



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

Prepared by:  
The Finance Department of the  
Town of Warrenton, Virginia





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# INTRODUCTORY SECTION

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**TOWN OF WARRENTON, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2019**

**TOWN COUNCIL**

Carter Nevill, Mayor  
Robert Kravetz, Vice Mayor

Jerry Wood  
Alec Burnett  
Renard Carlos  
Brett Hamby  
Sean Polster  
Kevin Carter

**APPOINTED OFFICIALS**

Brandie Schaeffer ..... Town Manager  
Whitson W. Robinson..... Town Attorney  
Elizabeth Gillie ..... Town Recorder  
Stephanie Miller..... Finance/Personnel Director  
Margaret Rice ..... Director of Parks & Recreation  
Frank Cassidy ..... Planning/Zoning Director  
Edward B. Tucker, Jr. .... Public Works/Utilities Director  
Tim Carter..... Interim Chief of Police

**INDEPENDENT AUDITORS**

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





# TOWN OF WARRENTON

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WARRENTON, VIRGINIA 20188-0341  
[www.warrentonva.gov](http://www.warrentonva.gov)  
TELEPHONE (540) 347-1101  
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November 27, 2019

## **To The Honorable Mayor, Members of Town Council And The Citizens of the Town of Warrenton**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Warrenton for the fiscal year ended June 30, 2019. The *Code of Virginia* requires that localities have their accounts and records audited annually as of June 30 by an independent certified public accountant, and that a detailed written report be presented to the local governing body within six months of the close of the fiscal year.

This report has been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). It consists of management's representations concerning the finances of the Town. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the data presented are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the Town. Disclosures have been included to enable the reader to gain the maximum understanding of the Town's financial affairs.

The Town's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse. It is further responsible to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived.

The Town's financial statements have been audited by Brown, Edwards and Company, LLP, a firm of licensed certified public accountants. The audit was conducted in accordance with generally accepted auditing standards. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report expresses an unmodified opinion on the fair presentation of the financial statements and is presented as the first part of the Financial Section of this report.

(Continued)

All of the financial activities of the reporting entity are included within this report. The reporting entity is comprised solely of the primary government. Under GASB pronouncements, component units are legally separate entities for which the primary government is financially accountable. The Town of Warrenton does not have any component units.

## PROFILE OF THE TOWN

The Town of Warrenton, the County Seat and the largest town in Fauquier County, is located in the Upper Piedmont region of Virginia at the foot of the Blue Ridge mountains about 45 miles southwest of Washington, DC. The Town encompasses 4.25 square miles and has a population of 9,937. Settled in the late seventeenth century, the Town of Warrenton, then known as Courthouse Village, was formally incorporated in 1810. Since 1992, Warrenton has been considered part of the Washington-Baltimore Metropolitan Statistical Area. Warrenton is easily accessible via four U.S. primary routes – 17, 15, 29 and 211. These routes provide access to Interstates 66, 64, 95 and 81 which link Warrenton to major trade routes across the Nation.

The Town is organized under the Council-Manager form of government with an elected mayor and a seven-member Council. Five members are elected by ward and two are elected at large, with staggered four year terms. The Council appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Council for the proper administration of the Town government. The Town Manager performs the daily tasks required by the Town Council in accordance with the Town's Charter and oversees the activities of all Town departments and personnel.

The Town provides a wide range of municipal services including public safety, sanitation and recycling services, community development and planning, the construction and maintenance of highways, streets, and public works infrastructure, parks and recreation programs, and the provision of water and wastewater services. In addition, the Town contributes to cultural events, recreational activities and supports various health and welfare programs.

An annual budget is prepared for all funds, except the fiduciary funds, to include revenues, expenditures, transfers and debt service. The Code of Virginia requires the Town Manager to submit a balanced budget to the Town Council no later than the first day of April each year. Each department prepares its own budget request for review and amendment by the Town Manager prior to inclusion in the Town's budget. After duly advertised public hearings are held, the Town adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended.

When necessary, the Town Council approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. The Town Manager may transfer appropriations at the department appropriation level without approval from Town Council. Budgetary compliance is monitored and reported at the department level on a monthly basis.

## ECONOMIC CONDITION AND OUTLOOK

### *The Local Economy*

Every four years, the County of Fauquier conducts a general real estate reassessment in accordance with Section 58.1-3252 of the Code of Virginia. The current assessments went into effect on January 1, 2018. The increase in taxable assessed value for properties located in the town was 9.8%, which was a promising indicator of the area's slow but steady emergence from the housing market crisis.

Primary local revenue sources for the Town continue to be Meals Tax, which accounts for 17.3%, and Business License Tax, representing 13.0%, of General Fund revenue. Some positive indicators of the vitality of the local economy include the following:

- Revenue from Meals Tax increased by 4.3% over fiscal year 2018.
- Bank Franchise Tax revenue increased by 9.7%.
- As of June 2019, Fauquier County's unemployment rate was 2.6%, which compares favorably to Virginia at 2.9% and the national rate of 3.8%.
- Community development permit and revenue has risen by 51.4% compared to fiscal year 2018.

### *Long-term Financial Planning*

Town staff develops a five (5) year Capital Improvement Program (CIP) annually in conjunction with the budget cycle. The proposed projects are coordinated with available funding in the budget approval process. Projects are assembled based on staging and prospective implementation to maximize the effectiveness and coordination of the program.

The CIP is reviewed by the Planning Commission to determine that projects are consistent with the Town's long range Comprehensive Plan. The Comprehensive Plan is a powerful tool to optimize the whole planning process. Its role in the CIP allows jurisdictions to be strategic in their programming, budgeting, and resource allocation. All CIP projects should be tied to a goal or implementation strategy in the Comprehensive Plan. This enables the Town to prioritize projects in view of the needs of the community, while remaining mindful of fiscal constraints related to debt service expenditures and available cash funding.

The Town is currently updating the Comprehensive Plan, with an anticipated completion date in 2020. The updated plan will ensure funding allocation is relevant to present goals and will also contemplate the life cycle costs of projects. It is financially prudent to ensure decision makers are aware of the financial commitment beyond the capital project. Life Cycle costs include items like the estimated useful life of vehicles, buildings, equipment, etc. The Comprehensive Plan will include scenarios of growth for the Town so that elected officials can understand budgetary impacts in light of projected capital projects.

Replacement of assets such as vehicles is guided by established replacement plans. The amount of use and maintenance costs are tracked in an effort to achieve the most prudent use of taxpayer dollars.

### *Relevant Financial Policies*

The Town follows a formal Investment Policy that provides for the safeguarding of the Town's financial assets. The policy requires that all investments be in accordance with those authorized by the Code of Virginia. The Town updated the Investment Policy in 2016 to authorize additional investment options in an effort to attain higher earnings while preserving capital.

The Town maintains strict adherence to its Purchasing Policy, which is based on the Virginia Public Procurement Act, and relevant Federal purchasing guidelines. The most restrictive of these policies is applied when there is a conflict between the two. The Town also complies with formal policies regarding the capitalization and disposal of assets.

The Town follows an adopted Fund Balance Policy for the General Fund that sets a reserve requirement at 50% of the currently adopted budget expenditures. The balance of this reserve amount is provided to the Town Council whenever there is a request to appropriate additional funds. The Water and Sewer Operating Fund maintains a cash balance equivalent to 200 days of operating expenses.

The Town has recently consolidated the financial policies listed above along with others into one document. The Comprehensive Fiscal Policies are currently being reviewed by the Finance Committee, and will hopefully be adopted by the full Council in Fiscal Year 2020.

### *Major Initiatives*

The Council, Town Manager, and Town Department Heads conduct annual retreats to evaluate strategic goals for the Town in the coming year. The most recent retreat was held in September 2019, and resulted in the following updated strategic priorities:

- Review potential boundary adjustments on the northern and eastern edges of the Town;
- Implement branding for the Town, which was developed during the past fiscal year;
- Provide quality of life and recreational activities for residents;
- Improve the Town's website, signage, and gateways to attract visitors to the Town and assist them in navigating around points of interest; and
- Develop an inventory of affordable housing options.

As evidenced by this list, community development projects have become a central focus of the Town Council. The updated comprehensive plan combined with continued strategic planning will help guide the Town through the implementation of the Council's goals and projects.

An important part of community planning is economic development. The consideration of the northern boundary adjustment is largely driven by a desire for economic expansion for the Town, but must be weighed against the additional service requirements that come with expanding the Town limits. To that end, the Town has engaged the services of a consultant to develop a fiscal impact model that will quantify the costs and benefits of any proposed expansion or development within existing boundaries. Attracting visitors to Town and ensuring that they are able to easily navigate once here has become a Council priority for the coming year. Investments in the website and signage will promote existing businesses and make the Town more attractive for potential businesses to locate.

Improving pedestrian safety and relieving traffic congestion continue to be top priorities for the Town, especially in light of development in neighboring Counties. The Town continues to work with the Virginia Department of Transportation and community stakeholders (particularly Broadview Avenue business owners and nearby residents) to redesign Broadview Avenue, the Town's main commercial corridor. We believe that Town investment in this redesign will catalyze private reinvestment in the business properties along this important commercial corridor. In addition to ensuring that Town roads and streets are properly maintained, the impact of proposed developments on traffic is thoroughly analyzed prior to approval. Sidewalk and street lighting projects in Old Town have enabled more business growth off of Main Street by providing pedestrian-friendly access.

The Town issued \$5.2 million in General Obligation Bonds during 2016 to fund multiple capital projects related to the Town's water and wastewater systems. In 2018, the Town issued another \$7.1 million in support of these projects. A multi-year project undertaken by the Public Utilities Department continues to reclaim sewer capacity by identifying deteriorated pipes and relining the Town's aging underground system. Multiple projects are underway, including a new Water Treatment Plant chemical building and a Moving Bed Biological Reactor at the Wastewater Treatment Plant to upgrade the treatment process.

Public Safety is always a major focus of the Town government. The Police Department is fully accredited by the Virginia Law Enforcement Professional Standard Commission. It received its initial accreditation in October 2007 and received its third award in October 2015. The 2019 assessment for accreditation has just taken place and is anticipated to be awarded again in January 2020. The Town has twenty-five sworn police officers, and has two full-time career firefighters stationed at the Warrenton Volunteer Fire Company (WVFC). The Town provides annual contributions to the WVFC in support of their capital asset purchases.

The Parks and Recreation Department has continued programs such as Warrenton Town Limits (an Independence Day celebration that offers free admission and a full day of family-friendly activities, culminating in a spectacular fireworks display) and the Movies in the Park screenings in the summer. In addition to maintaining the Warrenton Aquatic and Recreation Facility (WARF), a 59,738 square foot aquatic and fitness facility, the department maintains six parks throughout Town. In Fiscal Year 2020, the Town will award a contract for the construction of the first phase of the Timber Fence Trail. This project has received 80% federal funding awarded by the Commonwealth Transportation Board. This trail will connect the Gold Cup subdivision to the WARF along property owned by the Fauquier County School Board. The County has agreed to contribute 10% of the project costs.

The Town recently acquired a building located on Main Street in Warrenton that will be renovated for use as a Town Hall. Town staff and operations have outgrown the current municipal building located on Court Street, which has served as Town Hall since 1973. In addition to Community Development, Finance, Human Resources, and other administrative staff, the Visitor Center will relocate to the new building, providing a more central location than its current building. To finance the purchase and renovation, the Town issued \$4.1 million in General Obligation bonds in November 2019. The new building will provide adequate, consolidated space for staff and enable more efficient delivery of services to citizens.

### IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

During fiscal year 2019, the Town implemented GASB Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, as applicable. Additional information may be found in Note 1 of the Financial Statements.

During Fiscal Year 2020, the Town will be analyzing the impact of GASB Statements No. 84, No. 87, No. 90, and No. 91. More information about these statements may be found in Note 14 – Upcoming Pronouncements.

### AWARDS

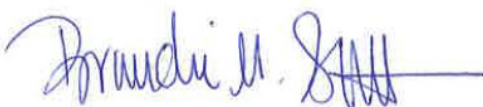
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### ACKNOWLEDGMENTS

We would like to express our sincere appreciation to each member of the Finance Department for their efforts in making this report possible on a timely basis. We would also like to thank the Town Council for their leadership and support in planning and conducting the financial operation of the Town in a responsible and progressive manner. Finally, we commend the efforts of all Town departments and staff to make Warrenton a better place to live and work.

Respectfully submitted,



Brandie M. Schaeffer  
Town Manager



Stephanie E. Miller  
Director of Finance and Human Resources



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Warrenton  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

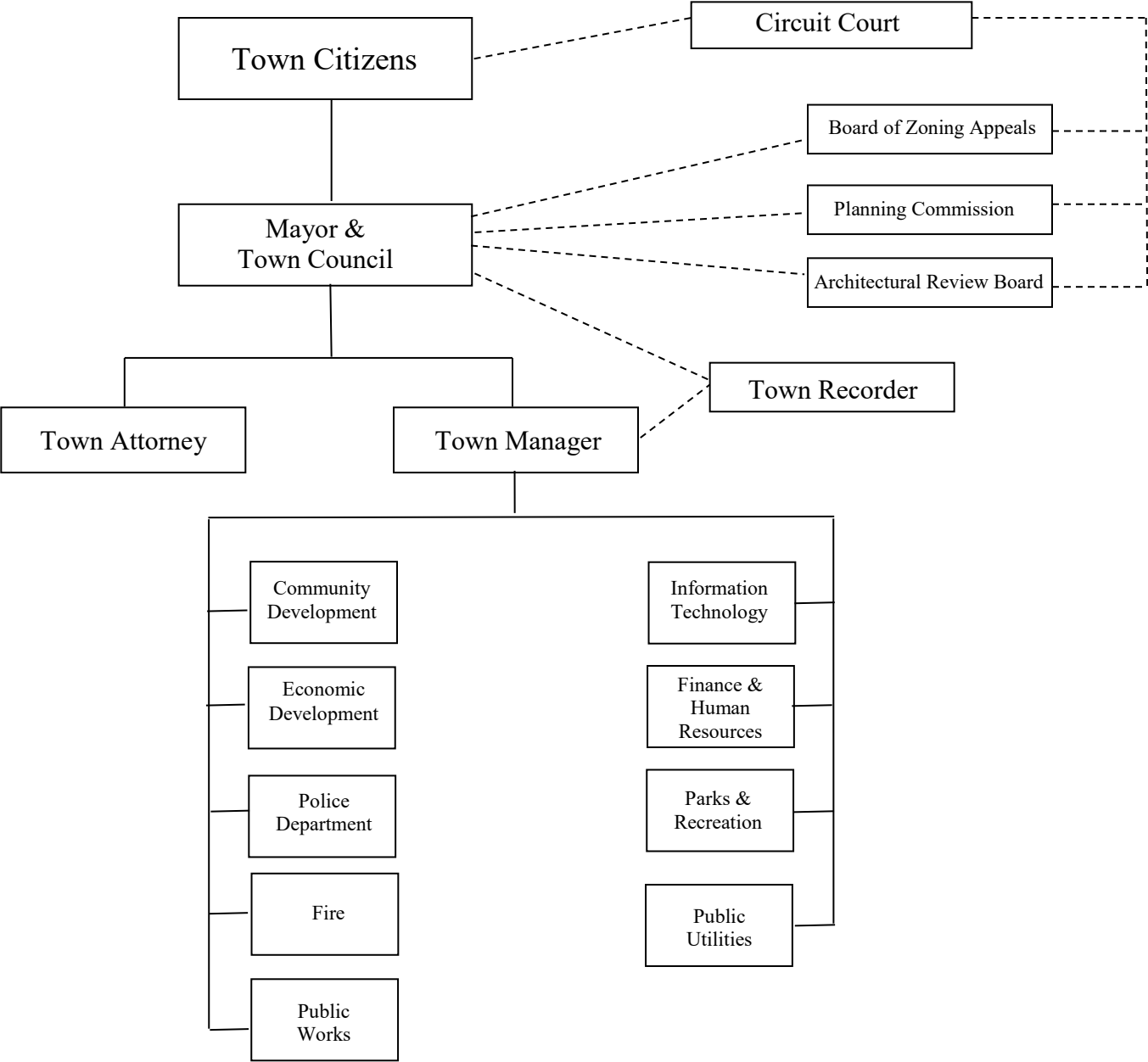
**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

# ORGANIZATIONAL CHART

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

## **Report on the Financial Statements (Continued)**

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and the other required supplementary information 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. The introductory section, other supplemental information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic 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 27, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 27, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The management of the Town of Warrenton, Virginia presents the following discussion and analysis of the Town's financial activities for the fiscal year ended June 30, 2019. This discussion and analysis is intended to be read in conjunction with the Letter of Transmittal in the Introductory Section of this report and the Financial Statements, Notes, and other required supplementary information, which follow this discussion and analysis.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This Comprehensive Annual Financial Report (CAFR) consists of four sections: Introductory, Financial, Statistical, and Compliance.

