TOWN OF CULPEPER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

TREASURER'S OFFICE

TOWN OF CULPEPER, VIRGINIA

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INTRODUCTORY SECTION

TOWN OF CULPEPER

TREASURERS OFFICE

400 S. Main St., Suite 109 • Culpeper, VA 22701
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www.culpeperva.gov

November 23, 2015

To The Citizens of the Town of Culpeper:

In accordance with local ordinances and state statues, the Town of Culpeper hereby submits the audited Comprehensive Annual Financial Report (CAFR) on its financial position and activities for the fiscal year ended June 30, 2015. This report was audited by the independent certified public accounting firm of Brown Edwards & Company, and the responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. 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.

THE REPORTING ENTITY AND SERVICES PROVIDED

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

The Town of Culpeper provides a full range of services to its citizens including government administration; police protection; sanitation; the construction and maintenance of highways, streets, and infrastructure; general engineering; and planning and community development. In addition, the Town contributes to volunteer fire and rescue departments, economic and tourism development programs, cultural events, recreational activities and other civic and community service non-profit organizations. The Town also operates and manages electric, water, and sewer utilities, that serve approximately 7,919 customers.

ECONOMIC CONDITION AND OUTLOOK

Population growth has been a continued theme during the last several years for the Town, but the population grew at a slower rate during the last few years. The Town is positioned in the D.C./Northern Virginia growth ring with a potentially steady population increase during the next two decades. This growth trend is changing the face of the Town to that of a regional marketing area and commuter-oriented town. Culpeper is recognized regionally and statewide as a healthy and growing market. The prior year's growth and development shows that new opportunities exist for businesses that have either located in or are considering building in the area.

Due to this, the outlook for the Town remains overall upbeat. The Town remains a primary commercial and service area. The Town is fortunate to rely on taxes (i.e., meals) as sources of revenues to balance the

Governmental Fund budget. The Town faces many challenges in the coming years to address the demands on capital facilities and operations of a growing population. The Town and County have worked diligently over the past few years in their ongoing discussion of water and sewer services outside Town boundaries.

MAJOR INITIATIVES IN FY15

FY15 brought a continued focus on improvements to the Town operations and the continuing focus on planning for the future of our growing community. The following either began or continued during this past fiscal year:

- Dam Repairs – In FY15, the Town received $10.7 million in grant monies from the Natural Resources Conservation Service (NCRS) to complete the planning, design and construction work necessary to upgrade both dams to be able to pass the design storm event for high hazard dams. These upgrades were required as a result of changes in Virginia dam safety regulation and a requirement of the Town's conditional operating permits for both dams. Design will begin in FY16 with construction anticipated to be completed in FY18.

- Colonel Jamison Boulevard – During FY15 construction of Colonel Jamison Boulevard was completed. This new road was constructed in conjunction with the VDOT Route 15/29 and Route 229 widening and intersection improvements project to relieve congestion at the Main Street and Route 522 intersection.

- Groundwater Development – During FY15 construction was completed to connect three portable water wells into the water system. Additionally, design for five additional production wells was begun in FY15 with construction anticipated to be complete in FY17. Once complete, these wells will serve as a supplemental and emergency water supply for the community.

- Electrical Infrastructure – Light and Power has continued the replacement of old poles, wires and underground infrastructure throughout the Town. The long term mapping of the entire electric system is completed and continually being updated which will tie into the Automatic Meter Reading System for outage reporting. New LED street lighting fixtures were installed on Main and Davis Streets, various parking lots and a few small subdivisions. This is part of implementation of a more energy efficient lighting plan throughout the Town. The last active generator was relocated from the abandoned Spring Street Facility to the Chandler Street operations center to improve operational efficiencies. Work was begun on decommissioning and repurposing of the abandoned Electric and Water facilities at Spring Street. The Three decommissioned generators, dating back to the 1940's, along with other surplus equipment and materials were sold and removed in the spring of 2015. Removal of the electric department's old line shop and storage facility was also completed. These activities are the first step toward returning the facilities to a stable shell condition and ultimately future repurposing of the facilities.

- Water Supply - The Town continues work to identify additional and supplemental sources of water and is working with a company to identify well sites within the County.

- Streetscapes and Entryways - The town has budgeted and continues to make efforts to improve the downtown parking facilities, sidewalks, trails, bikeways and parks. This includes the three-phase Streetscapes and Entryways Project that will be funded 50% by VDOT Enhancement Grant money.

- Long-term Financial Planning -This allows the Town the ability to meet its upgrade and financing needs without negatively impacting the tax base and the Town's bond rating. The Town has developed a 5-year plan for replacement of fleet vehicles for General Fund and Enterprise Fund departments and this plan coupled with the Town's Capital Improvements Plan serves as the basis for projects in our Master Plan.

MAJOR INITIATIVES IN THE FUTURE

FY15 brings a continued focus on improvement of Town operations and planning for a growing community.

- Transportation and related projects continue to be a major focus in the future. The Town is actively working with VDOT on several transportation improvement projects. Engineering work is underway for the Town's Route 229 road widening project. The Inner Loop project was completed in December 2014.

- Economic Development, Business Retention and Business Attraction are major initiatives for the Town and will involve a multi-disciplinary approach. The downtown businesses and businesses outside the historic district are all part of a cooperative approach of economic development that includes the Town partnering with the Chamber of Commerce, Culpeper Renaissance Incorporated and the County of Culpeper Economic Development department.

- Infrastructure Maintenance and Improvements are critical for any business and is a prime focus for the Town. This includes the Town's water and wastewater system and electrical system, its buildings, equipment and vehicles.

DEPARTMENT FOCUS

The Town Treasurer's Department provides, maintains and supports Town departments and Town staff in all aspects of finance. It is the mission of the Treasurer's office to fulfill its constitutional and statutory responsibilities placing priority on prudent management and stewardship of the financial resources of the Town and ensuring fiscal integrity and sound accounting practices and providing customer service through excellence in treasury management. The Treasurer's Office is committed to strive towards more efficient services focusing on technology solutions that meet and exceed our service demands.

Highlights during fiscal year 2015 are:

Revenue Collections
The Town utilizes a number of methods to secure payment of back taxes and overdue utilities, including DMV-Stops (license renewal is blocked until past due amounts are paid), warrants-in-debt and property liens.

Internal Controls
Internal controls are a critical component of the Treasurer's office and all segments of operations within the department, as well as between the Treasurer's office and other Town departments, are under review. Necessary improvements are implemented to maintain a responsive service level to the Town citizens and employees.

Fraud Preventive Program
The Town of Culpeper has implemented its Fraud Preventive Program commonly referred to as Positive Pay or Account Reconciliation Program in January 2015. This helps prevent fraud, perform timely reconciliation of account / cash disbursement and address some of the audit issues.

Staffing
Chris Hively officially became the Town Manager to replace Dewey Cashwell in early part of January 2015. He has a Master in Public Administration. A Virginia Military Institute graduate and Air Force veteran, Mr. Hively has more than 25 years of public sector work experience, including his nearly six years with the town. He filled various roles in that time including environmental services director, assistant manager and interim manager.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The Town's financial information presented in this report is in accordance with U.S. generally accepted accounting principles. 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 control should not exceed the benefits likely to be derived, and (b) the evaluation of costs and benefits requires estimates and judgments by management.

OTHER INFORMATION

Independent Audit. Virginia law requires that the financial statements of the Town be audited by a Certified Public Accountant (or alternatively, by the Auditor of Public Accounts) selected by Town Council. An annual audit of the Comprehensive Annual Financial Report has been performed by Brown Edwards & Company. 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.

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 town successfully implemented the new accounting and reporting requirement for pensions per GASB Statement No. 68 in FY15 refer to MD&A, Note 7 and the financial statement section.

Awards. The Government Finance Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Culpeper for its Comprehensive Annual Financial Report for the fiscal year ended, June 30, 2014. In order to be awarded a Certificate of Achievement, a government unit must timely publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must easily satisfy both generally accepted governmental accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report was outsourced and made possible by the dedicated service of all of the departments of the Town of Culpeper. Each member of these departments has our sincere appreciation for the contributions made in the preparation of this report. This report is available to the public via the Town's website located at www.culpeperva.gov/officials/treasurer/.

Respectfully submitted,

Pon Chen Yusuf
Town Treasurer / Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Culpeper

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

TOWN OF CULPEPER, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

TOWN COUNCIL

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

David B. Lochridge
Keith D. Price
Frank Reaves, Jr
Jon D. Russell
Pranas A. Rimeikis
Robert M. Ryan
Meghan Taylor

APPOINTED OFFICIALS

TOWN MANAGER
Christopher Hively

TOWN CLERK
Kimberly D. Allen

TREASURER/DIRECTOR OF FINANCE
Pon Yusuf

TOWN ATTORNEY
Martin R. Crim

DEPARTMENT HEADS

DIRECTOR OF LIGHT AND POWER
Michael Stover

DIRECTOR OF PUBLIC WORKS
Jim Hoy

CHIEF OF POLICE
Chris Jenkins

DIRECTOR OF PLANNING AND COMMUNITY DEVELOPMENT
Charles Rapp

DIRECTOR OF INFORMATION TECHNOLOGY
Tonya Estes

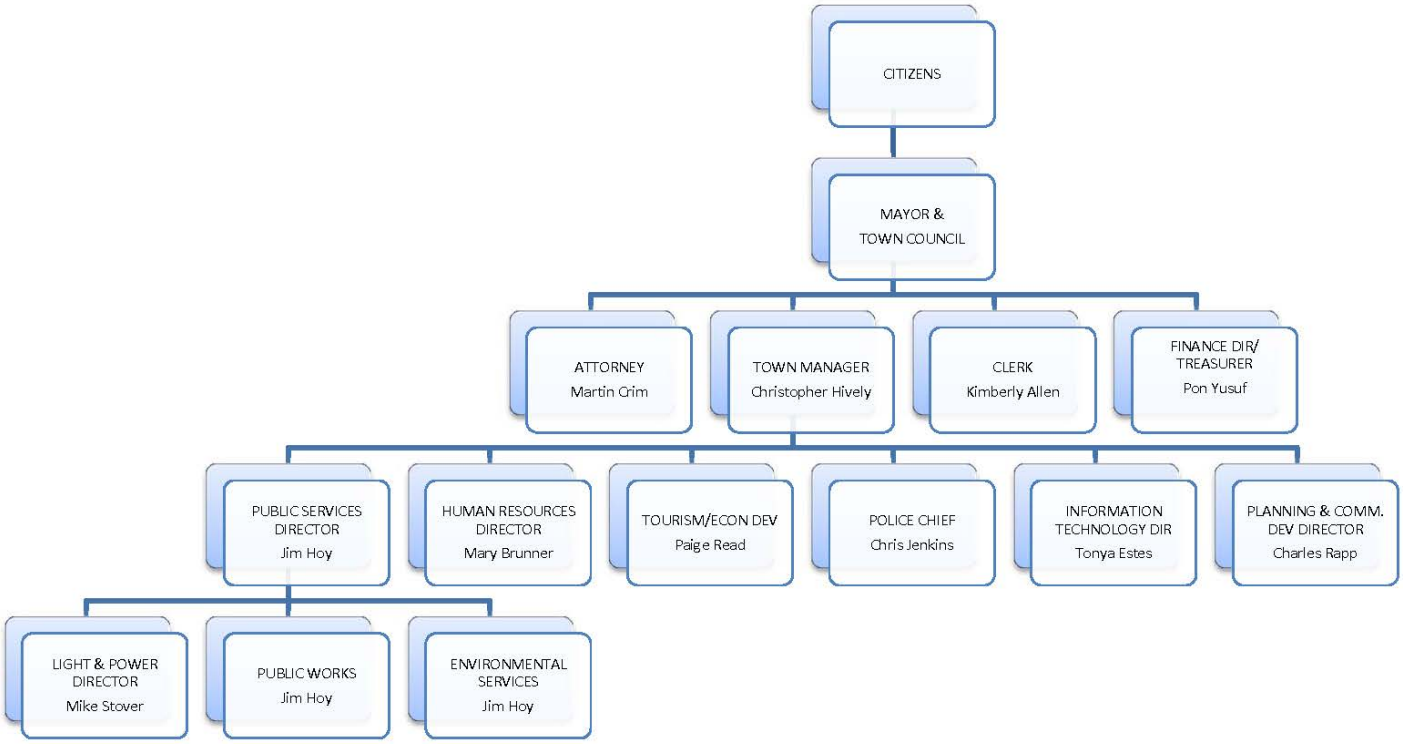
TOURISM DIRECTOR
Paige Read

DIRECTOR OF ENVIRONMENTAL SERVICES
Christopher Hively

DIRECTOR OF HUMAN RESOURCES
Mary Brunner

TOWN OF CULPEPER, VIRGINIA

ORGANIZATIONAL CHART



FINANCIAL SECTION

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Culpeper, Virginia (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Your Success is Our Focus
319 McClanahan Street, S.W. • Roanoke, Virginia 24014-1711 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As described in Note 11 to the financial statements, in 2015 the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Culpeper's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Culpeper, Virginia (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014 and 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages *i* through *vi* of this report.

Financial Highlights

- The Town's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of current fiscal year by $95,423,643 (net position) (Exhibits 1 and 2), up from last fiscal year's net position of $92,691,610. Of this current amount, $24,141,537 is unrestricted (Exhibit 1) and may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by a significant amount in capital grants and contributions.
- At the end of the current fiscal year, the Town's governmental funds reported an ending fund balance of $11,523,338 (Exhibit 3), a decrease of $1,094,545 (Exhibit 5) in comparison with the prior year's ending fund balance of $12,617,883 (Exhibit 5). This primarily is due to a decrease in restricted cash and cash equivalents for the completion of the Inner Loop (Colonel Jamison Boulevard) project during the fiscal year. Although the balance sheet shrunk, the unassigned fund balance went up by $650,707 from $4,726,934 to $5,377,641 (Exhibit 3). This amount is available for spending at the government's discretion.
- The Town's total net debt increased by $1,444,529 (2.76%) during the current fiscal year due primarily to the $4.230M (=$.43M for governmental activities plus $3.8M for business-type activities) issuance in private bank loans to fund water projects and vehicle purchases for the Police Department (Note 8).
- The Town successfully implemented GASB Statement No. 68 – Accounting and Financial Reporting for Pensions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements:

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, parks, recreation, and cultural, and community development. The business-type activities are the water, wastewater, and electric funds.

