ending					\$ 55,030,663	\$ 76,566,519	\$ 131,597,182	\$ 81,277

See Notes to Financial Statements.

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,143,617	\$ -	\$ 2,143,617
Investments	14,464,390	-	14,464,390
Receivables, net (Note 3)	908,687	-	908,687
Due from other governmental units (Note 5)	616,241	-	616,241
Cash and cash equivalents, restricted (Note 2)	10,189,637	203,949	10,393,586
Due from other governmental units, restricted (Note 5)	39,891	-	39,891
Investments, restricted	-	1,050,494	1,050,494
Prepaid items	154,128	-	154,128
Total assets	\$ 28,516,591	\$ 1,254,443	\$ 29,771,034
LIABILITIES			
Accounts payable and accrued liabilities	\$ 525,546	\$ -	\$ 525,546
Accrued payroll and related liabilities	580,037	-	580,037
Bonds and security deposits	194,982	-	194,982
Unearned revenue	9,753,386	-	9,753,386
Total liabilities	11,053,951	-	11,053,951
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	106,250	-	106,250
Unavailable revenue (Note 8)	473,627	-	473,627
Total deferred inflows of resources	579,877	-	579,877
FUND BALANCES			
Nonspendable	154,128	1,063,922	1,218,050
Restricted	297,199	190,521	487,720
Committed	3,363,922	-	3,363,922
Assigned	5,341,674	-	5,341,674
Unassigned	7,725,840	-	7,725,840
Total fund balances	16,882,763	1,254,443	18,137,206
Total liabilities, deferred inflows of resources and fund balances	\$ 28,516,591	\$ 1,254,443	\$ 29,771,034

TOWN OF CULPEPER, VIRGINIA

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

June 30, 2021

	Governmental Funds	
Total fund balances - governmental funds	\$	18,137,206
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	\$	7,335,763
Depreciable, net		46,728,308
Net capital assets		54,064,071
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 \$622,626.	(850,192)	
Deferred loss on refunding total \$467,804 net of accumulated amortization of \$240,733.	227,071	(623,121)
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		473,627
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	2,721,931	
Other postemployment benefits	398,918	
Deferred inflows related to:		
Pension	(284,602)	
Other postemployment benefits	(115,262)	
Net pension liability	(6,707,479)	
Net other postemployment benefits liability	(2,391,575)	(6,378,069)
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	(9,404,000)	
Compensated absences	(1,118,948)	
Accrued interest	(120,103)	(10,643,051)
Net position of governmental activities	\$	55,030,663

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
General property taxes	\$ 3,792,988	\$ -	\$ 3,792,988
Other local taxes	8,708,866	-	8,708,866
Permits, privilege fees and regulatory licenses	431,300	-	431,300
Fines and forfeitures	144,263	-	144,263
Use of money and property	376,608	29,348	405,956
Charges for services	213,978	98,300	312,278
Miscellaneous	147,371	-	147,371
Recovered costs	3,023,520	-	3,023,520
Intergovernmental	6,742,609	-	6,742,609
Total revenues	23,581,503	127,648	23,709,151
Expenditures:			
Current:			
General government administration	4,384,552	-	4,384,552
Public safety	5,684,021	-	5,684,021
Public works	4,151,405	-	4,151,405
Parks, recreation and cultural	687,039	-	687,039
Community development	1,722,392	-	1,722,392
Parking Authority	10,880	-	10,880
Pandemic expenses	1,971,481	-	1,971,481
Capital projects	2,107,280	-	2,107,280
Debt service			
Principal retirement	1,259,818	-	1,259,818
Interest and fiscal charges	289,124	-	289,124
Total expenditures	22,267,992	-	22,267,992
Revenues over expenditures	1,313,511	127,648	1,441,159
Other financing sources:			
Transfers in	672,848	-	672,848
Total other financing sources	672,848	-	672,848
Net change in fund balances	1,986,359	127,648	2,114,007
Fund balances, beginning, as restated	14,896,404	1,126,795	16,023,199
Fund balances, ending	\$ 16,882,763	\$ 1,254,443	\$ 18,137,206

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, 2021

	Governmental Funds
Net change in fund balances - total governmental funds	\$ 2,114,007
Reconciliation of amounts reported for governmental activities in the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization in the current period.	
Expenditures for capital assets	\$ 3,099,331
Less: depreciation and amortization expense	<u>(2,818,689)</u>
Excess of capital outlays over depreciation and amortization	280,642
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position	762,265
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.	(187,241)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Debt principal repayment	1,259,818
Changes in bond premiums	96,790
Changes in loss on refunding	<u>(35,064)</u>
	1,321,544
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	(5,116)
Changes in pension liabilities and related deferred outflows and inflows of resources	(410,941)
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(293,429)
Compensated absences	<u>(36,391)</u>
	(745,877)
Change in net position of governmental activities	<u>\$ 3,545,340</u>

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 3,399,950	\$ 3,229,950	\$ 3,792,988	\$ 563,038
Other local taxes	7,049,500	7,132,500	8,708,866	1,576,366
Permits, privilege fees and regulatory licenses	334,500	330,750	431,300	100,550
Fines and forfeitures	216,500	173,000	144,263	(28,737)
Use of money and property	416,200	361,200	376,608	15,408
Charges for services	210,100	205,600	213,978	8,378
Miscellaneous	55,000	122,000	147,371	25,371
Recovered costs	2,882,489	2,882,489	3,023,520	141,031
Intergovernmental	2,671,050	6,972,809	6,742,609	(230,200)
Total revenues	17,235,289	21,410,298	23,581,503	2,171,205
Expenditures:				
Current:				
General government administration	4,612,566	4,509,679	4,384,552	(125,127)
Public safety	5,704,949	5,727,837	5,684,021	(43,816)
Public works	4,044,508	4,371,295	4,151,405	(219,890)
Parks, recreation and cultural	646,490	710,615	687,039	(23,576)
Community development	1,632,085	1,885,816	1,722,392	(163,424)
Parking authority	80,634	15,634	10,880	(4,754)
Pandemic expenses	-	4,047,234	1,971,481	(2,075,753)
Capital projects	-	4,978,785	2,107,280	(2,871,505)
Debt service:				
Principal retirement	1,189,804	1,189,804	1,259,818	70,014
Interest and fiscal charges	363,538	363,538	289,124	(74,414)
Total expenditures	18,274,574	27,800,237	22,267,992	(5,532,245)
Excess of revenues over (under) expenditures	(1,039,285)	(6,389,939)	1,313,511	7,703,450
Other Financing Sources:				
Reserve balances	366,437	5,717,091	-	(5,717,091)
Transfer in	672,848	672,848	672,848	-
Total other financing sources	1,039,285	6,389,939	672,848	(5,717,091)
Net change in fund balance	\$ -	\$ -	\$ 1,986,359	\$ 1,986,359

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 938,840	\$ 2,151,149	\$ 2,378,200	\$ 5,468,189
Receivables, net (Note 3)	528,301	698,658	1,701,555	2,928,514
Investments	8,079,754	5,790,537	6,423,046	20,293,337
Inventories	262,923	87,079	747,430	1,097,432
Prepaid expenses	9,242	47,658	41,260	98,160
Total current assets	9,819,060	8,775,081	11,291,491	29,885,632
Noncurrent assets:				
Capital assets (Note 6)				
Nondepreciable	1,774,274	48,617	145,242	1,968,133
Depreciable, net	36,733,617	32,718,197	4,780,181	74,231,995
Total noncurrent assets	38,507,891	32,766,814	4,925,423	76,200,128
Total assets	48,326,951	41,541,895	16,216,914	106,085,760
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions (Note 9)	279,930	313,342	433,926	1,027,198
Deferred outflows related to other postemployment benefits (Note 10 & 11)	48,846	52,101	51,374	152,321
Deferred amount on refunding	3,482	670,947	78,621	753,050
Total deferred outflows of resources	332,258	1,036,390	563,921	1,932,569
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	153,112	77,645	1,010,526	1,241,283
Accrued payroll and related liabilities	45,581	50,712	51,783	148,076
Accrued interest payable	43,009	218,750	41,028	302,787
Customer security deposits	172,024	-	720,970	892,994
Current portion of other long-term debt (Note 7)	603,041	803,717	376,230	1,782,988
Compensated absences (Note 7)	82,703	75,281	117,758	275,742
Total current liabilities	1,099,470	1,226,105	2,318,295	4,643,870
Noncurrent liabilities:				
Other long-term debt (Note 7)	6,561,614	13,480,760	3,060,452	23,102,826
Compensated absences (Note 7)	-	63,517	52,703	116,220
Net pension liability (Note 9)	689,812	772,148	1,069,293	2,531,253
Net other postemployment benefits liability (Note 10 & 11)	297,987	313,957	294,639	906,583
Total noncurrent liabilities	7,549,413	14,630,382	4,477,087	26,656,882
Total liabilities	8,648,883	15,856,487	6,795,382	31,300,752
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions (Note 9)	29,269	32,763	45,370	107,402
Deferred inflows related to other postemployment benefits (Note 10 & 11)	14,390	15,140	14,126	43,656
Total deferred inflows of resources	43,659	47,903	59,496	151,058
NET POSITION				
Net investment in capital assets	31,332,262	19,148,720	1,503,666	51,984,648
Unrestricted	8,634,405	7,525,175	8,422,291	24,581,871
Total net position	\$ 39,966,667	\$ 26,673,895	\$ 9,925,957	\$ 76,566,519