- The Introductory Section includes a listing of Principal Town Officials, the Letter of Transmittal, a copy of the Fiscal Year 2018 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, and the Town's organizational chart.
- The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplementary information, and supporting schedules.
- The Statistical Section provides selected financial and demographic data related to the Town presented on a multi-year basis.
- The Compliance Section includes the auditors' report on compliance and internal controls.

### **Financial Section Overview**

Management's Discussion and Analysis serves as an introduction to the Financial Section of the CAFR. It is followed by four additional sections – the basic financial statements, required supplementary information, other supplementary information, and supporting schedules.

The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements and the fund financial statements present different views of the Town's financial activities. These differences are explained in more detail in the following sections.

Required supplementary information consists of this discussion and analysis and the Schedules of Changes in the Net Pension Liability and Related Ratios, Employer Pension Contributions, Employer's Share of Net OPEB Liability – VRS GLI, and Employer OPEB Contributions – VRS GLI.

Other supplementary information consists of combining schedules for Fiduciary and Agency Funds and the Schedule of Revenues, Expenditures – Budget and Actual – General Fund.

(Continued)

The supporting schedules provide detailed schedules of revenues and expenditures for governmental and proprietary funds.

### **Government-wide Financial Statements**

The government-wide financial statements (Exhibits 1 and 2) provide financial statement users with a general overview of Town finances. These statements report the Town's net position and how the net position has changed during the fiscal year using accounting methods similar to those used in the private sector. The two financial statements that present this information are the statement of net position and the statement of activities.

The Statement of Net Position (Exhibit 1) presents all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Town is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial condition of the Town, such as changes in the Town's property tax base and the condition of Town facilities.

The Statement of Activities (Exhibit 2) utilizes the accrual basis of accounting to present information detailing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenues. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services.

Both government-wide financial statements are separated into governmental activities and business-type activities. Governmental activities are principally supported by taxes and intergovernmental revenues and include general government administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The business-type activity of the Town is the Water and Sewer Fund.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the Town government. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories:

- **Governmental Funds** - Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. 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. There are two governmental funds for the Town: the General Fund and the Perpetual Care Fund, which is a permanent fund established for the maintenance of the Warrenton Cemetery. The Town of Warrenton 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** - There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis of accounting, similar to private sector business. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town of Warrenton has one proprietary fund: the Water and Sewer Fund. The Water and Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment.
- **Fiduciary Funds** - Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the Town's own activities.

### **FISCAL YEAR 2019 FINANCIAL HIGHLIGHTS**

The Town reported a positive net position at the close of the last two fiscal years. The unrestricted portion of this figure may be used to meet the Town's ongoing obligations to creditors and citizens.

	June 30, 2019	June 30, 2018
Net Position	\$ 73,552,314	\$ 73,316,054
Unrestricted	16,065,710	15,861,648

The Town's total net position increased \$236,260 in fiscal year 2019. This is due to the positive change in net position for Business-type activities, which is attributable to investing activities. The unrestricted portion of net position increased by \$204,062, due to an increase in the unrestricted net position for governmental activities.

(Continued)

The Town's governmental funds reported an increase of \$268,650 in combined ending fund balances for the fiscal year. Revenues increased by \$1.6M over the prior year, mostly in the categories of Miscellaneous revenue and Federal revenue. Governmental expenditures increased by \$0.9M compared to fiscal year 2018. The largest areas of increase were Capital projects (increase of \$697,209) and Public works (increase of \$425,387), but were offset by a decrease in Public safety expenditures of \$376,319, which was mostly due to personnel vacancies. Unassigned fund balance increased by \$717,171 and represents 84.7% of total fund balance.

		June 30, 2019	June 30, 2018
Fund balance, ending	\$	13,713,608	\$ 13,444,958
Increase (decrease) from prior year		268,650	(108,216)
Unassigned fund balance	\$	11,611,907	\$ 10,894,756
Percentage unassigned		84.7%	81.0%

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As previously noted, net position may serve as a useful indicator of a government's financial condition. For the Town of Warrenton, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$73,552,314 at June 30, 2019.

**Table 1**

<b>Town of Warrenton Summary of Net Position</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Assets:</b>						
Current and other assets	\$ 14,515,783	\$ 14,440,109	\$ 17,782,418	\$ 18,822,925	\$ 32,298,201	\$ 33,263,034
Capital assets	44,916,892	46,040,703	21,578,562	19,378,119	66,495,454	65,418,822
Total assets	\$ 59,432,675	\$ 60,480,812	\$ 39,360,980	\$ 38,201,044	\$ 98,793,655	\$ 98,681,856
<b>Deferred outflows of resources:</b>						
Deferred charge on refunding	\$ 525,093	\$ 604,777	\$ -	\$ -	\$ 525,093	\$ 604,777
Pension-related deferred outflows	431,649	619,179	148,589	207,068	580,238	826,247
OPEB-related deferred outflows	57,954	37,115	20,046	13,041	78,000	50,156
Total deferred outflows of resources	\$ 1,014,696	\$ 1,261,071	\$ 168,635	\$ 220,109	\$ 1,183,331	\$ 1,481,180
Total assets and deferred outflows of resources	\$ 60,447,371	\$ 61,741,883	\$ 39,529,615	\$ 38,421,153	\$ 99,976,986	\$ 100,163,036
<b>Liabilities:</b>						
Long-term liabilities	\$ 10,254,350	\$ 11,048,756	\$ 13,062,103	\$ 13,327,783	\$ 23,316,453	\$ 24,376,539
Other liabilities	865,345	1,054,148	1,700,764	749,969	2,566,109	1,804,117
Total liabilities	\$ 11,119,695	\$ 12,102,904	\$ 14,762,867	\$ 14,077,752	\$ 25,882,562	\$ 26,180,656
<b>Deferred inflows of resources:</b>						
Property taxes	\$ 670	\$ 541	\$ -	\$ -	\$ 670	\$ 541
Pension-related deferred inflows	370,054	459,962	127,386	153,823	497,440	613,785
OPEB-related deferred inflows	32,692	38,480	11,308	13,520	44,000	52,000
Total deferred inflows of resources	\$ 403,416	\$ 498,983	\$ 138,694	\$ 167,343	\$ 542,110	\$ 666,326
<b>Net position:</b>						
Net investment in capital assets	\$ 38,111,853	\$ 38,788,308	\$ 18,259,451	\$ 17,336,839	\$ 56,371,304	\$ 56,125,147
Restricted	916,053	1,154,623	205,247	174,636	1,115,300	1,329,259
Unrestricted	9,902,354	9,197,065	6,163,356	6,664,583	16,065,710	15,861,648
Total net position	\$ 48,924,260	\$ 49,139,996	\$ 24,628,054	\$ 24,176,058	\$ 73,552,314	\$ 73,316,054
Total liabilities and deferred inflows of resources and net position	\$ 60,447,371	\$ 61,741,883	\$ 39,529,615	\$ 38,421,153	\$ 99,976,986	\$ 100,163,036

(Continued)



The Town's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. At the end of the fiscal year, the Town is able to report positive balances in all three categories of net position.

***Net Investment in Capital Assets:*** The net investment in capital assets represents the Town's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those assets. Debt incurred, but not yet expended for capital assets, is not included as a component of net investment in capital assets. Although the investment in 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. The Town uses capital assets to provide services to citizens. For the Town, the net investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) as of June 30, 2019 is \$56,371,304 and represents 76.6 percent of total net position.

***Restricted Net Position:*** Restricted net position represents resources that are subject to external restrictions on how they may be used. The restricted net position includes amounts reserved for perpetual care of the Warrenton Cemetery, which the Town maintains. The Town's restricted net position is \$1,115,300, or 1.5 percent of total net position.

***Unrestricted Net Position:*** The remaining balance of unrestricted net position at June 30, 2019 is \$16,065,710, or 21.8 percent of total net position, and may be used to meet the government's ongoing obligations to citizens and creditors. During Fiscal Year 2019, the net position of the government increased by \$236,260 primarily due to investment earnings and the sale of a capital asset.

## **CHANGE IN NET POSITION**

Table 2 outlines the key elements of the change in net position for the reporting entity for the year ended June 30, 2019.

Table 2

**Town of Warrenton**  
**Changes in Net Position**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,650,449	\$ 1,566,123	\$ 5,785,979	\$ 5,485,203	\$ 7,436,428	\$ 7,051,326
Operating grants & contributions	1,738,537	1,649,969	-	-	1,738,537	1,649,969
Capital grants & contributions	469,948	109,830	-	-	469,948	109,830
General revenues:						
General property taxes	1,302,786	1,267,738	-	-	1,302,786	1,267,738
Other local taxes	7,490,756	7,314,555	-	-	7,490,756	7,314,555
Use of money and property	348,274	137,843	492,443	303,371	840,717	441,214
Gain on sale of asset	105,508	-	-	-	105,508	-
Miscellaneous	635,866	367,596	-	-	635,866	367,596
Grants and contributions not restricted to specific programs	<u>1,301,520</u>	<u>1,332,320</u>	<u>-</u>	<u>-</u>	<u>1,301,520</u>	<u>1,332,320</u>
Total revenues	\$ <u>15,043,644</u>	\$ <u>13,745,974</u>	\$ <u>6,278,422</u>	\$ <u>5,788,574</u>	\$ <u>21,322,066</u>	\$ <u>19,534,548</u>
<b>Expenses:</b>						
General government	\$ 1,373,604	\$ 1,245,681	\$ -	\$ -	\$ 1,373,604	\$ 1,245,681
Public safety	3,754,801	4,070,378	-	-	3,754,801	4,070,378
Public works	5,925,684	4,890,072	-	-	5,925,684	4,890,072
Health and welfare	161,934	133,891	-	-	161,934	133,891
Parks, recreation and cultural	2,782,463	2,719,536	-	-	2,782,463	2,719,536
Community development	995,959	935,243	-	-	995,959	935,243
Water and Sewer	-	-	5,426,353	5,411,158	5,426,353	5,411,158
Interest on long-term debt	<u>264,935</u>	<u>269,121</u>	<u>400,073</u>	<u>213,995</u>	<u>665,008</u>	<u>483,116</u>
Total expenses	\$ <u>15,259,380</u>	\$ <u>14,263,922</u>	\$ <u>5,826,426</u>	\$ <u>5,625,153</u>	\$ <u>21,085,806</u>	\$ <u>19,889,075</u>
Change in net position	\$ (215,736)	\$ (517,948)	\$ 451,996	\$ 163,421	\$ 236,260	\$ (354,527)
Net position, beginning of year	<u>49,139,996</u>	<u>49,657,944</u>	<u>24,176,058</u>	<u>24,012,637</u>	<u>73,316,054</u>	<u>73,670,581</u>
Net position, end of year	\$ <u><u>48,924,260</u></u>	\$ <u><u>49,139,996</u></u>	\$ <u><u>24,628,054</u></u>	\$ <u><u>24,176,058</u></u>	\$ <u><u>73,552,314</u></u>	\$ <u><u>73,316,054</u></u>

**Governmental Activities:** For the year ended June 30, 2019, Governmental activities decreased net position by \$215,736. Total revenues increased by \$1,297,670 compared to the prior year, with the greatest increases reflected in capital grants and contributions, use of money and property, gain on sale of an asset, and miscellaneous revenue. Total expenses increased by a lesser amount compared to the prior year, but still exceeded revenues. The area of greatest increase for expenses was the Public works functional area with an increase of \$1,035,612, due in large part to an increase in paving projects coupled with depreciation expense related to infrastructure. Public safety decreased by \$315,577 mostly due to personnel vacancies.

(Continued)

***Business-type Activities:*** Business-type activities increased net position by \$451,996. Water and Sewer expenses increased by only \$15,195 compared to the prior year, while interest on long-term debt increased by \$186,078. The increase in interest is due to the amortization of general obligation bonds issued in 2016 and 2018 to finance water and sewer capital projects. On the revenue side, charges for services increased by \$300,776 due to service rate increases. Use of money and property increased by \$189,072, due to gains on unspent bond proceeds invested with the Virginia State Non-Arbitrage Program.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As mentioned earlier, the Town uses fund accounting to ensure compliance with finance-related legal requirements and to demonstrate accountability. The following highlights of the Town's funds are provided.

***Governmental Funds:*** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the Town's financing requirements. 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.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$13,713,608, an increase of \$268,650 compared to the prior year. Approximately 84.7 percent, or \$11,611,907, of total fund balance is unassigned, which is available for spending at the government's discretion. The remainder of fund balance is classified as nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

***Proprietary Fund:*** The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in greater detail. As mentioned previously, the Town reports one proprietary fund - the Water and Sewer Fund.

For the Water and Sewer Fund, total net position as of June 30, 2019 is \$24,628,054, an increase of \$451,996 compared to June 30, 2018. The net investment in capital assets is \$18,259,451, which reflects an increase of \$922,612. Unrestricted net position of the Water and Sewer Fund at the end of the year was \$6,163,356, or 25.0 percent, of the fund's net position. This reflects a decrease in unrestricted net position from fiscal year 2018 of \$501,227.

The greatest impact year after year for the proprietary fund is depreciation expense. Depreciation expense for the fiscal year ended June 30, 2019 was \$1,159,419 for the Water and Sewer Fund. The activity of this fund is capital intensive, requiring extensive ongoing annual maintenance expenses and a proactive capital improvement program. During fiscal year 2019, the Town entered into contracts for two large, bond-funded capital projects. Further information on the projects is provided in the capital assets section of this analysis.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original budgeted appropriation and the final amended budgeted appropriation for the general fund was \$1,742,834, or 10.6 percent, of the total original budget. Final actual expenditures were \$3,121,562, or 17.1 percent, less than final amended appropriations. The three functional areas that realized the greatest variation with the budget were public safety, community development, and capital outlay. Public safety had a number of personnel vacancies that either have been filled or have on-going recruitments in fiscal year 2020. Community Development filled several positions during the year, and has several on-going projects for which funding was carried forward into fiscal year 2020. Similarly, for capital outlay, there were delays related to capital asset acquisitions and multi-year projects that were carried over into the next fiscal year.

