



COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021

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



**TOWN OF WARRENTON, VIRGINIA
TABLE OF CONTENTS**

Page

INTRODUCTORY SECTION

Directory of Principal Officials	i
Letter of Transmittal	ii
GFOA Certificate of Achievement	xi
Organizational Chart.....	xii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis.....	4a

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1	Statement of Net Position.....	5
Exhibit 2	Statement of Activities	6

Fund Financial Statements

Exhibit 3	Balance Sheet – Governmental Funds	7
Exhibit 4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9
Exhibit 6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Exhibit 7	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	11
Exhibit 8	Statement of Net Position – Proprietary Fund	12
Exhibit 9	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	13
Exhibit 10	Statement of Cash Flows – Proprietary Fund	14
Exhibit 11	Statement of Fiduciary Net Position – Custodial Funds	16

**TOWN OF WARRENTON, VIRGINIA
TABLE OF CONTENTS
(Continued)**

Page

**FINANCIAL SECTION
(Continued)**

Exhibit 12	Statement of Changes in Fiduciary Net Position – Custodial Funds	17
Notes to Financial Statements		18
Required Supplementary Information		
Exhibit 13	Schedule of Changes in Net Pension Liability and Related Ratios.....	49
Exhibit 14	Schedule of Employer Pension Contributions.....	50
Exhibit 15	Schedule of Employer’s Share of Net OPEB Liability – VRS GLI	51
Exhibit 16	Schedule of Employer OPEB Contributions – VRS GLI	52
Notes to Required Supplementary Information		53
Other Supplementary Information		
Exhibit 17	Schedule of Revenues – Budget and Actual – General Fund	56
Exhibit 18	Schedule of Expenditures – Budget and Actual – General Fund.....	58

STATISTICAL SECTION

Table 1	Net Position by Component	61
Table 2	Changes in Net Position	62
Table 3	Fund Balances of Governmental Funds.....	64
Table 4	Changes in Fund Balances of Governmental Funds	65
Table 5	Assessed Value and Estimated Actual Value of Taxable Property	66
Table 6	Property Tax Rates	67
Table 7	General Government Tax Revenues by Source.....	68
Table 8	Meals Tax Revenues	69
Table 9	Principal Property Taxpayers.....	70
Table 10	Property Tax Levies and Collections.....	71
Table 11	Meals Tax Rates	72

**TOWN OF WARRENTON, VIRGINIA
TABLE OF CONTENTS
(Continued)**

Page

**STATISTICAL SECTION
(Continued)**

Table 12	Principal Meals Taxpayers	73
Table 13	Ratios of Outstanding Debt by Type	74
Table 14	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	75
Table 15	Direct and Overlapping Governmental Activities Debt.....	76
Table 16	Legal Debt Margin Information.....	77
Table 17	Demographic and Economic Statistics	78
Table 18	Principal Employers	79
Table 19	Full-time Equivalent Town Government Employees by Function.....	80
Table 20	Operating Indicators by Function	81
Table 21	Capital Asset Statistics by Function	82

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84
Summary of Compliance Matters	86

INTRODUCTORY SECTION

TOWN OF WARRENTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2021

TOWN COUNCIL

Carter Nevill, Mayor
Sean Polster, Vice Mayor

Renard Carlos, At Large
Heather Sutphin, Ward 1
William Semple II, Ward 2
Brett Hamby, Ward 3
James Hartman III, Ward 4
Kevin Carter, Ward 5

APPOINTED OFFICIALS

Brandie SchaefferTown Manager
Whitson W. Robinson.....Town Attorney
Brandie Schaeffer Town Clerk
Stephanie Miller..... Finance/Personnel Director
Tommy CuretonParks & Recreation Director
Rob Walton..... Community Development Director
Frank Cassidy. Public Works/Utilities Director
Michael KochisChief of Police

December 3, 2021

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Town of Warrenton for the fiscal year ended June 30, 2021. 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, 2021 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.

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 10,065. 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 each month.

ECONOMIC CONDITION AND OUTLOOK

The Local Economy

The response to the novel coronavirus pandemic drove a sharp fall in consumer and business travel and spending, as large-scale quarantines, travel restrictions and social distancing measures were put into place. The Town's meals, lodging and business tax revenues were adversely impacted in the initial months of the pandemic. The Town proactively curtailed expenditures to address anticipated revenue shortfalls. During fiscal year 2021, the Town received \$1.7 million in Coronavirus Relief Funding. The influx of Federal funds, along with proactive cost containment and strong fiscal management measures, ensured the Town's financial position remained strong despite uncertainty.

The Northern Virginia region is highly competitive and influenced by changing economic forces. Warrenton has historically remained on the fringe but continues to build on enhancing its gateway location to Shenandoah National Park, wine and horse country, and its recreational opportunities. The Town's guiding principles include a robust strategy for housing and employment coupled with proactive business retention and recruitment, all while maintaining small-town character.

Warrenton continues to strive for inclusive and attainable housing for all ages, incomes, and needs that preserve established residential neighborhoods, while supporting infill development. Housing is not often seen as an economic driver, but it serves as a balance in the overall quality of life for Warrenton by catering to the needs of a diverse community. This seeks to include young families, professionals early in their careers, essential workforce (e.g. teachers and police officers), and retirees. This creates a diverse and circular housing need. As a result of the pandemic, Warrenton has reduced the percentage of Town residents out-commuting for work. This shift to working from home for these employees had a positive impact on our local economy. While many workers continue to work remotely, the long-term impacts remain to be seen.

With a strategic transportation location, the Town enjoys two major retail economic corridors in a series of shopping centers along the by-pass and big box stores along the most southern point of Town. The shopping centers are focal points for revitalization. Allowing for mixed-use and multi-family development will transform aging commercial corridors into vibrant neighborhoods. This effort is creating the ability to significantly grow property tax revenue and particularly meals tax and sales tax to solidify stability of the commercial corridor for years to come. In addition to the major retail developments, the Town has provisions for health care services in Fauquier Hospital and the recent investments in enhanced offerings in the devoted cancer treatment center. Fauquier Hospital continues to add services to meet demands, as do other local providers demonstrating ongoing economic potential. This serves as an attractive feature for those looking to relocate to Warrenton.

While not located directly in the Town, the presence of Laurel Ridge Community College continues to positively impact the economy of the Town of Warrenton. Recent investments in an expanded science and technology building for hands-on trade workforce training represents ongoing economic success.

The Old Town Historic District is a mainstay of the Town and serves as an economic driver when considering the small land footprint compared to economic output. The per acre economic output of Old Town is often overlooked, but during the pandemic, the heart of the Town was on display. Providing a safe place to gather outdoors during the pandemic resulted in reimagining Old Town to include enhanced outdoor seating for all businesses. This sustained these smaller businesses and, in some instances, resulted in greater economic output. The Town relocated the Town Hall from Court Street, to a location directly on Main Street. The Visitor's Center was relocated to the new Town Hall, providing a more central and accessible location. The relocation to new Town Hall also resulted in the addition of 54 parking spaces for public use to facilitate access to Old Town businesses.

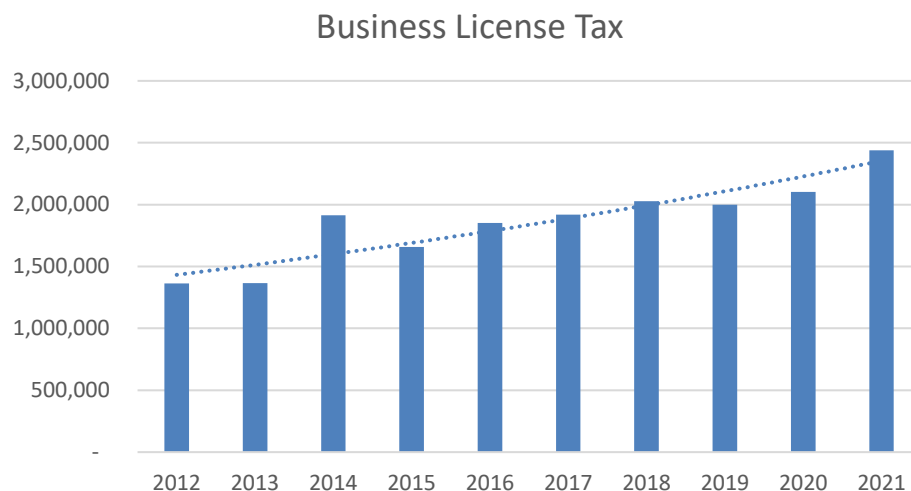
Outside of the retail corridors and Old Town, there has been enhanced effort on industrial land and the ability to attract diverse tax base as the Town approaches build out using designated incentive zones. The economic activity options are found in the remaining large industrial parcels, as well as redevelopment opportunities. The announcement of an Amazon Data Center on 42-acres is one of the largest per acre economic investments to date and presents ongoing opportunity that will help incentivize other capital investments. This will ensure that Warrenton will maintain its status as the center for commerce, contributing quality development with balanced economic opportunity.