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Revenues:				
Charges for services	\$ 3,735,721	\$ 4,849,560	\$ 12,001,947	\$ 20,587,228
Penalties	15,263	15,263	15,727	46,253
Other	39,844	79,758	55,148	174,750
Total operating revenues	3,790,828	4,944,581	12,072,822	20,808,231
Operating Expenses:				
Water treatment	2,614,172	-	-	2,614,172
Wastewater collection	-	364,248	-	364,248
Wastewater treatment	-	3,761,127	-	3,761,127
Transmission and distribution	1,051,922	-	1,709,542	2,761,464
Electric generation (Note 14)	-	-	6,902,773	6,902,773
Administration	-	-	1,317,373	1,317,373
Other	-	-	2,708	2,708
Depreciation and amortization	1,698,432	1,326,430	978,476	4,003,338
Total operating expenses	5,364,526	5,451,805	10,910,872	21,727,203
Operating income (loss)	(1,573,698)	(507,224)	1,161,950	(918,972)
Nonoperating Revenue (Expenses)				
Interest income	79,285	67,602	81,702	228,589
Interest expense	(106,777)	(458,695)	(84,840)	(650,312)
Gain on disposal of capital assets	1,850	759	10,451	13,060
Tap fees	372,500	598,750	-	971,250
Intergovernmental revenues	107,920	78,522	32,072	218,514
Net nonoperating revenue	454,778	286,938	39,385	781,101
Income (loss) before capital contributions and transfers	(1,118,920)	(220,286)	1,201,335	(137,871)
Capital contributions and transfers				
Capital contributions	687,543	446,080	-	1,133,623
Transfers out (Note 4)	(111,743)	(156,030)	(405,075)	(672,848)
Net capital contributions and transfers	575,800	290,050	(405,075)	460,775
Change in net position	(543,120)	69,764	796,260	322,904
Net position, beginning	40,509,787	26,604,131	9,129,697	76,243,615
Net position, ending	\$ 39,966,667	\$ 26,673,895	\$ 9,925,957	\$ 76,566,519

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Electric	Total
Operating Activities				
Receipts from customers	\$ 3,779,511	\$ 4,907,784	\$ 11,918,367	\$ 20,605,662
Payments to suppliers	(2,217,436)	(2,280,747)	(8,166,966)	(12,665,149)
Payments to employees	(1,490,553)	(1,631,316)	(1,650,064)	(4,771,933)
Net cash provided by operating activities	71,522	995,721	2,101,337	3,168,580
Noncapital Financing Activities				
Interfund transfers	(111,743)	(156,030)	(405,075)	(672,848)
Intergovernmental revenues	107,920	87,334	32,072	227,326
Net cash used in noncapital financing activities	(3,823)	(68,696)	(373,003)	(445,522)
Capital and Related Financing Activities				
Acquisition of capital assets	(161,210)	(432,309)	(223,797)	(817,316)
Proceeds from the disposal of capital assets	1,850	759	10,451	13,060
Principal paid on general obligation bonds	(624,259)	(704,477)	(368,459)	(1,697,195)
Tap fees collected	372,500	598,750	-	971,250
Interest paid on general obligation bonds	(85,478)	(536,866)	(98,956)	(721,300)
Net cash used in capital and related financing activities	(496,597)	(1,074,143)	(680,761)	(2,251,501)
Investing Activities				
Purchases of investments	(419,966)	(496,720)	(1,378,676)	(2,295,362)
Interest received	79,285	67,602	81,702	228,589
Net cash used in investing activities	(340,681)	(429,118)	(1,296,974)	(2,066,773)
Net decrease in cash and cash equivalents	(769,579)	(576,236)	(249,401)	(1,595,216)
Cash and Cash Equivalents				
Beginning	1,708,419	2,727,385	2,627,601	7,063,405
Ending	\$ 938,840	\$ 2,151,149	\$ 2,378,200	\$ 5,468,189
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by (used in) Operating Activities				
Operating income (loss)	\$ (1,573,698)	\$ (507,224)	\$ 1,161,950	\$ (918,972)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	1,698,432	1,326,430	978,476	4,003,338
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(9,018)	(36,797)	(126,242)	(172,057)
Inventories	(62,243)	7,802	(43,750)	(98,191)
Prepaid expenses	(3,999)	(16,936)	(28,363)	(49,298)
Pension related deferred outflows of resources	(94,658)	(187,877)	(227,919)	(510,454)
OPEB related deferred outflows of resources	(26,161)	(32,541)	(26,647)	(85,349)
(Decrease) increase in:				
Accounts payable and accrued liabilities	55,392	(23,803)	(24,648)	6,941
Accrued payroll and related liabilities	(2,044)	12,642	5,156	15,754
Customer security deposits	(2,299)	-	(28,213)	(30,512)
Compensated absences	(2,864)	32,421	26,553	56,110
Net pension liability	110,228	379,659	424,844	914,731
Net OPEB liability	60,264	80,880	79,479	220,623
Pension related deferred inflows of resources	(70,463)	(34,774)	(65,523)	(170,760)
OPEB related deferred inflows of resources	(5,347)	(4,161)	(3,816)	(13,324)
Net cash provided by operating activities	\$ 71,522	\$ 995,721	\$ 2,101,337	\$ 3,168,580
Noncash Capital and Related Financing Activities				
Capital asset additions included in accounts payable at year-end	\$ 14,456	\$ 4,564	\$ 63,696	\$ 82,716
Estimated value of assets received from developer contributions	687,543	446,080	-	1,133,623

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). 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 five members, with two 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, 2021 as a discretely presented component unit.

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 2020 taxes due January 31, 2021 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% per annum are charged on unpaid balances. The Town bills and collects its own property taxes.

Town ordinance provides for an economic development program which allows eligible businesses to receive tax incentives based on the new taxes they pay to partially compensate for new investments and job training expenses in the Town. Businesses must invest at least \$500,000 in a year and submit an application for each year their investments exceed this level for review and approval prior to any incentives being paid in subsequent years. Total incentives paid in fiscal year 2021 were approximately \$52,000.

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, as well as developer project cash bonds and Special Tax District funds. The Cemetery Perpetual Care Fund and Cemetery Permanent Fund's restricted cash and cash equivalents balances are restricted in accordance with the trust agreement.

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 fiduciary net position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$1,022,119, \$84,025, \$782,338, and \$227,274, respectively, as of June 30, 2021.

X. Subsequent Events

The Town has evaluated subsequent events through November 16, 2021, the date on which the financial statements 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

		Level 1
U.S. Treasury and Agency securities	\$	13,072,172
Municipal bonds		10,974,700

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	\$ 4,111,682	NR	7.64%
Certificate of deposit	11,761,349	NR	21.86%
U.S. Treasury and Agency	13,072,172	N/A	24.27%
Municipal bonds	10,974,700	AA-, AA+, AAA	20.39%
LGIP	626,081	AAAm	1.16%
VIP	13,267,629	AAAm	24.68%
Primary government investments	\$ 53,813,613		100.00%
Primary Government reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 7,611,806		
Investments	34,757,727		
Cash and cash equivalents, restricted	10,393,586		
Investments, restricted	1,050,494		
Total deposits and investments	\$ 53,813,613		
Component Unit - IDA:			
Demand deposits	\$ 128,907	NR	100.00%
Component Unit - IDA reconciliation of deposits and investments:			
Cash and cash equivalents	\$ 77,722		
Cash and cash equivalents, restricted	51,185		
	\$ 128,907		

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	\$ 5,075,611	14.17%
Atlantic Union Certificate of Deposits	4,665,951	13.03%
Federal Home Loan Bank	3,458,800	9.66%
Federal Farm Credit Bank	3,047,829	8.51%
Virginia State Resource Authority	2,120,023	5.92%

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, 2021, 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:

ARPA funding	\$ 9,753,386
CARES Act funding	1,896
Non-expendable corpus of the cemetery perpetual care fund	172,974
Cemetery perpetual care funds	30,975
Culpeper Competes funding	45,000
Lafayette Ridge Special Tax District	19,503
Willow Shade Special Tax District	35,676
Southridge Special Tax District	163,341
Cash bonds held by Town	139,052
Public safety asset seizure funds	31,783
	<hr/>
	\$ 10,393,586

In addition, the Industrial Development Authority (IDA) held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of \$51,185. These funds will be used towards the IDA’s payment on their Rural Development loan described in more detail in Notes 3 and 7.

Note 3. Receivables

Primary Government:

Receivables for the individual funds are as follows:

	General	Water	Wastewater	Electric	Total
Receivables					
Property taxes	\$ 389,275	\$ -	\$ -	\$ -	\$ 389,275
Trade and other accounts	695,822	541,509	714,363	1,750,739	3,702,433
	<hr/>				
Gross receivables	1,085,097	541,509	714,363	1,750,739	4,091,708
	<hr/>				
Less: allowance for uncollectibles	(176,410)	(13,208)	(15,705)	(49,184)	(254,507)
	<hr/>				
Receivables, net	\$ 908,687	\$ 528,301	\$ 698,658	\$ 1,701,555	\$ 3,837,201

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 \$923,173 at June 30, 2021. The Town has also recorded \$23,731 of accrued interest receivable related to the note receivable at June 30, 2021. 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>
2022	\$ 16,473	\$ 31,157
2023	17,029	30,601
2024	17,604	30,026
2025	18,198	29,432
2026	18,812	28,818
2027-2031	104,023	134,127
2032-2036	122,802	115,348
2037-2041	144,972	93,178
2042-2046	171,144	67,007
2047-2051	202,040	36,110
2052-2054	90,076	4,575
	<u>\$ 923,173</u>	<u>\$ 600,379</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	\$ 111,743
Wastewater	General	156,030
Electric	General	<u>405,075</u>
Total transferred in		<u><u>\$ 672,848</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

County of Culpeper:

Local sales tax	\$ 338,354
Court fines and e-ticketing	6,733

Commonwealth of Virginia:

Virginia Department of Transportation grant proceeds	242,737
Communication sales & use tax	14,104
Rolling stock tax	4,459
Car rental tax	3,661
Games of skill tax	4,464
Other	1,729

Total General Fund	616,241
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Total unrestricted	616,241
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Restricted:

General Fund

Commonwealth of Virginia:

CDBG grant proceeds	39,891
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Total General Fund	39,891
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Total restricted	39,891
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Total Governmental Funds	656,132
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Total Primary Government	\$ 656,132
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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, 2021 are as follows:

	Beginning Balance July 1, 2020	Additions	Deletions	Transfers	Ending Balance June 30, 2021
Governmental Activities:					
Capital assets not being depreciated or amortized:					
Land and easements	\$ 5,436,051	\$ 1,069,261	\$ -	\$ -	\$ 6,505,312
Artwork and statues	-	29,348	-	-	29,348
Construction in progress	510,307	421,901	(1,708)	(129,397)	801,103
Total capital assets not being depreciated or amortized	5,946,358	1,520,510	(1,708)	(129,397)	7,335,763
Capital assets being depreciated or amortized:					
Buildings and improvements	27,488,927	810,698	-	114,690	28,414,315
Software, machinery and equipment	9,540,906	1,341,062	(227,771)	14,707	10,668,904
Infrastructure	62,539,444	191,034	-	-	62,730,478
Total capital assets being depreciated or amortized	99,569,277	2,342,794	(227,771)	129,397	101,813,697
Less accumulated depreciation or amortization for:					
Buildings and improvements	13,855,977	590,659		-	14,446,636
Software, machinery and equipment	7,721,025	610,925	(227,771)	-	8,104,179
Infrastructure	30,917,469	1,617,105	-	-	32,534,574
Total accumulated depreciation or amortization	52,494,471	2,818,689	(227,771)	-	55,085,389
Total capital assets being depreciated or amortized, net	47,074,806	(475,895)	-	129,397	46,728,308
Governmental activities capital assets, net	\$ 53,021,164	\$ 1,044,615	\$ (1,708)	\$ -	\$ 54,064,071

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance July 1, 2020	Additions	Deletions	Transfers	Ending Balance June 30, 2021
Business-Type Activities					
Capital assets not being depreciated or amortized:					
Land	\$ 1,755,835	\$ -	\$ -	\$ -	\$ 1,755,835
Construction in progress	37,830	253,862	-	(79,394)	212,298
Total capital assets not being depreciated or amortized	1,793,665	253,862	-	(79,394)	1,968,133
Capital assets being depreciated or amortized:					
Buildings and improvements	104,397,196	1,156,723	-	-	105,553,919
Software, machinery and equipment	11,509,076	338,575	(14,800)	(41,303)	11,791,548
Infrastructure	29,041,391	284,495	-	120,697	29,446,583
Total capital assets being depreciated or amortized	144,947,663	1,779,793	(14,800)	79,394	146,792,050
Less accumulated depreciation or amortization for:					
Buildings and improvements	59,304,436	2,206,542	-	-	61,510,978
Software, machinery and equipment	7,874,594	977,666	(14,800)	-	8,837,460
Infrastructure	1,392,487	819,130	-	-	2,211,617
Total accumulated depreciation or amortization	68,571,517	4,003,338	(14,800)	-	72,560,055
Total capital assets being depreciated or amortized, net	76,376,146	(2,223,545)	-	79,394	74,231,995
Business-type activities capital assets, net	\$ 78,169,811	\$ (1,969,683)	\$ -	\$ -	\$ 76,200,128

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

Governmental activities:	
General government administration	\$ 57,190
Public safety	414,591
Public works	2,304,800
Parks, recreation and cultural	15,247
Community development	26,861
Total depreciation and amortization expense - governmental activities	\$ 2,818,689
Business-Type activities	
Water	\$ 1,698,432
Wastewater	1,326,430
Electric	978,476
	\$ 4,003,338

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, 2020	Additions	Deletions	Ending Balance June 30, 2021	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 10,663,818	\$ -	\$ 1,259,818	\$ 9,404,000	\$ 1,232,000
Bond premium	946,982	-	96,790	850,192	53,137
Compensated absences	1,082,557	972,711	936,320	1,118,948	755,472
Governmental activities long-term liabilities	\$ 12,693,357	\$ 972,711	\$ 2,292,928	\$ 11,373,140	\$ 2,040,609
Business-Type Activities:					
General obligation bonds	\$ 24,759,195	\$ -	\$ 1,697,195	\$ 23,062,000	\$ 1,669,000
Bond premium	1,972,571	-	148,757	1,823,814	113,988
Compensated absences	335,852	374,025	317,915	391,962	275,742
Business-type activities long-term liabilities	\$ 27,067,618	\$ 374,025	\$ 2,163,867	\$ 25,277,776	\$ 2,058,730

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

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

Year(s) Ended June 30	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	1,249,000	81,736	1,501,000	487,005
2027-2031	2,592,000	143,246	7,467,000	1,809,360
2032-2036	593,000	11,522	5,632,000	769,100
2037-2038	-	-	1,960,000	59,250
	\$ 9,404,000	\$ 1,057,748	\$ 23,062,000	\$ 5,589,934

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Primary Government:

\$4,870,000 2016 refunding series, issued June 2016, due in annual maturities of \$80,000 to \$930,000 through August 2029, plus interest at 2.00% to 5.00%	\$ 4,665,000
\$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>4,739,000</u>
Total General Obligation Bonds	<u><u>\$ 9,404,000</u></u>

Business-Type Activities:

\$15,875,000 2016 refunding series, issued June 2016, due in annual maturities of \$365,000 to \$1,015,000 through August 2037, plus interest at 2.00% to 5.00%	\$ 14,570,000
\$9,227,000 2020 refunding series, issued April 2020, due in annual maturities of \$160,000 to \$757,000 through February 2034, plus interest at 1.40%	<u>8,492,000</u>
Total General Obligation Bonds	<u><u>\$ 23,062,000</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, 2020	Additions	Reductions	Ending Balance June 30, 2021	Due Within One Year
Rural Development Loan	\$ 939,108	\$ -	\$ 15,935	\$ 923,173	\$ 16,473

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
2022	\$ 16,473	\$ 31,157
2023	17,029	30,601
2024	17,604	30,026
2025	18,198	29,432
2026	18,812	28,818
2027-2031	104,023	134,127
2032-2036	122,802	115,348
2037-2041	144,972	93,178
2042-2046	171,144	67,007
2047-2051	202,040	36,110
2052-2053	90,076	4,575
	<u>\$ 923,173</u>	<u>\$ 600,379</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%	9/25/2012	9/25/2052	\$ 1,037,000	<u>\$ 923,173</u>

Note 8. Unavailable and Unearned Revenue

The following is a summary of unavailable and unearned revenue:

	Unavailable	Unearned
ARPA funds received in advance	\$ -	\$ 9,753,386
Uncollected property tax billing	186,876	-
Uncollected sales tax billing	175,555	-
Other	111,196	-
	<u>\$ 473,627</u>	<u>\$ 9,753,386</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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	115
Inactive members:	
Vested	30
Non-vested	49
Active elsewhere in VRS	61
Total inactive members	140
Active members	172
Total covered employees	427

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, 2021 was 11.17% of covered compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$1,108,387 and \$1,021,113 for the years ended June 30, 2021 and 2020, 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

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, 2019 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, 2019, 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, 2020.

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 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, 1.0% increase compounded from ages 70 to 90; females set forward three years.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

E. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	\$ 42,869,980	\$ 36,726,052	\$ 6,143,928
Changes for the Year:			
Service cost	1,131,394	-	1,131,394
Interest	2,825,254	-	2,825,254
Difference between expected and actual experience	1,338,742	-	1,338,742
Contributions – employer	-	1,021,113	(1,021,113)
Contributions – employee	-	502,753	(502,753)
Net investment income	-	701,307	(701,307)
Benefit payments, including refunds of employee contributions	(2,028,740)	(2,028,740)	-
Administrative expense	-	(23,755)	23,755
Other changes	-	(832)	832
Net changes	3,266,650	171,846	3,094,804
Balances at June 30, 2020	\$ 46,136,630	\$ 36,897,898	\$ 9,238,732

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	\$ 15,318,293	\$ 9,238,732	\$ 4,211,437

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

For the year ended June 30, 2021, the Town recognized pension expense of \$1,753,271. 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	\$ 963,744	\$ (392,004)
Changes of assumptions	569,347	-
Net difference between projected and actual earnings on pension plan investments	1,107,651	-
Employer contributions subsequent to the measurement date	1,108,387	-
Total	\$ 3,749,129	\$ (392,004)

The \$1,108,387 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, 2022.

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
2022	\$ 518,114
2023	791,867
2024	586,792
2025	351,965
	\$ 2,248,738

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 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-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, 2021, approximately \$136,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 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 \$2,446,050 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	2.21%
Healthcare cost trend rates	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, 2019 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, 2020	\$ 1,700,530
Changes for the year:	
Service cost	84,393
Interest	61,299
Changes in economic/demographic gains or losses	370,322
Changes in assumptions or other inputs	297,138
Benefit payments	(67,632)
Net changes	745,520
Balance at June 30, 2021	<u><u>\$ 2,446,050</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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 2,712,912	\$ 2,446,050	\$ 2,211,458

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 (4.3%) or one percentage point higher (6.3%) than the current healthcare cost trend rates:

	1% Decrease (4.3%)	Current Healthcare Cost Trend (5.3%)	1% Increase (6.3%)
Total OPEB Liability	\$ 2,196,952	\$ 2,446,050	\$ 2,746,797

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$525,964. At June 30, 2021, 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	\$ -	\$ (30,471)
Change in assumptions	267,424	(89,178)
Employer contributions subsequent to the measurement date	88,150	-
Total	\$ 355,574	\$ (119,649)

The \$88,150 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, 2022. 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
2022	\$ 9,950
2023	9,950
2024	9,950
2025	9,950
2026	10,784
Thereafter	97,191
Total	\$ 147,775

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

- 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.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$55,777 and \$54,595 for the years ended June 30, 2021 and 2020, 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, 2021, the Town reported a liability of \$852,108 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2021 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.05106% as compared to 0.05085% at June 30, 2019.

For the year ended June 30, 2021, the Town employees recognized GLI OPEB expense of \$33,509. 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, 2021, 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	\$ 54,655	\$ (7,654)
Net difference between projected and actual earnings on GLI OPEB program investments	25,597	-
Change in assumptions	42,615	(17,793)
Changes in proportionate share	17,021	(13,822)
Employer contributions subsequent to the measurement date	55,777	-
Total	\$ 195,665	\$ (39,269)

The \$55,777 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, 2022. 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
2022	\$ 13,849
2023	21,078
2024	27,180
2025	29,604
2026	8,304
Thereafter	604
Total	\$ 100,619

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, 2019, 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, 2020.