Overview of the Financial Statements (Continued)

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

The Town maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund and for the cemetery perpetual trust fund which is considered to be a non-major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

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

Implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions

In 2015 the Town of Culpeper adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the Town's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the Authority was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Town records a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in footnotes 7 and 12, and this has had a significant impact on the Town's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

Government-Wide Financial Analysis

As noted above, the Town's net position has been restated as discussed in footnotes 7 and 12 for the effect of the new accounting and reporting requirements for pensions. This may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $95,423,643 (Exhibit 1) at the close of the most recent fiscal year.

Government-Wide Financial Analysis (Continued)

A portion of the Town's net position, $69,700,354 (73%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the Town's net position, $1,581,752 (1.7%) is restricted. This restriction is $286,468 for unspent grant proceeds and asset seizure funds, $537,030 for proffers, and $758,254 for the cemetery fund (Exhibit 1). The remaining balance of *unrestricted net positions* (25.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	**2015**	**2014**	**2015**	**2014**	**2015**
Current and other assets	$ 16,213,630	$ 15,017,632	$ 27,174,329	$ 28,335,551	$ 43,387,959	$ 43,353,183
Capital assets	47,804,805	56,872,257	60,490,966	61,236,480	108,295,771	118,108,737
Total assets	64,018,435	71,889,889	87,665,295	89,572,031	151,683,730	161,461,920
Pension Contributions subsequent to measurement date		790,755		351,701		1,142,456
Deferred amount on refunding	98,129	87,226	169,895	138,811	268,024	226,037
Total deferred outflows of resources	98,129	877,981	169,895	490,512	268,024	1,368,493
Long-term liabilities	19,201,053	22,752,490	33,084,220	36,981,719	52,285,273	59,734,209
Current liabilities	3,410,952	3,211,315	3,563,919	2,736,904	6,974,871	5,948,219
Total liabilities	22,612,005	25,963,805	36,648,139	39,718,623	59,260,144	65,682,428
Net difference between projected and actual investment earnings on pension plan investments	-	1,202,043	-	522,299	-	1,724,342
Total deferred inflows of resources	-	1,202,043	-	522,299	-	1,724,342
Net position						
Net investment in capital assets	35,443,423	43,149,400	27,911,757	26,550,954	63,355,180	69,700,354
Restricted	1,438,266	1,581,752	-	-	1,438,266	1,581,752
Unrestricted	4,622,870	870,870	23,275,294	23,270,667	27,898,164	24,141,537
Total net position	$ 41,504,559	$ 45,602,022	$ 51,187,051	$ 49,821,621	$ 92,691,610	$ 95,423,643

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

The Town's net position increased by $2,732,033 ($95,423,643 less $92,691,610), or 2.9%, during the current fiscal year. The key elements of this change are related to the net effect of the new accounting and reporting requirements of pensions and its net higher capital grants and contributions received during the fiscal year (Exhibit 1).

Government-Wide Financial Analysis (Continued)

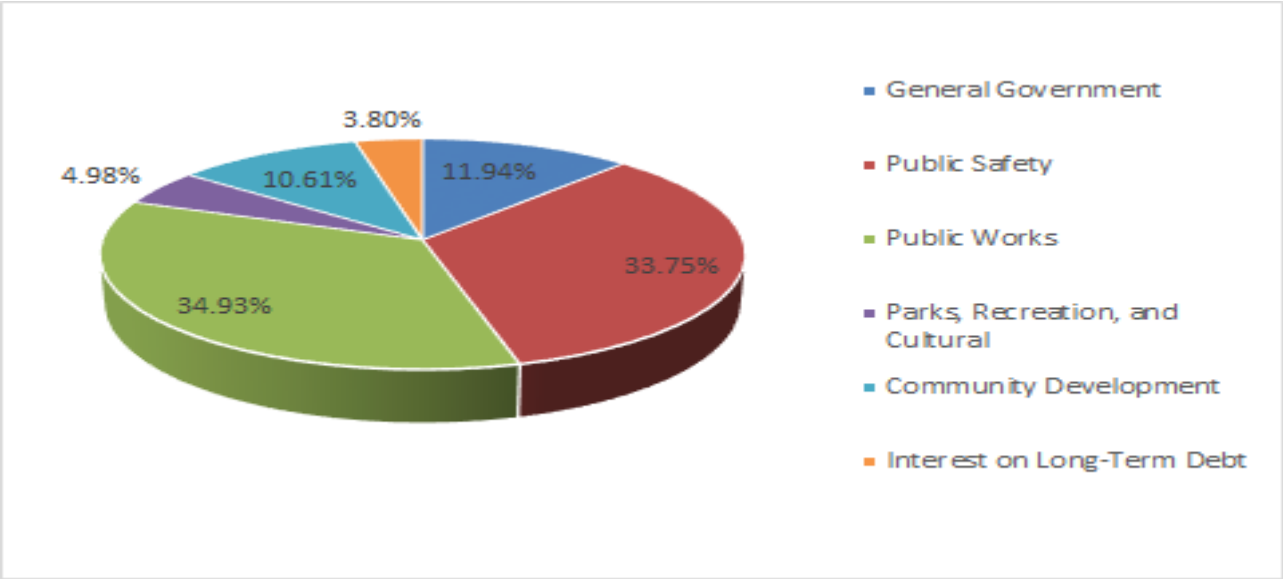
Governmental Activities – Governmental activities increased the Town's net position by $9,048,137 (Exhibits 2 and 6). This increase was mainly due to the $5,457,294 increase in contributions of capital assets in governmental funds (Exhibit 6). For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type Activities – Business-type activities increased the Town's net position by $784,347 mainly from an increase in program revenues in charges for services.

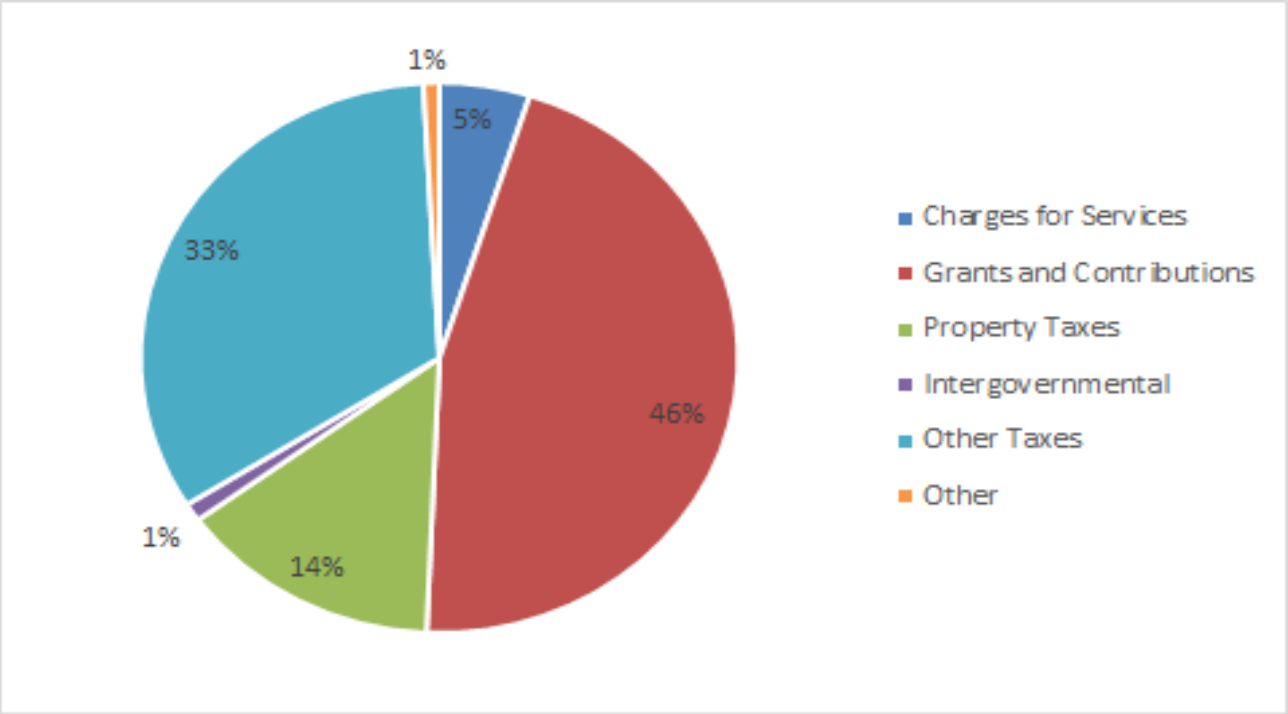
The Town's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program revenues						
Charges for services	$ 1,004,781	$ 1,059,740	$20,774,121	$21,643,370	$21,778,902	$22,703,110
Operating grants and contributions	2,400,103	2,180,092	-	-	2,400,103	2,180,092
Capital grants and contributions	2,292,433	7,738,062	818,910	-	3,111,343	7,738,062
General revenues						
Property taxes	3,052,885	3,095,547	-	-	3,052,885	3,095,547
Other taxes	6,817,547	7,167,068	-	-	6,817,547	7,167,068
Intergovernmental revenue unrestricted	231,885	231,499	-	-	231,885	231,499
Investment earnings	20,845	18,793	37,648	30,050	58,493	48,843
Other	103,546	165,826	447,114	14,597	550,660	180,423
Total revenues	15,924,025	21,656,627	22,077,793	21,688,017	38,001,818	43,344,644
Expenses						
General government	2,069,656	1,580,634	-	-	2,069,656	1,580,634
Public safety	4,620,506	4,466,205	-	-	4,620,506	4,466,205
Public works	4,882,783	4,622,046	-	-	4,882,783	4,622,046
Parks, recreation, and cultural	869,890	658,510	-	-	869,890	658,510
Community development	1,463,571	1,403,802	-	-	1,463,571	1,403,802
Non-departmental			-	-		
Interest on long-term debt	567,245	502,905	-	-	567,245	502,905
Water	-	-	3,947,082	3,483,189	3,947,082	3,483,189
Wastewater	-	-	5,401,822	5,146,396	5,401,822	5,147,296
Electric	-	-	11,823,318	11,640,544	11,823,318	11,640,544
Total expenses	14,473,651	13,234,102	21,172,222	20,270,129	35,645,873	33,504,231
Excess (deficiency) before transfers	1,450,374	8,422,525	905,571	1,417,888	2,355,945	9,840,413
Transfers	594,982	625,612	(594,982)	(625,612)	-	-
Change in net position	2,045,356	9,048,137	310,589)	792,276	2,355,945	9,840,413
Net position – July 1	39,459,203	36,553,885	50,876,462	49,029,345	90,335,665	85,583,230
Net position – June 30	$41,504,559	$45,602,022	$51,187,051	$49,821,621	$92,691,610	$95,423,643

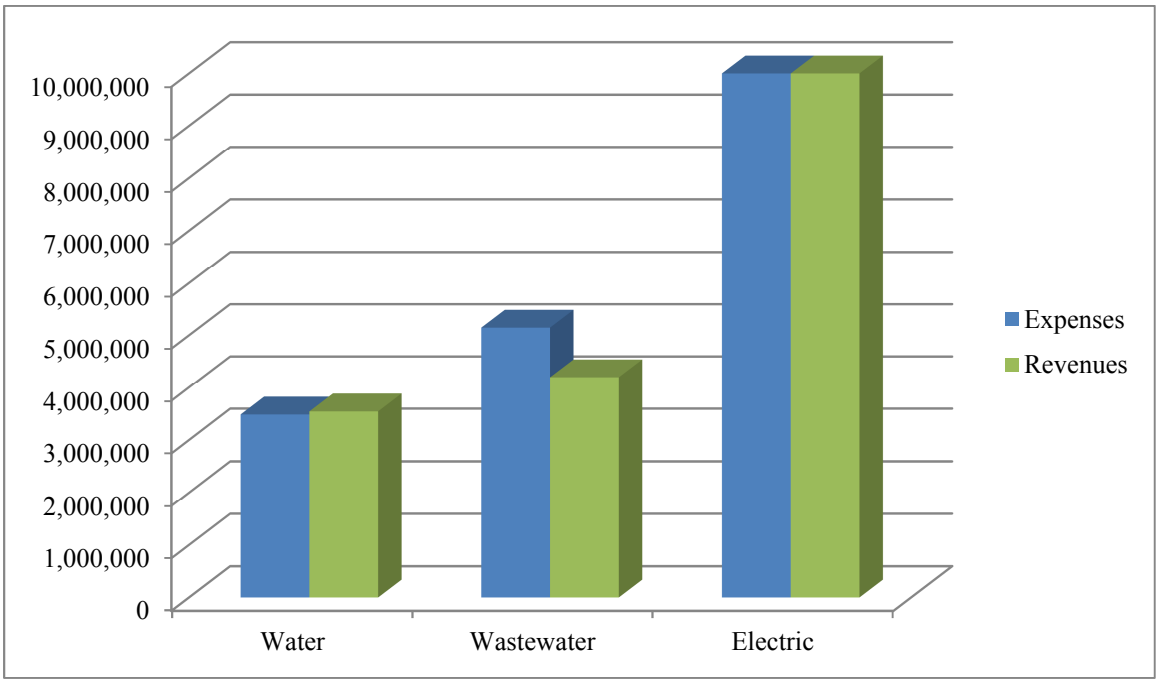
Expenses – Governmental Activities



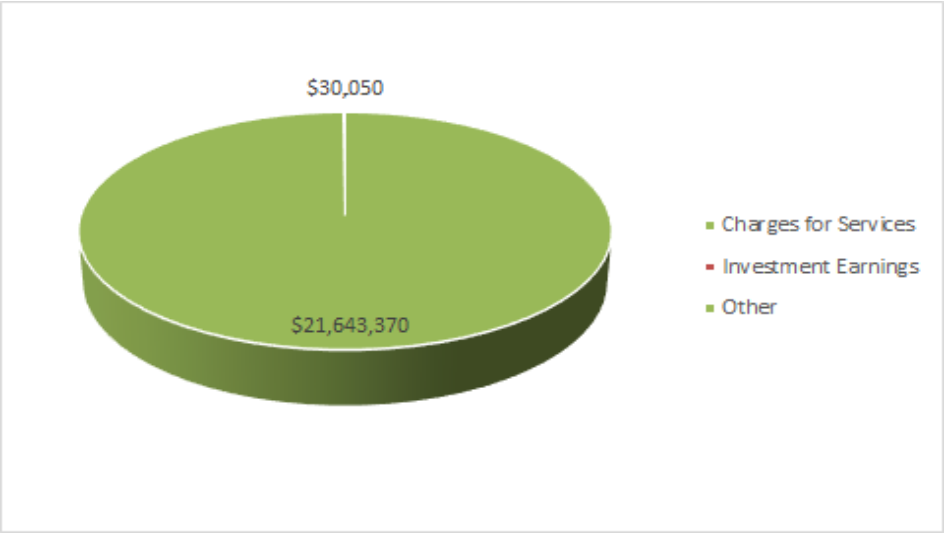
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds (Exhibit 5) reported an ending fund balance of $11,523,338, a decrease of $1,094,545 in comparison with the prior year's fund balance of $12,617,883. Approximately 46.7% of this total amount – that is, $5,377,641 constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of fund balance is *non-spendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been designated.