Final actual revenue was \$264,908 higher than final amended budget amounts. The largest variances were in the Other Local Taxes and Federal Intergovernmental categories. For Other local taxes, Bank stock tax exceeded the budgeted amount by \$312,498 and Business license taxes were \$155,956 greater than the budget. Federal revenue fell short of meeting the budgeted appropriation by \$435,456, due to delays in starting the Timber Fence trail project. This project has been carried over to fiscal year 2020.

## **CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

### **Capital assets**

The Town's capital asset classes include land, utility plant in service, buildings, infrastructure, machinery and equipment, and construction in progress. The total value of capital assets reported for the entity increased by \$1,076,632 during the fiscal year. It should be noted that the totals reported in this section are net of accumulated depreciation but not of related debt, and as a result vary from the net investment in capital assets reported earlier in this discussion and analysis.

Capital assets for the Town's governmental activities as of June 30, 2019 total \$44,916,892 (net of accumulated depreciation). As noted in Table 3, the largest class of assets for governmental activities is buildings and improvements. This asset class includes the Warrenton Aquatic and Recreation Facility (WARF), Town Hall, the Public Safety Facility, and the Public Works Facility. The total net decrease in governmental activities capital assets for the current fiscal year was \$1,123,811. Depreciation expense charged for governmental activities for the period ended June 30, 2019 was \$2,546,155.

Capital asset additions during fiscal year 2019 for governmental activities totaled \$1,795,694. The following are some of the major additions in this category:

- Mini-roundabout at the intersection of Falmouth Street and Shirley Avenue - \$476,241
- Replacement of seven (7) police department vehicles - \$434,359
- Rady Park playground equipment replacement - \$219,984
- Project 25 interoperability radio conversion project - \$219,421

(Continued)

The Town's business-type activity capital assets total \$21,578,562 (net of accumulated depreciation) which reflects a net increase of \$2,200,443 from the prior year. The largest class of assets for business-type activities is Utility plant in service, which includes the Water Treatment Plant, the Wastewater Treatment Plant, and the transmission and distribution lines for the system. Depreciation expense for business-type activities for the period ended June 30, 2019 was \$1,159,419.

For business-type activities, capital asset additions totaled \$3,623,535, including the following major items:

- Blackwell Road waterline extension - \$263,673
- Vehicle and equipment replacements - \$122,532
- Net increase in construction in progress for various bond-funded projects totaling \$2,973,657, including:
  - Moving Bed Biological Reactor construction at the Wastewater Treatment Plant - \$1,887,585
  - Chemical Building design and construction at the Water Treatment Plant - \$259,468

**Table 3**

Town of Warrenton							
Capital Assets (net of depreciation)							
	Governmental activities		Business-type activities		Total		
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
Land	\$ 4,521,873	\$ 4,649,073	\$ 665,660	\$ 665,660	\$ 5,187,533	\$ 5,314,733	
Construction in progress	174,135	128,821	4,462,407	1,488,750	4,636,542	1,617,571	
Utility plant in service	-	-	15,491,354	16,233,436	15,491,354	16,233,436	
Buildings and improvements	20,707,192	21,629,193	-	-	20,707,192	21,629,193	
Infrastructure	16,008,888	16,547,658	-	-	16,008,888	16,547,658	
Furniture, equipment, and vehicles	3,504,804	3,085,958	959,141	990,273	4,463,945	4,076,231	
Total	\$ <u>44,916,892</u>	\$ <u>46,040,703</u>	\$ <u>21,578,562</u>	\$ <u>19,378,119</u>	\$ <u>66,495,454</u>	\$ <u>65,418,822</u>	

Additional information on the Town's capital assets may be found in Note 5 to the financial statements.

(Continued)

## Long-term Obligations

At the end of the fiscal year, the Town had \$23.3 million in outstanding obligations. This represents a decrease of \$1.1 million from the prior year. Table 4 summarizes the outstanding obligations of the Town:

Table 4

Town of Warrenton						
Long-term Obligations						
	Governmental activities		Business-type activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
General obligation bonds	\$ 7,099,000	\$ 7,562,000	\$ 12,007,000	\$ 12,180,000	\$ 19,106,000	\$ 19,742,000
Capital lease	231,132	295,172	-	-	231,132	295,172
Net pension liability	1,999,626	2,359,628	688,343	789,117	2,687,969	3,148,745
Net OPEB liability	355,154	342,620	122,846	120,380	478,000	463,000
Compensated absences	569,438	489,336	243,914	238,286	813,352	727,622
Total	\$ <u>10,254,350</u>	\$ <u>11,048,756</u>	\$ <u>13,062,103</u>	\$ <u>13,327,783</u>	\$ <u>23,316,453</u>	\$ <u>24,376,539</u>

Additional information on the Town's long-term debt can be found in Note 6 to the financial statements. Details regarding the Town's net pension liability can be found in Note 7 and information on the net other postemployment benefits liability can be found in Note 8.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

### Economic Factors

The following economic factors were considered in the preparation of the budget for Fiscal Year 2020:

- Several large housing developments and one large mixed use development have been approved within Town limits in the past few years. While they have been slow to start, availability fees and permit revenues indicate that some of these are underway and are seen as a positive indicator of the continued stability and growth of the tax base.
- Sales tax, Meals tax and Business License tax revenues have seen modest increases in recent years, so revenue estimates for these categories have been prepared accordingly. Potential development noted above and boundary line adjustments under consideration by the Town Council may have a favorable impact on revenues.
- The unemployment rate for Fauquier County has declined by 0.2% from 2.8% in June 2018 to 2.6% in June 2019. This compares favorably to the Virginia rate of 2.9% and the national average of 3.8%.

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## **Fiscal Year 2020 Budget and Rates**

- The Fiscal Year 2020 Adopted Budget did not include any tax rate increases. The total appropriation for all funds is \$24,968,045, which is a decrease of \$9,289,441 from the Fiscal Year 2019 budget appropriation.
- The adopted General Fund budget for Fiscal Year 2020 is \$15,817,792, an increase of \$148,224, or 0.9 percent, from the adopted budget for Fiscal Year 2019. The budget added a net of one full-time position. Capital projects are budgeted in a separate fund, and totals \$2,734,000 for Fiscal Year 2020. This is supported by a transfer from the General Fund of \$1,553,552 which represents a use of fund balance.
- The largest revenue categories for the General Fund are the Other local taxes category at 42.4 percent, which includes the Town's two largest revenue sources - Business license taxes and Meals taxes; State revenue at 17.2 percent, which consists primarily of funding for the maintenance of Town streets and roads; and Charges for services at 7.9 percent, which consists primarily of user fees for the Warrenton Aquatic and Recreation Facility (WARF). General property taxes comprise 7.7 percent of General Fund revenue.
- The largest functional expenditure areas for the General Fund are Public Works at 22.1 percent and Public Safety at 21.5 percent.
- The Fiscal Year 2020 Adopted Budget for the General Fund plans for the use of \$1,682,251 of fund balance. In accordance with Town policy, fund balance is utilized only to support capital expenditures and debt service for capital expenditures. The Fiscal Year 2020 Adopted Budget includes water and sewer rate increases effective July 1, 2019 consistent with a rate study conducted by Municipal Financial Services Group in 2015. The Water and Sewer Operating fund budget increased by \$166,045, or 2.9 percent, compared to the prior year.
- The Water and Sewer Capital program totals \$2,262,775 for facility improvements for the Town's Water and Sewer system. These projects will be cash funded, as projects undertaken in fiscal year 2019 will exhaust the unspent bond proceeds from issuances of general obligation bonds in 2016 and 2018.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide readers with a general overview of the Town of Warrenton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, P.O. Box 341, Warrenton, Virginia 20188.

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# **BASIC FINANCIAL STATEMENTS**

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## TOWN OF WARRENTON, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 8,903,005	\$ 7,653,103	\$ 16,556,108
Cash and cash equivalent, restricted (Note 2)	288,726	9,007,175	9,295,901
Investments (Note 2)	3,649,339	-	3,649,339
Receivables, net (Note 3)	998,057	897,016	1,895,073
Due from other governmental units (Note 4)	368,270	-	368,270
Inventories	167,555	208,170	375,725
Prepays	140,831	16,954	157,785
Capital assets: (Note 5)			
Nondepreciable	4,696,008	5,128,067	9,824,075
Depreciable, net	40,220,884	16,450,495	56,671,379
Total assets	59,432,675	39,360,980	98,793,655
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	525,093	-	525,093
Deferred outflows related to pensions (Note 7)	431,649	148,589	580,238
Deferred outflows related to other postemployment benefits (Note 8)	57,954	20,046	78,000
Total deferred outflows of resources	1,014,696	168,635	1,183,331
<b>LIABILITIES</b>			
Accounts payable	461,167	1,197,118	1,658,285
Accrued payroll and related liabilities	328,707	121,208	449,915
Customer deposits	-	86,127	86,127
Accrued interest payable	75,471	182,272	257,743
Unearned revenue	-	114,039	114,039
Long-term liabilities:			
Net pension liability (Note 7)	1,999,626	688,343	2,687,969
Net other postemployment benefit liability (Note 8)	355,154	122,846	478,000
Due within one year (Note 6)	598,293	345,391	943,684
Due in more than one year (Note 6)	7,301,277	11,905,523	19,206,800
Total liabilities	11,119,695	14,762,867	25,882,562
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes	670	-	670
Deferred inflows related to pensions (Note 7)	370,054	127,386	497,440
Deferred inflows related to other postemployment benefits (Note 8)	32,692	11,308	44,000
Total deferred inflows of resources	403,416	138,694	542,110
<b>NET POSITION</b>			
Net investment in capital assets	38,111,853	18,259,451	56,371,304
Restricted:			
Unspent maintenance funds	-	205,247	205,247
Capital outlay	288,726	-	288,726
Perpetual Care – nonexpendable	621,327	-	621,327
Unrestricted	9,902,354	6,163,356	16,065,710
Total net position	\$ 48,924,260	\$ 24,628,054	\$ 73,552,314

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

**EXHIBIT 2**

**TOWN OF WARRENTON, VIRGINIA**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2019**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities							
General government administration	\$ 1,373,604	\$ 257,969	\$ -	\$ -	\$ (1,115,635)		\$ (1,115,635)
Public safety	3,754,801	188,749	288,283	-	(3,277,769)		(3,277,769)
Public works	5,925,684	-	1,448,537	469,948	(4,007,199)		(4,007,199)
Health and welfare	161,934	-	-	-	(161,934)		(161,934)
Parks, recreation, and cultural	2,782,463	1,203,731	-	-	(1,578,732)		(1,578,732)
Community development	995,959	-	1,717	-	(994,242)		(994,242)
Interest on long-term debt	264,935	-	-	-	(264,935)		(264,935)
Total governmental activities	15,259,380	1,650,449	1,738,537	469,948	(11,400,446)		(11,400,446)
Business-type activities							
Water and sewer	5,826,426	5,785,979	-	-		(40,447)	(40,447)
Total business-type activities	5,826,426	5,785,979	-	-		(40,447)	(40,447)
Total primary government	\$ 21,085,806	\$ 7,436,428	\$ 1,738,537	\$ 469,948	(11,400,446)	(40,447)	(11,440,893)
General revenues:							
		Property taxes			1,302,786	-	1,302,786
		Sales and use taxes			709,173	-	709,173
		Consumers' utility taxes			498,267	-	498,267
		Business license taxes			1,998,815	-	1,998,815
		Meals taxes			2,659,254	-	2,659,254
		Bank stock taxes			932,498	-	932,498
		Other local taxes			692,749	-	692,749
		Unrestricted revenues from use of money and property			348,274	492,443	840,717
		Gain on sale of assets			105,508	-	105,508
		Miscellaneous			635,866	-	635,866
		Grants and contributions not restricted to specific programs			1,301,520	-	1,301,520
		Total general revenues			11,184,710	492,443	11,677,153
		Change in net position			(215,736)	451,996	236,260
NET POSITION AT JULY 1					49,139,996	24,176,058	73,316,054
NET POSITION AT JUNE 30					\$ 48,924,260	\$ 24,628,054	\$ 73,552,314

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

## TOWN OF WARRENTON, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<u>General Fund</u>	<u>Permanent Perpetual Care Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 8,281,678	\$ 621,327	\$ 8,903,005
Cash and cash equivalents, restricted (Note 2)	288,726	-	288,726
Investments (Note 2)	3,649,339	-	3,649,339
Receivables, net (Note 3)	998,057	-	998,057
Due from other governmental units (Note 4)	368,270	-	368,270
Inventories	167,555	-	167,555
Prepays	140,831	-	140,831
	<u>\$ 13,894,456</u>	<u>\$ 621,327</u>	<u>\$ 14,515,783</u>
Total assets			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 461,167	\$ -	\$ 461,167
Accrued payroll and related liabilities	328,707	-	328,707
	<u>789,874</u>	<u>-</u>	<u>789,874</u>
Total liabilities			
Deferred inflows of resources			
Unavailable revenue	12,301	-	12,301
	<u>12,301</u>	<u>-</u>	<u>12,301</u>
Fund balances (Note 11)			
Nonspendable	308,386	621,327	929,713
Restricted	288,726	-	288,726
Committed	770,262	-	770,262
Assigned	113,000	-	113,000
Unassigned	11,611,907	-	11,611,907
	<u>13,092,281</u>	<u>621,327</u>	<u>13,713,608</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,894,456</u>	<u>\$ 621,327</u>	<u>\$ 14,515,783</u>

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

## TOWN OF WARRENTON, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2019**

**Ending fund balance – governmental fund** \$ 13,713,608

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.

Governmental capital assets	\$ 85,179,518	
Less: accumulated depreciation	(40,262,626)	
		44,916,892

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.

11,631

Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of related to:

Pensions	431,649	
Other postemployment benefits	57,954	

Deferred inflows related to:

Pensions	(370,054)	
Other postemployment benefits	(32,692)	

Net pension liability	(1,999,626)	
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Net other postemployment benefit liability	(355,154)	
		(2,267,923)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds, including unamortized deferred amounts	(7,099,000)	
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Capital leases	(231,132)	
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Deferred charge on refunding	525,093	
------------------------------	---------	--

Accrued interest payable	(75,471)	
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Compensated absences	(569,438)	
		(7,449,948)

**Total net position – governmental activities** \$ 48,924,260

## TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Permanent Perpetual Care Fund</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 1,312,429	\$ -	\$ 1,312,429
Other local taxes	7,490,756	-	7,490,756
Permits, privilege fees, and regulatory licenses	257,969	-	257,969
Fines and forfeitures	188,749	-	188,749
Revenue from use of money and property	334,379	13,895	348,274
Charges for services	1,203,731	-	1,203,731
Miscellaneous	1,060,766	-	1,060,766
Intergovernmental			
Commonwealth	3,243,275	-	3,243,275
Federal	266,730	-	266,730
	<hr/>	<hr/>	<hr/>
Total revenues	15,358,784	13,895	15,372,679
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current			
General government administration	1,292,870	-	1,292,870
Public safety	3,536,374	-	3,536,374
Public works	3,796,095	-	3,796,095
Health and welfare	161,934	-	161,934
Parks, recreation, and cultural	2,040,281	-	2,040,281
Community development	998,655	-	998,655
Capital projects	2,560,188	-	2,560,188
Debt service			
Principal retirement	527,040	-	527,040
Interest and other fiscal charges	190,592	-	190,592
	<hr/>	<hr/>	<hr/>
Total expenditures	15,104,029	-	15,104,029
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	254,755	13,895	268,650
	<hr/>	<hr/>	<hr/>
Net change in fund balance	254,755	13,895	268,650
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE AT JULY 1</b>	12,837,526	607,432	13,444,958
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE AT JUNE 30</b>	\$ 13,092,281	\$ 621,327	\$ 13,713,608
	<hr/>	<hr/>	<hr/>

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

## TOWN OF WARRENTON, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

**Net change in fund balance – total governmental fund** \$ 268,650

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 is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 1,741,736	
Book value of capital assets disposed	(319,392)	
Depreciation expense	<u>(2,546,155)</u>	
		(1,123,811)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(9,643)
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Governmental funds report employer 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	431,649	
Pension expense net of employer contributions	<u>(169,269)</u>	
		262,380

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.