Primary local revenue sources for the Town continue to be meals tax, which accounts for 18.8%, and business, professional, and occupational license tax, representing 17.6%, of general fund revenue for fiscal year 2021. As mentioned previously, the Town assisted local businesses during the pandemic by continuing the relaxation of some of its zoning ordinances to allow for increased use of outdoor space. Main Street was closed on weekend evenings to traffic during the warmer months to allow pedestrians and patrons to dine and enjoy the entertainment provided by the restaurants. Parklets were assembled by Town staff to convert parking spaces for community and business use during the pandemic. Many of these efforts have been well-received by the community and will be continued post-pandemic.

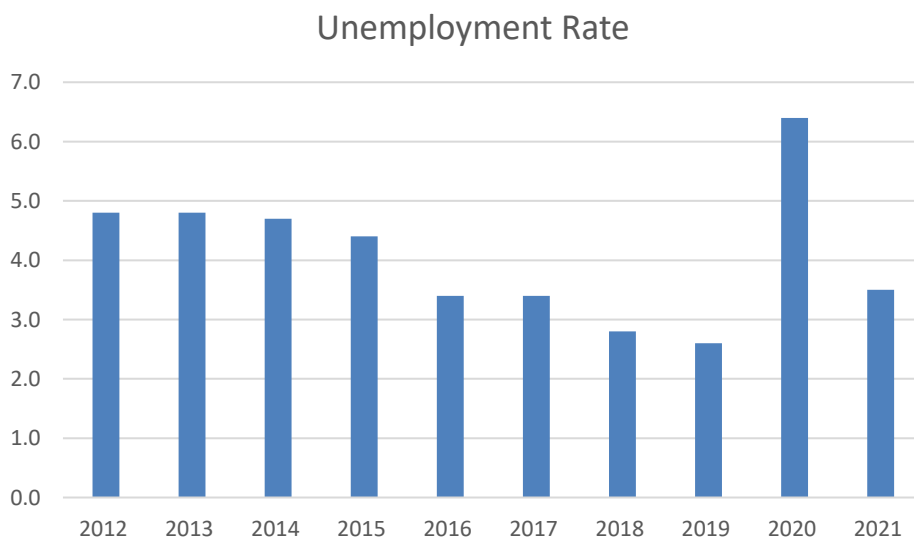
Over the past ten years, Meals Tax has risen by 37.1% and has been the most consistent other local tax source for the town. The average annual increase is 3.7%. Fiscal Year 2020 reflects a decrease compared to the overall trend due to the impact of quarantine restrictions.



Business license tax is based on prior calendar year gross receipts. This means that the amount collected for fiscal year 2021 reflects the performance of local businesses in calendar year 2020. It is reassuring to see this amount increased by 15.9% compared to 2020. Over the past ten years, business license tax revenue has grown by 78.8 %.



Unemployment rates are not available for the Town. The rate for Fauquier County as of June 2021 was 3.5%. This was a 2.9% decrease from the 10-year high recorded in June of 2020. The June 2021 unemployment rate compares favorably to the 4.5% reported for Virginia and 6.1% reported nationally. As can be seen from the chart below, the unemployment rate for Fauquier County had been trending down for the past several years prior to COVID-19. The long-term impacts of the pandemic on unemployment remain to be seen.



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. The County has recently completed a reassessment that reflects an increase of approximately 22%. Those values will be effective January 1, 2022.

The local real estate market increased exponentially in 2020 due to the COVID-19 pandemic but has slowed some in the current year. The Greater Piedmont Realtors Association published the following statistics for Fauquier County for September 2021 compared to September 2020:

- sales activity is down 20%, but still up 25% compared to 2019;
- the median sales price has grown by 18%; and
- the average number of days on the market has dropped from 50 days to 15 days.

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 updated the Comprehensive Plan on April 13, 2021. The updated plan ensures funding allocation is relevant to present goals and contemplates 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 consider the impact of items like the estimated useful life of vehicles, buildings, equipment, and other capital investments. The Comprehensive Plan will include scenarios of growth for the Town so that elected officials can understand all budgetary impacts of projected capital projects.

In July 2021, the Town refunded all of its existing General Obligation debt to take advantage of historically low interest rates. This resulted in net present value savings of \$1,669,781.

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 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. This serves to guide the Town Council whenever there is a request to appropriate additional funds. The Water and Sewer Operating Fund maintains by policy a cash balance equivalent to 200 days of operating expenses.

Town staff has consolidated the approved financial policies listed above along with other policies in one document. The Comprehensive Financial Policies were adopted by the Town Council at the July 2021 meeting and will serve the Town by providing a sound basis for prudent financial decision-making.

Major Initiatives

Efforts to curtail spending due to the pandemic and the provision of a significant amount of Federal funding shifted the Town staff's focus to respond to COVID-19. The Town slowed capital spending but continued to invest in Water and Sewer facility upgrades and the renovation of the new Town Hall; these efforts were funded by bonds issued prior to the pandemic. These improvements will continue to serve the community and maintain economic vitality. As we begin to adapt to a new normal, the Town will renew the commitment to capital investment and continue its focus on the following strategic priorities:

- Review potential boundary adjustments on the northern and eastern edges of the Town;
- Provide quality of life and recreational activities for residents;
- Improve walkability, 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.

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 developed 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 easy access once here continues to be a Council priority. Investments in signage and gateways will promote existing businesses and make the Town more attractive for potential businesses to locate. The proposed boundary adjustment on the eastern side of town may serve for relocation of Town facilities that have reached capacity. The recently updated comprehensive plan will help guide the Town through the implementation of the Council's priorities.

Improving pedestrian safety and relieving traffic congestion continue to be top priorities for the Town, especially given 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.

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 fourth award in October 2020. The Town has twenty-eight 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 operates the Warrenton Aquatic and Recreation Facility (WARF), a 59,738 square foot aquatic and fitness facility, along with six parks throughout town. After closing in March of 2020 due to the pandemic, the department reopened the WARF in July of 2020 and returned to pre-pandemic operations during the fiscal year. The department received approval of the Eva Walker Park Master Plan and has scheduled the installation and opening of the Eva Walker Commemorative Garden for the Spring of 2022. In collaboration with the Town's Public Works Department, the Virginia Department of Transportation, and Fauquier County Public Schools, the department recently oversaw the construction and opening of the first phase of Timber Fence Trail. This project was funded 80% by Federal funds awarded by the Commonwealth Transportation Board and Fauquier County has agreed to contribute 10% of the project costs. Once phase two is completed, the trail will connect the Gold Cup subdivision to the WARF along property owned by the Fauquier County School Board.

The Town issued a general obligation bond in 2019 to acquire and renovate a building located on Main Street in Warrenton to serve as Town Hall. The new building has helped to alleviate space needs and consolidated operations for several departments. Staff continues to review vacant properties owned by the Town for potential other uses or disposition.

IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

In response to the COVID-19 pandemic, the Governmental Accounting Standards Board issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This allowed delayed implementation of previously issued Statements. During Fiscal Year 2022, the Town will analyze the impact of the following GASB Statements:

- GASB Statement No. 87, *Leases*.
- GASB Statement No. 91, *Conduit Debt Obligations*.
- GASB Statement No. 92, *Omnibus 2020*.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*.

Note 14 provides details regarding new accounting standards.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. 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 financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting our ACFR 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**