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 represents 26.5% of total governmental fund expenditures, while total fund balance represents 56.8% of that same amount.

The Town's general fund balance decreased $1,149,300 in FY2015, primarily due to the funding for the completion of the Inner Loop project in December.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water fund (Exhibit 7) at the end of the year equaled $17,799,313; the wastewater fund equaled $3,835,924; and the unrestricted net assets for the electric fund amounted to $1,635,430. The total increase in net position was $784,347 (Exhibit 8). Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to $8,732,582. Highlights of amounts carried forward to FY 15 from FY 14 are as follows:

- $3,110,524 for Route 229 Widening project Phase II;
- $2,145,425 subsurface exploration well improvements / Chandler Street well treatment; and
- $3,476,633 for various incomplete projects.

Differences between the amended budget and actual results amounted to $3,999,208 (Exhibit 11). Highlights are:

- Much was spent on General Fund Projects for FY15 creating a difference of $182,444 between final budget numbers and actual.
- The Parks, Recreation, and Cultural departments minimized expenses for the year creating a variance of $116,068 between final budget and actual.
- Actual additional revenues in the amount of $4,230,000 were received in FY15 from the issuance of private bank loan proceeds. Primarily this created an intergovernmental revenue variance with final budget in the amount of $2,469,605.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to $118,108,737 (net of accumulated depreciation) (Note 6). This includes land; construction in progress; buildings and system improvements; and machinery, equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year was 9.06% (an 19.0% increase for governmental activities and a 1.2% increase for business-type activities).

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

The Town's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	$ 1,897,060	$ 3,762,810	$ 1,356,144	$ 2,465,679	$ 3,253,204	$ 6,228,489
Buildings and improvements	22,387,155	22,562,735	97,652,719	98,402,026	120,039,874	120,964,761
Machinery and equipment	7,247,666	7,584,651	8,796,870	9,130,774	16,044,536	16,715,425
Infrastructure	47,201,770	60,620,350	-	-	47,201,770	60,620,350
Construction in progress	6,264,058	1,898,723	4,767,602	6,253,374	11,031,660	8,152,097
Less accumulated depreciation	(37,192,904)	(39,557,012)	(52,082,369)	(55,015,373)	(89,275,273)	(94,572,385)
Total	$ 47,804,805	$ 56,872,257	$ 60,490,966	$ 61,236,480	$ 108.295,771	$ 118,108,737

Additional information on the Town's capital assets can be found in Note 6 of this report.

Economic Factors

- Overall tax receipts related to business and tourism continue to show strength and moderate growth.
- General real estate and personal property tax, local sales tax, meals tax and lodging tax receipts show increases while most other taxes remain relatively steady.
- Building and development activity over the past year showed signs of strengthening with certificates of occupancy, zoning permits and building permits increasing over the previous fiscal year.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of $52,615,643. This amount is comprised of debt backed by the full faith and credit of the government.

The Town's Outstanding Debt
General Obligation Bonds

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
General obligation bonds	$ 17,759,190	$ 17,132,434	$ 31,965,988	$ 34,142,743	$ 49,725,178	$ 51,275,177
Other obligations payable	-	-	212,707	150,658	212,707	150,658
Bond premium	698,408	654,756	570,409	535,052	1,268,817	1,189,808
Total	$ 18,457,598	$ 17,787,190	$ 32,749,104	$ 34,828,453	$ 51,206,702	$ 52,615,643

The Town's total net debt increased by $1,444,529 or 2.8% during the current fiscal year due to the issuance of $4,230,000 ($430,000 for governmental activities and $3,800,000 for business-type activities) in private bank loans in 2015.

The Town has maintained a rating of Aa from Standard & Poor's and Moody's for its outstanding general obligation debt even with an additional issuance of $4,230,000 in FY15.

Additional information on the Town's long-term debt can be found in Note 8 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Town of Culpeper, 400 South Main Street, Suite 109, Culpeper, Virginia 22701.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	Industrial Development Authority
ASSETS				
Cash and cash equivalents (Note 2)	$ 5,239,634	$ 24,568,289	$ 29,807,923	$ 79,226
Receivables, net (Note 3)	894,566	2,389,324	3,283,890	-
Notes receivable (Note 3)	50,000	-	50,000	997,813
Due from other governmental units (Note 5)	1,620,313	58,743	1,679,056	-
Inventories	-	1,115,079	1,115,079	-
Cash and cash equivalents, restricted (Note 2)	7,213,119	4,116	7,217,235	50,744
Prepaids	-	200,000	200,000	-
Capital assets: (Note 6)				-
Nondepreciable	5,661,533	8,719,053	14,380,586	-
Depreciable, net	51,210,724	52,517,427	103,728,151	-
Total assets	71,889,889	89,572,031	161,461,920	1,127,783
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date (Note 7)	790,755	351,701	1,142,456	-
Deferred amount on refunding	87,226	138,811	226,037	-
Total deferred outflows of resources	877,981	490,512	1,368,493	-
LIABILITIES				
Accounts payable and accrued liabilities	1,164,755	1,043,008	2,207,763	-
Accrued payroll and related liabilities	501,488	161,222	662,710	-
Accrued interest payable	214,514	473,033	687,547	25,940
Due to other governmental units (Note 5)	51,891	-	51,891	-
Bonds and security deposits	1,278,667	1,059,641	2,338,308	-
Noncurrent liabilities:				
Net pension liability (Note 7)	4,185,687	1,818,720	6,004,407	-
Due within one year (Note 8)	1,705,866	2,106,194	3,812,060	13,498
Due in more than one year (Note 8)	16,860,937	33,056,805	49,917,742	997,813
Total liabilities	25,963,805	39,718,623	65,682,428	1,037,251
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments (Note 7)	1,202,043	522,299	1,724,342	-
Unearned revenue (Note 9)	-	-	-	8,192
Total deferred inflows of resources	1,202,043	522,299	1,724,342	8,192
NET POSITION				
Net investment in capital assets	43,149,400	26,550,954	69,700,354	-
Restricted:				
Unspent grant proceeds and asset seizure funds	286,468	-	286,468	-
Proffers	537,030	-	537,030	-
Cemetery fund-nonexpendable	758,254	-	758,254	-
Unrestricted	870,870	23,270,667	24,141,537	82,340
Total net position	$ 45,602,022	$ 49,821,621	$ 95,423,643	$ 82,340

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
							Totals	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Industrial Development Authority**
Governmental activities:								
General government administration	$ 1,580,634	$ 63,438	$ -	$ -	$ (1,517,196)	$ -	$ (1,517,196)	$ -
Public safety	4,466,205	159,236	329,055	-	(3,977,914)	-	(3,977,914)	-
Public works	4,622,046	390,969	1,834,506	7,738,062	5,341,491	-	5,341,491	-
Parks, recreation, and cultural	658,510	410,854	5,000	-	(242,656)	-	(242,656)	-
Community development	1,403,802	35,243	11,531	-	(1,357,028)	-	(1,357,028)	-
Interest on long-term debt	502,905	-	-	-	(502,905)	-	(502,905)	-
Total governmental activities	13,234,102	1,059,740	2,180,092	7,738,062	(2,256,208)	-	(2,256,208)	-
Business-type activities:								
Water	3,483,189	4,267,244	-	-	-	784,055	784,055	
Wastewater	5,146,396	5,269,322	-	-	-	122,926	122,926	
Electric	11,640,544	12,106,804	-	-	-	466,260	466,260	
Total business-type activities	20,270,129	21,643,370	-	-	-	1,373,241	1,373,241	
Total primary government	$ 33,504,231	$ 22,703,110	$ 2,180,092	$ 7,738,062	(2,256,208)	1,373,241	(882,967)	
Component Units:								
Industrial development Authority	$ 154,477	$ -	$ 128,318	$ -	-	-	-	(26,159)
Total component unit	$ 154,477	$ -	$ 128,318	$ -	-	-	-	(26,159)
		General revenues:						
		Property taxes			3,095,547	-	3,095,547	-
		Meals tax			3,727,506	-	3,727,506	-
		Sales tax			1,371,546	-	1,371,546	-
		Business license tax			1,035,641	-	1,035,641	-
		Bank stock tax			349,495	-	349,495	-
		Cigarette tax			162,582	-	162,582	-
		Hotel and motel room tax			325,775	-	325,775	-
		Other local taxes			194,523	-	194,523	-
		Intergovernmental revenue, unrestricted			231,499	-	231,499	-
		Unrestricted investment earnings			18,793	30,050	48,843	-
		Restricted investment earnings			-	-	-	25,940
		Other			165,826	14,597	180,423	-
		Transfers (Note 4)			625,612	(625,612)	-	-
		Total general revenues and transfers			11,304,345	(580,965)	10,723,380	25,940
		Change in net position			9,048,137	792,276	9,840,413	(219)
		NET POSITION AT JULY 1, AS RESTATED (Note 12)			36,553,885	49,029,345	85,583,230	82,559
		NET POSITION AT JUNE 30			$ 45,602,022	$ 49,821,621	$ 95,423,643	$ 82,340

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 3

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Permanent Fund: Cemetery Perpetual Care	Total
ASSETS			
Cash and cash equivalents	$ 5,239,634	$ -	$ 5,239,634
Receivables, net (Note 3)	894,566	-	894,566
Due from other governmental units (Note 5)	1,620,313	-	1,620,313
Cash and cash equivalents, restricted	6,454,865	758,254	7,213,119
Total assets	$ 14,209,378	$ 758,254	$ 14,967,632
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 1,164,755	$ -	$ 1,164,755
Accrued payroll and related liabilities	501,488	-	501,488
Due to other governmental units (Note 5)	51,891	-	51,891
Bonds and security deposits	1,278,667	-	1,278,667
Total liabilities	2,996,801	-	2,996,801
Deferred inflows of resources:			
Unavailable revenue (Note 9)	447,493	-	447,493
Total deferred inflows of reources	447,493	-	447,493
Fund balances: (Note 11)			
Restricted	5,300,787	758,254	6,059,041
Assigned	86,656	-	86,656
Unassigned	5,377,641	-	5,377,641
Total fund balances	10,765,084	758,254	11,523,338
Total liabilities, deferred inflows of resources, and fund balances	$ 14,209,378	$ 758,254	$ 14,967,632

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 4

TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances – Governmental Funds		$ 11,523,338
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds:		
Nondepreciable	$ 5,661,533	
Depreciable, net	51,210,724	
		56,872,257
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 $873,009 and accumulated amortization of $218,253	(654,756)	
Deferred loss on refunding total $141,741 and accumulated amortization of $54,515	87,226	
		(567,530)
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		447,493
A note receivable is not available to pay for current-period expenditures and therefore is deferred in the funds.		50,000
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2015 employer contributions	790,755	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(1,202,043)	
Net pension liability	(4,185,687)	
		(4,596,975)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(17,132,434)	
Accrued interest payable	(214,514)	
Other post-employment benefits	(176,858)	
Compensated absences	(602,755)	
		(18,126,561)
Total Net Position – Governmental Activities		$ 45,602,022

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 5

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Permanent Fund Cemetery Perpetual Care	Total
REVENUES			
General property taxes	$ 3,017,120	$ -	$ 3,017,120
Other local taxes	7,168,215	-	7,168,215
Permits, privilege fees, and regulatory licenses	275,969	-	275,969
Fines and forfeitures	122,292	-	122,292
Revenues from use of money and property	201,459	570	202,029
Charges for services	289,902	38,600	328,502
Other	300,545	-	300,545
Recovered costs	2,027,731	-	2,027,731
Intergovernmental	4,691,796	15,585	4,707,381
Total revenues	18,095,029	54,755	18,149,784
EXPENDITURES			
Current:			
General government administration	3,306,228	-	3,306,228
Public safety	4,317,699	-	4,317,699
Public works	3,259,396	-	3,259,396
Parks, recreation, and cultural	665,109	-	665,109
Community development	1,425,637	-	1,425,637
Capital projects	5,709,587	-	5,709,587
Debt service:			
Principal retirement	1,074,903	-	1,074,903
Interest and fiscal charges	533,486	-	533,486
Bond issuance costs	7,896	-	7,896
Total expenditures	20,299,941	-	20,299,941
Excess (deficiency) of revenues over expenditures	(2,204,912)	54,755	(2,150,157)
OTHER FINANCING SOURCES			
Issuance of general obligation bonds	430,000	-	430,000
Transfers in (Note 4)	625,612	-	625,612
Total other financing sources	1,055,612	-	1,055,612
Net change in fund balances	(1,149,300)	54,755	(1,094,545)
FUND BALANCES AT JULY 1, AS RESTATED (Note 12)	11,914,384	703,499	12,617,883
FUND BALANCES AT JUNE 30	$ 10,765,084	$ 758,254	$ 11,523,338

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 6

TOWN OF CULPEPER, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net Change in Fund Balances – Governmental Funds		$ (1,094,545)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $5,974,267 exceeded depreciation expense of $2,364,108 in the current period.		3,610,159
Governmental funds do not report contributions of capital assets that will be used in operations because they are not relevant to the assessment of near-term liquidity.		5,457,294
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		77,281
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Debt principal repayment	$ 1,056,756	
Proceeds from bonds	(430,000)	
Changes in bond premiums	43,652	
Changes in loss on refunding	(10,903)	
		659,505
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	790,755	
Pension expense	(421,880)	
		368,875
Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in compensated absences	(7,944)	
Change in other post-employment benefits	(28,214)	
Change in accrued interest payable	5,726	
		(30,432)
Change in Net Position – Governmental Activities		$ 9,048,137