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 three years; 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 two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 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, 2019 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, 2020, NOL amounts (in thousands) for the GLI are as follows (in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,523,937
Plan fiduciary net position	1,855,102
Employers' net GLI OPEB liability	\$ 1,668,835

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

52.64%

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
	Inflation		2.50%
			7.14%

* Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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, 2020, 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, 2020 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	\$ 1,120,161	\$ 852,108	\$ 634,423

I. GLI Fiduciary Net Position

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-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	\$ 699,694	\$ 264,050	\$ 963,744
Changes of assumptions	413,356	155,991	569,347
Net difference between projected and actual earnings on	804,173	303,478	1,107,651
Employer contributions subsequent to the measurement date	804,708	303,679	\$ 1,108,387
Total deferred outflow of resources, Pensions	<u>\$ 2,721,931</u>	<u>\$ 1,027,198</u>	<u>\$ 3,749,129</u>
Deferred outflows of resources - OPEB			
Difference between expected and actual experience - VRS - GLI	\$ 39,024	\$ 15,631	\$ 54,655
Net difference between projected and actual earnings - VRS - GLI	18,276	7,321	25,597
Change in assumptions			
VRS - GLI	30,427	12,188	42,615
Local Plan	194,953	72,471	267,424
Changes in proportion - VRS - GLI	12,153	4,868	17,021
Employer contributions subsequent to the measurement date			
Local Plan	64,261	23,889	88,150
VRS - GLI	39,824	15,953	55,777
Total deferred outflow of resources, OPEB	<u>\$ 398,918</u>	<u>\$ 152,321</u>	<u>\$ 551,239</u>
Total deferred outflows of resources	<u>\$ 3,120,849</u>	<u>\$ 1,179,519</u>	<u>\$ 4,300,368</u>
Net pension liability - VRS	<u>\$ 6,707,479</u>	<u>\$ 2,531,253</u>	<u>\$ 9,238,732</u>
Net OPEB liability			
Local Plan	\$ 1,783,170	\$ 662,880	\$ 2,446,050
VRS - GLI	608,405	243,703	852,108
Total net OPEB liability	<u>\$ 2,391,575</u>	<u>\$ 906,583</u>	<u>\$ 3,298,158</u>
Deferred inflows of resources – Pensions - VRS Retirement Plan			
Difference between expected and actual experience	\$ 284,602	\$ 107,402	\$ 392,004
Total deferred inflows of resources, Pensions	<u>\$ 284,602</u>	<u>\$ 107,402</u>	<u>\$ 392,004</u>
Deferred inflows of resources - OPEB			
Difference between expected and actual experience			
Local Plan	\$ 22,213	\$ 8,258	\$ 30,471
VRS - GLI	5,465	2,189	7,654
Changes of assumptions			
Local Plan	65,011	24,167	89,178
VRS - GLI	12,704	5,089	17,793
Change in proportionate share - VRS - GLI	9,869	3,953	13,822
Total deferred inflows of resources, OPEB	<u>\$ 115,262</u>	<u>\$ 43,656</u>	<u>\$ 158,918</u>
Total deferred inflows of resources	<u>\$ 399,864</u>	<u>\$ 151,058</u>	<u>\$ 550,922</u>
Pension expense	<u>\$ 1,272,904</u>	<u>\$ 480,367</u>	<u>\$ 1,753,271</u>
OPEB expense			
Local Plan	\$ 383,428	\$ 142,536	\$ 525,964
VRS - GLI	23,925	9,584	33,509
Total OPEB expense	<u>\$ 407,353</u>	<u>\$ 152,120</u>	<u>\$ 559,473</u>

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	\$ 31,783	\$ -
Special Tax Districts	220,416	-
Community development	45,000	-
Cemetery perpetual care	-	190,521
Total restricted	297,199	190,521
Nonspendable:		
Prepaid items	154,128	-
Corpus of a permanent fund	-	1,063,922
Total nonspendable	154,128	1,063,922
Committed:		
Future Capital Improvements	3,363,922	-
Total nonspendable	3,363,922	-
Assigned for:		
General government administration	621,996	-
Public safety	28,960	-
Public works	612,576	-
Parks, recreation and cultural	5,000	-
Community development	200,980	-
Capital outlay	1,023,162	-
Budget stabilization fund	2,849,000	-
Total assigned	5,341,674	-
Unassigned	7,725,840	-
Total fund balance	\$ 16,882,763	\$ 1,254,443

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 \$6,562,165 for the year ended June 30, 2021. Of these purchases, \$670,655 is included in accounts payable as of June 30, 2021. 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 2021, expenses were increased by approximately \$242,000 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, 2021 were approximately \$180,000.

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, 2021 were approximately \$40,000.

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 2021 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, 2021, 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. 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, 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.

TOWN OF CULPEPER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Change in Accounting Principle

As of June 30, 2021, the Town adopted GASB Statement No. 84, *Fiduciary Activities*, as it relates to fiduciary activities. The following adjustments have been made:

	Governmental Activities
Net position, as originally reported, July 1, 2020	\$ 51,553,164
Net adjustment as a result of the implementation of GASB Statement No. 84	<u>(67,841)</u>
Net position, as restated, July 1, 2020	<u>\$ 51,485,323</u>
	General Fund
Fund balance, as originally reported, July 1, 2020	\$ 14,964,245
Net adjustment as a result of the implementation of GASB Statement No. 84	<u>(67,841)</u>
Fund balance, as restated, July 1, 2020	<u>\$ 14,896,404</u>

Note 19. Subsequent Events

In September 2021, Town Council adopted a resolution authorizing the sale of the former Town Hall building to Culpeper County for \$1,150,000, and the transfer of a portion of Mountain Run Lake Park to Culpeper County with no proceeds, while retaining an easement for access to Mountain Run Lake, one of the Town's water supply reservoirs. Both transactions are expected to be completed by December 2021.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CULPEPER, VIRGINIA

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

	Fiscal Year June 30,						
	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability							
Service cost	\$ 910,207	\$ 945,867	\$ 972,070	\$ 1,020,476	\$ 989,413	\$ 986,499	\$ 1,131,394
Interest	2,233,895	2,338,187	2,447,694	2,559,097	2,661,480	2,777,386	2,825,254
Difference between expected and actual experience	-	27,383	(111,475)	74,729	(55,224)	(855,083)	1,338,742
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)	(2,028,740)
Net change in total pension liability	1,586,462	1,560,658	1,564,973	1,560,524	1,709,505	2,196,256	3,266,650
Total pension liability - beginning	32,691,602	34,278,064	35,838,722	37,403,695	38,964,219	40,673,724	42,869,980
Total pension liability - ending (a)	\$ 34,278,064	\$ 35,838,722	\$ 37,403,695	\$ 38,964,219	\$ 40,673,724	\$ 42,869,980	\$ 46,136,630
Plan Fiduciary Net Position							
Contributions - employer	\$ 965,805	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,021,113
Contributions - employee	413,261	429,532	454,467	469,814	459,863	518,066	502,753
Net investment income	3,870,612	1,292,934	512,613	3,609,673	2,427,272	2,321,265	701,307
Benefit payments, including refunds of employee contributions	(1,557,640)	(1,750,779)	(1,743,316)	(1,690,336)	(1,886,164)	(1,993,575)	(2,028,740)
Administrative expense	(20,826)	(17,631)	(18,024)	(20,645)	(20,933)	(22,868)	(23,755)
Other	204	(272)	(216)	(3,222)	(2,168)	(1,466)	(832)
Net change in plan fiduciary net position	3,671,416	1,058,216	282,868	3,354,464	1,958,770	1,798,077	171,846
Plan fiduciary net position - beginning	24,602,241	28,273,657	29,331,873	29,614,741	32,969,205	34,927,975	36,726,052
Plan fiduciary net position - ending (b)	\$ 28,273,657	\$ 29,331,873	\$ 29,614,741	\$ 32,969,205	\$ 34,927,975	\$ 36,726,052	\$ 36,897,898
The Town's net pension liability - ending (a) - (b)	\$ 6,004,407	\$ 6,506,849	\$ 7,788,954	\$ 5,995,014	\$ 5,745,749	\$ 6,143,928	\$ 9,238,732
Plan fiduciary net position as a percentage of the total pension liability	82.48%	81.84%	79.18%	84.61%	85.87%	85.67%	79.98%
Covered payroll	\$ 8,329,057	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032
The Town's net pension liability as a percentage of covered payroll	72.09%	75.36%	85.34%	63.48%	60.77%	61.24%	87.94%

Note to Schedule:

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

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution (CRC)	\$ 1,104,432	\$ 1,077,344	\$ 989,180	\$ 980,900	\$ 976,655	\$ 1,021,113	\$ 1,108,387
Contributions in relation to the CRC	1,104,432	1,077,344	989,180	980,900	976,655	1,021,113	1,108,387
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 8,634,324	\$ 9,127,485	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112
Contributions as a percentage of covered payroll	12.79%	11.80%	10.47%	10.38%	9.73%	9.72%	10.73%

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, 2021

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, 2019 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	2020
Total OPEB Liability				
Service cost	\$ 85,789	\$ 88,792	\$ 85,767	\$ 84,393
Interest	55,992	59,997	67,535	61,299
Effect of economic/demographic gains or losses	-	-	(39,303)	370,322
Changes of assumptions	-	(66,086)	(62,153)	297,138
Benefit payments, including refunds of employee contributions	(30,314)	(30,313)	(44,143)	(67,632)
Net change in total OPEB liability	111,467	52,390	7,703	745,520
Total OPEB liability - beginning	1,528,970	1,640,437	1,692,827	1,700,530
Total OPEB liability - ending (a)	<u>\$ 1,640,437</u>	<u>\$ 1,692,827</u>	<u>\$ 1,700,530</u>	<u>\$ 2,446,050</u>
Covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032
The Town's net OPEB liability as a percentage of covered-employee payroll	17.37%	17.91%	16.95%	23.28%

Notes to Schedule:

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

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – LOCAL PLAN

	2017	2018	2019	2020	2021
Contractually required contribution (CRC)	\$ 44,301	\$ 30,314	\$ 30,313	\$ 67,632	\$ 88,150
Contributions in relation to the CRC	44,301	30,314	30,313	67,632	88,150
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032	\$ 10,329,112
Contributions as a percentage of covered-employee payroll	0.47%	0.32%	0.30%	0.64%	0.85%

TOWN OF CULPEPER, VIRGINIA

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

	Fiscal year June 30,			
	2017	2018	2019	2020
Employer's proportion of the net GLI OPEB liability	0.05127%	0.04973%	0.05085%	0.05106%
Employer's proportionate share of the net GLI OPEB liability	\$ 772,000	\$ 755,000	\$ 827,465	\$ 852,108
Employer's covered payroll	\$ 9,444,008	\$ 9,454,182	\$ 10,033,310	\$ 10,506,032
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.17%	7.99%	8.25%	8.11%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%

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	2021
Contractually required contribution (CRC)	\$ 19,982	\$ 37,037	\$ 39,686	\$ 41,460	\$ 43,912	\$ 49,173	\$ 49,555	\$ 51,834	\$ 54,595	\$ 55,777
Contributions in relation to the CRC	19,982	37,037	39,686	41,460	43,912	49,173	49,555	51,834	54,595	55,777
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	\$ 10,329,112
Contributions as a percentage of covered payroll	0.28%	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%

TOWN OF CULPEPER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2021

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:

2021	2.21%
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Note 2. Group Life Insurance Program

Changes of Benefit Terms

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

Changes of Assumptions

The actuarial assumptions used in the June 30, 2019 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, 2021

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, 2021

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents, restricted (Note 2)	\$ 30,975	\$ 172,974	\$ 203,949
Investments, restricted	159,546	890,948	1,050,494
Total assets	\$ 190,521	\$ 1,063,922	\$ 1,254,443
FUND BALANCES			
Nonspendable	\$ -	\$ 1,063,922	\$ 1,063,922
Restricted	190,521	-	190,521
Total fund balances	\$ 190,521	\$ 1,063,922	\$ 1,254,443

TOWN OF CULPEPER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	Cemetery Perpetual Care Fund	Cemetery Permanent Fund	Total Governmental Funds
Revenues:			
Use of money and property	\$ 29,348	\$ -	\$ 29,348
Charges for services	-	98,300	98,300
Total revenues	\$ 29,348	\$ 98,300	\$ 127,648
Net change in fund balances	29,348	98,300	127,648
Fund balances, beginning	161,173	965,622	1,126,795
Fund balances, ending	\$ 190,521	\$ 1,063,922	\$ 1,254,443

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND **Year Ended June 30, 2021**

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	\$ 1,631,152	\$ 10,152
Personal property taxes	1,450,150	1,280,150	1,809,808	529,658
Machinery and tools tax	230,000	230,000	229,651	(349)
Real and personal public service corporations property taxes	38,800	38,800	38,099	(701)
Interest and penalties on delinquent taxes	60,000	60,000	84,278	24,278
Total general property taxes	3,399,950	3,229,950	3,792,988	563,038
Other local taxes:				
Local sales and use taxes	1,360,000	1,625,000	1,847,634	222,634
Business license taxes	879,500	659,500	1,023,686	364,186
Franchise license tax	90,000	90,000	92,127	2,127
Bank stock taxes	475,000	400,000	494,982	94,982
Cigarette taxes	250,000	225,000	220,301	(4,699)
Hotel and motel room tax	330,000	320,000	368,494	48,494
Meals tax	3,570,000	3,750,000	4,594,500	844,500
Admissions tax	35,000	3,000	3,713	713
Local consumption taxes	60,000	60,000	63,429	3,429
Total other local taxes	7,049,500	7,132,500	8,708,866	1,576,366
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	334,500	330,750	431,300	100,550
Total permits, privilege fees, and regulatory license	334,500	330,750	431,300	100,550
Fines and forfeitures	216,500	173,000	144,263	(28,737)
Use of money and property:				
Revenue from use of money	140,000	140,000	113,801	(26,199)
Revenue from use of property	276,200	221,200	262,807	41,607
Total revenue from use of money and property	416,200	361,200	376,608	15,408
Charges for services:				
Sanitation equipment replacement fee	145,000	145,000	165,802	20,802
Trash disposal fee	40,000	40,000	28,874	(11,126)
Crosswalk traffic control	18,000	13,500	12,200	(1,300)
Cable Media Network PEG fees	7,000	7,000	7,087	87
Sales of maps, plats, etc.	100	100	15	(85)
Total charges for services	210,100	205,600	213,978	8,378
Miscellaneous	55,000	122,000	147,371	25,371
Total revenue from local sources	11,681,750	11,555,000	13,815,374	2,260,374

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND **Year Ended June 30, 2021**

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	\$ 129,084	\$ 129,084	\$ 111,756	\$ (17,328)
Others:				
Time and material charges	-	-	158,359	158,359
Water Fund:				
Utility services	880,324	880,324	880,324	-
Motor pool	10,000	10,000	10,000	-
Mow, mulch and trim	6,000	6,000	6,000	-
Wastewater Fund:				
Utility services	745,868	745,868	745,868	-
Motor pool	31,000	31,000	31,000	-
Mow, mulch and trim	15,000	15,000	15,000	-
Light and Power Fund:				
Utility services	1,006,713	1,006,713	1,006,713	-
Motor pool	51,000	51,000	51,000	-
Mow, mulch and trim	7,500	7,500	7,500	-
Total recovered costs	2,882,489	2,882,489	3,023,520	141,031
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	224,000	224,000	224,104	104
Gaming tax	-	-	46,512	46,512
Rolling stock tax	5,500	5,500	4,459	(1,041)
Total non-categorical aid	229,500	229,500	275,075	45,575
Categorical aid:				
Litter control	4,200	4,200	4,654	454
Law enforcement grants	297,000	308,144	331,856	23,712
Fire program	60,850	60,850	62,421	1,571
Street and highway maintenance	2,050,000	2,050,000	2,072,718	22,718
Tourism grant	-	20,000	10,000	(10,000)
Community Business Launch Grant	-	47,000	47,000	-
Other	19,500	12,000	23,491	11,491
Total categorical aid	2,431,550	2,502,194	2,552,140	49,946
Total intergovernmental revenue from the Commonwealth	2,661,050	2,731,694	2,827,215	95,521
Revenue from the federal government:				
Categorical aid:				
American Rescue Plan Act	-	-	11,670	11,670
FEMA	-	-	55,111	55,111
CARES Act	-	3,331,115	3,138,946	(192,169)
Community Development Block Grant	-	850,000	342,439	(507,561)
Department of Criminal Justice	-	50,000	50,000	-
Department of Transportation	-	-	314,946	314,946
Equitable Sharing Program	10,000	10,000	2,282	(7,718)
Total categorical aid	10,000	4,241,115	3,915,394	(325,721)
Total intergovernmental revenue from the federal government	10,000	4,241,115	3,915,394	(325,721)
Total intergovernmental revenue	2,671,050	6,972,809	6,742,609	(230,200)
Total General Fund	\$ 17,235,289	\$ 21,410,298	\$ 23,581,503	\$ 2,171,205

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021

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	30,975	30,975	50,676	19,701
Other charges	36,200	48,085	28,384	(19,701)
Total Town Council	169,175	181,060	181,060	-
Total legislative	169,175	181,060	181,060	-
General and financial:				
Town Manager's office:				
Personnel	79,499	80,624	81,644	1,020
Fringe benefits	44,869	45,096	44,320	(776)
Other charges	7,800	3,852	3,608	(244)
Total Town manager's office	132,168	129,572	129,572	-
Town clerk's office:				
Personnel	210,407	215,573	216,135	562
Fringe benefits	82,588	83,641	87,862	4,221
Other charges	22,850	20,750	19,150	(1,600)
Contractual services	2,000	4,383	1,200	(3,183)
Total Town clerk's office	317,845	324,347	324,347	-
Treasurer's office:				
Personnel	885,618	852,424	826,173	(26,251)
Fringe benefits	351,062	318,561	332,080	13,519
Other charges	196,375	200,675	203,897	3,222
Contractual services	3,500	3,500	2,489	(1,011)
Total treasurer's office	1,436,555	1,375,160	1,364,639	(10,521)
Human resources office:				
Personnel	173,159	175,907	181,504	5,597
Fringe benefits	55,289	55,843	59,969	4,126
Other charges	80,350	84,991	75,268	(9,723)
Total human resources office	308,798	316,741	316,741	-
Information Technology:				
Personnel	603,158	487,192	498,612	11,420
Fringe benefits	196,739	169,240	178,212	8,972
Other charges	913,192	957,940	897,697	(60,243)
Total information technology	1,713,089	1,614,372	1,574,521	(39,851)
Motor pool:				
Personnel	172,475	181,289	176,711	(4,578)
Fringe benefits	76,026	77,803	82,957	5,154
Other charges	14,200	14,200	13,074	(1,126)
Total motor pool	262,701	273,292	272,742	(550)
General and financial administration:				
Legal	100,660	100,660	66,012	(34,648)
Independent auditor and actuary	70,500	93,400	63,300	(30,100)
Insurance and bonding	101,075	101,075	91,618	(9,457)
Total general and financial administration	272,235	295,135	220,930	(74,205)
Total general government administration	4,612,566	4,509,679	4,384,552	(125,127)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021