Employer life insurance contributions	22,290	
Life insurance expense	<u>(8,197)</u>	
		14,093

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Amortization of deferred amounts	(79,684)	
Principal retired on general obligation bonds	463,000	
Principal retired on capital leases	<u>64,040</u>	
		447,356

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This adjustment combines the net changes of the following:

Change in compensated absences	(80,102)	
Change in accrued interest payable	<u>5,341</u>	
		<u>(74,761)</u>

<b>Change in net position of governmental activities</b>		<b>\$ (215,736)</b>
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The Notes to Financial Statements are an integral part of this statement.

## TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 1,319,650	\$ 1,319,650	\$ 1,312,429	\$ (7,221)
Other local taxes	7,079,771	7,079,771	7,490,756	410,985
Permits, privilege fees, and regulatory licenses	180,800	180,800	257,969	77,169
Fines and forfeitures	170,000	170,000	188,749	18,749
Revenue from use of money and property	137,700	137,700	334,379	196,679
Charges for services	1,360,262	1,360,262	1,203,731	(156,531)
Miscellaneous	691,106	909,908	1,060,766	150,858
Intergovernmental				
Commonwealth	3,023,264	3,233,599	3,243,275	9,676
Federal	365,627	702,186	266,730	(435,456)
Total revenues	14,328,180	15,093,876	15,358,784	264,908
<b>EXPENDITURES</b>				
Current				
General government administration	2,013,083	2,162,376	2,012,571	149,805
Public safety	3,772,409	3,751,909	3,245,451	506,458
Public works	3,495,900	3,525,723	3,459,689	66,034
Health and welfare	179,115	179,115	161,934	17,181
Parks, recreation, and cultural	2,249,962	2,254,221	1,970,433	283,788
Community development	1,154,596	1,512,760	976,131	536,629
Capital outlay	2,883,162	4,104,957	2,560,188	1,544,769
Debt service				
Principal retirement	560,040	560,040	527,040	33,000
Interest and other fiscal charges	174,490	174,490	190,592	(16,102)
Total expenditures	16,482,757	18,225,591	15,104,029	3,121,562
Excess (deficiency) of revenues over expenditures	(2,154,577)	(3,131,715)	254,755	3,386,470
<b>OTHER FINANCING SOURCES</b>				
Capital lease proceeds	-	-	-	-
Net change in fund balance	\$ (2,154,577)	\$ (3,131,715)	\$ 254,755	\$ 3,386,470

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



## TOWN OF WARRENTON, VIRGINIA

STATEMENT OF NET POSITION –  
PROPRIETARY FUND

June 30, 2019

	<b>Business-Type Activities Enterprise Fund Water and Sewer</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents (Note 2)	\$ 7,653,103
Cash and cash equivalents, restricted (Note 2)	9,007,175
Receivable, net (Note 3)	897,016
Inventories	208,170
Prepaid items	16,954
Total current assets	<u>17,782,418</u>
Noncurrent assets	
Capital assets (Note 5)	
Non-depreciable	5,128,067
Depreciable, net	<u>16,450,495</u>
Total noncurrent assets	<u>21,578,562</u>
Total assets	<u>39,360,980</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions (Note 7)	148,589
Deferred outflows related to other postemployment benefits (Note 8)	<u>20,046</u>
Total deferred inflows of resources	<u>168,635</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	1,197,118
Accrued payroll and related liabilities	121,208
Customer deposits	86,127
Accrued interest payable	182,272
Current portion of unearned revenue	11,780
Long-term liabilities – due within one year (Note 6)	<u>345,391</u>
Total current liabilities	<u>1,943,896</u>
Noncurrent liabilities	
Unearned revenue – net of current portion	102,259
Net pension liability (Note 7)	688,343
Net other postemployment benefit liability (Note 8)	122,846
Long-term liabilities – due in more than one year (Note 6)	<u>11,905,523</u>
Total noncurrent liabilities	<u>12,818,971</u>
Total liabilities	<u>14,762,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions (Note 7)	127,386
Deferred outflows related to other postemployment benefits (Note 8)	<u>11,308</u>
Total deferred inflows of resources	<u>138,694</u>
<b>NET POSITION</b>	
Net investment in capital assets	18,259,451
Restricted for maintenance	205,247
Unrestricted	<u>6,163,356</u>
Total net position	<u>\$ 24,628,054</u>

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

## TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUND  
Year Ended June 30, 2019**

	<b><u>Business-Type Activities Enterprise Fund Water and Sewer</u></b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Sale of water	\$ 2,012,245
Sewer service charges	3,193,272
Connection fees	467,187
Other fees	<u>113,275</u>
Total operating revenues	<u>5,785,979</u>
<b>OPERATING EXPENSES</b>	
Source of supply	1,052,659
Transmission and distribution	624,970
Meter reading	212,929
Wastewater treatment operation	1,649,513
Public utilities administration	721,399
Maintenance and repairs	5,464
Depreciation	<u>1,159,419</u>
Total operating expenses	<u>5,426,353</u>
Operating income	<u>359,626</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest revenue	332,253
Rental revenue	160,190
Interest expense	<u>(400,073)</u>
Net non-operating revenues (expenses)	<u>92,370</u>
Change in net position	451,996
<b>NET POSITION AT JULY 1</b>	<u>24,176,058</u>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 24,628,054</u></u>

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

## TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
Year Ended June 30, 2019

	<b>Business-Type Activities Enterprise Fund Water and Sewer</b>
<b>OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 5,679,163
Payments to employees	(2,285,927)
Payments to suppliers	(1,929,599)
Other receipts	113,275
	<hr/>
Net cash provided by operating activities	1,576,912
	<hr/>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(2,559,702)
Principal paid on debt	(173,000)
Interest paid on capital debt	(346,516)
	<hr/>
Net cash used in capital and related financing activities	(3,079,218)
	<hr/>
<b>INVESTING ACTIVITIES</b>	
Interest revenue	332,253
Rental and other income	160,190
	<hr/>
Net cash provided by investing activities	492,443
	<hr/>
Net decrease in cash and cash equivalents	(1,009,863)
	<hr/>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	17,670,141
	<hr/>
Ending at June 30	\$ 16,660,278
	<hr/> <hr/>
<b>RECONCILIATION TO EXHIBIT 8</b>	
Cash and cash equivalents	\$ 7,653,103
Cash and cash equivalent, restricted	9,007,175
	<hr/>
	\$ 16,660,278
	<hr/> <hr/>

(Continued)

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

## TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
Year Ended June 30, 2019**Business-Type  
Activities**  
**Enterprise Fund**  
**Water and Sewer****RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 359,626
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,159,419
Pension expense net of employer contribution	(68,732)
Other postemployment benefit expense net of employer contribution	(6,751)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	25,340
Inventories	1,508
Prepaid items	3,796
Increase (decrease) in:	
Accounts payable	112,198
Accrued payroll and related liabilities	3,761
Customer deposits	3,845
Unearned revenue	(22,726)
Compensated absences	5,628
	<hr/>
Net cash provided by operating activities	<u><u>\$ 1,576,912</u></u>

**SCHEDULE OF NON-CASH ACTIVITIES**

Capital asset additions financed by accounts payable	<u><u>\$ 964,084</u></u>
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The Notes to Financial Statements are an integral part of this statement.

**TOWN OF WARRENTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET POSITION –**  
**FIDUCIARY FUNDS**  
**June 30, 2019**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 384,524
	<u>                    </u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,246
Amounts held for others	383,278
	<u>                    </u>
	<u>\$ 384,524</u>

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

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. The Financial Reporting Entity**

The Town of Warrenton (the “Town”) was established in 1810. It is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Town Council consist of an elected Mayor and seven-member Council. The Town has no component units.

**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 nonfiduciary activities of the Town. 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 government funds and enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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 collected 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 60 days of the end of the current fiscal 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.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

The Town reports the following major governmental funds:

The *general fund* is the government'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 *perpetual care fund* which is used to account for funds received for the Town's cemetery. The interest income can be used to maintain the cemetery.

The Town reports the following major proprietary fund:

The *water and sewer fund* accounts for the financing of services to the general public where all or most of the operating expenses involved are intended to be recovered in the form of user charges. The water and sewer enterprise fund consists of the activities relating to providing water and sewer services to the Town's residents, businesses, and other organizations.

Additionally, the Town reports the following fund type:

The *fiduciary funds* account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Town's agency fund and retirement fund. The Town's agency fund accounts for funds held for other entities and the retirement fund accounts for amounts held for employees for payment to the Virginia Retirement System (VRS).

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.

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 and sewer enterprise fund are charges to customers for sales and services. Operating expenses of the water and sewer fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting**

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

- 1) Prior to May 1<sup>st</sup>, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. There is no legally adopted budget for the perpetual care fund.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to July 1<sup>st</sup>, the budget is legally enacted through passage of an appropriations resolution. Town Council may, from time to time, amend the budget, providing for additional expenditures and the means for financing them.
- 4) The appropriations resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by Town Council. The Town Manager is authorized to transfer budgeted amounts within departments.
- 5) Formal budgetary integration is employed as a management control device during the year.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 7) Appropriations lapse on June 30<sup>th</sup> for all Town funds, unless they are carried forward by a resolution of Town Council.
- 8) All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30<sup>th</sup>.

Certain functions of the primary government provide services, such as information technology and fleet services, to all functions of the Town. For financial reporting purposes, the cost of these services are allocated to all the functions within the General Fund. For budget presentation, these costs are presented in their entirety within the general government administration function.

**E. Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less when purchased. Certificates of deposit with a maturity greater than three months are considered investments.

**F. Investments and Fair Measurement**

Investments in the Virginia Investment Pool is invested in high-quality corporate and government securities and the Town's investment is reported at fair value using its net asset value per share in the pool.

(Continued)



**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Inventories**

Inventories are stated at cost (first-in, first-out) and are expensed when used. Inventories consist of parts and materials held for consumption, which are recorded as an expenditure or expense when used.

**H. Prepaid Items**

Prepaid items consist primarily of membership dues incurred for periods in a subsequent fiscal year. Prepaid items are accounted for using the consumption method. The payments are recorded as expenditures in the fiscal year related to the coverage period.

**I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Infrastructure assets capitalized have an original cost of \$25,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Utility plant in service	50 years
Furniture, equipment, vehicles	5-10 years
Infrastructure	30-50 years

**J. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance is comprised of the following:

Real estate taxes – general fund	\$ 8,213
Personal property taxes – general fund	30,962
Water and sewer fund receivables – water and sewer fund	<u>23,473</u>
	<u>\$ 62,648</u>

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The Town has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss on refunding 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. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and other postemployment benefits (OPEB); this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period.
- Changes in proportionate share between measurement dates on OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan, and is reflected as a deferred inflow or outflow as appropriate.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent 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 the following items that qualify for reporting in this category:

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension and OPEB expense over the closed five year period.
- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period.
- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- The governmental funds report unavailable revenue from delinquent property taxes not collected within 60 days of year end. These amounts are deferred and recognized in the period that the amounts become available.
- On the government-wide statements, amounts prepaid on the 2<sup>nd</sup> half installment of property taxes. These amounts are deferred and recognized in the following period.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**L. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plans net fiduciary position have been determined on the same basis as they were reported by the 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.

**M. Compensated Absences**

The Town has policies which allow for the accumulation and vesting of limited amounts of paid time off until termination or retirement. Amounts of such absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds when the leave is due and payable.

**N. Long-Term Obligations**

In the government-wide financial statements and proprietary fund type financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable fund-type statements 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 period of debt issuance. The face amount of debt issued and 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 expenditures.

**O. Unearned/Unavailable Revenue**

In the statement of net position, unearned revenue arises when assets are received or recognized before revenue recognition criteria is satisfied and which consists of amounts received for maintaining the Warrenton Training Center in future years.

In the balance sheet of governmental funds, unearned/unavailable revenue arises when assets are recognized but are not available to finance expenditures of the current fiscal period or when assets are recognized before revenue recognition criteria is satisfied as described. Unearned/unavailable revenue consists of property taxes.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**P. Net Position/Fund Balance**

Net position in the government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute. Net investment in capital assets represents capital assets net of debt related to it.

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 fund.

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.
- **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 constrained to specific purposes by the Town, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the Town intends to use for a specified purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

**Q. Restricted Resources**

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.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**R. Minimum Fund Balance Policy**

The General Fund unassigned fund balance is targeted at no less than 50% of the current annual operating expenditure budget.

**S. 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. Significant encumbrances as of June 30<sup>th</sup> total \$1,309,205 in the general fund.

**T. Estimates**

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. 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) and 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.

**Investments**

**Investment policy**

Statutes authorize the Town to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; “prime quality” commercial paper and certain corporate notes; banker’s acceptances; repurchase agreements; the Virginia Investment Pool (VIP); the Virginia State Non-Arbitrage Program (SNAP); and the State Treasurer’s Local Government Investment Pool (LGIP). The VIP, LGIP, and SNAP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Town’s position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement No. 79.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

**Investment policy (Continued)**

As of June 30<sup>th</sup>, the Town had the following deposits and investments:

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity*</u>	<u>Percent of Portfolio</u>
Demand deposits	\$ 4,383,959	N/A	N/A	14.86 %
LGIP	12,778,001	AAAm	0.12	43.31
SNAP	8,687,889	AAAm	1 day	29.45
Virginia Investment Pool	3,649,339	AAAm	1.94	12.37
Cash on hand	2,160	N/A	N/A	0.01
	<u>\$ 29,501,348</u>			<u>100.00%</u>

\*Average maturity in years

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 16,556,108
Cash and cash equivalents, restricted	9,295,901
Investments	<u>3,649,339</u>
Total deposits and investments	<u>\$ 29,501,348</u>

**Credit risk**

As required by state statute or by the Town, the policy requires that commercial paper must 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, and 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 & Poor's. Bankers' 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-end 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.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

**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**

In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting its weighted average maturity of its investment portfolio to less than five years.

**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 cash and cash equivalents**

The water and sewer fund has restricted cash that consists of \$319,286 to maintain water lines for the Warrenton Training Center and \$8,687,889 in unspent bond proceeds. Restricted cash in the general fund consists of \$288,726 in funds designated for capital outlay.