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 7

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2015

	Business-Type Activities – Enterprise Funds			
	Water	**Wastewater**	**Electric**	**Total**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 18,197,932	$ 4,289,905	$ 2,080,452	$ 24,568,289
Receivables, net (Note 3)	406,934	477,625	1,504,765	2,389,324
Due from other governmental units (Note 5)	-	9,853	48,890	58,743
Inventories	313,521	107,644	693,914	1,115,079
Total current assets	18,918,387	4,885,027	4,328,021	28,131,435
Noncurrent assets:				
Cash and cash equivalents, restricted	3,708	-	408	4,116
Prepaids	200,000	-	-	200,000
Capital assets: (Note 6)				
Nondepreciable	7,085,360	573,123	1,060,570	8,719,053
Depreciable, net	7,602,874	36,636,933	8,277,620	52,517,427
Total noncurrent assets	14,891,942	37,210,056	9,338,598	61,440,596
Total assets	33,810,329	42,095,083	13,666,619	89,572,031
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date (Note 7)	120,068	99,768	131,865	351,701
Deferred amount on refunding	58,455	61,914	18,442	138,811
Total deferred outflows of resources	178,523	161,682	150,307	490,512
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	153,038	53,531	836,439	1,043,008
Accrued payroll and related liabilities	45,624	51,333	64,265	161,222
Accrued interest payable	122,443	282,935	67,655	473,033
Customer security deposits	209,873	-	849,768	1,059,641
Current portion of other long-term debt (Note 8)	656,271	826,406	416,249	1,898,926
Compensated absences (Note 8)	76,261	47,773	83,234	207,268
Total current liabilities	1,263,510	1,261,978	2,317,610	4,843,098
Noncurrent liabilities:				
Net pension liability (Note 7)	611,478	522,674	684,568	1,818,720
Other long-term debt (Note 8)	10,032,336	17,653,413	5,243,778	32,929,527
Other post-employment benefits (Note 10)	25,756	28,581	21,125	75,462
Compensated absences (Note 8)	19,065	11,943	20,808	51,816
Total noncurrent liabilities	10,688,635	18,216,611	5,970,279	34,875,525
Total liabilities	11,952,145	19,478,589	8,287,889	39,718,623
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments (Note 7)	175,604	150,101	196,594	522,299
NET POSITION				
Net investment in capital assets	4,061,790	18,792,151	3,697,013	26,550,954
Unrestricted	17,799,313	3,835,924	1,635,430	23,270,667
Total net position	$ 21,861,103	$ 22,628,075	$ 5,332,443	$ 49,821,621

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 8

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds			
	Water	**Wastewater**	**Electric**	**Total**
OPERATING REVENUES				
Charges for services	$ 3,279,396	$ 4,130,377	$ 12,012,629	$ 19,422,402
Penalties	34,748	34,748	35,807	105,303
Other	227,444	31,447	58,368	317,259
Total operating revenues	3,541,588	4,196,572	12,106,804	19,844,964
OPERATING EXPENSES				
Water treatment	1,796,734	-	-	1,796,734
Wastewater collection	-	273,209	-	273,209
Wastewater treatment	-	2,819,740	-	2,819,740
Transmission and distribution	764,938	-	1,382,000	2,146,938
Power purchased (Note 13)	-	-	8,308,470	8,308,470
Administration	-	-	873,667	873,667
Other	-	5,862	14,772	20,634
Depreciation	710,236	1,317,254	905,514	2,933,004
Total operating expenses	3,271,908	4,416,065	11,484,423	19,172,396
Operating income (loss)	269,680	(219,493)	622,381	672,568
NONOPERATING REVENUES (EXPENSES)				
Interest income	19,083	8,864	2,103	30,050
Interest expense	(211,281)	(730,331)	(156,121)	(1,097,733)
Gain on disposal of capital assets	-	6,668	-	6,668
Tap fees	725,656	1,072,750	-	1,798,406
Insurance recovery	-	-	7,929	7,929
Net nonoperating revenue (expenses)	533,458	357,951	(146,089)	745,320
Income before capital contributions and transfers	803,138	138,458	476,292	1,417,888
TRANSFERS OUT (Note 4)	(97,530)	(125,154)	(402,928)	(625,612)
Change in net position	705,608	13,304	73,364	792,276
NET POSITION AT JULY 1, AS RESTATED (Note 12)	21,155,495	22,614,771	5,259,079	49,029,345
NET POSITION AT JUNE 30	$ 21,861,103	$ 22,628,075	$ 5,332,443	$ 49,821,621

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 9

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds			
	Water	Wastewater	Electric	Total
OPERATING ACTIVITIES				
Receipts from customers	$ 3,535,220	$ 4,202,940	$ 12,504,391	$ 20,242,551
Payments to suppliers	(1,999,941)	(1,959,981)	(9,276,419)	(13,236,341)
Payments to employees	(1,200,460)	(1,257,928)	(1,428,664)	(3,887,052)
Net cash provided by operating activities	334,819	985,031	1,799,308	3,119,158
NONCAPITAL FINANCING ACTIVITIES				
Insurance recovery	-	-	7,929	7,929
Interfund transfers	(97,530)	(125,154)	(402,928)	(625,612)
Net cash used in noncapital financing activities	(97,530)	(125,154)	(394,999)	(617,683)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bond issuance	3,800,000	-	-	3,800,000
Purchases of capital assets	(2,867,682)	(586,997)	(464,453)	(3,919,132)
Deposit on capital project	(200,000)	-	-	(200,000)
Principal paid on capital debt	(484,702)	(801,876)	(402,989)	(1,689,567)
Other	-	(476)	-	(476)
Tap fees collected	725,656	1,072,750	-	1,798,406
Interest paid on capital debt	(20,483)	(736,985)	(140,572)	(898,040)
Net cash provided by (used in) capital and related financing activities	952,789	(1,053,584)	(1,008,014)	(1,108,809)
INVESTING ACTIVITIES				
Interest received	19,083	8,864	2,103	30,050
Net cash provided by investing activities	19,083	8,864	2,103	30,050
Net increase (decrease) in cash and cash equivalents	1,209,161	(184,843)	398,398	1,422,716
CASH AND CASH EQUIVALENTS				
Beginning at July 1	16,992,479	4,474,748	1,682,462	23,149,689
Ending at June 30	$ 18,201,640	$ 4,289,905	$ 2,080,860	$ 24,572,405
RECONCILIATION TO EXHIBIT 7				
Cash and cash equivalents	$ 18,197,932	$ 4,289,905	$ 2,080,452	$ 24,568,289
Cash and cash equivalents, restricted	3,708	-	408	4,116
	$ 18,201,640	$ 4,289,905	$ 2,080,860	$ 24,572,405
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 269,680	$ (219,493)	$ 622,381	$ 672,568
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	710,236	1,317,254	905,514	2,933,004
Pension expense net of employer contributions	(58,435)	(47,087)	(62,866)	(168,388)
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(10,508)	6,368	388,399	384,259
Due from other governmental units	-	-	(48,890)	(48,890)
Inventories	29,317	659	64,250	94,226
Prepaids	10,470	11,312	10,593	32,375
(Decrease) increase in:				
Accounts payable and accrued liabilities	(606,492)	(53,693)	(72,951)	(733,136)
Accrued payroll and related liabilities	(32,081)	(16,689)	(10,848)	(59,618)
Customer security deposits	4,140	-	9,188	13,328
Other post-employment benefits	4,662	4,661	2,944	12,267
Compensated absences	13,830	(18,261)	(8,406)	(12,837)
Net cash provided by operating activities	$ 334,819	$ 985,031	$ 1,799,308	$ 3,119,158
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital asset purchases included in accounts payable at year end	$ 34,731	$ -	$ 9,049	$ 43,780
Capitalized interest	$ 139,273	$ -	$ 19,124	$ 158,397

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 10

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2015

	Parking Authority
ASSETS	
Receivables, net	$ 6,549
Future amounts to be collected to liquidate liabilities	44,616
Total assets	$ 51,165
LIABILITIES	
Accounts payable	$ 336
Due to general fund	50,829
Total liabilities	$ 51,165

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Culpeper, Virginia (the "Town") was established in 1905. The Town provides a full range of municipal services, including general government administration, public safety, public works, and electric, water and wastewater utilities. The Town is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor and eight other members elected at large. The Council has responsibility for appointing the Town Manager, Treasurer, and Town Attorney. The Town has taxing power subject to statewide restrictions and tax limits.

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

Discretely Presented Component Unit:

A discretely presented component unit is an entity that is legally separate from the Town, but for which the Town is financially accountable, or whose relationship with the Town is such that exclusion would cause the Town's financial statements to be misleading or incomplete. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. The Town is financially accountable for its component unit because it approves the budget and any debt issuances. The component unit is governmental in nature. The statements are shown in their entirety in the government-wide statements. It does not issue a separate financial report.

Industrial Development Authority of the Town of Culpeper: The Industrial Development Authority was established under the Industrial Development and Revenue Bond Act of the Code of the Commonwealth of Virginia and has the responsibility to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the Town.

Fiduciary Fund:

The fiduciary fund is not reflected in the government-wide financial statements because the resources of the fund are not available to support Town programs.

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current period. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

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

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

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

The *perpetual care cemetery fund* is a permanent fund used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's cemetery.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater, and electric funds are charges to customers for services. Operating expenses for enterprise funds include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 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 budget is legally enacted through passage of an appropriations resolution. The appropriations ordinance places legal restrictions on expenditures at the department level.

4) Formal budgetary integration is employed as a management control device for most funds.

5) The budget for the general fund is adopted on the modified accrual basis of accounting.

6) All appropriations which are not encumbered lapse at year end.

E. Cash and Cash Equivalents

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

F. Allowance for Uncollectible Accounts

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

G. Inventories

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

H. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, $158,397 in interest expense was included as part of the cost of capital assets under construction.

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

Buildings and improvements	20-70 years
Machinery and equipment	5-10 years
Infrastructure	30-50 years

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. The first consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The second item is the deferred gain on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources which represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of these items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is unearned revenue, which results from collections of property taxes levied to fund future years. The third is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

J. Compensated Absences

Employees accumulate vacation time and sick leave depending upon their length of service. Accumulated vacation is paid upon termination. Sick leave is paid to employees who leave the Town in good standing with 5 or more years of service at a rate of $10 per day up to a maximum $2,000. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental funds only when the amounts are due and payable.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Long-Term Obligations

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

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

M. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **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 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.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Restricted Amounts

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Minimum Fund Balance Policy

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

Enterprise funds of the Town have a specified net position target of one hundred percent of expenses and an optimum balance of two hundred percent of expenses.

P. 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 fund encumbrances are $3,351,411 as of June 30.

Q. Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

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.

Note 2. Deposits and Investments (Continued)

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 maturing within one year and issued by domestic banks, banker's acceptances, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements, open-end investments, the Virginia State Non-Arbitrage Program (SNAP) or other authorized arbitrage investment management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). 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 fair 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). The investment policy specifies that no investment may have a maturity greater than three months from the date of purchase.

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

Type	Fair Value	Credit Rating	Percent of Portfolio
Primary Government:			
Demand deposits	$ 20,227,915	NA	54.63 %
SNAP	4,481,405	AAAm	12.11
LGIP	12,315,838	AAAm	33.26
Primary government investments	$ 37,025,158		100.00 %
Component Unit – IDA:			
Demand deposits	$ 79,226	NA	100.00 %
Primary Government reconciliation of deposits and investments to Exhibit 1:			
Cash and cash equivalents	$ 29,807,923		
Cash and cash equivalents, restricted	7,217,235		
Total deposits and investments	$ 37,025,158		

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk:

As required by state statute or by the Town, the policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's or Fitch Investor's Service, provided that the issuing corporation has a net worth of $50 million and its long term debt is rated A or better by Moody's and Standard and Poor's. Banker's acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Open-ended investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody's or Standard & Poor's. Repurchase agreements require that the counterparty be rated "A" or better by Moody's and Standard & Poor's.

Concentration of Credit Risk:

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

Interest Rate Risk:

As of June 30, 100% of the portfolio will mature in less than one year. The Town does not have a formal policy limiting investment maturities.

Custodial Credit Risk:

The policy requires that all investment securities purchased be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, investments are held in a bank's trust department in the Town's name.

Restricted Amounts:

Restricted cash and cash equivalents consist of amounts held for performance bonds of $1,154,078, unspent bond proceeds of $4,481,405, proffers of $537,030, $758,254 for perpetual care of cemetery, and $286,468 of unspent grant proceeds and asset seizure funds.

In addition, the IDA held restricted cash for payments made by the Salem Volunteer Fire Department, in the amount of $50,744. These funds will be used towards the IDA's payment on their Rural Development loan described in more detail in Notes 3 and 8.

Note 3. Receivables

Primary Government:

Receivables for the individual funds are as follows:

	General	Water	Wastewater	Electric	Total
Receivables					
Taxes	$ 535,862	$ -	$ -	$ -	$ 535,862
Accounts	559,815	419,547	514,638	1,552,307	3,046,307
Gross receivables	1,095,677	419,547	514,638	1,552,307	3,582,169
Less: allowance for uncollectibles	(201,111)	(12,613)	(37,013)	(47,542)	(298,279)
Receivables, net	$ 894,566	$ 406,934	$ 477,625	$ 1,504,765	$ 3,283,890

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

Industrial Development Authority:

In September 2012, the Industrial Development Authority (IDA) obtained a loan through Rural Development on behalf of the Salem Volunteer Fire Department. The loan was used to pay down a loan the Fire Department acquired in 2006 to construct and equip a fire station. The IDA is leasing the property back to the fire department for annual rent of $47,630, which represents the principal and interest due on the loan each year. The lease is considered a financing lease. This amount has been recorded as a note receivable and had a balance of $997,813 at June 30, 2015. 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:

Year Ended June 30	Principal	Interest
2016	$ 13,954	$ 33,676
2017	14,425	33,205
2018	14,912	32,718
2019	15,415	32,215
2020	15,935	31,695
2021-2025	88,115	150,035
2026-2030	104,023	134,127
2031-2035	122,802	115,348
2036-2040	144,972	93,178
2041-2045	171,144	67,007
2046-2050	202,040	36,110
2051-2052	90,076	4,576
	$ 997,813	$ 763,890

Note 4. Interfund Transfers

Interfund transfers are as follows:

Transfer Out Fund	Transfer In Fund	Amount
Water	General	$ 97,530
Wastewater	General	125,154
Electric	General	402,928
		$ 625,612

The primary purpose of these transfers is payments in lieu of taxes.