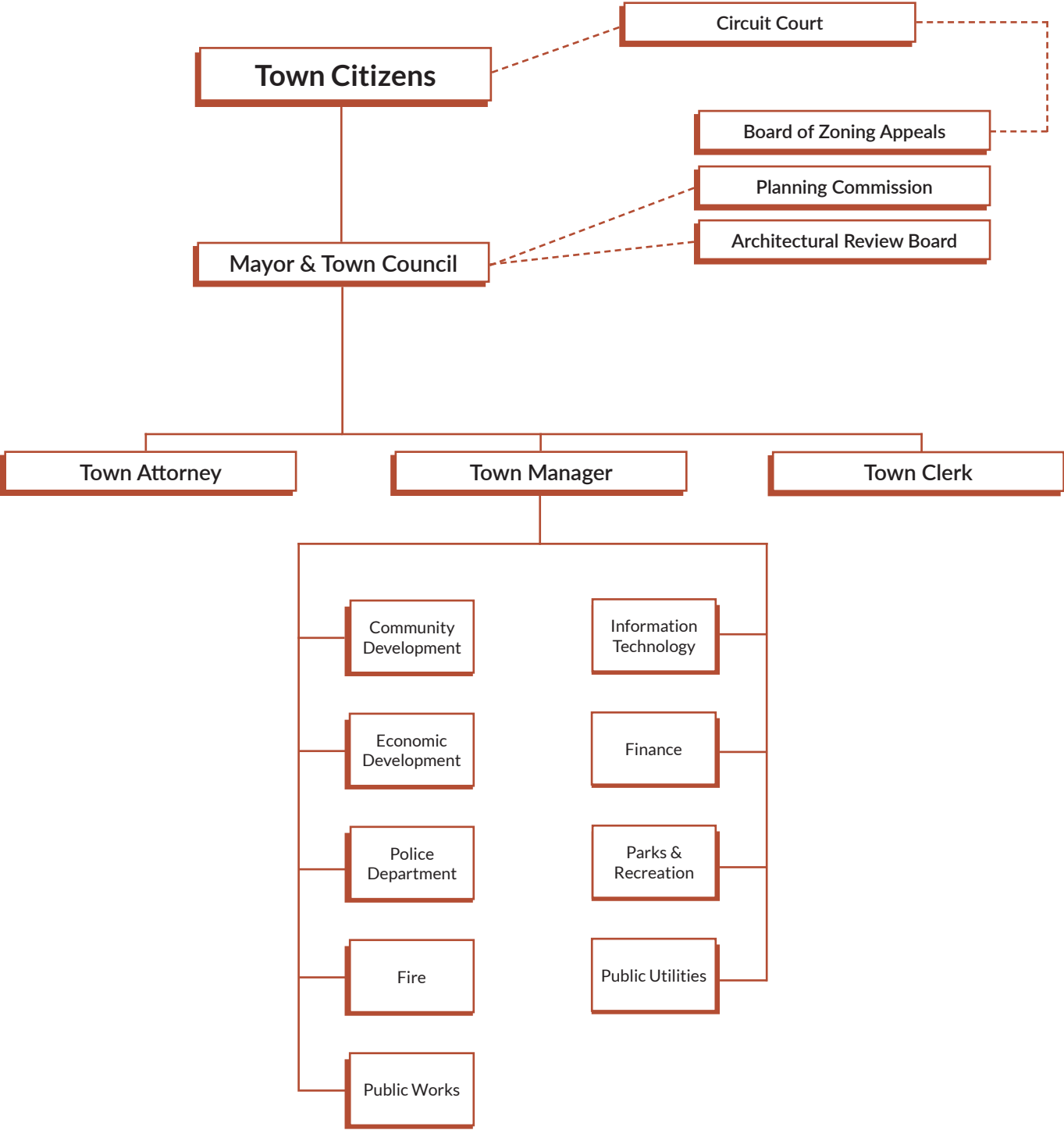
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

ORGANIZATIONAL CHART



THIS PAGE INTENTIONALLY BLANK

FINANCIAL SECTION

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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia, as of June 30, 2021, 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 supplementary 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 December 3, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 3, 2021

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, 2021. This 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 Annual Comprehensive Financial Report (ACFR) 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 2020 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 ACFR. 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.

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

(Continued)

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.

Fund Financial Statements (Continued)

- **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 2021 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, 2021	June 30, 2020
Net Position	\$ 73,339,573	\$ 73,359,654
Unrestricted	16,910,762	17,168,705

The Town's total net position decreased \$20,081 in fiscal year 2021. Business-type activities increased net position by \$765,950 due to an increase in charges for services owing to planned rate increases and increased commercial consumption for the Water and Sewer Fund. Governmental activities decreased net position by \$786,031, primarily due to decreases in program revenues coupled with increased spending for general government and public safety. The decrease in program revenues is due to the phased re-opening of the Town's aquatic facility once restrictions started to lift in the summer of 2020 and decreased patronage because of the pandemic. The unrestricted portion of net position decreased by \$257,943. As bond-funded capital projects related to business-type activities wrapped up at the end of fiscal year 2021, this shifted the composition from the unrestricted category to the net investment in capital assets.

While governmental revenues decreased by \$98,470 compared to fiscal year 2020, expenditures declined by \$2,580,429 due to spending freezes enacted in response to the pandemic. This measure to control spending resulted in an increase of \$382,722 in combined ending fund balances for governmental funds for the fiscal year. Unassigned fund balance increased by \$1,397,033 and represents 71.9% of total fund balance. This increase in unassigned fund balance is related to the decrease in the restricted category as the bond proceeds for the new Town Hall project are spent. Note 11 provides more details regarding the classification of fund balance.

	June 30, 2021	June 30, 2020
Fund balance, ending	\$ 16,097,093	\$ 15,714,371
Increase (decrease) from prior year	382,722	2,000,763
Unassigned fund balance	\$ 11,575,773	\$ 10,178,740
Percentage unassigned	71.9%	64.8%

(Continued)

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 \$73,339,573 at June 30, 2021.

Table 1

Town of Warrenton Summary of Net Position						
	Governmental activities		Business-type activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Assets:						
Current and other assets	\$ 23,032,388	\$ 16,869,210	\$ 8,198,700	\$ 9,932,075	\$ 31,231,088	\$ 26,801,285
Capital assets	44,658,938	46,242,706	30,948,398	29,049,784	75,607,336	75,292,490
Total assets	\$ 67,691,326	\$ 63,111,916	\$ 39,147,098	\$ 38,981,859	\$ 106,838,424	\$ 102,093,775
Deferred outflows of resources:						
Deferred charge on refunding	\$ 381,176	\$ 450,512	\$ -	\$ -	\$ 381,176	\$ 450,512
Pension-related deferred outflows	1,267,539	891,747	412,497	295,487	1,680,036	1,187,234
OPEB-related deferred outflows	109,163	85,843	31,361	27,909	140,524	113,752
Total deferred outflows of resources	\$ 1,757,878	\$ 1,428,102	\$ 443,858	\$ 323,396	\$ 2,201,736	\$ 1,751,498
Total assets and deferred outflows of resources	\$ 69,449,204	\$ 65,540,018	\$ 39,590,956	\$ 39,305,255	\$ 109,040,160	\$ 103,845,273
Liabilities:						
Long-term liabilities	\$ 14,432,109	\$ 14,381,286	\$ 12,730,108	\$ 12,854,317	\$ 27,162,217	\$ 27,235,603
Other liabilities	7,040,360	1,261,142	1,183,508	1,492,783	8,223,868	2,753,925
Total liabilities	\$ 21,472,469	\$ 15,642,428	\$ 13,913,616	\$ 14,347,100	\$ 35,386,085	\$ 29,989,528
Deferred inflows of resources:						
Property taxes	\$ 670	\$ 670	\$ -	\$ -	\$ 670	\$ 670
Pension-related deferred inflows	213,367	334,504	69,436	110,840	282,803	445,344
OPEB-related deferred inflows	24,104	37,791	6,925	12,286	31,029	50,077
Total deferred inflows of resources	\$ 238,141	\$ 372,965	\$ 76,361	\$ 123,126	\$ 314,502	\$ 496,091
Net position:						
Net investment in capital assets	\$ 35,719,844	\$ 37,683,553	\$ 19,595,398	\$ 17,364,417	\$ 55,315,242	\$ 55,047,970
Restricted	879,148	920,523	234,421	222,456	1,113,569	1,142,979
Unrestricted	11,139,602	9,920,549	5,771,160	7,248,156	16,910,762	17,168,705
Total net position	\$ 47,738,594	\$ 48,524,625	\$ 25,600,979	\$ 24,835,029	\$ 73,339,573	\$ 73,359,654
Total liabilities and deferred inflows of resources and net position	\$ 69,449,204	\$ 65,540,18	\$ 39,590,956	\$ 39,305,255	\$ 109,040,160	\$ 103,845,273

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 reports 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, 2021 is \$55,315,242 and represents 75.4 percent of total net position.

(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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 \$1,113,569, or 1.5 percent of total net position.

Unrestricted Net Position: The remaining balance of unrestricted net position at June 30, 2021 is \$16,910,762, or 23.1 percent of total net position, and may be used to meet the government's ongoing obligations to citizens and creditors. During Fiscal Year 2021, the net position of the government decreased by \$20,081 primarily due to depreciation expense and weaker governmental revenues due to the COVID-19 pandemic.

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, 2021.