**Note 3. Receivables**

Receivables are as follows:

	<b>General</b>	<b>Water and Sewer</b>	<b>Total</b>
Receivables:			
Property taxes	\$ 77,408	\$ -	\$ 77,408
Other local taxes	959,824	-	959,824
Accounts	-	920,489	920,489
	<hr/>	<hr/>	<hr/>
Gross receivables	1,037,232	920,489	1,957,721
Less: allowance for uncollectibles	(39,175)	(23,473)	(62,648)
	<hr/>	<hr/>	<hr/>
Net receivables	<u>\$ 998,057</u>	<u>\$ 897,016</u>	<u>\$ 1,895,073</u>

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 4. Due from Other Governmental Units**

Amounts due from other governmental units are as follows:

Commonwealth of Virginia:	
Sales tax	\$ 124,374
Communications tax	72,931
Motor vehicle tax	22,022
Miscellaneous	39,856
County of Fauquier, Virginia	42,600
Virginia Department of Transportation	65,997
Lord Fairfax Community College	490
	<u>\$ 368,270</u>

**Note 5. Capital Assets**

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 4,649,073	\$ -	\$ (127,200)	\$ 4,521,873
Construction in progress	128,821	99,272	(53,958)	174,135
Total capital assets, not depreciated	<u>4,777,894</u>	<u>99,272</u>	<u>(181,158)</u>	<u>4,696,008</u>
Capital assets, depreciated:				
Buildings and improvements	29,735,877	-	(274,560)	29,461,317
Infrastructure	41,728,634	660,891	-	42,389,525
Furniture, equipment, and vehicles	7,816,892	1,035,531	(219,755)	8,632,668
Total capital assets, depreciated	<u>79,281,403</u>	<u>1,696,422</u>	<u>(494,315)</u>	<u>80,483,510</u>
Less accumulated depreciation for:				
Buildings and improvements	8,106,684	729,809	(82,368)	8,754,125
Infrastructure	25,180,976	1,199,661	-	26,380,637
Furniture, equipment, and vehicles	4,730,934	616,685	(219,755)	5,127,864
Total accumulated, depreciation	<u>38,018,594</u>	<u>2,546,155</u>	<u>(302,123)</u>	<u>40,262,626</u>
Total capital assets, depreciated, net	<u>41,262,809</u>	<u>(849,733)</u>	<u>(192,192)</u>	<u>40,220,884</u>
Governmental activities capital assets, net	<u>\$ 46,040,703</u>	<u>\$ (750,461)</u>	<u>\$ (373,350)</u>	<u>\$ 44,916,892</u>

(Continued)



**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Capital Assets (Continued)**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	1,488,750	3,237,330	(263,673)	4,462,407
Total capital assets, not depreciated	2,154,410	3,237,330	(263,673)	5,128,067
Utility plant in service	42,516,389	263,673	-	42,780,062
Furniture, equipment, and vehicles	2,990,750	122,532	-	3,113,282
Total capital assets, depreciated	45,507,139	386,205	-	45,893,344
Less accumulated depreciation for:				
Utility plant in service	26,282,953	1,005,755	-	27,288,708
Machinery and equipment	2,000,477	153,664	-	2,154,141
Total accumulated depreciation	28,283,430	1,159,419	-	29,442,849
Total capital assets, depreciated, net	17,223,709	(773,214)	-	16,450,495
Business-type activities capital assets, net	<u>\$ 19,378,119</u>	<u>\$ 2,464,116</u>	<u>\$ (263,673)</u>	<u>\$ 21,578,562</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 1,404,471
Public safety	304,149
Parks, recreation, and cultural	715,172
General government	104,527
Community development	17,836
Total depreciation expense – governmental activities	<u>\$ 2,546,155</u>
Business-type activities	
Water and sewer	<u>\$ 1,159,419</u>

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Long-Term Liabilities**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
General obligation bonds	\$ 7,562,000	\$ -	\$ 463,000	\$ 7,099,000	\$ 476,000
Capital lease	295,172	-	64,040	231,132	65,350
Compensated absences	489,336	267,706	187,604	569,438	56,943
	<u>\$ 8,346,508</u>	<u>\$ 267,706</u>	<u>\$ 714,644</u>	<u>\$ 7,899,570</u>	<u>\$ 598,293</u>
Business-type activities:					
General obligation bond	\$ 12,180,000	\$ -	\$ 173,000	\$ 12,007,000	\$ 321,000
Compensated absences	238,286	108,947	103,319	243,914	24,391
	<u>\$ 12,418,286</u>	<u>\$ 108,947</u>	<u>\$ 276,319</u>	<u>\$ 12,250,914</u>	<u>\$ 345,391</u>

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>General Obligation Bond</b>		<b>General Obligation Bond</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 476,000	\$ 154,373	\$ 321,000	\$ 397,683
2021	489,000	143,516	333,000	387,658
2022	500,000	132,390	395,000	377,236
2023	511,000	121,016	452,000	364,505
2024	521,000	109,406	520,000	349,644
2025-2029	2,781,000	364,106	2,872,000	1,475,038
2030-2034	1,821,000	62,067	3,389,000	958,165
2035-2039	-	-	3,432,000	345,096
2040	-	-	293,000	7,472
	<u>\$ 7,099,000</u>	<u>\$ 1,086,874</u>	<u>\$ 12,007,000</u>	<u>\$ 4,662,497</u>

	<b>Capital Lease</b>	
	<b>Principal</b>	<b>Interest</b>
2020	\$ 65,350	\$ 4,444
2021	66,686	3,107
2022	68,050	1,743
2023	31,046	352
	<u>\$ 231,132</u>	<u>\$ 9,646</u>

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Long-Term Liabilities (Continued)**

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General obligation bonds:						
Refunding Series 2012	2.250%	10/03/12	08/01/31	\$ 8,517,000	\$ 7,099,000	\$ -
Series 2016	2.550%	03/25/16	01/15/40	\$ 5,020,000	\$ -	\$ 4,847,000
Series 2018	3.830%	03/16/18	01/15/38	\$ 7,160,000	\$ -	\$ 7,160,000
Capital lease:						
U.S. Bancorp – vehicles	2.035%	07/28/17	07/28/22	\$ 326,709	\$ 231,132	\$ -

**Note 7. Defined Benefit Pension Plan**

**Plan Description**

All full-time, salaried permanent employees of the Town of Warrenton, Virginia (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

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

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u><b>Number</b></u>
Inactive members or their beneficiaries currently receiving benefits	79
Inactive members:	
Vested inactive members	16
Non-vested inactive members	30
Inactive members active elsewhere in VRS	37
	<u>83</u>
Total inactive members	
Active members	<u>98</u>
Total covered employees	<u><u>260</u></u>

**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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 9.89% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$580,238 and \$624,250 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

The political subdivision's net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – 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 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: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public equity	40.00 %	4.54 %	1.82 %
Fixed income	15.00	0.69	0.10
Credit strategies	15.00	3.96	0.59
Real assets	15.00	5.76	0.86
Private equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50
			<u>7.30 %</u>

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2017	\$ 28,239,048	\$ 25,090,303	\$ 3,148,745
Changes for the year:			
Service cost	609,378	-	609,378
Interest	1,928,572	-	1,928,572
Differences between expected and actual experience	(257,353)	-	(257,353)
Contributions – employer	-	624,250	(624,250)
Contributions – employee	-	288,459	(288,459)
Net investment income	-	1,846,307	(1,846,307)
Benefit payments, including refunds of employee contributions	(1,376,036)	(1,376,036)	-
Administrative expenses	-	(16,001)	16,001
Other changes	-	(1,642)	1,642
Net changes	904,561	1,365,337	(460,776)
Balances at June 30, 2018	\$ 29,143,609	\$ 26,455,640	\$ 2,687,969

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability (asset)	\$ 6,223,708	\$ 2,687,969	\$ (279,671)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$226,753. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ 206,699
Change in assumptions	-	77,643
Net difference between projected and actual earnings on pension plan investments	-	213,098
Employer contributions subsequent to the measurement date	<u>580,238</u>	<u>-</u>
Total	<u>\$ 580,238</u>	<u>\$ 497,440</u>

(Continued)



**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$580,238 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (117,044)
2021	(102,083)
2022	(256,949)
2023	(21,364)
2024	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in a cost-sharing multi-employer other postemployment benefit plan, described as follows.

**Plan Descriptions**

**Group Life Insurance Program**

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Plan Descriptions (Continued)**

Group Life Insurance Program (Continued)

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

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

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plans.

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$30,000
June 30, 2018 Contribution	\$31,120

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

**Group Life Insurance Program**

June 30, 2019 proportionate share of liability	\$	478,000
June 30, 2018 proportion		0.03147 %
June 30, 2017 proportion		0.03079 %
June 30, 2019 expense	\$	8,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

**Group Life Insurance Program**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 23,000	\$ 8,000
Change in assumptions	-	20,000
Net difference between projected and actual earnings on OPEB plan investments	-	16,000
Changes in proportion	25,000	-
Employer contributions subsequent to the measurement date	<u>30,000</u>	<u>-</u>
Total	<u>\$ 78,000</u>	<u>\$ 44,000</u>

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

Group Life Insurance Program

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (2,000)
2021	(2,000)
2022	(2,000)
2023	2,000
2024	6,000
Thereafter	2,000

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.00%

- \* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 7.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	\$ 1,594,773
Employers' net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22 %

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

**Long-Term Expected Rate of Return**

**Group Life Insurance**

The long-term expected rate of return on VRS investments was determined using the method described in Note 7.

**Discount Rate**

The discount rate used to measure the GLI OPEB 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the OPEB liabilities 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 OPEB plans' 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 OPEB liability.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB 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 discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability	\$ 624,000	\$ 478,000	\$ 359,000

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 9. Property Taxes**

The town collects real property taxes semi-annually and personal property taxes annually. Assessments are the responsibility of Fauquier County, while billing and collection are the Town's responsibilities. Town Council adopts tax rates in April of each year as part of the budget process. Real property taxes are levied as of January 1<sup>st</sup> and July 1<sup>st</sup> and are due on June 15<sup>th</sup> and December 15<sup>th</sup> each year. Penalties accrue on unpaid balances at this date. Interest is charged on unpaid balances beginning December 16<sup>th</sup> and June 16<sup>th</sup>. Unpaid real property taxes constitute a lien against the property.

The effective tax rates per \$100 of assessed value for the year ended June 30, 2019 were as follows:

Real estate	\$ 0.05
Personal property	1.00

**Note 10. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

The Town is a member of the Virginia Risk Sharing Association (VRSa) for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Risk Management (Continued)**

Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays VRSA contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal 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 fund balances are presented below:

	<u>General Fund</u>	<u>Perpetual Care Fund</u>
Nonspendable:		
Inventories	\$ 167,555	\$ -
Prepays	140,831	-
Permanent fund principal	-	621,327
Total nonspendable	<u>308,386</u>	<u>621,327</u>
Restricted for:		
General government administration	6,995	-
Community development	3,007	-
Public works	101,125	-
Parks, recreation, and cultural	177,599	-
Total restricted	<u>288,726</u>	<u>-</u>
Committed to:		
General government administration	49,137	-
Public safety	51,880	-
Public works	468,505	-
Parks, recreation, and cultural	92,790	-
Community development	107,950	-
Total committed	<u>770,262</u>	<u>-</u>
Assigned for:		
General government administration	48,000	-
Community development	65,000	-
Total assigned	<u>113,000</u>	<u>-</u>
Unassigned	<u>11,611,907</u>	<u>-</u>
Total fund balance	<u>\$ 13,092,281</u>	<u>\$ 621,327</u>

(Continued)

**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Commitments and Contingencies**

The Town entered an agreement the County of Fauquier, Virginia to contribute \$1 million in three equal annual installments beginning in fiscal year 2017 to assist with the construction of a new library. The project stalled in fiscal year 2018 and there was no contribution for fiscal years 2018 or 2019. However the project is expected to continue, so contributions for fiscal years 2020 and 2021 are expected to be made by the Town.

**Note 13. Subsequent Event**

On November 20, 2019, the Town purchased a building for \$2.2 million and the Town issued \$4.1 million in bonds to cover purchase and necessary renovations on November 21, 2019.

**Note 14. New Accounting Standards**

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

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 90, *Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.



**TOWN OF WARRENTON, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. New Accounting Standards (Continued)**

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not evaluated the impacts, if any, these standards may have on the financial reports of the Town.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## TOWN OF WARRENTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –**  
**PRIMARY GOVERNMENT**  
**June 30, 2019**

	Plan Year				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 609,378	\$ 626,535	\$ 549,156	\$ 554,234	\$ 547,287
Interest on total pension liability	1,928,572	1,867,389	1,757,379	1,735,822	1,655,265
Difference between expected and actual experience	(257,353)	(115,353)	546,204	(714,305)	-
Changes in assumptions	-	(242,841)	-	-	-
Benefit payments, including refunds of employee contributions	(1,376,036)	(1,147,327)	(1,415,015)	(1,120,580)	(982,889)
Net change in total pension liability	904,561	988,403	1,437,724	455,171	1,219,663
<b>Total pension liability – beginning</b>	<b>28,239,048</b>	<b>27,250,645</b>	<b>25,812,921</b>	<b>25,357,750</b>	<b>24,138,087</b>
<b>Total pension liability – ending</b>	<b>29,143,609</b>	<b>28,239,048</b>	<b>27,250,645</b>	<b>25,812,921</b>	<b>25,357,750</b>
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	624,250	599,222	674,647	626,449	613,537
Contributions – employee	288,459	287,136	272,659	244,243	241,581
Net investment income	1,846,307	2,751,413	387,291	1,004,740	3,009,233
Benefit payments, including refunds of employee contributions	(1,376,036)	(1,147,327)	(1,415,015)	(1,120,580)	(982,889)
Administrative expenses	(16,001)	(15,827)	(14,267)	(13,787)	(16,182)
Other	(1,642)	(2,452)	(166)	(211)	159
Net change in plan fiduciary net position	1,365,337	2,472,165	(94,851)	740,854	2,865,439
<b>Plan fiduciary net position – beginning</b>	<b>25,090,303</b>	<b>22,618,138</b>	<b>22,712,989</b>	<b>21,972,135</b>	<b>19,106,696</b>
<b>Plan fiduciary net position – ending</b>	<b>26,455,640</b>	<b>25,090,303</b>	<b>22,618,138</b>	<b>22,712,989</b>	<b>21,972,135</b>
<b>Net pension liability – ending</b>	<b>\$ 2,687,969</b>	<b>\$ 3,148,745</b>	<b>\$ 4,632,507</b>	<b>\$ 3,099,932</b>	<b>\$ 3,385,615</b>
Plan fiduciary net position as a percentage of total pension liability	90.78%	88.85%	83.00%	87.99%	86.65%
Covered payroll	\$ 5,992,800	\$ 5,666,307	\$ 5,278,343	\$ 4,878,431	\$ 4,785,081
Net pension liability as a percentage of covered employee payroll	44.85%	55.57%	87.76%	63.54%	70.75%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

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

## TOWN OF WARRENTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2019	\$ 580,238	\$ 580,238	\$ -	\$ 5,882,031	9.86 %
2018	624,250	624,250	-	5,992,800	10.42
2017	599,222	599,222	-	5,666,307	10.58
2016	679,851	679,851	-	5,278,343	12.88
2015	628,342	628,342	-	4,878,431	12.88

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five years of data are available. Additional years will be included as they become available.

The covered payroll amounts above are for the Town's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

## TOWN OF WARRENTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2019	0.03 %	\$ 478,000	\$ 5,992,800	7.98 %	51.22 %
2018	0.03	463,000	5,666,307	8.17	48.86

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only two years of data has available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

## TOWN OF WARRENTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – VRS GLI**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2019	\$ 30,000	\$ 30,000	\$ -	\$ 5,882,031	0.51 %
2018	31,120	31,120	-	5,992,800	0.52

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only two years of data has available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year — i.e., the covered payroll on which required contributions were based for the same year.