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	\$ 3,433,929	\$ 3,669,315	\$ 3,599,035	\$ (70,280)
Fringe benefits	1,287,277	1,330,342	1,457,167	126,825
Vehicle operation	244,000	244,000	234,786	(9,214)
Drug fund	15,000	15,000	14,088	(912)
E911 center	393,718	-	-	-
Other charges	331,025	469,180	378,945	(90,235)
Total law enforcement and traffic control	5,704,949	5,727,837	5,684,021	(43,816)
Total public safety	5,704,949	5,727,837	5,684,021	(43,816)
Public works:				
Public works department:				
Personnel	123,470	129,559	114,198	(15,361)
Fringe benefits	52,408	53,636	50,578	(3,058)
Other charges	12,950	12,650	15,189	2,539
Total public works department	188,828	195,845	179,965	(15,880)
Maintenance of highways, streets, bridges, sidewalks, and street lights:				
Highways, streets, bridges and sidewalks:				
Personnel	972,678	967,774	906,645	(61,129)
Fringe benefits	382,037	358,780	404,411	45,631
Other charges	119,500	119,100	114,979	(4,121)
Repairs and maintenance	907,000	907,000	800,094	(106,906)
Contractual services	25,000	25,000	15,816	(9,184)
Rental of street lights	155,000	155,000	162,139	7,139
Snow and ice removal	57,800	78,991	78,991	-
Traffic engineering	211,157	220,288	201,906	(18,382)
Total highways, streets, bridges, and sidewalks	2,830,172	2,831,933	2,684,981	(146,952)
Refuse collection:				
Personnel	189,767	200,855	190,887	(9,968)
Fringe benefits	91,453	93,689	98,004	4,315
Other charges	138,000	410,700	377,388	(33,312)
Total refuse collection	419,220	705,244	666,279	(38,965)
General properties:				
Personnel	177,137	188,122	145,971	(42,151)
Fringe benefits	85,861	88,076	75,904	(12,172)
Other charges	307,290	326,075	328,421	2,346
Contractual services	36,000	36,000	69,884	33,884
Total general properties	606,288	638,273	620,180	(18,093)
Total public works	4,044,508	4,371,295	4,151,405	(219,890)
Parks, recreation and cultural:				
Parks and recreation:				
Personnel	198,043	209,338	190,396	(18,942)
Fringe benefits	96,738	99,015	105,566	6,551
Other charges	57,600	70,550	67,177	(3,373)
Culpeper Media Network	222,394	241,266	238,842	(2,424)
Total parks and recreation	574,775	620,169	601,981	(18,188)

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Parks, recreation and cultural: (continued)				
Cemetery:				
Personnel	\$ 39,200	\$ 8,000	\$ 11,332	\$ 3,332
Fringe benefits	18,415	2,037	2,173	136
Other charges	14,100	80,409	71,553	(8,856)
Total cemetery	71,715	90,446	85,058	(5,388)
Total parks, recreation and cultural	646,490	710,615	687,039	(23,576)
Community development:				
Planning and zoning:				
Personnel	504,364	417,317	418,853	1,536
Fringe benefits	188,754	158,491	170,801	12,310
Other charges	44,600	170,971	94,135	(76,836)
Total planning and zoning	737,718	746,779	683,789	(62,990)
Visitors center:				
Personnel	50,606	31,206	16,984	(14,222)
Fringe benefits	3,952	2,469	1,367	(1,102)
Other charges	9,700	22,100	5,535	(16,565)
Total visitors center	64,258	55,775	23,886	(31,889)
Tourism:				
Personnel	195,424	198,613	204,114	5,501
Fringe benefits	67,838	68,481	70,954	2,473
Other charges	39,688	287,438	212,850	(74,588)
Total tourism	302,950	554,532	487,918	(66,614)
Economic development:				
Other charges	214,777	214,777	212,846	(1,931)
Total economic development	214,777	214,777	212,846	(1,931)
Contributions:				
Volunteer fire department	155,850	157,421	157,421	-
Rescue services	25,000	25,000	25,000	-
Virginia Regional Transit	131,532	131,532	131,532	-
Total contributions	312,382	313,953	313,953	-
Total community development	1,632,085	1,885,816	1,722,392	(163,424)
Parking Authority:				
Other charges	80,634	15,634	10,880	(4,754)
Total parking authority	80,634	15,634	10,880	(4,754)
Pandemic expenses:				
Other charges	-	4,047,234	1,971,481	(2,075,753)
Total pandemic expenses	-	4,047,234	1,971,481	(2,075,753)
Capital projects	-	4,978,785	2,107,280	(2,871,505)
Debt service:				
Principal	1,189,804	1,189,804	1,259,818	70,014
Interest	363,538	363,538	289,124	(74,414)
Total debt service	1,553,342	1,553,342	1,548,942	(4,400)
Total General Fund	\$ 18,274,574	\$ 27,800,237	\$ 22,267,992	\$ (5,532,245)

Note: Pandemic expenses were also included in functional department activity reported on this schedule.

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2021

	Industrial Development Authority
ASSETS	
Cash and cash equivalents	\$ 77,722
Cash and cash equivalents, restricted	51,185
Total assets	\$ 128,907
LIABILITIES	
Debt service reserve	\$ 47,630
Total liabilities	47,630
FUND BALANCE	
Assigned	81,277
Total fund balance	81,277
Total liabilities and fund balance	\$ 128,907
Amounts reported in the Statement of Net Position are different because:	
Total fund balance	\$ 81,277
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.	946,904
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.	(946,904)
Net position of governmental activities	\$ 81,277

TOWN OF CULPEPER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2021**

	Industrial Development Authority
Revenues:	
Intergovernmental	\$ 83,262
Total revenues	83,262
Expenditures:	
Community development	83,496
Total expenditures	83,496
Expenditures over revenues	(234)
Net change in fund balance	(234)
Fund balance, beginning	81,511
Fund balance, ending	\$ 81,277
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balance	\$ (234)
Interest earned related to long-term note receivable does not represent current financial resources and, therefore, is not reported as revenue in the fund.	(430)
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.	430
Changes in net position of governmental activities	\$ (234)

STATISTICAL SECTION

TOWN OF CULPEPER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

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

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

TOWN OF CULPEPER, VIRGINIA

Table 1

NET POSITION / ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2012	2013 ⁽¹⁾	2014	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018	2019	2020 ⁽¹⁾	2021
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 43,829,900
Restricted	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	296,929
Unrestricted	9,013,312	2,015,193	4,622,870	870,870	1,364,636	4,297,760	8,044,105	8,590,118	9,045,773	10,903,834
Total governmental activities net position	\$ 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	\$ 55,030,663
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 51,984,648
Unrestricted	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	24,581,871
Total business-type activities net position	\$ 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	\$ 76,566,519
Primary government										
Net investment in capital assets	\$ 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	\$ 95,814,548
Restricted	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	296,929
Unrestricted	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	35,485,705
Total primary government net position	\$ 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	\$ 131,597,182

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Primary government:										
Expenses:										
Governmental activities:										
General government administration	\$ 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	\$ 2,054,689
Public safety	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	6,000,711
Public works	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	6,257,085
Parks, recreation and cultural	759,713	952,084	869,890	658,510	734,657	727,557	777,456	775,021	638,436	667,456
Community development	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	3,436,651
Parking Authority	-	-	-	-	-	-	-	-	-	10,880
Interest	430,650	529,532	567,245	502,905	557,705	323,497	390,139	365,932	357,229	232,514
Total governmental activities	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	18,659,986
Business-type activities:										
Water	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	5,469,453
Wastewater	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	5,909,741
Electric	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	10,985,261
Total business-type activities expense	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	22,364,455
Total primary government expenses	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	41,024,441
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	177,246
Public safety	244,823	185,890	157,238	159,236	195,365	202,554	188,458	233,361	142,554	116,134
Public works	216,426	224,756	322,027	390,969	432,509	313,983	366,920	318,291	261,885	194,676
Parks, recreation and cultural	401,784	408,606	430,869	410,854	420,362	430,210	461,456	509,131	117,234	168,146
Community development	19,357	31,878	41,585	35,243	37,304	19,471	27,718	32,804	189,639	231,639
Operating grants and contributions	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	6,563,585
Capital grants and contributions	-	959,384	2,292,433	7,738,062	294,304	365,253	2,285,924	62,000	1,312,239	938,037
Total primary government program revenues	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	8,389,463
Business-type activities:										
Charges for services:										
Water	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	4,163,328
Wastewater	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	5,543,331
Electric	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	12,072,822
Operating grants and contributions	14,852	-	3,047	1,369	24,020	29,542	15,597	16,341	8,812	218,514
Capital grants and contributions	2,083	22,000	818,910	-	-	994,049	10,846,873	7,340,842	1,063,423	1,133,623
Total business-type activities program revenues	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	23,131,618
Total primary government program revenues	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	31,521,081
Net (expense) revenue:										
Governmental activities	(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)	(10,270,523)
Business-type activities	(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	767,163
Total primary government net expense	(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)	(9,503,360)

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 3,605,747
Food and beverage tax	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	4,594,500
Sales taxes	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	1,847,634
Business license tax	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	1,023,686
Bank stock tax	273,240	287,309	305,972	349,495	338,243	390,832	431,595	483,997	402,494	494,982
Cigarette tax	126,516	183,297	173,094	162,582	167,265	156,238	165,818	247,326	225,899	220,301
Hotel and motel tax	299,089	249,896	328,032	325,775	342,965	449,636	498,669	448,369	358,721	368,494
Other local taxes	198,623	189,255	193,414	194,523	180,285	178,811	188,325	187,320	194,478	159,269
Intergovernmental revenue	443,255	231,473	231,885	231,499	231,707	230,933	285,596	393,438	332,387	275,075
Investment earnings	13,663	25,279	20,845	18,793	36,412	45,754	117,859	345,501	712,349	405,956
Other	54,908	74,341	103,546	165,826	331,402	50,778	92,164	512,269	122,307	147,371
Special Item: Annexation of State Roads	-	680,433	-	-	-	-	-	-	-	-
Transfers	300,000	573,758	594,982	625,612	593,538	611,435	607,965	604,380	664,545	672,848
Total governmental activities	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	13,815,863
Business-type activities:										
Investment earnings	216,685	46,910	37,648	30,050	60,471	127,950	242,858	527,505	701,426	228,589
Other	1,443,610	-	-	6,668	8,301	13,212	-	9,219	-	-
Insurance recovery	-	-	447,114	7,929	3,474	-	-	-	-	-
Transfers	(300,000)	(573,758)	(594,982)	(625,612)	(593,538)	(611,435)	(607,965)	(604,380)	(664,545)	(672,848)
Total business-type activities	1,360,295	(526,848)	(110,220)	(580,965)	(521,292)	(470,273)	(365,107)	(67,656)	36,881	(444,259)
Total primary government	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	13,371,604
Changes in net position/assets:										
Governmental activities	(757,705)	1,469,448	2,045,356	9,048,137	1,273,897	604,992	3,694,424	588,514	13,611,432	3,545,340
Business-type activities	(775,998)	(367,248)	310,589	792,276	1,759,425	2,128,562	11,934,279	9,962,802	36,881	322,904
Total primary government	\$ (1,533,703)	\$ 1,102,200	\$ 2,355,945	\$ 9,840,413	\$ 3,033,322	\$ 2,733,554	\$ 15,628,703	\$ 10,551,316	\$ 13,648,313	\$ 3,868,244