Note 5. Due From/To Other Governmental Units

Amounts due from other governmental units are as follows:

County of Culpeper:	
Local sales tax (General Fund)	$ 237,810
Parking Authority (General Fund)	50,829
Federal and Commonwealth of Virginia:	
VDOT (General Fund)	1,185,736
FEMA (General Fund)	99,236
Other (General Fund)	46,702
VMEA (Electric Fund)	48,441
Other (Electric Fund)	449
Other (Wastewater Fund)	9,853
Total due from other governmental units	$ 1,679,056

Amounts due to other governmental units are as follows:	
Payable to Culpeper Volunteer Fire Department (General Fund)	$ 51,891

Note 6. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Transfers	Ending Balance
Capital assets, not depreciated:				
Land and easements	$ 1,897,060	$ 325,000	$ 1,540,750	$ 3,762,810
Construction in progress	6,264,058	889,283	(5,254,618)	1,898,723
Total capital assets, not depreciated	8,161,118	1,214,283	(3,713,868)	5,661,533
Capital assets, depreciated:				
Buildings and improvements	22,387,155	114,655	60,925	22,562,735
Machinery and equipment	7,247,666	313,154	23,831	7,584,651
Infrastructure	47,201,770	9,789,468	3,629,112	60,620,350
Total capital assets, depreciated	76,836,591	10,217,277	3,713,868	90,767,736
Less accumulated depreciation:				
Buildings and improvements	10,586,992	522,318	-	11,109,310
Machinery and equipment	5,111,669	447,332	-	5,559,001
Infrastructure	21,494,243	1,394,458	-	22,888,701
Total accumulated depreciation	37,192,904	2,364,108	-	39,557,012
Net capital assets, depreciated	39,643,687	7,853,169	3,713,868	51,210,724
Governmental activities capital assets, net	$ 47,804,805	$ 9,067,452	$ -	$ 56,872,257

Note 6. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Transfer	Ending Balance
Capital assets, not depreciated:				
Land	$ 1,356,144	$ 1,109,535	$ -	$ 2,465,679
Construction in progress	4,767,602	2,181,886	(696,114)	6,253,374
Total capital assets, not depreciated	6,123,746	3,291,421	(696,114)	8,719,053
Capital assets, depreciated:				
Buildings and improvements	97,652,719	53,193	696,114	98,402,026
Machinery and equipment	8,796,870	333,904	-	9,130,774
Total capital assets, depreciated	106,449,589	387,097	696,114	107,532,800
Less accumulated depreciation:				
Buildings and improvements	48,611,872	2,271,916	-	50,883,788
Machinery and equipment	3,470,497	661,088	-	4,131,585
Total accumulated depreciation	52,082,369	2,933,004	-	55,015,373
Net capital assets, depreciated	54,367,220	(2,545,907)	696,114	52,517,427
Business-type activities capital assets, net	$ 60,490,966	$ 745,514	$ -	$ 61,236,480

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities	
General government administration	$ 368,176
Public safety	305,695
Public works	1,634,448
Parks, recreation, and cultural	39,217
Community development	16,572
Total governmental activities	$ 2,364,108
Primary Government – Business-Type Activities	
Water	$ 710,236
Wastewater	1,317,254
Electric	905,514
Total business-type activities	$ 2,933,004

Note 7. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town of Culpeper, Virginia, (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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.

Note 7. Defined Benefit Pension Plan

Plan Description (Continued)

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 set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Eligible Members	**Eligible Members**	**Eligible Members**
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Creditable Service	**Creditable Service**	**Creditable Service**
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Same as Plan 1.	**Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Vesting	**Vesting**	**Vesting**
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Same as Plan 1.	**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

		Vesting (Continued) **Defined Contributions Component: (Continued)** • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	**Sheriffs and regional jail superintendents:** Same as Plan 1.	**Sheriffs and regional jail superintendents:** Not applicable.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Political subdivision hazardous duty employees:** Same as Plan 1.	**Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
Eligibility: (Continued) For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.		
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued) **Exceptions to COLA Effective Dates:** (Continued) • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Purchase of Prior Service	**Purchase of Prior Service**	**Purchase of Prior Service**
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	**Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Note 7. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	90
Inactive members:	
Vested inactive members	24
Non-vested inactive members	41
Inactive members active elsewhere in VRS	55
Total inactive members	120
Active members	167
Total covered employees	377

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 17.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were $1,555,976 and $1,379,066 for the years ended June 30, 2015 and June 30, 2014, respectively.

Note 7. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	$ 32,691,602	$ 24,602,241	$ 8,089,361
Changes for the year:			
Service cost	910,207	-	910,207
Interest	2,233,895	-	2,233,895
Differences between expected and actual experience	-	-	-
Contributions – employer	-	965,805	(965,805)
Contributions – employee	-	413,261	(413,261)
Net investment income	-	3,870,612	(3,870,612)
Benefit payments, including refunds of employee contributions	(1,557,640)	(1,557,640)	-
Administrative expenses	-	(20,826)	20,826
Other changes	-	204	(204)
Net changes	1,586,462	3,671,416	(2,084,954)
Balances at June 30, 2014	$ 34,278,064	$ 28,273,657	$ 6,004,407

Note 7. Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	$ 10,717,315	$ 6,004,407	$ 2,113,387

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of $605,191. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,724,342
Employer contributions subsequent to the measurement date	1,142,456	-
Total	$ 1,142,456	$ 1,724,342

Note 7. Defined Benefit Pension Plan (Continued)

The $1,142,457 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. 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,	Reduction to Pension Expense
2016	$ (431,085)
2017	$ (431,085)
2018	$ (431,085)
2019	$ (431,087)
Thereafter	-

Payables to the Pension Plan

At June 30, 2015, approximately $135,300 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

Note 8. Long-Term Liabilities

Primary Government

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	$ 17,759,190	$ 430,000	$ 1,056,756	$ 17,132,434	$ 1,180,012
Bond premium	698,408	-	43,652	654,756	43,650
Other post-employment benefits	148,644	53,096	24,882	176,858	-
Compensated absences	594,811	682,747	674,803	602,755	482,204
Governmental activities long-term liabilities	$ 19,201,053	$ 1,165,843	$ 1,800,093	$ 18,566,803	$ 1,705,866
Business-Type Activities:					
General obligation bonds	$ 31,965,988	$ 3,800,000	$ 1,623,245	$ 34,142,743	$ 1,799,988
Other obligations payable	212,707	-	62,049	150,658	64,169
Bond premium	570,409	-	35,357	535,052	34,769
Other post-employment benefits	63,195	23,085	10,818	75,462	-
Compensated absences	271,921	303,731	316,568	259,084	207,268
Business-Type activities long-term liabilities	$ 33,084,220	$ 4,126,816	$ 2,048,037	$ 35,162,999	$ 2,106,194

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

Note 8. Long-Term Liabilities (Continued)

Primary Government (Continued)

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

Year Ended June 30	Governmental Activities: General Obligation Bonds	
	Principal	Interest
2016	$ 1,180,012	$ 515,130
2017	1,225,268	483,596
2018	1,263,780	452,337
2019	1,291,036	417,873
2020	1,224,548	379,955
2021-2025	6,166,290	1,307,194
2026-2030	3,696,500	329,408
2031-2033	1,085,000	34,493
	$ 17,132,434	$ 3,919,986

Year Ended June 30	Business-Type Activities: General Obligation Bonds		Other Obligations Payable		Total Long-Term Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 1,799,988	$ 1,174,214	$ 64,169	$ 5,309	$ 1,864,157	$ 1,179,523
2017	1,874,732	1,108,954	42,480	3,114	1,917,212	1,112,068
2018	1,948,220	1,066,604	44,009	1,584	1,992,229	1,068,188
2019	1,522,964	998,440	-	-	1,522,964	998,440
2020	1,568,452	949,363	-	-	1,568,452	949,363
2021-2025	8,079,710	3,956,760	-	-	8,079,710	3,956,760
2026-2030	7,502,500	2,656,196	-	-	7,502,500	2,656,196
2031-2035	6,791,000	1,398,951	-	-	6,791,000	1,398,951
2036-2038	3,055,177	277,106	-	-	3,055,177	277,106
	$ 34,142,743	$ 13,586,588	$ 150,658	$ 10,007	$ 34,293,401	$ 13,596,595

Note 8. Long-Term Liabilities (Continued)

Primary Government (Continued)

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
Public Improvement and Refunding Bond	4.46%	2002	2018	$ 8,018,000	$ -	$ 1,479,000
Public Improvement Bond	3.25% - 4.50%	2008	2038	$ 17,895,000	1,005,000	14,650,177
Refunding Bond	2.75%	2010	2030	$ 19,925,000	8,365,934	6,994,066
Public Improvement Bond	1.57%	2011	2016	$ 900,000	325,000	-
Public Improvement Bond	2.10%	2013	2033	$ 10,000,000	3,430,000	6,190,000
Public Improvement Bond	2.33%	2014	2028	$ 4,796,000	3,576,500	1,029,500
Public Improvement Bond	1.51%	2014	2019	$ 430,000	430,000	-
Public Improvement Bond	2.95%	2014	2035	$ 3,800,000	-	3,800,000
					17,132,434	34,142,743
Other Obligations Payable:						
Capital lease	3.10%	2011	2016	$ 109,073	-	23,165
Capital lease	3.10%	2014	2018	$ 212,665	-	127,493
					-	150,658
Total long-term debt					$ 17,132,434	$ 34,293,401

Line of Credit

During 2013, the Town obtained a $5,000,000 line of credit for the purpose of funding construction costs related to the Inner Loop project while awaiting reimbursement from VDOT. The line bears interest at 1-month LIBOR plus 1.05%. At June 30, 2015, no amounts were outstanding on this line of credit. The line matured on August 1, 2015 at which time all outstanding amounts were due and payable.

Obligations Under Capital Leases

The Town leased a vehicle and truck under capital leases expiring in 2016 and 2018, respectively. The assets acquired have a cost of $321,738 and accumulated depreciation of $106,570, resulting in a net book value of $215,168.

Note 8. Long-Term Liabilities (Continued)

Discretely Presented Component Unit:

Industrial Development Authority (Continued)

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	Additions	Reductions	Ending Balance	Due within One Year
Rural Development Loan	$ 1,024,369	$ -	$ 13,058	$ 1,011,311	$ 13,498

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

Year Ended June 30	Rural Development Loan	
	Principal	Interest
2016	$ 13,498	$ 34,132
2017	13,954	33,676
2018	14,425	33,205
2019	14,912	32,718
2020	15,415	32,215
2021-2025	85,238	152,912
2026-2030	100,626	137,524
2031-2035	118,793	119,357
2036-2040	140,239	97,912
2041-2045	165,556	72,594
2046-2050	195,444	42,706
2051-2053	133,211	9,071
	$ 1,011,311	$ 798,022

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Industrial Development Authority
Rural Development Loan	3.36%	2013	2053	$ 1,037,000	$ 1,011,311

Note 9. Unavailable and Unearned Revenue

The following is a summary of unavailable and unearned revenue:

	General Fund	Industrial Development Authority
Interest collected in advance from the fire department (unearned)	$ -	$ 8,192
Total unearned revenue	-	8,192
Debt payments received in advance (unavailable)	-	42,552
Uncollected property tax billing (unavailable)	447,493	-
Total unavailable/unearned revenue	$ 447,493	$ 50,744

Note 10. Other Post-Employment Benefits

Plan Description

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

Participants in the Town's OPEB plan must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must meet eligibility for retirement or disability retirement with VRS to be eligible for health benefits. In addition, retirees must have 10 years of service with the Town. General government participants must have attained age 50 with a minimum of 30 years of service. Law enforcement officers participants must have attained age 50 with a minimum of 25 years of service.

Health benefits include medical, dental, and vision insurance. Participating retirees pay monthly premiums to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65. The number of participants at June 30, 2013 was as follows:

Retirees currently receiving benefits	10
Active employees	165
Total	175

Funding Policy

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

Note 10. Other Post-Employment Benefits (Continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

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

Annual required contribution	$	70,900
Interest on net OPEB obligation		7,414
Adjustment to annual required contribution		(2,133)
Annual OPEB cost		76,181
Contributions made		(35,700)
Increase in net OPEB obligation		40,481
Net OPEB obligation – beginning of year		211,839
Net OPEB obligation – end of year	$	252,320

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

Fiscal Year Ending		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2015	$	76,181	46.86%	$	252,320
June 30, 2014	$	73,252	51.33%	$	211,839
June 30, 2013	$	70,617	53.24%	$	176,187

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2013 was as follows:

Actuarial Accrued Liability (AAL)	$	750,200
Actuarial Value of Plan Assets	$	-
Unfunded Actuarial Accrued Liability (UAAL)	$	750,200
Funded Ratio (Actuarial Value of Plan Assets/AAL)		-
Covered Payroll (Active Plan Members)	$	7,950,900
UAAL as a Percentage of Covered Payroll		9.44 %

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

Note 10. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 3.50% rate of return and an initial annual healthcare cost trend of 7.00% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 4.80%. The unfunded accrued liability is being amortized over 30 years as a level percent of payroll method on an open basis. Payroll and inflation is assumed to increase 3.00% per annum. The remaining amortization period at June 30, 2013 is 30 years.