## **TOWN OF WARRENTON, VIRGINIA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019**

#### **Note 1. Changes of Benefit Terms**

##### Pension

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

##### Other Postemployment Benefits (OPEB)

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

#### **Note 2. Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

##### **Largest 10 – Non-Hazardous Duty:**

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

##### **Largest 10 – Hazardous Duty/Public Safety Employees:**

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB



**TOWN OF WARRENTON, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2019**

**Note 2. Changes of Assumptions (Continued)**

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

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# **OTHER SUPPLEMENTARY INFORMATION**

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## TOWN OF WARRENTON, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION –  
FIDUCIARY FUNDS

June 30, 2019

	<u>Agency Fund</u>	<u>Retirement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 374,386</u>	<u>\$ 10,138</u>	<u>\$ 384,524</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,246	\$ -	\$ 1,246
Amounts held for others	<u>373,140</u>	<u>10,138</u>	<u>383,278</u>
	<u>\$ 374,386</u>	<u>\$ 10,138</u>	<u>\$ 384,524</u>

## TOWN OF WARRENTON, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
AGENCY FUNDS  
Year Ended June 30, 2019**

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<b>Agency Fund</b>				
Assets				
Cash and cash equivalents	\$ 255,102	\$ 119,284	\$ -	\$ 374,386
	<u>255,102</u>	<u>119,284</u>	<u>-</u>	<u>374,386</u>
Liabilities				
Accounts payable	\$ 539	\$ 707	\$ -	\$ 1,246
Amounts held for others	254,563	118,577	-	373,140
	<u>255,102</u>	<u>119,284</u>	<u>-</u>	<u>374,386</u>
<b>Retirement Fund</b>				
Assets				
Cash and cash equivalents	\$ 9,898	\$ 240	\$ -	\$ 10,138
	<u>9,898</u>	<u>240</u>	<u>-</u>	<u>10,138</u>
Liabilities				
Amounts held for others	\$ 9,898	\$ 240	\$ -	\$ 10,138
	<u>9,898</u>	<u>240</u>	<u>-</u>	<u>10,138</u>
<b>Total All Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 265,000	\$ 119,524	\$ -	\$ 384,524
	<u>265,000</u>	<u>119,524</u>	<u>-</u>	<u>384,524</u>
Liabilities				
Accounts payable	\$ 539	\$ 707	\$ -	\$ 1,246
Amounts held for others	264,461	118,817	-	383,278
	<u>265,000</u>	<u>119,524</u>	<u>-</u>	<u>384,524</u>

## TOWN OF WARRENTON, VIRGINIA

SCHEDULE OF REVENUES – BUDGET AND ACTUAL –  
GENERAL FUND (BUDGETARY BASIS)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 832,100	\$ 832,100	\$ 839,985	\$ 7,885
Real and personal public service corporation taxes	14,000	14,000	17,241	3,241
Personal property taxes	461,250	461,250	438,608	(22,642)
Penalties	7,500	7,500	11,798	4,298
Interest	4,800	4,800	4,797	(3)
Total general property taxes	1,319,650	1,319,650	1,312,429	(7,221)
Other local taxes:				
Local sales and use taxes	765,512	765,512	709,173	(56,339)
Consumers' utility taxes	512,000	512,000	498,267	(13,733)
Business license taxes	1,842,059	1,842,059	1,998,815	156,756
Consumption taxes	75,200	75,200	70,212	(4,988)
Motor vehicle licenses	190,000	190,000	216,600	26,600
Bank stock taxes	620,000	620,000	932,498	312,498
Hotel and motel room taxes	245,000	245,000	220,994	(24,006)
Restaurant food tax	2,650,000	2,650,000	2,659,254	9,254
Cigarette tax	180,000	180,000	184,943	4,943
Total other local taxes	7,079,771	7,079,771	7,490,756	410,985
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	180,800	180,800	257,969	77,169
Fines and forfeitures:				
Court fines and forfeitures	170,000	170,000	188,749	18,749
Revenue from use of money and property:				
Revenue from use of money	131,000	131,000	329,474	198,474
Revenue from use of property	6,700	6,700	4,905	(1,795)
Total revenue from use of money and property	137,700	137,700	334,379	196,679
Charges for services:				
Warf – recreation	1,360,262	1,360,262	1,203,731	(156,531)
Total charges for services	1,360,262	1,360,262	1,203,731	(156,531)

(Continued)

## TOWN OF WARRENTON, VIRGINIA

SCHEDULE OF REVENUES – BUDGET AND ACTUAL –  
GENERAL FUND (BUDGETARY BASIS)

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other local taxes: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 691,106	\$ 909,908	\$ 1,060,766	\$ 150,858
Total revenue from local sources	10,939,289	11,158,091	11,848,779	690,688
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle rental tax	115,000	115,000	125,959	10,959
Rolling stock tax	200	200	136	(64)
Communications tax	515,000	515,000	456,933	(58,067)
Personal property tax relief funds	718,492	718,492	718,492	-
Total non-categorical aid	1,348,692	1,348,692	1,301,520	(47,172)
Categorical aid:				
Other categorical aid:				
Litter control grant	3,700	3,700	4,703	1,003
DCJS grants for law enforcement	203,872	203,872	252,990	49,118
Bluemont series grant	4,500	4,500	-	(4,500)
Street and highway maintenance	1,425,000	1,425,000	1,443,020	18,020
VDOT revenue sharing	12,500	222,835	207,775	(15,060)
Fire program	25,000	25,000	33,267	8,267
Total categorical aid	1,674,572	1,884,907	1,941,755	56,848
Total revenue from the Commonwealth	3,023,264	3,233,599	3,243,275	9,676
Revenue from the Federal Government:				
Categorical aid:				
Department of justice grant	2,000	4,000	3,744	(256)
Transportation safety grant	2,500	2,500	813	(1,687)
Other federal categorical aid	361,127	695,686	262,173	(433,513)
Total revenue from the Federal Government	365,627	702,186	266,730	(435,456)
Total general fund	\$ 14,328,180	\$ 15,093,876	\$ 15,358,784	\$ 264,908

## TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND (BUDGETARY BASIS)**

**Year Ended June 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
General government administration:				
Legislative	\$ 179,332	\$ 214,332	\$ 179,299	\$ 35,033
Executive	230,007	301,007	283,267	17,740
Legal services	208,910	208,910	184,725	24,185
Finance	604,063	633,703	588,104	45,599
Memberships and dues	7,925	7,925	8,111	(186)
Data processing	300,111	302,511	275,077	27,434
Motor pool	482,735	493,988	493,988	-
Total general government administration	2,013,083	2,162,376	2,012,571	149,805
Public safety:				
Department of police	3,195,151	3,148,151	2,681,088	467,063
Fire and rescue services	224,373	224,373	224,446	(73)
Bureau of building inspections	352,885	379,385	339,917	39,468
Total public safety	3,772,409	3,751,909	3,245,451	506,458
Public works:				
Public works administration	616,612	600,858	607,129	(6,271)
Bureau of street maintenance	757,371	757,371	776,570	(19,199)
Arterial street maintenance	506,833	494,313	470,950	23,363
Collector street maintenance	477,886	537,683	532,245	5,438
Refuse collection	407,707	407,707	390,471	17,236
Cemetery maintenance	140,220	143,520	117,361	26,159
Recycling program	130,725	130,725	119,608	11,117
Maintenance, buildings, and grounds	458,546	453,546	445,355	8,191
Total public works	3,495,900	3,525,723	3,459,689	66,034
Health and welfare:				
Welfare/social services	179,115	179,115	161,934	17,181
Parks, recreation, and cultural:				
Parks and recreation – fields	-	-	69	(69)
Aquatic center	1,526,178	1,526,178	1,416,353	109,825
Parks	271,615	275,874	215,473	60,401
Parks and recreation – administration	384,669	384,669	271,038	113,631
Cultural enrichment	67,500	67,500	67,500	-
Total parks, recreation, and cultural	2,249,962	2,254,221	1,970,433	283,788

(Continued)



## TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND (BUDGETARY BASIS)  
Year Ended June 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Community development:				
Planning and zoning	\$ 883,591	\$ 1,226,755	\$ 756,424	\$ 470,331
Visitor's center	86,004	86,004	79,778	6,226
Zoning appeals board	3,500	3,500	403	3,097
Economic development	171,657	186,657	134,526	52,131
Architectural review board	9,844	9,844	5,000	4,844
Total community development	<u>1,154,596</u>	<u>1,512,760</u>	<u>976,131</u>	<u>536,629</u>
Capital outlay:				
Capital outlay	<u>2,883,162</u>	<u>4,104,957</u>	<u>2,560,188</u>	<u>1,544,769</u>
Debt service:				
Principal	560,040	560,040	527,040	33,000
Interest	<u>174,490</u>	<u>174,490</u>	<u>190,592</u>	<u>(16,102)</u>
Total debt service	<u>734,530</u>	<u>734,530</u>	<u>717,632</u>	<u>16,898</u>
Total general fund	<u>\$ 16,482,757</u>	<u>\$ 18,225,591</u>	<u>\$ 15,104,029</u>	<u>\$ 3,121,562</u>

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# STATISTICAL SECTION

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This part of the Town of Warrenton’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.

<u>Contents</u>	<u>Table</u>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the Town’s ability to generate its property and sales taxes.	<b>5-12</b>
<b>Debt Capacity</b> 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.	<b>13-16</b>
<b>Demographic and Economic Information</b> 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.	<b>17-18</b>
<b>Operating Information</b> 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.	<b>19-21</b>

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

**TABLE 1****TOWN OF WARRENTON, VIRGINIA**

**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 28,743,572	\$ 28,082,545	\$ 27,226,044	\$ 25,993,382	\$ 25,272,376	\$ 42,200,589	\$ 40,859,457	\$ 39,510,889	\$ 38,788,308	\$ 38,111,853
Restricted	588,890	590,042	590,889	591,797	592,370	592,995	594,800	1,159,023	1,154,623	910,053
Unrestricted	6,896,905	8,216,674	8,753,021	9,716,926	11,120,437	9,734,918	9,737,204	9,348,761	9,197,065	9,902,354
Total governmental activities net position	<u>\$ 36,229,367</u>	<u>\$ 36,889,261</u>	<u>\$ 36,569,954</u>	<u>\$ 36,302,105</u>	<u>\$ 36,985,183</u>	<u>\$ 52,528,502</u>	<u>\$ 51,191,461</u>	<u>\$ 50,018,673</u>	<u>\$ 49,139,996</u>	<u>\$ 48,924,260</u>
Business-type activities										
Net investment in capital assets	\$ 40,943,440	\$ 41,761,645	\$ 41,182,941	\$ 39,058,157	\$ 38,898,827	\$ 19,807,462	\$ 18,957,111	\$ 18,022,962	\$ 17,336,839	\$ 18,259,451
Restricted	-	-	-	-	-	-	-	157,747	174,636	205,247
Unrestricted	12,281,685	9,234,096	9,016,421	8,853,470	7,141,893	4,262,278	4,097,907	5,958,671	6,664,583	6,163,356
Total business-type activities net position	<u>\$ 53,225,125</u>	<u>\$ 50,995,741</u>	<u>\$ 50,199,362</u>	<u>\$ 47,911,627</u>	<u>\$ 46,040,720</u>	<u>\$ 24,069,740</u>	<u>\$ 23,055,018</u>	<u>\$ 24,139,380</u>	<u>\$ 24,176,058</u>	<u>\$ 24,628,054</u>
Primary government										
Net investment in capital assets	\$ 69,687,012	\$ 69,844,190	\$ 68,408,985	\$ 65,051,539	\$ 64,171,203	\$ 62,008,051	\$ 59,816,568	\$ 57,533,851	\$ 56,125,147	\$ 56,371,304
Restricted	588,890	590,042	590,889	591,797	592,370	592,995	594,800	1,316,770	1,329,259	1,115,300
Unrestricted	19,178,590	17,450,770	17,769,442	18,570,396	18,262,330	13,997,196	13,835,111	15,307,432	15,861,648	16,065,710
Total primary government net position	<u>\$ 89,454,492</u>	<u>\$ 87,885,002</u>	<u>\$ 86,769,316</u>	<u>\$ 84,213,732</u>	<u>\$ 83,025,903</u>	<u>\$ 76,598,242</u>	<u>\$ 74,246,479</u>	<u>\$ 74,158,053</u>	<u>\$ 73,316,054</u>	<u>\$ 73,552,314</u>

Note: GASB Statements No. 68 and 75 were adopted in fiscal year 2015 and 2018, respectively. Prior years were not restated for the impact of these statements.

TABLE 2

## TOWN OF WARRENTON, VIRGINIA

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,794,610	\$ 1,545,922	\$ 1,581,008	\$ 1,591,497	\$ 1,741,519	\$ 1,670,785	\$ 1,753,257	\$ 1,065,479	\$ 1,245,681	\$ 1,373,604
Public safety	2,894,544	2,848,144	2,761,692	2,760,751	2,887,360	2,950,483	3,612,887	4,118,389	4,070,378	3,754,801
Public works	3,927,356	4,188,005	3,319,070	4,253,156	3,621,458	4,101,334	4,727,802	5,062,855	4,890,072	5,925,684
Heath and welfare	100,441	100,391	98,159	88,278	88,400	89,291	120,505	117,164	133,891	161,934
Parks, recreation, and cultural	145,439	123,954	142,429	134,279	124,834	2,867,135	2,366,743	3,155,724	2,719,536	2,782,463
Community development	446,757	422,623	403,217	432,674	408,615	447,025	638,788	803,021	935,243	995,959
Interest on long-term debt	-	-	-	4,766	4,572	3,656	286,949	269,932	269,121	264,935
Total governmental activities expenses	9,309,147	9,229,039	8,305,575	9,265,401	8,876,758	12,129,709	13,506,931	14,592,564	14,263,922	15,259,380
Business-type activities:										
Water and sewer	4,741,236	5,020,796	5,194,404	5,479,541	5,300,755	5,514,237	5,492,546	5,211,692	5,625,153	5,826,426
Parks and recreation	2,602,184	2,648,084	2,694,855	2,811,590	2,675,844	-	-	-	-	-
Total business-type activities expenses	7,343,420	7,668,880	7,889,259	8,291,131	7,976,599	5,514,237	5,492,546	5,211,692	5,625,153	5,826,426
Total primary government expenses	\$ 16,652,567	\$ 16,897,919	\$ 16,194,834	\$ 17,556,532	\$ 16,853,357	\$ 17,643,946	\$ 18,999,477	\$ 19,804,256	\$ 19,889,075	\$ 21,085,806
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 635,896	\$ 548,591	\$ 130,911	\$ 136,496	\$ 170,563	\$ 354,325	\$ 292,415	\$ 166,562	\$ 170,336	\$ 257,969
Public safety	167,156	257,075	307,479	280,842	387,684	185,186	128,499	125,169	166,622	188,749
Public works	142,677	139,576	423,787	182,847	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	1,191,345	1,137,892	1,187,054	1,229,165	1,203,731
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,550,847	1,436,300	1,729,107	1,485,397	1,531,049	1,585,610	1,693,950	2,034,936	1,649,969	1,738,537
Capital grants and contributions	-	-	-	-	199,425	51,617	136,235	7,882	109,830	469,948
Total governmental activities program revenues	2,496,576	2,381,542	2,591,284	2,085,582	2,288,721	3,368,083	3,388,991	3,521,603	3,325,922	3,858,934
Business-type activities:										
Charges for services:										
Water and sewer	3,753,934	3,740,589	3,676,434	3,627,141	3,638,503	3,588,448	3,948,790	5,652,278	5,485,203	5,785,979
Parks and recreation	1,003,989	1,057,900	1,129,496	1,216,343	1,203,153	-	-	-	-	-
Capital grants and contributions	981,035	501,921	271,973	345,066	123,914	175,350	363,519	-	-	-
Total business-type activities program revenues	5,738,958	5,300,410	5,077,903	5,188,550	4,965,570	3,763,798	4,312,309	5,652,278	5,485,203	5,785,979
Total primary government program revenues	\$ 8,235,534	\$ 7,681,952	\$ 7,669,187	\$ 7,274,132	\$ 7,254,291	\$ 7,131,881	\$ 7,701,300	\$ 9,173,881	\$ 8,811,125	\$ 9,644,913