Table 2

Town of Warrenton Changes in Net Position							
	Governmental activities		Business-type activities		Total		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	
Revenues:							
Program revenues:							
Charges for services	\$ 875,013	\$ 1,253,346	\$ 6,512,552	\$ 5,887,602	\$ 7,387,565	\$ 7,140,948	
Operating grants & contributions	1,740,112	2,024,402	-	-	1,740,112	2,024,402	
Capital grants & contributions	-	42,637	-	-	-	42,637	
General revenues:							
General property taxes	1,373,058	1,340,665	-	-	1,373,058	1,340,665	
Other local taxes	8,658,389	7,421,820	-	-	8,658,389	7,421,820	
Intergovernmental revenue, unrestricted	594,955	602,073	69,249	-	664,204	602,073	
Use of money and property	25,995	329,960	164,885	347,105	190,880	677,605	
Miscellaneous	264,835	574,273	-	-	264,835	574,273	
Grants and contributions not restricted to specific programs	1,232,261	1,277,736	-	-	1,232,261	1,277,736	
Total revenues	\$ 14,764,618	\$ 14,866,912	\$ 6,746,686	\$ 6,234,707	\$ 21,511,304	\$ 21,101,619	
Expenses:							
General government	\$ 1,860,468	\$ 1,597,253	\$ -	\$ -	\$ 1,860,468	\$ 1,597,253	
Public safety	4,683,874	4,116,850	-	-	4,683,874	4,116,850	
Public works	5,058,972	5,351,067	-	-	5,058,972	5,351,067	
Health and welfare	183,565	177,910	-	-	183,565	177,910	
Parks, recreation and cultural	2,502,658	2,569,659	-	-	2,502,658	2,569,659	
Community development	923,715	1,062,002	-	-	923,715	1,062,002	
Water and Sewer	-	-	5,597,855	5,634,644	5,597,855	5,634,644	
Interest on long-term debt	337,397	391,806	382,881	393,088	720,278	784,894	
Total expenses	\$ 15,550,649	\$ 15,266,547	\$ 5,980,736	\$ 6,027,732	\$ 21,531,385	\$ 21,294,279	
Change in net position	\$ (786,031)	\$ (399,635)	\$ 765,950	\$ 206,975	\$ (20,081)	\$ (192,660)	
Net position, beginning of year	48,524,625	48,924,260	24,835,029	24,628,054	73,359,654	73,552,314	
Net position, end of year	\$ 47,738,594	\$ 48,524,625	\$ 25,600,979	\$ 24,835,029	\$ 73,339,573	\$ 73,359,654	

(Continued)

CHANGE IN NET POSITION (Continued)

Governmental Activities: For the year ended June 30, 2021, Governmental activities decreased net position by \$786,031. Total revenues declined by \$102,294 compared to the prior year, with decreases reflected in all but two categories.

Of those categories that decreased, the largest were in charges for services, miscellaneous and use of money and property.

- Charges for services experienced a steep decline due to the COVID-19 pandemic. This category reflects charges for access to the Warrenton Aquatic and Recreation Facility, which reopened to the public in stages beginning in July 2020. The facility continued to operate under reduced capacity through the fiscal year.
- The miscellaneous category decreased by \$309,438. In Fiscal Year 2020, this category captured the repayment of a contribution made to Fauquier County in support of the construction of a new library in the Town. This project was removed from the County's capital improvement plan, so the Town Council requested the return of these funds in the amount of \$333,333. Removing that amount from the year over year comparison brings the change within a normal variance.
- The decrease in the use of money and property reflects the current interest rate environment coupled with reductions in invested balances as bond proceeds are spent.

The only revenue categories that saw an increase over the prior year were general property taxes and other local revenue.

- General property taxes increased by \$32,393, or 2.4%, compared to fiscal year 2020 primarily due to collection of prior year balances.
- Other local revenue includes a variety of revenue sources:
 - The greatest increase was in Bank stock taxes, which increased by \$461,788 from \$830,298 to \$1,292,086. The tax is based on local deposits, but other factors may contribute to changes in this revenue source.
 - Business license taxes increased by \$334,475 compared to fiscal year 2020. Grant programs and loan requirements related to the pandemic required that businesses show proof of licensing, which helped to accelerate collections in this category.
 - Meals taxes and Sales taxes increased by \$313,413 and \$143,510 respectively. These increases are due primarily to the continuation of travel restrictions and work-from-home policies that ensured money was spent locally, as evidenced by higher gross receipts reported by businesses.

Total expenses increased by \$284,102 due to the Federal funds received to support the response to COVID-19. The increase is attributable to the use of Coronavirus Relief Funds (CRF) for general government administration and public safety.

- General government administration spending increased by \$263,215. Information technology improvements such as an audio-visual system to stream council meetings and equipment to facilitate remote work were paid for by CRF and represent \$202,713 of this amount.
- Public safety expenditures increased by \$567,024. CRF funds in the amount of \$284,370 were spent in this category to cover public safety salaries and the purchase of equipment and supplies.

(Continued)

CHANGE IN NET POSITION (Continued)

Business-type Activities: Business-type activities increased net position by \$765,950. On the revenue side, charges for services increased by \$624,950 due to planned service rate increases and increased commercial consumption compared to 2020 as businesses were opened again. This increase was offset by a decrease for the use of money and property in the amount of \$182,220, due to the general declines in interest rates and close-out of bond-funded projects. CRF funds in the amount of \$69,249 were recorded in the Water and Sewer fund in support of technology improvements providing remote monitoring of pump stations and municipal utility relief provided to customers who were negatively impacted by the pandemic. Water and Sewer expenses decreased by \$36,789 compared to the prior year, while interest on long-term debt decreased by \$10,207.

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 \$16,097,093, an increase of \$382,722 compared to the prior year. Approximately 71.9 percent, or \$11,575,773, 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, 2021 is \$25,600,979, an increase of \$765,950 compared to June 30, 2020. The net investment in capital assets is \$19,595,398, which reflects an increase of \$2,230,981. The Town has recently completed two major projects for the Water Treatment Plant and the Wastewater Treatment Plant that drove the increase in the net investment in capital assets. Unrestricted net position of the Water and Sewer Fund at the end of the year was \$5,771,160, or 22.5 percent, of the fund's net position. This reflects a decrease in unrestricted net position from fiscal year 2020 of \$1,476,996, which is expected with the completion of the bond-funded projects.

The greatest impact year after year for the proprietary fund is depreciation expense. Depreciation expense for the fiscal year ended June 30, 2021 was \$1,130,168 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.

(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budgeted appropriation and the final amended budgeted appropriation for the general fund was \$4,019,292, or 25.5 percent, of the total original budget. Final actual expenditures were \$5,418,659, or 27.4 percent, less than final amended appropriations. The two functional areas that realized the greatest variation with the budget were capital outlay and public works. For capital outlay, there were spending freezes, delays related to capital asset acquisitions, and multi-year projects that were carried over into the next fiscal year. For public works, multiple projects were delayed due to the spending freeze, particularly during the warmer months.

Final actual revenue exceeded the final amended budget amounts by \$253,748. This was largely due to the extremely conservative revenue estimates used to develop the Fiscal Year 2021 budget, which was still under review at the beginning of the pandemic. The largest variances were in the Federal intergovernmental and other local taxes categories. The entire Coronavirus Relief Fund (CRF) allocation was budgeted but a balance of \$495,707 was unspent at the end of the year, which accounts for the difference. The CRF balance will be used to cover qualifying expenditures in fiscal year 2022. The budget for the other local taxes category was dropped significantly due to uncertainties regarding consumer spending as the pandemic began. This category came in \$1,843,264 higher than the budgeted amount, with most categories resuming their pre-pandemic trend by year-end.

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 \$314,846 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, 2021, total \$44,658,938 (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 \$1,583,768. Depreciation expense charged for governmental activities for the period ended June 30, 2021 was \$2,676,760.

Capital asset additions during fiscal year 2021 for governmental activities totaled \$2,240,679. The following are some of the major additions in this category:

- Renovations of new Town Hall building - \$993,676
- Public works equipment replacement - \$220,492
- Public safety vehicle acquisition and replacements - \$118,236
- Technology refresh and improvements - \$221,655

(Continued)

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS (Continued)

The Town's business-type activity capital assets total \$30,948,398 (net of accumulated depreciation) which reflects a net increase of \$1,898,614 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, 2020 was \$1,130,168.

For business-type activities, capital asset additions totaled \$16,148,443, including the following major items:

- Wastewater Treatment Plan Moving Bed Biological Reactor - \$9,346,771
- Water Treatment Plan Chemical Feed Building - \$2,768,582
- Rady Park Pump Station Upgrade - \$1,004,310

Table 3

Town of Warrenton							
Capital Assets (net of depreciation)							
	Governmental activities		Business-type activities		Total		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	
Land	\$ 4,640,673	\$ 4,460,673	\$ 665,660	\$ 665,660	\$ 5,306,333	\$ 5,306,333	
Construction in progress	195,456	856,878	2,712,024	12,906,750	2,907,480	13,763,628	
Utility plant in service	-	-	26,655,538	14,523,025	26,655,538	14,523,025	
Buildings and improvements	22,248,515	22,024,871	-	-	22,248,515	22,024,871	
Infrastructure	13,756,269	14,908,639	-	-	13,756,269	14,908,639	
Furniture, equipment, and vehicles	3,818,025	3,811,645	915,176	954,349	4,733,201	4,765,994	
Total	\$ <u>44,658,938</u>	\$ <u>46,242,706</u>	\$ <u>30,948,398</u>	\$ <u>29,049,784</u>	\$ <u>75,607,336</u>	\$ <u>75,292,490</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 \$27.2 million in outstanding obligations. This represents a decrease of \$73,386 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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
General obligation bonds	\$ 10,097,000	\$ 10,723,000	\$ 11,353,000	\$ 11,686,000	\$ 21,450,000	\$ 22,409,000
Capital lease	99,433	165,782	-	-	99,433	165,782
Net pension liability	3,201,087	2,519,823	1,041,735	834,963	4,242,822	3,354,786
Net OPEB liability	406,809	369,019	116,872	119,975	523,681	488,994
Compensated absences	627,780	603,662	218,501	213,379	846,281	817,041
Total	\$ 14,432,109	\$ 14,381,286	\$ 12,730,108	\$ 12,854,317	\$ 27,162,217	\$ 27,235,603

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 2022:

- The ongoing COVID-19 pandemic and the emergence of variants has created instability in certain sectors, especially service and tourism. The Town continues to monitor monthly receipts in the areas of Meals Tax, Lodging Tax, and Sales Tax to gauge the impact on our local economy. Several revenue categories rebounded in 2021 compared to fiscal year 2020:
 - Meals tax – revenue increased by \$313,413, or 12.5%
 - Transient occupancy tax – revenue increased by \$14,444, or 7.9%
 - Sales tax – revenue increased by \$143,510, or 18.4%

While these are positive variances, the amounts reported fall below the pre-pandemic revenue trends.