Note 11. Fund Balance

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the general fund balance and other governmental funds balance are presented below:

	General Fund	Other Governmental Funds
Restricted for:		
Community development – unused grant proceeds	$ 285,106	$ -
Capital projects – unused bond proceeds	4,477,289	-
Community development – proffers	537,030	-
Asset seizure funds	1,362	-
Cemetery perpetual care	-	758,254
Total restricted	5,300,787	758,254
Assigned to:		
General government administration – unused capital project funds allocated to FY15	5,060	-
Public Works – Unused capital project funds allocated to FY15	74,954	-
Parks, Recreation, and Culture – Unused capital project funds allocated to FY15	6,642	-
Total assigned	86,656	-
Unassigned	5,377,641	-
Total fund balance	$ 10,765,084	$ 758,254

Note 12. Adoption of New Standard and Prior Period Restatement

The Town adjusted net position and fund balance due to VRS payment corrections from prior years, as follows:

	Governmental Activities	General
Net Position, June 30, 2014, as previously stated	$ 41,504,559	$ 11,899,208
To record prior year VRS payment errors	15,176	15,176
Net Position, June 30, 2014, as restated	$ 41,519,735	$ 11,914,384

In addition, in the current year the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

	Water	Wastewater	Electric	Business-Type Activities	Governmental Activities
Net Position, July 1, 2014, per above	$ 21,880,944	$ 23,234,865	$ 6,071,242	$ 51,187,051	$ 41,519,735
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	(725,449)	(620,094)	(812,163)	(2,157,706)	(4,965,850)
Net Position, July 1, 2014, as restated	$ 21,155,495	$ 22,614,771	$ 5,259,079	$ 49,029,345	$ 36,553,885

Note 13. 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 $8,016,228 for the year ended June 30, 2015. Of these purchases, $810,296 is included in accounts payable as of June 30, 2015. 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.

Note 14. 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 2014 taxes due January 31, 2015 was $.13 per $100 of assessed value. Residents who live in the Southridge, Lafayette Ridge, and Willow Shade districts pay an additional special assessment of $.15, $.10, and $.06 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% is charged on unpaid balances. The Town bills and collects its own property taxes.

Note 15. Risk Management

The Risk Management programs of the Town are as follows:

Workers' Compensation

The Town is a member of the Virginia Municipal League (VML) Insurance Programs for workers' compensation insurance. Benefits are provided by the Commonwealth of Virginia. Premiums are based on covered payroll, job rates and claims experience. Total premiums for 2015 were approximately $159,000.

General Liability and Other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from VML Insurance Programs. The Town's property and contents are insured up to a limit of approximately $77 million. The Town maintains an additional $10,000,000 umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a $10,000,000 limit for each, are provided through a policy with the VML Insurance Programs. Total premiums for 2015 were approximately $219,000.

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Note 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.

Litigation

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

Reservoir Improvement Projects

The Town is required by a regulatory agency to make significant improvements to its reservoirs at an estimated cost of $16.5 million. The Town received two grants totaling $10.5 million to develop rehabilitation plans. The Town believes additional grant funding will be available to assist with the design and certain construction phases of the project and plans future issuances of long-term borrowings. The Town signed a contract for $445,000 for the first phase of the project which is scheduled to begin in fiscal year 2016. The Town has been requested to match an estimated $5.8 million for the project. The Town is seeking financial assistance from the State for this match.

Note 17. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

Note 17. New Accounting Standards (Continued)

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

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

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 11

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
General property taxes	$ 3,039,650	$ 3,039,650	$ 3,017,120	$ (22,530)
Local sales and use taxes	1,400,000	1,400,000	1,372,692	(27,308)
Business license tax	1,027,000	1,027,000	1,035,641	8,641
Franchise license tax	143,500	143,500	123,144	(20,356)
Bank stock tax	284,000	284,000	349,495	65,495
Cigarette tax	183,000	183,000	162,582	(20,418)
Hotel and motel room tax	250,000	250,000	325,775	75,775
Food and beverage tax	3,200,000	3,200,000	3,727,506	527,506
Local consumption tax	61,000	61,000	71,380	10,380
Permits, privilege fees, and regulatory licenses	289,275	289,275	275,969	(13,306)
Fines and forfeitures	130,000	130,000	122,292	(7,708)
Revenues from use of money and property	222,000	222,000	201,459	(20,541)
Charges for services	284,636	284,636	289,902	5,266
Other	122,700	122,700	300,545	177,845
Recovered costs	2,021,184	2,021,184	2,027,731	6,547
Intergovernmental	2,222,191	2,222,191	4,691,796	2,469,605
Total revenues	14,880,136	14,880,136	18,095,029	3,214,893
EXPENDITURES				
Current:				
General government administration				
Town council	197,865	197,865	177,584	20,281
Town manager	203,038	203,038	180,098	22,940
Town clerk	263,899	263,899	240,581	23,318
Human resources	285,456	285,456	257,506	27,950
Legal services	126,880	126,880	106,837	20,043
Independent auditor	44,500	44,500	78,500	(34,000)
Treasurer	957,103	957,103	878,252	78,851
Risk management	127,391	127,391	126,492	899
Information technology	1,010,114	1,010,114	1,039,566	(29,452)
Motor pool	229,533	229,533	220,812	8,721
Total general government administration	3,445,779	3,445,779	3,306,228	139,551
Public safety				
Police department	4,451,985	4,451,985	4,317,699	134,286
Total public safety	4,451,985	4,451,985	4,317,699	134,286

EXHIBIT 11

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public works				
Public works administration	$ 255,417	$ 255,417	$ 247,408	$ 8,009
Streets	2,148,196	2,189,286	2,141,271	48,015
Refuse collection	386,959	415,408	390,625	24,783
General properties	485,305	498,626	480,092	18,534
Total public works	3,275,877	3,358,737	3,259,396	99,341
Parks, recreation, and cultural				
Parks and recreation	606,576	616,849	545,724	71,125
Cemetery	164,328	164,328	119,385	44,943
Total parks, recreation, and cultural	770,904	781,177	665,109	116,068
Community development				
Planning and zoning	534,920	565,920	528,353	37,567
Visitors center	49,345	49,345	43,162	6,183
Tourism	271,378	271,378	269,371	2,007
Economic development	188,250	188,250	195,523	(7,273)
Contributions	384,337	384,337	389,228	(4,891)
Total community development	1,428,230	1,459,230	1,425,637	33,593
Capital projects	967,656	5,892,031	5,709,587	182,444
Debt service:				
Principal retirement	1,161,160	1,161,160	1,074,903	86,257
Interest and fiscal charges	533,657	533,657	533,486	171
Bond issuance costs	-	-	7,896	(7,896)
Total debt service	1,694,817	1,694,817	1,616,285	78,532
Total expenditures	16,035,248	21,083,756	20,299,941	783,815
Excess of expenditures over revenues	(1,155,112)	(6,203,620)	(2,204,912)	3,998,708
OTHER FINANCING SOURCES				
Issuance of general obligation bonds	429,500	429,500	430,000	500
Transfers in	625,612	625,612	625,612	-
Total other financing sources	1,055,112	1,055,112	1,055,612	500
Net change in fund balances	$ (100,000)	$ (5,148,508)	$ (1,149,300)	$ 3,999,208

Note 1: The budget is adopted in accordance with the modified accrual basis of accounting.

EXHIBIT 12

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
June 30, 2015

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

EXHIBIT 13

TOWN OF CULPEPER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2015

	Primary Government
Total Pension Liability	
Service cost	$ 910,207
Interest on total pension liability	2,233,895
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(1,557,640)
Net change in total pension liability	1,586,462
Total pension liability - beginning	32,691,602
Total pension liability - ending	34,278,064
Plan Fiduciary Net Position	
Contributions - employer	965,805
Contributions - employee	413,261
Net investment income	3,870,612
Benefit payments, including refunds of employee contributions	(1,557,640)
Administrative expenses	(20,826)
Other	204
Net change in plan fiduciary net position	3,671,416
Plan fiduciary net position - beginning	24,602,241
Plan fiduciary net position - ending	28,273,657
Net pension liability - ending	$ 6,004,407
Plan fiduciary net position as a percentage of total pension liability	82%
Covered employee payroll	$ 8,329,057
Net pension liability as a percentage of covered employee payroll	72%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 14

TOWN OF CULPEPER, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a percentage of Covered Payroll
Primary Government					
2015	$ 1,142,457	$ 1,142,457	$ -	$ 8,678,245	13.16%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool
- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

OTHER SUPPLEMENTARY INFORMATION

EXHIBIT A-1

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - PARKING AUTHORITY
June 30, 2015

	Balances Beginning	Additions	Deductions	Balances Ending
ASSETS				
Cash and cash equivalents	$ 2,604	44,092	46,696	$ -
Receivables	6,059	490	-	6,549
Future amounts to be collected to liquidate liabilities	37,667	6,949	-	44,616
Total assets	$ 46,330	$ 51,531	$ 46,696	$ 51,165
LIABILITIES				
Accounts payable	$ 6,594	$ -	$ 6,258	$ 336
Due to general fund	39,736	11,093	-	50,829
Total liabilities	$ 46,330	$ 11,093	$ 6,258	$ 51,165

EXHIBIT A-2

TOWN OF CULPEPER, VIRGINIA

BALANCE SHEET – GOVERNMENTAL FUND
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2015

		Industrial Development Authority
ASSETS		
Cash and cash equivalents	$	79,226
Cash and cash equivalents, restricted		50,744
Total assets	$	129,970
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred inflows of resources:		
Payments received in advance	$	50,667
Total liabilities		50,667
Fund Balance:		
Assigned		79,303
Total fund balance		79,303
Total liabilities and fund balance	$	129,970

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance	$	79,303
Long-term assets, including notes receivable, are not due and receivable in the current period and therefore are not reported in the funds.		997,813
Debt payments received in advance create a deferral at the fund level for the entire amount; however, offset the note receivable and any interest earned to date on the Statement of Net Position.		42,475
Long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds.		(1,037,251)
Net position of governmental activities	$	82,340

EXHIBIT A-3

TOWN OF CULPEPER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
DISCRETELY PRESENTED COMPONENT UNIT
Year Ended June 30, 2015

	Industrial Development Authority
REVENUES	
Intergovernmental grants	$ 128,318
Total revenues	128,318
EXPENDITURES	
Community development	128,537
Total expenditures	128,537
Excess of expenditures over revenue	(219)
Net change in fund balance	(219)
FUND BALANCE AT JULY 1	79,522
FUND BALANCE AT JUNE 30	$ 79,303

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

Net change in fund balance	$ (219)
Interest earned related to long-term notes receivable does not represent current financial resources and therefore are not reported as revenue in the funds.	25,940
Accrued interest 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.	(25,940)
Change in net position of governmental activities	$ (219)

STATISTICAL SECTION

This part of the Town of Culpeper's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents **Table**

Financial Trends **1-4**
These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity **5-8**
These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

Debt Capacity **9-12**
These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information **13-14**
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

Operating Information **15-17**
These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services it provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Town implemented GASB Statement 34 in 2005; schedules presenting government-wide information include information beginning in that year.

TABLE 1

TOWN OF CULPEPER, VIRGINIA

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

	Fiscal Year									
	2015 [1]	2014 [2]	2013 [2]	2012	2011	2010	2009 [2]	2008	2007	2006
Governmental Activities										
Net investment in capital assets	$ 43,149,400	$ 35,443,423	$ 25,529,232	$ 17,766,505	$ 19,571,754	$ 21,719,577	$ 23,576,860	$ 21,499,768	$ 19,617,242	$ 26,197,634
Restricted	1,581,752	1,438,266	1,303,598	598,758	542,416	592,481	-	1,415,016	2,709,578	-
Unrestricted	870,870	4,622,870	2,015,193	9,013,312	8,022,110	5,600,105	3,726,292	5,849,000	6,705,638	3,716,440
Total governmental activities net position	$ 45,602,022	$ 41,504,559	$ 28,848,023	$ 27,378,575	$ 28,136,280	$ 27,912,163	$ 27,303,152	$ 28,763,784	$ 29,032,458	$ 29,914,074
Business-Type Activities										
Net investment in capital assets	$ 26,550,954	$ 27,911,757	$ 25,590,844	$ 29,971,833	$ 27,499,978	$ 28,124,024	$ 22,251,714	$ 14,111,003	$ 21,597,950	$ 19,258,154
Restricted	-	-	-	-	-	-	2,470,415	19,219,105	-	-
Unrestricted	23,270,667	23,275,294	25,738,585	21,724,844	24,972,697	24,981,973	26,519,207	17,729,092	23,539,073	20,958,997
Total business-type activities net position	$ 49,821,621	$ 51,187,051	$ 51,329,429	$ 51,696,677	$ 52,472,675	$ 53,105,997	$ 51,241,336	$ 51,059,200	$ 45,137,023	$ 40,217,151
Primary Government										
Net investment in capital assets	$ 69,700,354	$ 63,355,180	$ 51,120,076	$ 47,738,338	$ 47,071,732	$ 49,843,601	$ 45,828,574	$ 35,610,771	$ 41,215,192	$ 45,455,788
Restricted	1,581,752	1,438,266	1,303,598	598,758	542,416	592,481	2,470,415	20,634,121	2,709,578	-
Unrestricted	24,141,537	27,898,164	27,753,778	30,738,156	32,994,807	30,582,078	30,245,499	23,578,092	30,244,711	24,675,437
Total primary government net position	$ 95,423,643	$ 92,691,610	$ 80,177,452	$ 79,075,252	$ 80,608,955	$ 81,018,160	$ 78,544,488	$ 79,822,984	$ 74,169,481	$ 70,131,225

[1] GASB Statement No. 68 was adopted in fiscal year 2015.

[2] These totals are as previously reported. A prior period adjustment was required which modified these amounts.