(Continued)

TABLE 2

## TOWN OF WARRENTON, VIRGINIA

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense)/revenue										
Governmental activities	\$ (6,812,571)	\$ (6,847,497)	\$ (5,714,291)	\$ (7,179,819)	\$ (6,588,037)	\$ (8,761,626)	\$ (10,117,940)	\$ (11,070,961)	\$ (10,938,000)	\$ (11,400,446)
Business-type activities	(1,604,462)	(2,368,470)	(2,811,356)	(3,102,581)	(3,011,029)	(1,750,439)	(1,180,237)	440,586	(139,950)	(40,447)
Total primary government net expense	<u>\$ (8,417,033)</u>	<u>\$ (9,215,967)</u>	<u>\$ (8,525,647)</u>	<u>\$ (10,282,400)</u>	<u>\$ (9,599,066)</u>	<u>\$ (10,512,065)</u>	<u>\$ (11,298,177)</u>	<u>\$ (10,630,375)</u>	<u>\$ (11,077,950)</u>	<u>\$ (11,440,893)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 562,348	\$ 577,941	\$ 558,908	\$ 513,896	\$ 605,047	\$ 678,228	\$ 670,016	\$ 1,234,762	\$ 1,267,738	\$ 1,302,786
Sales and use taxes	448,227	484,640	508,741	530,836	561,084	595,653	673,700	732,197	709,036	709,173
Consumer's utility taxes	511,347	488,018	492,636	493,720	500,111	498,312	512,780	503,001	510,053	498,267
Business license taxes	1,405,894	1,528,085	1,363,590	1,366,360	1,914,525	1,656,923	1,851,067	1,918,233	2,026,990	1,998,815
Meals taxes	1,767,095	1,901,261	2,062,342	2,152,237	2,191,572	2,265,639	2,383,067	2,621,782	2,550,799	2,659,254
Communications taxes	-	-	-	-	-	-	-	-	-	-
Bank stock taxes	457,211	437,022	448,600	463,135	496,445	581,150	521,997	690,566	849,887	932,498
Other local taxes	547,318	525,748	547,166	545,009	549,569	535,802	571,268	465,684	667,790	692,749
Unrestricted revenues from use of money and property	50,696	37,421	29,029	30,021	21,663	21,392	46,417	96,515	137,843	348,274
Gain on sale of assets	-	-	-	-	-	-	-	-	-	105,508
Miscellaneous	148,285	120,425	199,056	128,931	96,910	110,473	207,646	346,308	367,596	635,866
Unrestricted grants and contributions	1,366,476	1,406,830	1,373,853	1,358,220	1,310,350	1,407,566	1,342,941	1,344,815	1,332,320	1,301,520
Transfers	(1,331,819)	-	-	(670,395)	(976,161)	-	-	(55,690)	-	-
Total governmental activities	<u>5,933,078</u>	<u>7,507,391</u>	<u>7,583,921</u>	<u>6,911,970</u>	<u>7,271,115</u>	<u>8,351,138</u>	<u>8,780,899</u>	<u>9,898,173</u>	<u>10,420,052</u>	<u>11,184,710</u>
Business-type activities:										
Unrestricted revenues from use of money and property	15,701	13,907	141,838	144,451	163,961	151,120	165,515	214,130	303,371	492,443
Miscellaneous	130,113	125,179	-	-	-	-	-	8,500	-	-
Transfers	1,331,819	-	-	670,395	976,161	-	-	55,690	-	-
Total business-type activities	<u>1,477,633</u>	<u>139,086</u>	<u>141,838</u>	<u>814,846</u>	<u>1,140,122</u>	<u>151,120</u>	<u>165,515</u>	<u>278,320</u>	<u>303,371</u>	<u>492,443</u>
Total primary government	<u>\$ 7,410,711</u>	<u>\$ 7,646,477</u>	<u>\$ 7,725,759</u>	<u>\$ 7,726,816</u>	<u>\$ 8,411,237</u>	<u>\$ 8,502,258</u>	<u>\$ 8,946,414</u>	<u>\$ 10,176,493</u>	<u>\$ 10,723,423</u>	<u>\$ 11,677,153</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (879,493)	\$ 659,894	\$ 1,869,630	\$ (267,849)	\$ 683,078	\$ (410,488)	\$ (1,337,041)	\$ (1,172,788)	\$ (517,948)	\$ (215,736)
Business-type activities	(126,829)	(2,229,384)	(2,669,518)	(2,287,735)	(1,870,907)	(1,599,319)	(1,014,722)	718,906	163,421	451,996
Total primary government	<u>\$ (1,006,322)</u>	<u>\$ (1,569,490)</u>	<u>\$ (799,888)</u>	<u>\$ (2,555,584)</u>	<u>\$ (1,187,829)</u>	<u>\$ (2,009,807)</u>	<u>\$ (2,351,763)</u>	<u>\$ (453,882)</u>	<u>\$ (354,527)</u>	<u>\$ 236,260</u>

TABLE 3

## TOWN OF WARRENTON, VIRGINIA

**FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 1,748,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,141,861	-	-	-	-	-	-	-	-	-
Nonspendable	-	183,407	148,259	103,517	125,799	210,061	204,273	152,391	255,897	308,386
Restricted	-	-	-	-	-	-	-	559,987	547,191	288,726
Committed	-	1,301,762	369,174	302,662	828,454	493,043	976,809	370,451	1,139,682	770,262
Assigned	-	-	-	-	-	-	-	-	-	113,000
Unassigned	-	6,756,426	8,511,933	9,909,063	10,593,545	11,914,259	11,521,316	11,871,309	10,894,756	11,611,907
Total general fund	<u>\$ 6,890,315</u>	<u>\$ 8,241,595</u>	<u>\$ 9,029,366</u>	<u>\$ 10,315,242</u>	<u>\$ 11,547,798</u>	<u>\$ 12,617,363</u>	<u>\$ 12,702,398</u>	<u>\$ 12,954,138</u>	<u>\$ 12,837,526</u>	<u>\$ 13,092,281</u>
All other governmental funds										
Unreserved, reported in:										
Permanent funds	\$ 588,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable, reported in:										
Permanent funds	-	590,042	590,889	591,797	592,370	592,995	592,995	599,036	607,432	621,327
Total all other governmental funds	<u>\$ 588,890</u>	<u>\$ 590,042</u>	<u>\$ 590,889</u>	<u>\$ 591,797</u>	<u>\$ 592,370</u>	<u>\$ 592,995</u>	<u>\$ 592,995</u>	<u>\$ 599,036</u>	<u>\$ 607,432</u>	<u>\$ 621,327</u>

Note: 2011 was the first year of implementing GASB No. 54 which revised fund balance classifications.

TABLE 4

## TOWN OF WARRENTON, VIRGINIA

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
General property taxes	\$ 576,328	\$ 555,233	\$ 567,694	\$ 539,313	\$ 589,341	\$ 674,372	\$ 677,081	\$ 1,248,466	\$ 1,261,220	\$ 1,312,429
Other local taxes	5,137,092	5,294,029	5,423,075	5,551,297	6,213,306	6,133,479	6,513,879	6,931,463	7,314,555	7,490,756
Permits, privilege fees, and regulatory licenses	142,677	139,576	423,787	182,847	128,220	203,476	177,739	166,562	170,336	257,969
Fines and forfeitures	167,156	257,075	307,479	280,842	259,464	185,186	128,499	125,169	166,622	188,749
Revenue from use of money and property	50,696	37,421	29,029	30,021	21,663	21,392	46,417	96,515	137,843	348,274
Charges for services	-	-	130,911	136,496	170,563	1,342,194	1,252,568	1,187,054	1,229,165	1,203,731
Miscellaneous	148,285	120,425	199,056	128,931	96,910	110,473	207,646	346,308	367,596	1,060,766
Intergovernmental										
Commonwealth	2,914,059	2,825,505	2,913,744	2,829,793	2,991,893	3,042,804	3,081,912	2,993,657	3,087,912	3,243,275
Federal	3,264	17,625	189,216	13,824	48,931	1,989	91,214	393,976	4,207	266,730
Total revenues	9,139,557	9,246,889	10,183,991	9,693,364	10,520,291	11,715,365	12,176,955	13,489,170	13,739,456	15,372,679
<b>Expenditures</b>										
General government administration	1,128,769	936,694	1,517,470	1,528,394	1,724,504	1,625,564	1,782,114	957,937	1,242,131	1,292,870
Public safety	2,777,763	2,749,926	2,663,568	2,666,012	2,586,897	2,915,874	3,485,482	3,647,869	3,912,693	3,536,374
Public works	2,868,026	2,993,992	2,209,299	2,754,566	2,387,155	2,765,710	3,296,769	3,991,747	3,370,708	3,796,095
Health and welfare	100,441	100,391	98,159	88,278	88,400	89,291	120,505	117,164	133,891	161,934
Parks, recreation, and cultural	144,807	121,616	143,106	133,755	120,826	1,848,203	1,899,681	2,068,860	2,042,098	2,040,281
Community development	426,009	392,305	352,128	411,295	401,399	451,940	656,908	806,044	941,537	998,655
Capital projects	231,128	670,278	464,528	591,719	821,485	238,836	606,109	951,293	1,862,979	2,560,188
Debt service										
Principal	-	-	-	86,808	174,880	594,679	521,158	448,000	489,537	527,040
Interest and other fiscal charges	-	-	-	3,883	5,455	222,390	203,958	188,590	178,807	190,592
Total expenditures	7,676,943	7,965,202	7,448,258	8,264,710	8,311,001	10,752,487	12,572,684	13,177,504	14,174,381	15,104,029
<b>Excess of revenues over (under) expenditures</b>	1,462,614	1,281,687	2,735,733	1,428,654	2,209,290	962,878	(395,729)	311,666	(434,925)	268,650
<b>Other financing sources (uses)</b>										
Transfers in	-	-	60,000	-	-	-	-	-	-	-
Transfers out	(1,331,819)	(984,737)	(936,208)	(670,395)	(976,161)	-	-	(55,690)	-	-
Proceeds from indebtedness	-	-	-	528,525	-	-	-	-	326,709	-
Total other financing sources (uses)	(1,331,819)	(984,737)	(876,208)	(141,870)	(976,161)	-	-	(55,690)	326,709	-
<b>Net change in fund balances</b>	\$ 130,795	\$ 296,950	\$ 1,859,525	\$ 1,286,784	\$ 1,233,129	\$ 962,878	\$ (395,729)	\$ 255,976	\$ (108,216)	\$ 268,650
<b>Debt service as a percentage of noncapital expenditures</b>	0.00%	0.00%	0.00%	0.00%	2.47%	8.43%	6.04%	4.83%	5.38%	5.37%



TABLE 5

## TOWN OF WARRENTON, VIRGINIA

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Calendar Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Direct Tax Rate (1)</b>
2019	\$ 1,704,181,500	\$ 112,782,292	\$ 358,690	\$ 30,080,458	\$ 1,847,402,940	0.108
2018	1,707,497,200	111,426,844	381,478	26,933,972	1,846,239,494	0.108
2017	1,555,378,500	111,836,351	350,166	26,222,252	1,693,787,269	0.114
2016	1,559,784,700	110,382,101	362,252	26,233,712	1,696,762,765	0.079
2015	1,548,458,500	110,060,306	379,240	26,169,523	1,685,067,569	0.080
2014	1,554,110,600	99,076,256	362,438	26,004,347	1,679,553,641	0.073
2013	1,388,763,400	93,279,002	366,978	26,002,462	1,508,411,842	0.076
2012	1,380,231,600	91,617,748	364,903	27,948,051	1,500,162,302	0.075
2011	1,376,203,000	88,172,640	407,578	28,221,981	1,493,005,199	0.073
2010	1,376,237,100	85,698,058	630,921	28,612,897	1,491,178,976	0.072

- (1) The total direct tax rate is calculated using the weighted average method.  
Assessed value is 100% of actual value for all tax types.

Source: Commissioner of the Revenue

TABLE 6

## TOWN OF WARRENTON, VIRGINIA

**PROPERTY TAX RATES (1)**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

Calendar Year	Direct Rates				Overlapping Rates							
					County of Fauquier							
	Real	Personal	Machinery	Direct	Real	Personal						
	Estate	Property	and Tools		Tax Rate	Estate	Property					
2019	\$	0.050	\$	1.00	\$	1.00	\$	0.108	\$	0.994	\$	4.65
2018		0.050		1.00		1.00		0.108		0.982		4.65
2017		0.050		1.00		1.00		0.114		1.039		4.65
2016		0.015		1.00		1.00		0.079		0.999		4.65
2015		0.015		1.00		1.00		0.080		0.999		4.65
2014		0.015		1.00		1.00		0.073		0.992		4.65
2013		0.015		1.00		1.00		0.076		0.980		4.65
2012		0.015		1.00		1.00		0.750		0.970		4.65
2011		0.015		1.00		1.00		0.073		0.970		4.65
2010		0.015		1.00		1.00		0.072		0.970		4.65

(1) Per \$100 of assessed value.

**TABLE 7**

**TOWN OF WARRENTON, VIRGINIA**  
**GENERAL GOVERNMENT TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Sales Taxes</b>	<b>Utility Taxes</b>	<b>Franchise Taxes</b>	<b>Meals Taxes</b>	<b>Transient Occupancy Taxes</b>	<b>Business Licenses</b>	<b>Motor Vehicle Licenses</b>	<b>Other Taxes</b>	<b>Cigarette Taxes</b>	<b>Total</b>
2019	\$ 1,312,429	\$ 709,173	\$ 498,267	\$ 932,498	\$ 2,659,254	\$ 220,994	\$ 1,998,815	\$ 216,600	\$ 70,212	\$ 184,943	\$ 8,803,185
2018	1,261,220	709,036	510,053	849,887	2,550,799	232,628	2,026,990	195,750	67,713	171,699	8,575,775
2017	1,248,466	732,197	503,001	690,566	2,621,782	232,629	1,918,233	4,479	69,787	158,789	8,179,929
2016	677,081	673,700	512,780	521,997	2,383,067	238,418	1,851,067	95,652	72,938	164,260	7,190,960
2015	678,228	595,653	498,312	581,150	2,265,639	190,005	1,656,923	102,855	72,152	170,790	6,811,707
2014	605,047	561,084	500,111	496,445	2,191,572	190,233	1,914,525	101,969	75,647	181,720	6,818,353
2013	539,313	530,836	541,096	479,590	2,152,237	187,263	1,366,360	104,047	-	189,868	6,090,610
2012	567,694	508,741	540,413	467,392	2,062,342	195,419	1,363,590	102,358	-	182,820	5,990,769
2011	555,233	484,640	538,512	464,428	1,901,261	169,364	1,528,085	100,710	-	177,774	5,920,007
2010	576,328	448,227	562,803	494,251	1,767,095	159,647	1,405,894	99,051	-	200,124	5,713,420

(1) Includes general fund and special revenue funds.