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)**

	2012	2013	2014	2015	2016
General Fund:					
Nonspendable	\$ 80,810	\$ 146,178	\$ 86,437	\$ -	\$ -
Restricted	470,772	664,894	6,732,852	5,300,787	5,399,922
Committed	7,931,602	8,072,276	-	-	176,088
Assigned	648,657	1,353,321	352,985	86,656	448,203
Unassigned	314,975	823,784	4,726,934	5,377,641	5,663,645
Total General Fund	\$ 9,446,816	\$ 11,060,453	\$ 11,899,208	\$ 10,765,084	\$ 11,687,858
All Other Governmental Funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	598,758	638,704	703,499	758,254	822,133
Total all other governmental funds	\$ 598,758	\$ 638,704	\$ 703,499	\$ 758,254	\$ 822,133

	2017	2018	2019	2020	2021
General Fund:					
Nonspendable	\$ 82,081	\$ 125,672	\$ 121,487	\$ 152,026	\$ 154,128
Restricted	2,957,401	339,124	230,698	41,677	297,199
Committed	-	-	-	-	3,363,922
Assigned	2,491,370	3,504,418	7,368,961	7,671,403	5,341,674
Unassigned	6,818,439	10,711,025	7,348,636	7,099,139	7,725,840
Total General Fund	\$ 12,349,291	\$ 14,680,239	\$ 15,069,782	\$ 14,964,245	\$ 16,882,763
All Other Governmental Funds:					
Nonspendable	\$ -	\$ 847,322	\$ 916,872	\$ 965,622	\$ 1,063,922
Restricted	893,371	109,828	132,716	161,173	190,521
Total all other governmental funds	\$ 893,371	\$ 957,150	\$ 1,049,588	\$ 1,126,795	\$ 1,254,443

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Taxes	\$ 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	\$ 12,501,854
Permits, privilege fees and regulatory licenses	294,185	255,905	304,884	275,969	364,246	297,808	339,691	370,949	396,997	431,300
Fines and forfeitures	129,778	129,654	103,206	122,292	118,324	134,158	113,085	131,494	107,599	144,263
Investment earnings	191,908	210,859	210,983	202,029	212,379	213,887	364,243	597,370	712,349	405,956
Charges for services	284,563	255,751	293,820	328,502	279,147	295,860	378,002	353,125	332,449	312,278
Other	46,727	288,051	216,950	300,545	196,889	131,122	251,708	622,890	122,307	147,371
Recovered costs	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	3,023,520
Intergovernmental	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	6,742,609
Total revenues	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	23,709,151
Expenditures:										
General government administration	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	4,384,552
Public safety	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	5,684,021
Public works	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	4,151,405
Parks, recreation and cultural	715,352	906,712	828,728	665,109	730,184	703,051	769,988	752,292	630,020	687,039
Community development	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	1,722,392
Parking Authority	-	-	-	-	-	-	-	-	-	10,880
Pandemic expenses	-	-	-	-	-	-	-	-	-	1,971,481
Capital projects	841,828	3,918,542	5,466,703	5,709,587	884,820	1,284,343	738,983	1,988,530	1,467,841	2,107,280
Debt service:										
Principal	716,023	784,741	933,736	1,074,903	1,227,548	1,249,267	1,265,780	1,284,036	6,353,535	1,259,818
Interest and fiscal charges	419,506	442,610	520,199	533,486	511,519	410,324	457,469	442,579	434,116	289,124
Bond issuance costs	115,832	56,846	53,236	7,896	73,022	-	-	-	44,643	-
Total expenditures	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	22,267,992
Revenues over (under) expenditures	(661,777)	(2,640,175)	(3,277,213)	(2,150,157)	(40,172)	49,998	1,786,762	(122,449)	(5,908,875)	1,441,159
Other financing sources (uses):										
Proceeds from borrowing	900,000	3,720,000	3,676,500	430,000	4,990,000	-	-	-	5,216,000	-
Bond premium on issuance	-	-	-	-	1,115,879	-	-	-	-	-
Payments to escrow agent	-	-	-	-	(6,036,403)	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	299,932	-	-	-	-	-
Transfers in	300,000	573,758	594,982	625,612	593,538	611,435	607,965	604,380	664,545	672,848
Total other financing sources, net	1,200,000	4,293,758	4,271,482	1,055,612	962,946	611,435	607,965	604,380	5,880,545	672,848
Net change in fund balances	\$ 538,223	\$ 1,653,583	\$ 994,269	\$ (1,094,545)	\$ 922,774	\$ 661,433	\$ 2,394,727	\$ 481,931	\$ (28,330)	\$ 2,114,007
Debt service as a percentage of noncapital expenditures:	8.77%	8.92%	9.97%	11.02%	11.09%	10.28%	10.71%	9.71%	29.20%	7.68%

Note:

(1) The debt service as a percentage of noncapital expenditures increased significantly in 2020 due to a bond refunding during the year.

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		
2012	2011	\$ 1,334,915,400	\$ 126,677,786	\$ 16,266,484	\$ 40,816,355	\$ 79,380	\$ 1,518,755,405	\$ 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
2021	2020	1,984,258,700	193,272,186	28,669,380	41,868,265	-	2,248,068,531	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	
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
2021	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, 2021			Fiscal Year June 30, 2012		
		2021 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	1.16%	\$ -	-	-
Society for Worldwide Interbank	Data Center	21,533,500	2	1.09%	18,398,500	2	1.38%
Dominion Square - Culpeper LLC	Shopping Center	16,684,100	3	0.84%	12,896,100	3	0.97%
Frep IV - Center at Culpeper LLC	Shopping Center	12,610,300	4	0.64%	-	-	-
Wal-Mart	Retail/Grocery	12,109,600	5	0.61%	10,905,600	4	0.82%
VA Equities LLC	Shopping Center	10,318,100	6	0.52%	-	-	-
Culpeper Shopping Center	Shopping Center	9,373,400	7	0.47%	6,400,100	8	0.48%
Culpeper Storage LLC	Retail	8,584,300	8	0.43%	-	-	-
Maloney Acquisition, Inc.	Manufacturing	7,953,500	9	0.40%	-	-	-
Target Corporation	Retail/Grocery	7,667,300	10	0.39%	-	-	-
Culpeper Memorial Hospital ⁽¹⁾	Healthcare	-	-	-	24,505,700	1	1.84%
Continental 181 Fund LLC	Shopping Center	-	-	-	9,861,100	5	0.74%
Masco Builder Cabinet Group	Manufacturing	-	-	-	6,541,200	6	0.49%
CMH Health Corporation	Healthcare	-	-	-	6,490,900	7	0.49%
Southridge/Culpeper LP	Rental Residential & Commercial	-	-	-	6,384,600	9	0.48%
Culpeper House LTD Partnership	Rental Residential	-	-	-	6,274,200	10	0.47%
Total		<u>\$ 129,866,700</u>		<u>6.55%</u>	<u>\$ 108,658,000</u>		<u>8.16%</u>
Total Real Property Assessed Value		<u>\$ 1,984,258,700</u>		<u>100.00%</u>	<u>\$ 1,334,915,400</u>		<u>100.00%</u>

Notes:

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

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

TOWN OF CULPEPER, VIRGINIA

Table 8

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Tax Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Write-Offs ⁽¹⁾	Total Collections to Date	
			Amount	Percentage of Levy			Amount	Percentage of Levy
2012	2011	\$ 2,741,503	\$ 2,620,533	95.59%	\$ 120,970	\$ 42,069	\$ 2,699,434	98.47%
2013	2012	2,850,133	2,663,855	93.46%	186,278	45,513	2,804,620	98.40%
2014	2013	2,970,019	2,774,376	93.41%	195,643	48,617	2,921,402	98.36%
2015	2014	3,026,106	2,816,413	93.07%	184,684	25,009	2,976,088	98.35%
2016	2015	3,070,128	2,880,923	93.84%	163,193	23,534	3,020,582	98.39%
2017	2016	3,229,653	3,071,240	95.10%	129,224	-	3,200,464	99.10%
2018	2017	3,600,849	3,401,152	94.45%	163,289	-	3,564,441	98.99%
2019	2018	3,699,140	3,511,769	94.93%	133,840	-	3,645,609	98.55%
2020	2019	3,692,620	3,496,445	94.69%	114,234	-	3,610,679	97.78%
2021	2020	3,794,161	3,644,408	96.05%	-	-	3,644,408	96.05%

Note:

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

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

TOWN OF CULPEPER, VIRGINIA

Table 9

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Governmental	Business-Type Activities				Total Primary Government	Percentage of Town Cumulative Personal Income	Debt Per Capita
	Activities							
	General Obligation Bonds*	General Obligation Bonds**	Water Bonds	Wastewater Bonds	Electric Bonds			
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
2021	10,254,192	7,164,655	14,284,477	3,436,682	-	35,140,006	3.67%	1,752

Notes:

* Includes bond premiums

** See Table 10

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA**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
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
2021	35,140,006	1.56%	1,752

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 11

LEGAL DEBT MARGIN INFORMATION Last Ten Fiscal Years (Unaudited)

	Fiscal Year June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assessed value of real estate	\$ 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	\$ 2,026,126,965
Debt limit (10% of assessed value)	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	202,612,697
Less debt applicable to limit										
General obligation bonds	(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)	(35,140,006)
Capital leases	(109,073)	(67,430)	(212,707)	(150,658)	(81,180)	(44,009)	-	-	-	-
Legal debt margin	\$ 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	\$ 167,472,691
Total debt applicable to the limit as a percentage of debt limit	34.4%	35.2%	35.6%	36.0%	30.5%	28.0%	24.1%	22.3%	19.2%	17.3%
Total debt applicable to the limit as a percentage of assessed value	3.4%	3.5%	3.6%	3.6%	3.1%	2.8%	2.4%	2.2%	1.9%	1.7%
Debt applicable to limit:										
Allocated to General Fund	\$ 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	\$ 10,254,192
Allocated to Enterprise Funds	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	24,885,814
Total	\$ 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	\$ 35,140,006

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 12

**PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Operating Revenue	Less: Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service ⁽²⁾		Coverage
				Principal	Interest	
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	0.30
2021	20,808,231	17,723,865	3,084,366	1,697,195	650,312	1.31

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.