TABLE 2

TOWN OF CULPEPER, VIRGINIA

CHANGES IN NET POSITION BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Expenses										
Governmental Activities:										
General government	$ 1,580,634	$ 2,069,656	$ 1,820,939	$ 2,014,118	$ 1,337,825	$ 1,257,522	$ 1,620,482	$ 1,179,182	$ 1,923,079	$ 2,052,211
Public safety	4,466,205	4,620,506	4,355,486	3,982,363	4,014,472	3,962,281	4,082,574	3,953,400	3,729,120	3,265,458
Public works	4,622,046	4,882,783	3,927,287	3,609,893	3,230,087	3,615,820	4,196,462	4,095,306	3,483,959	3,125,192
Health and welfare	-	-	-	-	-	-	11,378	5,129	6,907	7,370
Parks, recreation, and cultural	658,510	869,890	952,084	759,713	581,190	541,764	555,241	629,683	624,332	472,106
Community development	1,403,802	1,463,571	1,448,109	1,374,210	1,854,682	1,709,856	1,116,215	1,063,436	1,035,442	1,194,108
Interest on long-term debt	502,905	567,245	529,532	430,650	338,982	509,832	295,133	276,215	157,203	145,391
Total governmental activities	13,234,102	14,473,651	13,033,437	12,170,947	11,357,238	11,597,075	11,877,485	11,202,351	10,960,042	10,261,836
Business-Type Activities:										
Water	3,483,189	3,947,082	3,173,641	3,080,472	2,989,018	2,836,510	3,044,418	3,164,725	2,623,445	2,414,757
Wastewater	5,146,396	5,401,822	5,438,022	5,322,081	5,480,065	3,745,960	4,778,920	4,316,981	3,507,532	3,116,891
Electric	11,640,544	11,823,318	10,592,276	11,195,220	10,158,556	8,884,255	9,596,223	9,950,373	8,803,188	8,036,552
Total business-type activities expense	20,270,129	21,172,222	19,203,939	19,597,773	18,627,639	15,466,725	17,419,561	17,432,079	14,934,165	13,568,200
Total primary government expenses	33,504,231	35,645,873	32,237,376	31,768,720	29,984,877	27,063,800	29,297,046	28,634,430	25,894,207	23,830,036
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	63,438	53,062	189,022	-	-	-	-	-	-	-
Public safety	159,236	157,238	185,890	244,823	188,207	217,637	158,783	157,226	151,259	175,421
Public works	390,969	322,027	224,756	216,426	134,538	149,335	75,307	110,628	155,174	717,210
Parks, recreation, and cultural	410,854	430,869	408,606	401,784	477,141	358,254	387,853	370,169	342,453	298,384
Community development	35,243	41,585	31,878	19,357	8,461	9,678	-	-	-	-
Operating grants and contributions	2,180,092	2,400,103	2,088,055	1,892,927	2,527,695	2,280,820	1,744,620	2,179,593	1,579,532	1,395,768
Capital grants and contributions	7,738,062	2,292,433	959,384	-	-	-	-	4,479	49,458	-
Total governmental activities program revenues	10,977,894	5,697,317	4,087,591	2,775,317	3,336,042	3,015,724	2,366,563	2,822,095	2,277,876	2,586,783
Business-Type Activities:										
Charges for services:										
Water	4,267,244	4,102,902	3,711,935	3,177,413	2,893,750	3,022,229	2,977,336	4,706,386	4,697,202	5,630,443
Wastewater	5,269,322	5,227,134	4,441,288	3,436,827	3,204,475	3,383,665	3,243,368	5,762,559	5,671,837	6,688,333
Electric	12,106,804	11,444,085	11,188,316	10,855,157	10,680,058	9,735,008	9,824,763	9,287,602	8,339,829	7,215,153
Capital grants and contributions	-	818,910	22,000	2,083	11,806	2,823,708	817,398	2,234,966	-	-
Total business-type activities program revenues	21,643,370	21,593,031	19,363,539	17,471,480	16,790,089	18,964,610	16,862,865	21,991,513	18,708,868	19,533,929
Total primary government program revenues	32,621,264	27,290,348	23,451,130	20,246,797	20,126,131	21,980,334	19,229,428	24,813,608	20,986,744	22,120,712
Net (Expense) Revenue										
Governmental activities	(2,256,208)	(8,776,334)	(8,945,846)	(9,395,630)	(8,021,196)	(8,581,351)	(9,510,922)	(8,380,256)	(8,682,166)	(7,675,053)
Business-type activities	1,373,241	420,809	159,600	(2,126,293)	(1,837,550)	3,497,885	(556,696)	4,559,434	3,774,703	5,965,729
Total primary government net expense	(882,967)	(8,355,525)	(8,786,246)	(11,521,923)	(9,858,746)	(5,083,466)	(10,067,618)	(3,820,822)	(4,907,463)	(1,709,324)

(Continued)

TABLE 2
(Continued)

TOWN OF CULPEPER, VIRGINIA

CHANGES IN NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting) (continued)

	Fiscal Year									
	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	$ 3,095,547	$ 3,052,885	$ 2,905,805	$ 2,764,759	$ 2,757,576	$ 3,159,991	$ 2,568,973	$ 2,379,368	$ 1,814,074	$ 1,657,129
Sales taxes	1,371,546	1,409,401	1,299,219	1,257,483	986,332	1,069,068	937,575	934,160	930,601	1,021,269
Business license tax	1,035,641	1,044,986	1,092,986	1,060,265	1,010,056	1,103,611	1,064,862	1,231,754	1,270,923	1,278,563
Franchise license tax	123,143	123,331	126,439	137,179	140,920	125,654	141,265	142,676	142,279	132,767
Motor vehicle license	-	-	-	-	-	-	-	19,878	255,438	248,492
Bank stock tax	349,495	305,972	287,309	273,240	329,972	271,467	235,807	209,900	259,624	270,124
Cigarette tax	162,582	173,094	183,297	126,516	144,010	148,459	177,417	183,449	193,272	196,449
Hotel and motel room tax	325,775	328,032	249,896	299,089	256,929	256,849	225,343	224,213	231,472	222,157
Food and beverage tax	3,727,506	3,362,648	2,622,243	1,846,124	1,790,476	1,748,975	1,762,648	1,907,318	1,940,164	1,948,458
Local consumption tax	71,380	65,165	61,845	59,249	53,883	54,759	62,491	62,565	61,972	61,773
Other local taxes	-	4,918	971	2,195	4,074	4,245	-	-	-	-
Intergovernmental revenue	231,499	231,885	231,473	443,255	285,193	230,617	230,058	257,038	240,733	235,199
Investment earnings	18,793	20,845	25,279	13,663	22,309	25,398	135,773	265,207	210,197	95,590
Other	165,826	103,546	74,341	54,908	163,583	453,053	508,078	294,056	249,801	246,002
Special Item: Annexation of State Roads	-	-	680,433	-	-	-	-	-	-	-
Transfers	625,612	594,982	573,758	300,000	300,000	302,145	-	-	-	-
Total governmental activities	11,304,345	10,821,690	10,415,294	8,637,925	8,245,313	8,954,291	8,050,290	8,111,582	7,800,550	7,613,972
Business-Type Activities:										
Investment earnings	30,050	37,648	46,910	216,685	252,103	329,668	738,832	1,362,743	1,145,169	762,413
Other	6,668	-	-	1,433,610	1,252,125	573,216	-	-	-	-
Insurance recovery	7,929	447,114								
Transfers	(625,612)	(594,982)	(573,758)	(300,000)	(300,000)	(302,145)	-	-	-	-
Total business-type activities	(580,965)	(110,220)	(526,848)	1,350,295	1,204,228	600,739	738,832	1,362,743	1,145,169	762,413
Total primary government	10,723,380	10,711,470	9,888,446	9,988,220	9,449,541	9,555,030	8,789,122	9,474,325	8,945,719	8,376,385
Changes in Net Position										
Governmental activities	9,048,137	2,045,356	1,469,448	(757,705)	224,117	372,940	(1,460,632)	(268,674)	(881,616)	(61,081)
Business-type activities	792,276	310,589	(367,248)	(775,998)	(633,322)	4,098,624	182,136	5,922,177	4,919,872	6,728,142
Total primary government	$ 9,840,413	$ 2,355,945	$ 1,102,200	$ (1,533,703)	$ (409,205)	$ 4,471,564	$ (1,278,496)	$ 5,653,503	$ 4,038,256	$ 6,667,061

TABLE 3

TOWN OF CULPEPER, VIRGINIA

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

	2010	2009 [1]	2008	2007	2006
Pre-GASB54:					
General Fund					
Reserved	$ 237,575	$ -	$ -	$ -	$ -
Unreserved	8,714,679	3,698,776	7,298,518	6,862,521	3,890,052
Total general fund	$ 8,952,254	$ 3,698,776	$ 7,298,518	$ 6,862,521	$ 3,890,052
All Other Governmental Funds					
Unreserved, reported in:					
Permanent fund	$ 478,881	$ 421,547	$ 412,282	$ 350,169	$ 293,860
Total all other governmental funds	$ 478,881	$ 421,547	$ 412,282	$ 350,169	$ 293,860

	2015 [2]	2014 [1]	2013 [1]	2012	2011
Post-GASB54:					
General Fund					
Nonspendable	$ -	$ 86,437	$ 146,178	$ 80,810	$ 58,070
Restricted	5,300,787	6,732,852	664,894	470,772	265,133
Committed	-	-	8,072,276	7,931,602	83,125
Assigned	86,656	352,985	1,353,321	648,657	4,557,951
Unassigned	5,377,641	4,726,934	823,784	314,975	4,000,756
Total general fund	$ 10,765,084	$ 11,899,208	$ 11,060,453	$ 9,446,816	$ 8,965,035
All Other Governmental Funds					
Restricted	$ 758,254	$ 703,499	$ 638,704	$ 598,758	$ 542,416
Total all other governmental funds	$ 758,254	$ 703,499	$ 638,704	$ 598,758	$ 542,416

[1] These totals are as previously reported. A prior period adjustment was required which modified these amounts.

[1] For FY15, the previously reported nonspendable fund balance has been reclassified into the restricted fund balance to comply with the GASB Statement No. 54, reporting requirments for restrictions which are externally imposed.

TABLE 4

TOWN OF CULPEPER, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	$10,185,335	$ 9,852,810	$ 8,794,666	$ 7,834,966	$ 7,432,462	$ 7,738,427	$ 7,145,133	$ 7,276,554	$ 7,126,549	$ 7,017,270
Permits, privilege fees, and licenses	275,969	304,884	255,905	294,185	278,571	256,426	178,108	201,372	231,778	757,956
Fines and forfeitures	122,292	103,206	129,654	129,778	123,623	166,292	158,783	157,226	151,259	175,421
Investment earnings	202,029	210,983	210,859	191,908	232,691	249,704	356,434	493,722	418,812	303,218
Charges for services	328,502	293,820	255,751	284,563	200,374	92,425	62,041	62,613	57,188	50,010
Other	300,545	216,950	288,051	46,727	122,168	401,587	510,323	297,707	249,847	246,002
Recovered costs	2,027,731	1,835,240	1,817,446	2,009,672	2,052,104	1,630,016	1,544,137	1,461,127	1,168,821	758,563
Grant proceeds	-	-	-	-	-	-	25,090	87,655	-	-
Intergovernmental	4,707,381	3,953,986	3,279,435	2,342,176	2,975,718	2,562,603	1,949,588	2,338,101	1,869,723	1,630,967
Total revenues	18,149,784	16,771,879	15,031,767	13,133,975	13,417,711	13,097,480	11,929,637	12,376,077	11,273,977	10,939,407
Expenditures										
General government	3,306,228	3,190,149	3,146,377	2,703,451	2,491,505	2,146,254	2,583,546	2,203,714	2,188,450	1,966,866
Public safety	4,317,699	4,290,573	4,018,716	3,902,392	3,920,633	3,866,967	4,006,766	3,972,387	3,762,629	3,209,213
Public works	3,259,396	3,330,713	3,110,447	3,045,848	2,820,311	2,678,356	3,287,064	2,413,634	2,637,275	2,385,637
Parks, recreation, and cultural	665,109	828,728	906,712	715,352	654,533	489,512	512,386	582,890	516,086	452,943
Health and welfare	-	-	-	-	-	-	11,378	5,129	6,907	7,370
Community development	1,425,637	1,435,055	1,286,951	1,335,520	1,140,210	1,233,053	1,115,101	1,069,575	1,052,548	1,189,295
Capital projects	5,709,587	5,466,703	3,918,542	841,828	1,628,829	2,174,668	3,408,564	2,557,650	1,263,391	1,836,753
Debt service:										
Principal	1,074,903	933,736	784,741	716,123	573,103	498,974	835,589	406,721	399,388	388,500
Interest	533,486	520,199	442,610	419,506	412,271	393,527	299,844	273,288	168,525	148,077
Bond issuance costs	7,896	53,236	56,846	115,832	150,834	27,991	-	-	-	-
Total expenditures	20,299,941	20,049,092	17,671,942	13,795,852	13,792,229	13,509,302	16,060,238	13,484,988	11,995,199	11,584,654
Excess of revenues over (under) expenditures	(2,150,157)	(3,277,213)	(2,640,175)	(661,877)	(374,518)	(411,822)	(4,130,601)	(1,108,911)	(721,222)	(645,247)
Other Financing Sources (Uses)										
Proceeds from borrowing	430,000	3,676,500	3,720,000	900,000	10,223,397	5,629,000	540,124	1,607,021	3,750,000	-
Bond premium on issuance	-	-	-	-	804,730	-	-	-	-	-
Payments to escrow agent	-	-	-	-	(10,877,293)	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-
Transfers in	625,612	594,982	573,758	300,000	300,000	302,145	-	-	-	-
Total other financing sources (uses)	1,055,612	4,271,482	4,293,758	1,200,000	450,834	5,931,145	540,124	1,607,021	3,750,000	-
Net change in fund balances	$ (1,094,545)	$ 994,269	$ 1,653,583	$ 538,123	$ 76,316	$ 5,519,323	$ (3,590,477)	$ 498,110	$ 3,028,778	$ (645,247)
Debt service as a percentage of noncapital expenditures	11.23%	9.69%	8.98%	8.59%	7.91%	7.87%	9.86%	6.64%	5.59%	5.83%

TABLE 5

TOWN OF CULPEPER, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities Real Estate	Public Utilities Personal Property	Total Assessed Value	Total Direct Tax Rate(1)
2015	$ 1,430,676,100	$ 145,472,196	$ 19,641,375	$ 29,676,346	$ 48,955	$ 1,625,514,972	0.22
2014	1,411,785,500	142,461,383	18,781,109	25,499,302	58,635	1,598,585,929	0.22
2013	1,346,564,800	134,140,673	16,413,572	39,446,496	357,302	1,536,922,843	0.21
2012	1,155,780,300	126,677,786	16,266,484	40,816,355	79,380	1,339,620,305	0.22
2011	1,287,542,000	133,963,333	20,757,388	48,045,998	1,911,743	1,492,220,462	0.22
2010	1,785,785,500	139,139,665	22,495,201	40,564,090	1,668,322	1,989,652,778	0.18
2009	1,563,586,200	136,139,100	21,760,395	35,383,007	983,329	1,757,852,031	0.17
2008	963,769,900	142,842,648	18,341,320	19,440,651	667,460	1,145,061,979	0.20
2007	817,689,900	122,697,893	14,444,109	23,007,051	589,037	978,427,990	0.18
2006	693,113,200	101,456,447	13,660,456	29,229,543	884,246	838,343,892	0.19

Notes: Property is assessed at full market value. Properties are reassessed once every four years.
(1) Per $100 of assessed value.