(2) 2008 was the first year the communications tax was collected; in 2010 these taxes were reclassified as noncategorical aid from the Commonwealth of Virginia.

**TABLE 8****TOWN OF WARRENTON, VIRGINIA****MEALS TAX REVENUES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Tax Rate</b>		<b>Gross Receipts</b>	<b>Meals Tax Revenue</b>	
2019	\$	0.04	\$ 68,860,412	\$	2,659,254
2018		0.04	63,769,475		2,550,779
2017		0.04	65,544,550		2,621,782
2016		0.04	59,576,675		2,383,067
2015		0.04	56,640,975		2,265,639
2014		0.04	54,789,300		2,191,572
2013		0.04	53,805,925		2,152,237
2012		0.04	51,558,550		2,062,342
2011		0.04	47,531,525		1,901,261
2010		0.04	44,177,375		1,767,095

Source: Town of Warrenton Department of Finance and Human Resources.

TABLE 9

**TOWN OF WARRENTON, VIRGINIA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type Business	2019		2010	
		Total Assessed Value	Percentage of Total Assessed Value	Total Assessed Value	Percentage of Total Assessed Value
Fauquier Medical Center LLC	Medical Center	\$ 54,627,800	25.25 %	\$ -	- %
Warrenton Center LLC	Shopping Center	34,813,000	16.09	29,666,400	29.31
Walmart	Retail Store	15,541,300	7.18	16,389,800	16.19
Northrock Center LLC	Office Center Complex	15,057,700	6.96	-	-
Warrenton Development Company	Developer	14,979,800	6.92	18,774,000	18.55
Warrenton Village LLC	Shopping Center	10,457,100	4.83	14,379,700	14.20
Seritage SRC Finance (Sears)	Retail Store	10,332,800	4.78	10,298,500	10.17
HD Development of MD, LLC	Retail Store	10,134,600	4.68	-	-
Warrenton Professional Center	Shopping Center	9,719,300	4.49	11,724,400	11.58
Fauquier Long Term Care	Health Care Provider	9,666,500	4.47	-	-
Highlands of Warrenton LLC	Developer	8,784,600	4.06	-	-
Warrenton Manor Elderly Ltd.	Apartment Complex	7,527,800	3.48	-	-
Highland Commons VA LLC	Developer	7,389,500	3.42	-	-
Warrenton Volunteer Fire Co.	Fire Department	7,327,700	3.39	-	-
		<u>\$ 216,359,500</u>	<u>100.00 %</u>	<u>\$ 101,232,800</u>	<u>100.00 %</u>

Source: Fauquier County Commissioner of the Revenue.

TABLE 10

**TOWN OF WARRENTON, VIRGINIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Year of Levy</b>	<b>Percentage of Levy Collected in Year of Levy</b>	<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	<b>Percentage of Total Collection to Date of Levy</b>
2019	\$ 1,890,241	\$ 1,862,971	98.56 %	\$ -	\$ 1,862,971	98.56 %
2018	1,873,452	1,843,214	98.39	1,625	1,844,839	98.47
2017	1,896,053	1,865,815	98.41	27,270	1,893,085	99.84
2016	1,277,669	1,126,746	88.19	3,141	1,129,887	88.43
2015	1,267,260	1,246,135	98.33	4,489	1,250,624	98.69
2014	1,223,273	1,139,748	93.17	7,959	1,147,707	93.82
2013	1,122,476	1,074,859	95.76	4,465	1,079,324	96.16
2012	1,099,738	1,058,965	96.29	8,729	1,067,694	97.09
2011	1,085,040	1,037,948	95.66	9,923	1,047,871	96.57
2010	1,283,322	1,250,045	97.41	10,215	1,260,260	98.20

Source: Town of Warrenton Department of Finance and Human Resources.

TABLE 11

**TOWN OF WARRENTON, VIRGINIA**

**MEAL TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Direct Rates</b>	<b>Overlapping Rates</b>
	<b>County of Fauquier (1)</b>	
	<b>Meals Tax</b>	<b>Meals Tax</b>
	<b>Percent of Gross</b>	<b>Percent of Gross</b>
2019	4.00 %	0.00 %
2018	4.00	0.00
2017	4.00	0.00
2016	4.00	0.00
2015	4.00	0.00
2014	4.00	0.00
2013	4.00	0.00
2012	4.00	0.00
2011	4.00	0.00
2010	4.00	0.00

Source: Town of Warrenton Department of Finance and Human Resources.

(1) Fauquier County does not have meals tax.

TABLE 12

**TOWN OF WARRENTON, VIRGINIA**

**PRINCIPAL MEALS TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

<b>Type of Establishment</b>	<b>2019</b>		<b>2010*</b>	
	<b>Total Assessed Value</b>	<b>Percentage of Total Assessed Value</b>	<b>Total Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Fast Food Restaurants	\$ 26,855,561	39.00 %	\$ -	- %
Sit-Down Restaurants	33,741,602	49.00	-	-
Convenience Stores	8,263,249	12.00	-	-
	<u>\$ 68,860,412</u>	<u>100.00 %</u>	<u>\$ -</u>	<u>- %</u>

Source: Town of Warrenton Department of Finance and Human Resources.

\* Data not available for fiscal year 2010.



TABLE 13

## TOWN OF WARRENTON, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases	General Obligation Bonds	General Obligation Bonds	Premium on Bond Issue			
2019	\$ 231,132	\$ 7,099,000	\$ 12,007,000	\$ -	\$ 19,337,132	5.03 %	\$ 1,946
2018	295,172	7,562,000	12,180,000	-	20,037,172	5.39	2,029
2017	-	8,020,000	5,020,000	-	13,040,000	3.31	1,322
2016	-	8,468,000	5,020,000	-	13,488,000	3.34	1,363
2015	90,158	8,899,000	-	-	8,989,158	2.27	907
2014	266,837	-	9,317,000	-	9,583,837	2.77	980
2013	441,717	-	9,717,000	-	10,158,717	2.68	1,036
2012	-	-	8,575,000	245,897	8,820,897	2.43	906
2011	-	-	8,835,000	266,590	9,101,590	2.43	947
2010	-	-	9,085,000	287,781	9,372,781	2.92	1,003

Note: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics – Table 17.

TABLE 14

## TOWN OF WARRENTON, VIRGINIA

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt Per Capita (1)</b>
2019	\$ 7,099,000	\$ -	\$ 7,099,000	0.38 %	\$ 714
2018	7,562,000	-	7,562,000	0.41	766
2017	8,020,000	-	8,020,000	0.47	813
2016	8,468,000	-	8,468,000	0.50	856
2015	8,899,000	-	8,899,000	0.53	898
2014	9,317,000	-	9,317,000	0.55	953
2013	9,717,000	-	9,717,000	0.64	991
2012	8,820,897	-	8,820,897	0.59	906
2011	9,101,590	-	8,835,000	0.59	919
2010	9,372,781	-	9,085,000	0.61	1,003

(1) Population data can be found in the Schedule of Demographic and Economic Statistics – Table 17.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property – Table 5.

(3) Includes all long-term general obligation bonded debt, literary fund loans, excludes revenue bonds, capital leases, and compensated absences.

TABLE 15

## TOWN OF WARRENTON, VIRGINIA

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**Year Ended June 30, 2019**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Warrenton	\$ 93,224,629	13.40 %	\$ 12,492,100
Subtotal, overlapping debt			
Town of Warrenton, direct debt			<u>7,330,132</u>
Total direct and overlapping debt			<u><u>\$ 19,822,232</u></u>

Source: County of Fauquier June 30, 2019 Comprehensive Annual Financial Report.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the Town. This process recognized that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the County government's boundaries and dividing it by the County's total taxable assessed value.

**TABLE 16**

**TOWN OF WARRENTON, VIRGINIA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 149,303,930	\$ 149,300,520	\$ 141,441,230	\$ 151,876,864	\$ 169,176,644	\$ 169,555,067	\$ 170,785,097	\$ 169,871,947	\$ 185,103,909	\$ 185,220,254
Total net debt applicable to limit	<u>9,085,000</u>	<u>8,835,000</u>	<u>8,820,897</u>	<u>9,717,000</u>	<u>9,317,000</u>	<u>8,899,000</u>	<u>13,488,000</u>	<u>13,040,000</u>	<u>20,037,172</u>	<u>19,337,132</u>
Legal debt margin	<u>\$ 140,218,930</u>	<u>\$ 140,465,520</u>	<u>\$ 132,620,333</u>	<u>\$ 142,159,864</u>	<u>\$ 159,859,644</u>	<u>\$ 160,656,067</u>	<u>\$ 157,297,097</u>	<u>\$ 156,831,947</u>	<u>\$ 165,066,737</u>	<u>\$ 165,883,122</u>
Total net debt applicable to the limit as a percentage of debt limit	6.08%	5.92%	6.24%	6.40%	5.51%	5.25%	7.90%	7.68%	10.82%	10.44%

Legal debt margin calculation for fiscal year 2019

Assessed value	\$ 1,847,402,940
Add back: exempt real property	<u>4,799,600</u>
Total assessed value	<u>\$ 1,852,202,540</u>
Debt limit (10% of total assessed value)	\$ 185,220,254
Net debt applicable to limit	<u>19,337,132</u>
Legal debt margin	<u>\$ 165,883,122</u>

TABLE 17

**TOWN OF WARRENTON, VIRGINIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2019	9,937	\$384,472,467	38,691	39	1,939	2.6 %
2018	9,875	371,882,625	37,659	40	2,053	2.8
2017	9,861	394,026,784	39,958	43	1,633	3.4
2016	9,897	403,781,098	40,366	41	1,560	3.4
2015	9,907	395,170,416	39,888	40	2,138	4.4
2014	9,775	346,044,775	35,401	41	2,008	4.7
2013	9,803	379,474,130	38,710	38	2,008	4.8
2012	9,735	362,297,760	37,216	40	1,572	4.8
2011	9,611	375,126,941	39,031	39	1,584	5.2
2010	9,059	321,223,081	35,459	40	1,581	5.6

Source: Weldon Cooper Center, Virginia Employment Commission, US Census Bureau.

TABLE 18

**TOWN OF WARRENTON, VIRGINIA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>Fiscal Year 2019</b>		<b>Fiscal Year 2010</b>	
	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>
Fauquier County School Board	1	1,000 and over	1	1,000 and over
Fauquier Health System	2	1,000 and over	2	1,000 and over
County of Fauquier	3	500 to 999	3	500 to 999
Walmart	4	250 to 499	4	250 to 499
Town of Warrenton	5	100 to 249	5	100 to 249
Food Lion	6	100 to 249		
Blue Ridge Orthopaedic Associates	7	100 to 249		
Country Chevrolet	8	100 to 249		
The Home Depot	9	100 to 249	9	100 to 249
The Fauquier Bank	10	Under 100	6	100 to 249
Warrenton Overlook Health			7	100 to 249
Giant Food			8	100 to 249
Safeway			10	100 to 249

(1) The Town is prohibited from publishing the actual number of employees per the *Confidential Information Protection and Statistical Efficiency Act of 2002* – Title V of Public Law 107-347.

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

TABLE 19

## TOWN OF WARRENTON, VIRGINIA

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General and financial administration	6	6	6	6	6	6	6	6	7	8
Legislative	1	1	1	1	1	1	1	1	2	2
Public safety										
Police department	27	27	27	25	25	25	26	28	23	23
Fire and rescue	1	1	1	1	1	2	2	2	2	2
Building inspections	2	2	2	2	2	2	2	3	3	4
Public works										
General maintenance	23	23	23	23	23	23	23	22	20	21
Administration	5	4	4	5	5	5	5	5	6	5
Culture and recreation	3	3	3	3	3	3	4	6	7	7
Planning and community development	4	3	3	3	3	4	5	6	6	9
Water and sewer										
Water	15	14	14	14	14	14	14	14	12	12
Wastewater	8	7	7	7	7	7	7	7	7	7
Administration	7	6	6	6	6	6	6	6	6	5
Motor pool	2	3	3	3	3	3	3	3	3	3
Information technology	-	-	-	-	-	-	1	1	1	1
	<u>104</u>	<u>100</u>	<u>100</u>	<u>99</u>	<u>99</u>	<u>101</u>	<u>105</u>	<u>110</u>	<u>105</u>	<u>109</u>

Source: Department of Finance and Human Resources.

TABLE 20

**TOWN OF WARRENTON, VIRGINIA**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety:										
Police department:										
Physical arrests	430	397	371	390	248	295	194	164	320	307
Traffic violations	5,360	6,243	3,989	6,557	5,355	3,317	3,375	2,022	2,290	3,725
Fire and rescue:										
Number of calls answered	2,435	2,416	2,643	2,100	2,601	2,819	2,811	2,982	3,028	3,785
Building inspections:										
Permits issued	382	333	700	671	585	649	745	622	641	641
Public works:										
Refuse collected (tons/year)	3,825	3,920	3,844	3,746	3,761	3,822	361	3,709	3,616	3,754
Recycling (tons/year)	783	881	919	4,539	1,244	1,253	963	994	1,298	889
Community development:										
Planning:										
Zoning permits issued	155	166	159	150	170	180	174	202	187	241

Source: Individual Town departments.



TABLE 21

## TOWN OF WARRENTON, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	17	19	21	21	21	21	21	21	21
Fire stations	1	1	1	1	1	1	1	1	1	1
Sanitation:										
Collection trucks	2	2	2	2	3	3	3	4	4	4
Highway and streets:										
Streets (miles)	86.49	86.49	86.49	94.52	94.52	93.47	93.47	93.47	93.47	93.47
Streetlights	770	772	772	795	810	810	810	810	810	824
Traffic signals	10	10	10	11	11	12	12	12	12	12
Culture and recreation:										
Parks acreage	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.94
Parks	5	5	5	5	5	5	5	5	5	7
Water:										
Water mains (miles)	84.00	84.00	84.00	86.00	86.00	86.00	86.00	86.00	88.00	89.00
Fire hydrants	690	716	717	725	725	725	731	731	743.00	749.00
Sewer:										
Sanitary sewers	63.20	66.00	66.00	66.00	66.00	66.00	68.00	68.00	69.00	69.00
Storm sewers (miles)	15.44	15.44	15.44	15.44	15.44	15.44	38.00	39.70	40.00	40.00

Source: Individual Town departments.

## **COMPLIANCE SECTION**

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**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 Warrenton, Virginia  
Warrenton, 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* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia (the "Town"), as of and for the year ended June 30, 2019, 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 27, 2019.

**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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free 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 an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item 2019-001.**

### Town of Warrenton, Virginia's Response to Finding

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

### Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 27, 2019

**TOWN OF WARRENTON, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2019**

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
- Highway Maintenance

**LOCAL COMPLIANCE MATTERS**

Town Charter

**TOWN OF WARRENTON, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2019**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**B. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2019-001: Highway Maintenance**

*Condition:*

In two highway maintenance work orders out of two tested, we noted that the equipment rate used was not the most current equipment rate.

*Recommendation:*

We recommend revisiting procedures to ensure the correct rates are used for highway maintenance jobs.

*Managements Response:*

In fiscal year 2020, the Town will obtain the correct rates issued by VDOT.