- Warrenton Chase development is nearing completion, with 82 homes priced in the \$500,000 to \$700,000 range. This enlarges the residential tax base and will likely increase the Town's apportionment of sales tax revenue, which is based on the number of school-aged children that reside in the Town.
- The COVID-19 pandemic continues to affect the unemployment rate, especially for lower wage, less educated, and minority members of the workforce. The unemployment rate for Fauquier County has decreased to 3.5% for June 2021 compared to 6.4% in June 2020. While the decrease is a move in the right direction, it is still significantly higher than the 2.6% rate recorded in June 2019.

(Continued)

Fiscal Year 2022 Budget and Rates

- The Fiscal Year 2022 Adopted Budget did not include any tax rate increases. The total appropriation for all funds is \$26,503,024, which is an increase of \$3,418,336, or 14.8%, from the Fiscal Year 2021 Adopted Budget.
- The Town Council adopted a Stormwater Management Utility Fee during fiscal year 2021 but chose to delay implementation until fiscal year 2022. The fee will be added to real estate bills, which are due twice a year in June and December. A Stormwater Utility Fund was established effective July 1, 2021 to account for all fee revenue and stormwater management operating and capital expenses.
- The adopted General Fund budget for fiscal year 2022 is \$16,342,229, an increase of only \$518,588, or 3.3%, from the adopted budget for fiscal year 2021.
- General capital projects are budgeted in a separate fund, and total \$991,895 for fiscal year 2022. This is supported by a transfer from the general fund of \$585,627 which represents a use of fund balance and \$406,268 in grant funding.
- The Town maintains asset replacement funds for both general and water and sewer funds to address ongoing major repairs, maintenance, and replacement of capital assets. For fiscal year 2022, the general asset replacement fund totals \$1,160,383, supported fully by a transfer from the general fund.
- The largest revenue categories for the general fund are the other local taxes category at 45.6 percent, which includes the Town's two largest revenue sources - business license taxes and meals taxes; State revenue at 18.4 percent, which consists primarily of funding for the maintenance of Town streets and roads; and general property taxes at 8.7 percent. Charges for services account for 4.3 percent of general fund revenue and represent user fees for the Warrenton Aquatic and Recreation Facility (WARF). The charges for services budget decreased by 13.6 percent for the fiscal year 2022 budget as the facility continues to recover from the impact of a lengthy closure and associated declines in membership.
- The largest functional expenditure areas for the general fund are public works at 24.8 percent and public safety at 23.7 percent.
- The fiscal year 2022 adopted budget for the general fund plans for the use of \$2,971,653 of fund balance. Fund balance is utilized to support capital expenditures, debt service for capital expenditures, and to cover a small operating deficit due to extreme revenue reductions in response to COVID-19.
- The fiscal year 2022 adopted budget includes water and sewer rate increases effective July 1, 2021 consistent with a rate study conducted by Municipal Financial Services Group in 2015. The Water and sewer operating fund budget increased by \$169,844, or 2.8 percent, compared to the prior year. An updated rate study is currently underway and will be incorporated into the fiscal year 2023 budget process.
- The Water and sewer capital program totals \$2,657,270. Capital projects total \$1,106,370 and asset replacements total \$1,550,900.

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 Town of Warrenton, Finance Department, P.O. Box 341, Warrenton, Virginia 20188.

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 17,076,125	\$ 6,612,579	\$ 23,688,704
Cash and cash equivalent, restricted (Note 2)	1,123,502	325,235	1,448,737
Investments (Note 2)	3,801,567	-	3,801,567
Receivables, net (Note 3)	474,263	990,987	1,465,250
Due from other governmental units (Note 4)	297,144	-	297,144
Inventories	177,921	269,899	447,820
Prepays	81,866	-	81,866
Capital assets: (Note 5)			
Nondepreciable	4,836,129	3,377,684	8,213,813
Depreciable, net	39,822,809	27,570,714	67,393,523
Total assets	67,691,326	39,147,098	106,838,424
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	381,176	-	381,176
Deferred outflows related to pensions (Note 7)	1,267,539	412,497	1,680,036
Deferred outflows related to other postemployment benefits (Note 8)	109,163	31,361	140,524
Total deferred outflows of resources	1,757,878	443,858	2,201,736
LIABILITIES			
Accounts payable	499,618	556,663	1,056,281
Accrued payroll and related liabilities	734,150	249,442	983,592
Customer deposits	-	113,689	113,689
Accrued interest payable	109,294	172,900	282,194
Unearned revenue	5,697,298	90,814	5,788,112
Long-term liabilities:			
Due within one year (Note 6)	771,828	416,850	1,188,678
Due in more than one year (Note 6)	10,052,385	11,154,651	21,207,036
Net pension liability (Note 7)	3,201,087	1,041,735	4,242,822
Net other postemployment benefit liability (Note 8)	406,809	116,872	523,681
Total liabilities	21,472,469	13,913,616	35,386,085
DEFERRED INFLOWS OF RESOURCES			
Property taxes	670	-	670
Deferred inflows related to pensions (Note 7)	213,367	69,436	282,803
Deferred inflows related to other postemployment benefits (Note 8)	24,104	6,925	31,029
Total deferred inflows of resources	238,141	76,361	314,502
NET POSITION			
Net investment in capital assets	35,719,844	19,595,398	55,315,242
Restricted:			
Unspent maintenance funds	-	234,421	234,421
Capital outlay	247,339	-	247,339
Perpetual Care – nonexpendable	631,809	-	631,809
Unrestricted	11,139,602	5,771,160	16,910,762
Total net position	\$ 47,738,594	\$ 25,600,979	\$ 73,339,573

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 1,860,468	\$ 294,301		\$ -	\$ (1,566,167)		\$ (1,566,167)
Public safety	4,683,874	112,113	276,885	-	(4,294,876)		(4,294,876)
Public works	5,058,972	-	1,463,227	-	(3,595,745)		(3,595,745)
Health and welfare	183,565	-	-	-	(183,565)		(183,565)
Parks, recreation, and cultural	2,502,658	468,599	-	-	(2,034,059)		(2,034,059)
Community development	923,715	-	-	-	(923,715)		(923,715)
Interest on long-term debt	337,397	-	-	-	(337,397)		(337,397)
Total governmental activities	15,550,649	875,013	1,740,112	-	(12,935,524)		(12,935,524)
Business-type activities							
Water and sewer	5,980,736	6,512,552	-	-		531,816	531,816
Total business-type activities	5,980,736	6,512,552	-	-		531,816	531,816
Total primary government	\$ 21,531,385	\$ 7,387,565	\$ 1,740,112	\$ -	(12,935,524)	531,816	(12,403,708)
General revenues:							
Property taxes					1,373,058	-	1,373,058
Sales and use taxes					925,159	-	925,159
Consumers' utility taxes					495,402	-	495,402
Business license taxes					2,438,043	-	2,438,043
Meals taxes					2,828,431	-	2,828,431
Bank stock taxes					1,292,086	-	1,292,086
Other local taxes					679,268	-	679,268
Intergovernmental revenue, unrestricted					594,955	69,249	664,204
Unrestricted revenues from use of money and property					25,995	164,885	190,880
Miscellaneous					264,835	-	264,835
Grants and contributions not restricted to specific programs					1,232,261	-	1,232,261
Total general revenues					12,149,493	234,134	12,383,627
Change in net position					(786,031)	765,950	(20,081)
NET POSITION AT JULY 1					48,524,625	24,835,029	73,359,654
NET POSITION AT JUNE 30					\$ 47,738,594	\$ 25,600,979	\$ 73,339,573