TABLE 6

TOWN OF CULPEPER, VIRGINIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Utilities Real Estate	Public Utilities Personal Property	Overlapping Rates Culpeper County Real Estate	Overlapping Rates Culpeper County Personal Property	Total Direct Tax Rate
2015	0.11	1.00	0.80	0.11	1.00	0.73	3.50	0.22
2014	0.13	1.00	0.80	0.13	1.00	0.83	3.50	0.22
2013	0.13	1.00	0.80	0.11	1.00	0.83	3.50	0.21
2012	0.13	1.00	0.80	0.11	1.00	0.74	3.50	0.22
2011	0.13	1.00	0.80	0.11	1.00	0.74	3.50	0.22
2010	0.11	1.00	0.80	0.11	1.00	0.65	3.50	0.18
2009	0.09	1.00	0.80	0.09	1.00	0.61	3.50	0.17
2008	0.07	1.00	0.80	0.07	1.00	0.56	3.50	0.20
2007	0.08	0.80	0.80	0.08	0.80	0.89	3.50	0.18
2006	0.09	0.80	0.80	0.09	0.80	0.89	3.50	0.19

TABLE 7

TOWN OF CULPEPER, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

June 30, 2015

Name	Nature of Business	Assessed Value	Percent of Real Estate Tax
Culpeper Memorial Hospital, Inc	Medical	$ 24,863,400	1.76%
Society for Worldwide Interbank Transfers	Banking operations	18,117,100	1.28%
Dominion Square-Culpeper LLC	Shopping center	12,354,800	0.88%
Wal-Mart Real Estate Business Properties	Retail/grocery	10,905,600	0.77%
Culpeper Marketplace Associates	Shopping center	9,547,900	0.68%
Culpeper Regency LLC	Shopping center	7,719,400	0.55%
Target Corporation	Retail/grocery	7,195,400	0.51%
Lowe's Home Centers Inc.	Retail	6,921,100	0.49%
Southridge/Culpeper LP	Shopping center	6,584,800	0.47%
Masco Builder Cabinet Group	Manufacturing	6,541,100	0.46%

June 30, 2006

Name	Nature of Business	Assessed Value	Percent of Real Estate Tax
Society for Worldwide Interbank	Banking operation	$ 13,613,500	1.22%
Dominion Square – Culpeper LLC	Shopping center	13,343,400	1.20%
Walmart Real Estate Business Trust	Retail/grocery	11,178,000	1.00%
Culpeper Commons, L.P.	Multi-family housing	8,426,600	0.76%
Medical Facilities of America, XVI	Nursing home and elderly care	6,803,500	0.76%
Culpeper Shopping Center Joint Venture	Shopping center	5,435,100	0.61%
Southridge / Culpeper, L.P.	Multi-Family housing	4,843,200	0.49%
Sign of the Goldfish, LLC	Furniture manufacturer	4,620,500	0.41%
Culpeper House LTD Partnership	Multi-family housing	4,264,100	0.38%
Meriallat Corporation	Cabinet manufacturer	4,259,700	0.38%

TABLE 8

TOWN OF CULPEPER, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	$ 3,084,091	$ 2,884,294	93.52%	$ -	3,055,055	99.06%
2014	3,053,072	2,822,444	92.45%	170,761	2,926,370	95.85%
2013	2,822,635	2,718,709	96.32%	103,926	2,822,635	100.00%
2012	2,723,711	2,648,044	97.22%	75,667	2,723,711	100.00%
2011	2,869,395	2,834,635	98.79%	34,760	2,869,395	100.00%
2010	2,823,203	2,534,180	89.76%	213,169	2,747,349	97.31%
2009	2,392,938	2,282,979	95.40%	39,598	2,322,577	97.06%
2008	1,807,196	1,781,320	98.57%	25,876	1,807,196	100.00%
2007	1,624,710	1,567,012	96.45%	49,073	1,616,085	99.47%
2006	1,585,440	1,562,953	98.58%	22,487	1,585,440	100.00%

Source: Tax Records of the Town.

TABLE 9

TOWN OF CULPEPER, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	Governmental Activities	Business-Type Activities						
		General Obligation Bonds*						
Fiscal Year	General Obligation Bonds	Water Bonds	Wastewater Bonds	Electric Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2015	$ 17,787,190	$ 10,688,607	$ 18,479,818	$ 5,509,370	$ 150,658	$ 52,615,643	2685.69%	$ 3,022
2014	18,457,598	7,394,349	19,289,433	5,852,615	212,707	51,206,702	2613.77%	2,941
2013	15,758,484	6,764,750	20,076,104	6,114,792	67,430	48,781,560	2583.81%	2,845
2012	12,866,875	3,037,383	20,857,910	4,245,381	109,073	41,116,622	2214.37%	2,436
2011	12,788,716	3,439,116	21,864,156	4,482,978	-	42,574,966	2387.39%	2,555
2010	13,097,918	3,838,241	21,900,138	4,705,832	-	43,542,129	2576.26%	2,658
2009	7,968,892	4,029,785	22,134,345	4,929,746	-	39,062,768	2366.52%	2,790
2008	8,263,350	4,350,660	22,326,685	5,039,291	38,180	40,018,166	2441.28%	2,958
2007	7,065,072	4,453,548	4,155,951	1,540,470	98,327	17,313,368	1112.23%	1,345
2006	3,714,465	4,946,731	4,415,642	1,749,693	155,724	14,982,255	1028.78%	1,261

* Includes bond premiums.

TABLE 10

TOWN OF CULPEPER, VIRGINIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

	General Bonded Debt Outstanding		
Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2015	$ 51,275,177	3.15%	2,945
2014	49,725,178	3.11%	2,984
2013	47,381,000	3.08%	2,764
2012	39,596,000	2.96%	2,346
2011	42,574,966	2.85%	2,555
2010	43,542,129	2.19%	2,658
2009	39,062,768	2.22%	2,790
2008	40,018,166	0.47%	2,958
2007	17,313,368	0.62%	1,345
2006	14,982,255	0.38%	1,261

TABLE 11

TOWN OF CULPEPER, VIRGINIA

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	$ 146,035,245	$ 143,728,480	$ 146,959,170	$ 119,659,666	$ 133,558,800	$ 182,634,959	$ 178,578,550	$ 156,358,620	$ 96,376,990	$ 81,768,970
Total net debt applicable to limit	17,787,190	18,457,598	15,758,484	12,866,875	12,788,716	13,097,918	7,967,892	8,242,832	7,065,072	3,714,465
Legal debt margin	$ 128,248,055	$ 125,270,882	$ 131,200,686	$ 106,792,791	$ 120,770,084	$ 169,537,041	$ 170,610,658	$ 148,115,788	$ 89,311,918	$ 78,054,505
Total net debt applicable to the limit as a percentage of debt limit	12.18%	12.84%	10.72%	10.75%	9.58%	7.17%	4.46%	5.27%	7.33%	4.54%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	$ 1,460,352,446
Debt limit (10% of assessed value)	$ 146,035,245
Less debt applicable to limit:	
General obligation bonds	(17,787,190)
Legal debt margin	$ 128,248,055

TABLE 12

TOWN OF CULPEPER, VIRGINIA

PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2015	$19,844,964	$16,239,392	$ 3,605,572	$ 1,689,567	$ 1,256,130	1.22
2014	18,653,465	16,993,104	1,660,361	1,585,474	1,187,744	0.60
2013	17,874,539	15,233,615	2,640,924	1,430,259	1,113,035	1.04
2012	17,469,397	15,532,231	1,937,166	1,372,877	1,281,466	0.73
2011	16,778,283	14,392,590	2,385,693	1,268,044	1,236,347	0.95
2010	16,140,902	12,324,520	3,816,382	859,595	1,502,738	1.62
2009	15,809,954	13,582,280	2,227,674	818,487	1,503,188	0.96
2008	15,257,033	13,149,773	2,107,260	1,018,056	904,037	1.10
2007	13,869,844	11,975,771	1,894,073	1,006,821	692,278	1.11
2006	12,400,199	10,864,048	1,536,151	859,626	549,582	1.09

Notes: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements. Operating expenses do not include depreciation, interest, or amortization expenses.

TABLE 13

TOWN OF CULPEPER, VIRGINIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended	Population	Personal Income	Per Capita Personal Income	Median Income	Median Age	School Enrollment	Unemployment Rate
2015	N/A	N/A	N/A	N/A	N/A	N/A	4.00%
2014	17,411	$ 1,959,112	$ 39,847	N/A	39	3,935	5.50%
2013	17,145	1,887,970	38,937	$ 53,940	33	4,610	6.10%
2012	16,881	1,856,806	38,872	61,434	32	5,700	6.50%
2011	16,662	1,783,329	37,694	71,230	32	3,247	7.30%
2010	16,379	1,690,132	36,102	63,250	32	3,682	8.00%
2009	14,003	1,650,640	35,700	62,500	38	3,036	7.40%
2008	13,527	1,639,227	35,592	61,500	38	2,811	5.10%
2007	12,868	1,556,636	34,191	65,100	35	2,445	3.20%
2006	11,882	1,456,316	33,041	62,050	37	2,357	3.20%

Source: Census Data and Town of Culpeper Planning Department.
N/A: Not available

TABLE 14

TOWN OF CULPEPER, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

June 30, 2015

Employer	Product/Service	Total Estimated Employees	Percent of Workforce
Walmart Supercenter	Retail	550	N/A
Culpeper Human Resources	Governmental Office - County	500	N/A
Masco Cabinetry	Cabinets Manufacturers	328	N/A
Rochester Wire and Cable LLC	Electric Equipment-Manufacturer	308	N/A
Juvenile Justice Department	Public Agency	300	N/A
Merillat Corp	Cabinets Manufacturers	300	N/A
Cintas Uniforms Service	Uniform Service	262	N/A
Transportation Department	State Government-Transportation Program	250	N/A
Continental Teves Inc.	Automobile Parts and Supplies Manufacturers	225	N/A
Society for Worlwide Interbank	Organization	225	N/A

June 30, 2006

Employer	Product/Service	Total Estimated Employees	Percent of Workforce
Culpeper County Schools	Public Agency	1183	6.4%
VA Department of Transportation (VDOT)	Public Agency	722	4.1%
Culpeper Regional Hospital	Health Care	600	3.3%
Walmart	Commercial Retailer	438	2.8%
Culpeper County Government	Public Agency	400	1.9%

Source: Planning Department, Town of Culpeper, Virginia.

Note: Information has only been available since 2005, and only the top five was available at that time.
Workforce information could not be obtained for 2015.

TABLE 15

TOWN OF CULPEPER, VIRGINIA

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

Function	2015	2014	2013	2012	2011	2010	2009	2008
General Government								
Management services (includes Council = 4.5)	5.5	6	5	6	7	7	7	8
Finance	12	9	9	10	10	10	9	10
Planning	5	5	5	5	4	3	4	4
Building	0	2	2	2	1	1	1	-
Other (including Clerk, Information Technology, Engineering, Tourism)	18.5	15.5	16	17	9	11	13	11
Public Safety								
Officers	42	42	42	39	41	41	40	46
Civilians	8	9	8	9	8	8	5	6
Public Works								
Refuse collection	5	5	4	5	5	5	5	5
Streets	18	22	15	10	13	13	13	14
Other	12	4	4	6	4	5	5	4
Parks and Recreation								
Parks	5	8	8	6	5	7	7	7
Other	1.5	7	3	1	3	3	3	3
Water and Wastewater Operations	34	39	32	36	31	23	31	30
Electric Operations	17	18	19	16	17	18	17	21

Note: No information available prior to 2008.

Source: Town's payroll records.

TABLE 16

TOWN OF CULPEPER, VIRGINIA

OPERATING INDICATORS BY FUNCTION
Last Eight Fiscal Years

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

Note: No information available prior to 2008.

Source: Internal data from various departments.

TABLE 17

TOWN OF CULPEPER, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
Last Eight Fiscal Years

Function	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety								
Stations	1	1	1	1	1	1	1	1
Number of patrol units	36	36	33	33	33	33	29	32
Public Works								
Streets (miles)	66	66	66	62	64	62	62	58
Street & yard lights	1054	1054	1109	1,116	1,133	1,133	1,175	1,175
Traffic signals	19	20	20	19	15	15	14	14
Water Operations								
Miles of water main	102.6	101.35	100	99	99	99	99	98
Number of fire hydrants	713	740	737	678	678	678	678	638
Wastewater Operations								
Miles of sanitary sewer	95.5	95.5	96	95	95	95	95	95
Miles of storm sewer	30.5	30.5	30	20	20	20	20	20
Number of treatment plants	1	1	1	1	1	1	1	1
Number of pumping stations	10	9	9	9	9	9	9	9
Electric Operations								
Miles of overhead lines (miles)	27.66	27.66	27.66	27.66	27.66	N/A	N/A	N/A
Miles of underground lines (miles)	44.52	44.12	42.87	41.78	41.78	N/A	N/A	N/A
Number of sub-stations (115 kV)	1	1	1	1	1	1	1	1
Number of delivery points (34.5 kV)	1	1	0	0	0	1	2	2

Note: No information available prior to 2008. Certain electric operation information not available prior to 2011.

Source: Internal data from various departments.

COMPLIANCE SECTION

BROWNEDWARDS
certified public accountants

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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Culpeper, Virginia (the "Town"), as of and for the year ended June 30, 2015, 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 23, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2010-001 and 2015-001, that we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is further described in the accompanying schedule of findings and responses as Item 2014-001.**

Town of Culpeper's Response to Findings

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

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 23, 2015

TOWN OF CULPEPER, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements
Urban Highway Maintenance

TOWN OF CULPEPER, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2015

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2010-001: Segregation of Duties (Significant Deficiency)

Condition:

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

Recommendation:

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

Management's Response:

Management concurs with this recommendation.

2015-001: Financial Reporting Controls (Significant Deficiency)

Condition:

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

Recommendation:

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

Management's Response:

Management concurs with this recommendation.

B. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2014- 001: Budget Overages

Condition:

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

Recommendation:

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

Management's Response:

Management concurs with this recommendation.