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 13

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

Fiscal Year June 30,	Population*	Cumulative Town Personal Income	Per Capita Personal Income	Median Household Income	Median Age	School Enrollment	Unemployment Rate
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%
2021	20,062	956,736,718	47,689	79,739	39.4	4,236	3.70%

* 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	2021			2012		
	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	1,155	1	5.1%
Culpeper Memorial Hospital	500-999	2	N/A	600	2	2.6%
Wal-Mart Stores	500-999	2	N/A	500	3	2.2%
Culpeper County Government ⁽¹⁾	500-999	2	N/A	478	4	2.1%
S.W.I.F.T., Inc.	200-499	5	N/A	-	-	-
Rappahannock Rapidian Community Services ⁽¹⁾	200-499	5	N/A	-	-	-
Masco Builder Cabinet Group	200-499	5	N/A	-	-	-
Cintas Corporation	200-499	5	N/A	240	6	1.0%
Continental Automotive Systems ⁽²⁾	200-499	5	N/A	415	5	1.8%
Culpeper Heath & Rehabilitation Center	200-499	5	N/A	186	8	0.8%
Virginia Department of Transportation ⁽¹⁾	-	-	-	213	7	0.9%
Town of Culpeper ⁽¹⁾	-	-	-	162	9	0.7%
Merchants Grocery Store Co, Inc.	-	-	-	145	10	0.6%
			<u>N/A</u>			<u>17.8%</u>
Total County Employment	<u>23,965</u>			<u>22,853</u>		

Notes:

(1) Also has locations in the County

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

Source: 2012 Planning Department, Town of Culpeper
2021 Virginia Employment Commission, Economic Information & Analytics, QCEW

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government administration										
Management services (includes Council = 4.5)	6	5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Finance and Human Resources	12	11	11	14	16	17	18	18	16	16
Planning	5	5	5	5	5	5	6	5	6	7
Building maintenance	4	4	4	4	4	5	5	4	6	6
Tourism and Visitors Center	2.5	2.5	2.5	2.5	3.5	4	4	4.5	4.5	4.5
Culpeper Media	2	2	2	2	2	2	2	2	2	2
Information Technology	4	5	6	6	7	6	6	7	4.5	5
Town Clerk	2	2	2	2	3	2	2.5	3	3	3
Public safety:										
Officers	39	42	42	42	40	42	43	46	46	46
Civilians	9	8	9	8	11	10	9	9	8	9
Public works:										
Refuse collection	5	4	5	5	5	4	4	4	4	4
Streets	10	15	16	18	17	18	17	18	16	16
Traffic engineering and motor pool	6	4	4	4	4	4	4	4	4	4
Parks and recreation										
Park	6	8	8	5	5	5	5	5	4	4
Cemetery	1	3	3	1.5	2	2	2	3	-	-
Water and wastewater operations	36	32	34	34	33	34	35	37	36	37
Electric operations	16	19	18	17	16	17	17	17	16	16
Total	165.5	171.5	177	175.5	179	182.5	185	192	181.5	185

Note:

Source: Finance Department, Town of Culpeper, Virginia

TOWN OF CULPEPER, VIRGINIA

Table 16

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

Function/Program	Fiscal Year June 30,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Traffic violations	2,180	2,755	2,246	2,075	2,013	3,110	2,482	2,765	1,716	1,538
Parking violations	1,439	1,876	1,226	1,342	1,838	1,496	1,636	2,262	963	779
Arrests	1,386	1,389	1,346	1,330	1,266	1,167	1,205	1,151	1,107	1,049
Total crimes	1,783	1,871	1,542	1,680	1,742	1,681	1,801	1,587	1,542	1,465
Public works										
Street paving - crack sealant in pounds	20,442	4,740	136	693	-	-	129	-	-	-
Street paving - milling in sq. yds.	21,755	1,011	10,384	14,691	-	30,388	5,678	57,835	42,489	43,438
Street paving - bituminous concrete in tons	5,495	2,884	1,858	1,814	-	4,503	2,482	9,392	5,865	4,681
Recycling - cardboard in pounds	81,420	73,020	69,540	57,640	59,240	49,367	-	-	-	-
Water operations										
Number of service connections	6,579	6,651	6,931	6,930	7,093	7,103	7,352	7,504	7,588	7,676
Average daily consumption in gallons	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	2,109,589
Maximum daily capacity of plant in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Maximum daily capacity of wells in gallons	-	-	-	918,000	918,000	918,000	1,900,000	1,900,000	1,900,000	1,900,000
Wastewater operations										
Number of service connections	6,315	6,382	6,662	6,667	6,823	6,849	7,024	7,178	7,256	7,315
Average daily consumption in gallons	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	3,558,904
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	5,099	5,087	5,214	5,323	5,357	5,408	5,481	5,606	5,694	5,780
Average monthly consumption in kilowatt hrs	1,611	1,628	1,615	1,574	1,540	1,597	1,569	1,541	1,502	1,466
Highest system peak demand in megawatts	25.66	25.56	26.37	27.47	27.58	27.58	26.20	27.20	27.84	27.41

Note:

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	33	33	36	36	36	36	37	46	46	56
Public works:										
Streets (miles)	62	66	66	66	66	67	68	68	70	71
Street and yard lights	1,116	1,109	1,054	1,054	1,054	1,054	1,172	1,175	1,105	1,115
Traffic signals	19	20	20	19	19	19	17	17	17	17
Water operations:										
Miles of water main	99.0	100.0	101.4	102.6	104.0	104.7	106.0	106.0	107.0	107.3
Number of fire hydrants	678	737	740	713	725	734	750	750	761	763
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of wells	-	-	-	3	3	3	6	6	6	6
Wastewater operations:										
Miles of sanitary sewer	95.0	96.0	95.5	95.5	96.8	97.6	98.0	98.0	99.0	99.3
Miles of storm sewer	20.0	30.0	30.5	30.5	30.5	32.0	32.2	32.2	33.3	33.7
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of pumping stations	9	9	9	10	11	11	12	11	11	11
Electric operations:										
Miles of overhead lines	27.7	27.7	27.7	27.7	27.7	27.9	32.2	32.2	32.2	32.2
Miles of underground lines	41.8	42.9	44.1	44.5	44.5	46.7	134.3	136.4	137.8	139.7
Number of sub-stations (115kV)	1	1	1	1	1	1	1	1	1	1
Number of delivery points (34.5kV)	-	-	1	1	1	1	1	1	1	1

Note:

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

COMPLIANCE SECTION

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-through Payments:				
Virginia Department of Housing Community Development Block Grants	14.228	Not Provided	\$ -	\$ 371,291
Total Department of Housing and Urban Development				371,291
DEPARTMENT OF JUSTICE:				
Pass-through Payments:				
Virginia Department of Criminal Justice Services COVID-19: Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0141	-	50,000
Equitable Sharing Program	16.922	Not Provided	-	2,282
Total Department of Justice				52,282
DEPARTMENT OF TRANSPORTATION:				
Highway Planning and Construction Cluster:				
Pass-through Payment:				
Virginia Department of Transportation: Highway Planning and Construction Cluster	20.205	U000-204-176, 18-0321.001	-	245,183
Total Highway Planning and Construction Cluster				245,183
Highway Safety Cluster:				
Pass-through Payment:				
Virginia Department of Motor Vehicles: State and Community Highway Safety	20.600	509311-9311, 59315-9315, 50399-20399, 50396-20396	-	14,966
Total Highway Safety Cluster				14,966
Total Department of Transportation				260,149
DEPARTMENT OF THE TREASURY:				
Pass-through Payments:				
County of Culpeper: COVID-19: Coronavirus Relief Fund	21.019	Not Provided	-	3,258,604
Virginia Department of Housing and Community Development: COVID-19: Coronavirus Relief Fund	21.019	Not Provided	-	70,626
Commonwealth of Virginia: COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	37,140
Total Department of the Treasury				3,366,370
DEPARTMENT OF HOMELAND SECURITY				
Direct payment:				
COVID-19: Disaster Grants - Public Assistance	97.036		-	73,482
Total Department of Homeland Security				73,482
Total Expenditures of Federal Awards				\$ 4,123,574

TOWN OF CULPEPER, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Culpeper, Virginia (Town) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, 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, each major fund, the aggregate discretely presented component unit and the remaining fund information, and the budgetary comparison of the General Fund information of the Town of Culpeper, Virginia (the "Town"), as of and for the year ended June 30, 2021, 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 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 16, 2021



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

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

Report on Compliance for the Major Federal Program

We have audited the Town of Culpeper, Virginia's (Town) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2021. The Town's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 16, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section I. SUMMARY OF AUDITOR'S RESULTS*Financial Statements*

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

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes √ No

Significant deficiencies identified?

_____ Yes √ None Reported

Noncompliance material to financial statements noted?

_____ Yes √ No

Federal Awards

Internal control over major program:

Material weaknesses identified?

_____ Yes √ No

Significant deficiencies identified?

_____ Yes √ None Reported

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

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

_____ Yes √ No

Identification of major program:

Federal Assistance Listing
Number

Name of Federal Program or Cluster

21.019

COVID-19 Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?

_____ Yes √ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section II. FINANCIAL STATEMENT FINDINGS

None.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.