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

TOWN OF WARRENTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Permanent Perpetual Care Fund	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 16,444,316	631,809	\$ 17,076,125
Cash and cash equivalents, restricted (Note 2)	1,123,502	-	1,123,502
Investments (Note 2)	3,801,567	-	3,801,567
Receivables, net (Note 3)	474,263	-	474,263
Due from other governmental units (Note 4)	297,144	-	297,144
Inventories	177,921	-	177,921
Prepays	81,866	-	81,866
	<u>\$ 22,400,579</u>	<u>\$ 631,809</u>	<u>\$ 23,032,388</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 499,618	\$ -	\$ 499,618
Accrued payroll and related liabilities	734,150	-	734,150
Unearned revenue	5,697,298	-	5,697,298
	<u>6,931,066</u>	<u>-</u>	<u>6,931,066</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,229	-	4,229
FUND BALANCES (Note 11)			
Nonspendable	259,787	631,809	891,596
Restricted	1,123,502	-	1,123,502
Committed	28,035	-	28,035
Assigned	2,478,187	-	2,478,187
Unassigned	11,575,773	-	11,575,773
	<u>15,465,284</u>	<u>631,809</u>	<u>16,097,093</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,400,579</u>	<u>\$ 631,809</u>	<u>\$ 23,032,388</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, 2021**

Ending fund balance – governmental fund **\$ 16,097,093**

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	\$ 90,201,259	
Less: accumulated depreciation	<u>(45,542,321)</u>	
		44,658,938

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

3,559

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	1,267,539	
Other postemployment benefits	109,163	

Deferred inflows related to:

Pensions	(213,367)	
Other postemployment benefits	(24,104)	

Net pension liability	(3,201,087)	
-----------------------	-------------	--

Net other postemployment benefit liability	<u>(406,809)</u>	
		(2,468,665)

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	(10,097,000)	
--	--------------	--

Capital leases	(99,433)	
----------------	----------	--

Deferred charge on refunding	381,176	
------------------------------	---------	--

Accrued interest payable	(109,294)	
--------------------------	-----------	--

Compensated absences	<u>(627,780)</u>	
		<u>(10,552,331)</u>

Total net position – governmental activities **\$ 47,738,594**

TOWN OF WARRENTON, VIRGINIA

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

	<u>General Fund</u>	<u>Permanent Perpetual Care Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,379,006	\$ -	\$ 1,379,006
Other local taxes	8,658,389	-	8,658,389
Permits, privilege fees, and regulatory licenses	294,301	-	294,301
Fines and forfeitures	112,113	-	112,113
Revenue from use of money and property	25,080	915	25,995
Charges for services	468,599	-	468,599
Miscellaneous	264,835	-	264,835
Intergovernmental			
Commonwealth	2,970,530	-	2,970,530
Federal	596,798	-	596,798
	<u>14,769,651</u>	<u>915</u>	<u>14,770,566</u>
Total revenues			
EXPENDITURES			
Current			
General government administration	1,543,266	-	1,543,266
Public safety	4,316,166	-	4,316,166
Public works	3,498,257	-	3,498,257
Health and welfare	183,554	-	183,554
Parks, recreation, and cultural	1,851,122	-	1,851,122
Community development	893,149	-	893,149
Capital outlay	1,134,734	-	1,134,734
Debt service			
Principal retirement	692,349	-	692,349
Interest and other fiscal charges	275,247	-	275,247
	<u>14,387,844</u>	<u>-</u>	<u>14,387,844</u>
Total expenditures			
Net change in fund balance	381,807	915	382,722
FUND BALANCE AT JULY 1	<u>15,083,477</u>	<u>630,894</u>	<u>15,714,371</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 15,465,284</u></u>	<u><u>\$ 631,809</u></u>	<u><u>\$ 16,097,093</u></u>

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, 2021**

Net change in fund balance – total governmental fund \$ 382,722

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	\$ 1,218,889	
Depreciation expense	(2,676,760)	
Book value of capital assets disposed	<u>(125,897)</u>	
		(1,583,768)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(5,948)
--	--	---------

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	448,983	
Pension expense net of employer contributions	<u>(633,318)</u>	
		(184,335)

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	26,087	
Life insurance expense	<u>(26,870)</u>	
		(783)

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 there 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	(69,336)	
Principal retired on general obligation bonds	626,000	
Principal retired on capital leases	<u>66,349</u>	
		623,013

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	(24,118)	
Change in accrued interest payable	<u>7,186</u>	
		(16,932)

Change in net position of governmental activities		<u><u>\$ (786,031)</u></u>
--	--	----------------------------

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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,386,064	\$ 1,386,064	\$ 1,379,006	\$ (7,058)
Other local taxes	6,817,125	6,817,125	8,658,389	1,841,264
Permits, privilege fees, and regulatory licenses	181,150	181,150	294,301	113,151
Fines and forfeitures	185,000	185,000	112,113	(72,887)
Revenue from use of money and property	249,000	249,000	25,080	(223,920)
Charges for services	804,422	804,422	468,599	(335,823)
Miscellaneous	293,708	350,568	264,835	(85,733)
Intergovernmental				
Commonwealth	3,042,142	3,049,590	2,970,530	(79,060)
Federal	361,127	1,492,984	596,798	(896,186)
Total revenues	13,319,738	14,515,903	14,769,651	253,748
EXPENDITURES				
Current				
General government administration	2,548,496	2,810,207	2,473,507	336,700
Public safety	4,158,764	4,066,147	3,920,575	145,572
Public works	3,767,478	4,494,161	3,151,536	1,342,625
Health and welfare	183,554	183,554	183,554	-
Parks, recreation, and cultural	2,344,496	2,388,441	1,737,881	650,560
Community development	628,621	1,114,015	818,461	295,554
Capital outlay	1,188,206	3,782,382	1,134,734	2,647,648
Debt service				
Principal retirement	692,686	692,686	692,349	337
Interest and other fiscal charges	274,910	274,910	275,247	(337)
Total expenditures	15,787,211	19,806,503	14,387,844	5,418,659
Excess (deficiency) of revenues over expenditures	(2,467,473)	(5,290,600)	381,807	5,672,407
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	249,856	249,856	-	(249,856)
Total other financing sources	249,856	249,856	-	(249,856)
Net change in fund balance	\$ (2,217,617)	\$ (5,040,744)	\$ 381,807	\$ 5,422,551

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

TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUND
June 30, 2021**

	Business-Type Activities Enterprise Fund Water and Sewer
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$ 6,612,579
Cash and cash equivalents, restricted (Note 2)	325,235
Receivables, net (Note 3)	990,987
Inventories	269,899
Total current assets	8,198,700
NONCURRENT ASSETS	
Capital assets (Note 5)	
Non-depreciable	3,377,684
Depreciable, net	27,570,714
Total noncurrent assets	30,948,398
Total assets	39,147,098
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 7)	412,497
Deferred outflows related to other postemployment benefits (Note 8)	31,361
Total deferred inflows of resources	443,858
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	556,663
Accrued payroll and related liabilities	249,442
Customer deposits	113,689
Accrued interest payable	172,900
Current portion of unearned revenue	11,446
Long-term liabilities – due within one year (Note 6)	416,850
Total current liabilities	1,520,990
NONCURRENT LIABILITIES	
Unearned revenue – net of current portion	79,368
Net pension liability (Note 7)	1,041,735
Net other postemployment benefit liability (Note 8)	116,872
Long-term liabilities – due in more than one year (Note 6)	11,154,651
Total noncurrent liabilities	12,392,626
Total liabilities	13,913,616
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 7)	69,436
Deferred outflows related to other postemployment benefits (Note 8)	6,925
Total deferred inflows of resources	76,361
NET POSITION	
Net investment in capital assets	19,595,398
Restricted for maintenance	234,421
Unrestricted	5,771,160
Total net position	\$ 25,600,979

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, 2021**

	<u>Business-Type Activities Enterprise Fund Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sale of water	\$ 2,092,318
Sewer service charges	3,309,247
Connection fees	1,050,300
Other fees	60,687
	<hr/>
Total operating revenues	6,512,552
	<hr/>
OPERATING EXPENSES	
Source of supply	1,044,258
Transmission and distribution	712,771
Meter reading	182,442
Wastewater treatment operation	1,810,558
Public utilities administration	710,841
Maintenance and repairs	6,817
Depreciation	1,130,168
	<hr/>
Total operating expenses	5,597,855
	<hr/>
Operating income	914,697
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	69,249
Interest revenue	6,456
Rental revenue	158,429
Interest expense	(382,881)
	<hr/>
Net non-operating revenues (expenses)	(148,747)
	<hr/>
Change in net position	765,950
	<hr/>
NET POSITION AT JULY 1	24,835,029
	<hr/>
NET POSITION AT JUNE 30	\$ 25,600,979
	<hr/> <hr/>

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, 2021

	Business-Type Activities Enterprise Fund Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers	\$ 6,357,600
Payments to employees	(2,372,560)
Payments to suppliers	(1,876,068)
Other receipts	60,687
	<hr/>
Net cash provided by operating activities	2,169,659
	<hr/>
NONCAPITAL FINANCING ACTIVITIES	
Federal grants	69,249
	<hr/>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(3,543,979)
Principal paid on debt	(333,000)
Interest paid on capital debt	(387,657)
	<hr/>
Net cash used in capital and related financing activities	(4,264,636)
	<hr/>
INVESTING ACTIVITIES	
Interest revenue	6,456
Rental and other income	158,429
	<hr/>
Net cash provided by investing activities	164,885
	<hr/>
Net decrease in cash and cash equivalents	(1,860,843)
	<hr/>
CASH AND CASH EQUIVALENTS	
Beginning at July 1	8,798,657
	<hr/>
Ending at June 30	\$ 6,937,814
	<hr/> <hr/>
RECONCILIATION TO EXHIBIT 8	
Cash and cash equivalents	\$ 6,612,579
Cash and cash equivalent, restricted	325,235
	<hr/>
	\$ 6,937,814
	<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, 2021

	Business-Type Activities Enterprise Fund Water and Sewer
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 914,697
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,130,168
Pension expense net of employer contribution	48,358
Other postemployment benefit expense net of employer contribution	(11,916)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(99,427)
Inventories	(28,377)
Prepaid items	336
Increase (decrease) in:	
Accounts payable	117,398
Accrued payroll and related liabilities	88,138
Customer deposits	16,607
Unearned revenue	(11,445)
Compensated absences	5,122
	<hr/>
Net cash provided by operating activities	<u><u>\$ 2,169,659</u></u>

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS
June 30, 2021

	General Custodial Fund	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 377,704	\$ 10,319	\$ 388,023
LIABILITIES			
Accounts payable	490	-	490
NET POSITION			
Restricted for:			
Employees	-	10,319	10,319
Benefit of individuals	377,214	-	377,214
	<u>\$ 377,214</u>	<u>\$ 10,319</u>	<u>\$ 387,533</u>

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS
Year Ended June 30, 2021

	General Custodial Fund	Retirement Fund	Total
Additions			
Contributions for the benefit of individuals	\$ 5,872	\$ -	\$ 5,872
Interest earnings	-	16	16
Total additions	<u>5,872</u>	<u>16</u>	<u>5,888</u>
Deductions			
Payments to benefit individuals	<u>5,485</u>	<u>-</u>	<u>5,485</u>
Total deductions	<u>5,485</u>	<u>-</u>	<u>5,485</u>
Increase in fiduciary net position	<u>387</u>	<u>16</u>	<u>403</u>
Net position – beginning, as restated (Note 13)	<u>376,827</u>	<u>10,303</u>	<u>387,130</u>
Net position – ending	<u><u>\$ 377,214</u></u>	<u><u>\$ 10,319</u></u>	<u><u>\$ 387,533</u></u>

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 and fiduciary funds 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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. Custodial funds include the Town's general custodial fund and retirement fund. The Town's custodial 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 1st, the Town Manager submits to Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1st. 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 1st, 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 30th 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 30th.

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	\$ 12,546
Personal property taxes – general fund	33,465
Water and sewer fund receivables – water and sewer fund	<u>28,943</u>
	<u><u>\$ 74,954</u></u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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 as deferred inflows or outflows:

- 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.
- 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 or OPEB expense over the remaining service life of the employees subject to the plan, and may be reported as a deferred inflow or outflow as applicable.
- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the remaining service life of the employees subject to the plan, and may be reported as a deferred inflow or outflow as appropriate.
- 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 and may be reported as a deferred inflow or outflow as appropriate.
- 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.
- 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.
- 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 2nd half installment of property taxes. These amounts are deferred and recognized in the following period.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 as well as unspent ARPA, and CARES funding.

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 ARPA, and CARES funding.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 30th total \$2,478,187 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Investment policy (Continued)

As of June 30th, 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	\$ 11,640,650	N/A	N/A	39.69 %
LGIP	13,006,071	AAAm	0.13	44.35
SNAP	876,163	AAAm	1 day	2.99
Virginia Investment Pool	3,801,567	AAAm	1.83	12.96
Cash on hand	2,580	N/A	N/A	0.01
	<u>\$ 29,327,031</u>			<u>100.00%</u>

*Average maturity in years

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 23,688,704
Cash and cash equivalents, restricted	1,448,737
Investments	<u>3,801,567</u>

Total Exhibit 1 deposits and investments	<u>28,939,008</u>
--	-------------------

Exhibit 11:

Cash and cash equivalents	<u>388,023</u>
---------------------------	----------------

Total Exhibit 11 deposits and investments	<u>388,023</u>
---	----------------

Total Exhibits deposits and investments	<u>\$ 29,327,031</u>
---	----------------------

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit risk

As required by state statute or by the Town, the policy requires that commercial paper 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.

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 \$325,235 to maintain water lines for the Warrenton Training Center. Restricted cash in the general fund consists of \$247,339 in funds designated for capital outlay and \$876,163 in unspent bond proceeds.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Receivables

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 69,970	\$ -	\$ 69,970
Other local taxes	450,304	-	450,304
Accounts	<u>-</u>	<u>1,019,930</u>	<u>1,109,930</u>
Gross receivables	520,274	1,019,930	1,540,204
Less: allowance for uncollectibles	<u>(46,011)</u>	<u>(28,943)</u>	<u>(74,954)</u>
Net receivables	<u>\$ 474,263</u>	<u>\$ 990,987</u>	<u>\$ 1,465,250</u>

Note 4. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

Commonwealth of Virginia:	
Sales tax	\$ 171,405
Communications tax	61,860
Motor vehicle tax	23,940
Other	83
Virginia Department of Criminal Justice Services	<u>39,856</u>
	<u>\$ 297,144</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 5. Capital Assets

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 4,640,673	\$ -	\$ -	\$ 4,640,673
Construction in progress	856,878	486,265	(1,147,687)	195,456
Total capital assets, not depreciated	5,497,551	486,265	(1,147,687)	4,836,129
Capital assets, depreciated:				
Buildings and improvements	31,550,591	993,676	-	32,544,267
Infrastructure	42,490,479	47,945	-	42,538,424
Furniture, equipment, and vehicles	9,630,716	712,793	(61,070)	10,282,439
Total capital assets, depreciated	83,671,786	1,754,414	(61,070)	85,365,130
Less accumulated depreciation for:				
Buildings and improvements	9,525,720	770,032	-	10,295,752
Infrastructure	27,581,840	1,200,315	-	28,782,155
Furniture, equipment, and vehicles	5,819,071	706,413	(61,070)	6,464,414
Total accumulated, depreciation	42,926,631	2,676,760	(61,070)	45,542,321
Total capital assets, depreciated, net	40,745,155	(922,346)	-	39,822,809
Governmental activities capital assets, net	<u>\$ 46,242,706</u>	<u>\$ (436,081)</u>	<u>\$ (1,147,687)</u>	<u>\$ 44,658,938</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	12,906,750	2,924,935	(13,119,661)	2,712,024
Total capital assets, not depreciated	13,572,410	2,924,935	(13,119,661)	3,377,684
Utility plant in service	42,780,062	13,119,661	-	55,899,723
Furniture, equipment, and vehicles	3,224,773	103,847	(50,694)	3,277,926
Total capital assets, depreciated	46,004,835	13,223,508	(50,694)	59,177,649
Less accumulated depreciation for:				
Utility plant in service	28,257,037	987,148	-	29,244,185
Furniture, equipment, and vehicles	2,270,424	143,020	(50,694)	2,362,750
Total accumulated depreciation	30,527,461	1,130,168	(50,694)	31,606,935
Total capital assets, depreciated, net	15,477,374	12,093,340	-	27,570,714
Business-type activities capital assets, net	<u>\$ 29,049,784</u>	<u>\$ 15,018,275</u>	<u>\$ (13,119,661)</u>	<u>\$ 30,948,398</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 1,512,329
Public safety	328,099
Parks, recreation, and cultural	711,391
General government	93,212
Community development	31,729
Total depreciation expense – governmental activities	<u>\$ 2,676,760</u>
Business-type activities	
Water and sewer	<u>\$ 1,130,168</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 6. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds –					
direct borrowings	\$ 10,723,000	\$ -	\$ 626,000	\$ 10,097,000	\$ 641,000
Capital lease	165,782	-	66,349	99,433	68,050
Compensated absences	603,662	263,857	239,739	627,780	62,778
	<u>\$ 11,492,444</u>	<u>\$ 263,857</u>	<u>\$ 932,088</u>	<u>\$ 10,824,213</u>	<u>\$ 771,828</u>
Business-type activities:					
General obligation bonds –					
direct borrowings	\$ 11,686,000	\$ -	\$ 333,000	\$ 11,353,000	\$ 395,000
Compensated absences	213,379	113,132	108,010	218,501	21,850
	<u>\$ 11,899,379</u>	<u>\$ 113,132</u>	<u>\$ 441,010</u>	<u>\$ 11,571,501</u>	<u>\$ 416,850</u>

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Obligation Bond</u>		<u>General Obligation Bond</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 641,000	\$ 240,976	\$ 395,000	\$ 377,236
2023	656,000	225,739	452,000	364,505
2024	670,000	210,156	520,000	349,644
2025	684,000	194,239	537,000	332,256
2026	701,000	177,953	555,000	314,268
2027-2031	3,758,000	624,615	3,069,000	1,278,832
2032-2036	1,838,000	276,382	3,621,000	725,433
2037-2040	1,149,000	79,761	2,204,000	134,982
	<u>\$ 10,097,000</u>	<u>\$ 2,029,821</u>	<u>\$ 11,353,000</u>	<u>\$ 3,877,156</u>

<u>Capital Lease</u>			
	<u>Principal</u>		<u>Interest</u>
2022	\$ 68,050	\$ 1,743	
2023	31,383	352	
	<u>\$ 99,433</u>	<u>\$ 2,095</u>	

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	<u>\$ 6,134,000</u>	<u>\$ -</u>
Series 2016	2.550%	03/25/16	01/15/40	\$ 5,020,000	<u>\$ -</u>	<u>\$ 4,488,000</u>
Series 2018	3.830%	03/16/18	01/15/38	\$ 7,160,000	<u>\$ -</u>	<u>\$ 6,865,000</u>
Series 2019	2.740%	11/20/19	2/1/2010	\$ 4,100,000	<u>\$ 3,963,000</u>	<u>\$ -</u>
Capital lease:						
U.S. Bancorp – vehicles	2.035%	07/28/17	07/28/22	\$ 326,709	<u>\$ 99,433</u>	<u>\$ -</u>

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Members</u>
Inactive members or their beneficiaries currently receiving benefits	<u>88</u>
Inactive members:	
Vested inactive members	22
Non-vested inactive members	38
Inactive members active elsewhere in VRS	<u>41</u>
Total inactive members	<u>101</u>
Active members	<u>110</u>
Total covered employees	<u><u>299</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, 2021 was 9.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$595,096 and \$595,698 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees, Public Safety Employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
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	6.75%, net of pension plan investment expense, including inflation*

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

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest):
 Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00 %	4.65 %	1.58 %
Fixed income	15.00	0.46	0.07
Credit strategies	14.00	5.38	0.75
Real assets	14.00	5.01	0.70
Private equity	14.00	8.34	1.17
MAPS –Multi-asset Public Strategies	6.00	3.04	0.18
PIP – Private Investment Partnership	3.00	6.49	0.19
Total	100.00 %		4.64 %
	Inflation		2.50
	*Expected arithmetic nominal return		7.14 %

- * The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More rent capital market assumptions complied for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2019, actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	\$ 30,892,320	\$ 27,537,534	\$ 3,354,786
Changes for the year:			
Service cost	602,517	-	602,517
Interest	2,035,384	-	2,035,384
Differences between expected and actual experience	(343,660)	-	(343,660)
Contributions – employer	-	595,698	(595,698)
Contributions – employee	-	303,368	(303,368)
Net investment income	-	525,712	(525,712)
Benefit payments, including refunds of employee contributions	(1,476,964)	(1,476,964)	-
Administrative expenses	-	(17,954)	17,954
Other changes	-	(619)	619
Net changes	817,277	(70,759)	888,036
Balances at June 30, 2020	\$ 31,709,597	\$ 27,466,775	\$ 4,242,822

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's net pension liability	\$ 7,938,810	\$ 4,242,822	\$ 1,141,785

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

For the year ended June 30, 2021, the political subdivision recognized pension expense of \$783,966. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 282,803
Change in assumptions	263,924	-
Net difference between projected and actual earnings on pension plan investments	821,016	-
Employer contributions subsequent to the measurement date	595,096	-
Total	<u>\$ 1,680,036</u>	<u>\$ 282,803</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$595,096 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase to Pension Expense
2022	\$ 99,507
2023	161,127
2024	278,914
2025	262,589
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, \$75,235 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

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

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

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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.

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, 2019. 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:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	\$33,582
June 30, 2020 Contribution	\$30,628

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2021 proportionate share of liability	\$	523,681
June 30, 2020 proportion		0.03138 %
June 30, 2019 proportion		0.03005 %
June 30, 2021 expense	\$	25,477

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, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,589	\$ 4,703
Change in assumptions	26,190	10,935
Net difference between projected and actual earnings on OPEB plan investments	15,731	-
Changes in proportion	31,432	15,391
Employer contributions subsequent to the measurement date	33,582	-
	<hr/>	<hr/>
Total	\$ 140,524	\$ 31,029
	<hr/>	<hr/>

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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

<u>Year Ended June 30,</u>	<u>Increase to OPEB Expense</u>
2022	\$ 13,395
2023	17,837
2024	19,912
2025	17,438
2026	6,289
Thereafter	1,042

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

- * 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 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<u>Group Life Insurance Program</u>
Total OPEB liability	\$ 3,523,937
Plan fiduciary net position	\$ 1,855,102
Employers' net OPEB liability	\$ 1,668,835
Plan fiduciary net position as a percentage of total OPEB liability	52.64 %

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 Program

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 6.75%. 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, 2020, 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, 2020 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 688,419	\$ 523,681	\$ 389,898

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2021, \$7,634 was payable to the Virginia Retirement System for the legally required contributions related to June 2021 payroll.

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 1st and July 1st and are due on June 15th and December 15th each year. Penalties accrue on unpaid balances at this date. Interest is charged on unpaid balances beginning December 16th and June 16th. 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, 2021 were as follows:

Real estate	\$ 0.05
Personal property	1.00

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 ("Association" or "VRSA") for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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	\$ 177,921	\$ -
Prepays	81,866	-
Permanent fund principal	<u>-</u>	<u>631,809</u>
Total nonspendable	<u>259,787</u>	<u>631,809</u>
Restricted for:		
General government administration	6,995	-
Public safety	5,855	-
Public works	102,930	-
Parks, recreation, and cultural	131,559	-
2019 GO Bond	<u>876,163</u>	<u>-</u>
Total restricted	<u>1,123,502</u>	<u>-</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Fund Balance (Continued)

	<u>General Fund</u>	<u>Perpetual Care Fund</u>
Committed to:		
Public safety	\$ 454	\$ -
Public works	<u>27,581</u>	<u>-</u>
Total committed	<u>28,035</u>	<u>-</u>
Assigned for:		
General government administration	1,102,358	-
Public safety	13,717	-
Public works	1,092,605	-
Parks, recreation, and cultural	130,905	-
Community development	<u>138,602</u>	<u>-</u>
Total assigned	<u>2,478,187</u>	<u>-</u>
Unassigned	<u>11,575,773</u>	<u>-</u>
Total fund balance	<u><u>\$ 15,465,284</u></u>	<u><u>\$ 631,809</u></u>

Note 12. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Town’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Town received revenue during fiscal year 2021. As such, the Town’s financial condition and liquidity may be negatively impacted for fiscal year 2022.

As a result of COVID-19, the Town has recorded federal funding in the amount of \$664,204 under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Town also received \$5,201,590 in ARPA relief funds that was unearned as of June 30, 2021.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. COVID-19 Impact (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Town's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Note 13. Adoption of New Standard and Prior Period Restatement

In the current year the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The Town previously presented the custodial funds as agency funds. The relationship between the Town and the custodial funds has not changed, however, under GASB 84, this fund is presented as a custodial fund. In addition, the liability presented previously as "Amounts Held for Others" is restated as beginning net position.

Note 14. New Accounting Standards

The GASB has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In June 2017, the GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. 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, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF WARRENTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2021

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 602,517	\$ 597,882	\$ 609,378	\$ 626,535	\$ 549,156	\$ 554,234	\$ 547,287
Interest on total pension liability	2,035,384	1,988,551	1,928,572	1,867,389	1,757,379	1,735,822	1,655,265
Difference between expected and actual experience	(343,660)	(197,736)	(257,353)	(115,353)	546,204	(714,305)	-
Changes in assumptions	-	831,502	-	(242,841)	-	-	-
Benefit payments, including refunds of employee contributions	(1,476,964)	(1,471,488)	(1,376,036)	(1,147,327)	(1,415,015)	(1,120,580)	(982,889)
Net change in total pension liability	817,277	1,748,711	904,561	988,403	1,437,724	455,171	1,219,663
Total pension liability – beginning	30,892,320	29,143,609	28,239,048	27,250,645	25,812,921	25,357,750	24,138,087
Total pension liability – ending	31,709,597	30,892,320	29,143,609	28,239,048	27,250,645	25,812,921	25,357,750
Plan Fiduciary Net Position							
Contributions – employer	595,698	548,360	624,250	599,222	674,647	626,449	613,537
Contributions – employee	303,368	276,647	288,459	287,136	272,659	244,243	241,581
Net investment income	525,712	1,746,991	1,846,307	2,751,413	387,291	1,004,740	3,009,233
Benefit payments, including refunds of employee contributions	(1,476,964)	(1,471,488)	(1,376,036)	(1,147,327)	(1,415,015)	(1,120,580)	(982,889)
Administrative expenses	(17,954)	(17,517)	(16,001)	(15,827)	(14,267)	(13,787)	(16,182)
Other	(619)	(1,099)	(1,642)	(2,452)	(166)	(211)	159
Net change in plan fiduciary net position	(70,759)	1,081,894	1,365,337	2,472,165	(94,851)	740,854	2,865,439
Plan fiduciary net position – beginning	27,537,534	26,455,640	25,090,303	22,618,138	22,712,989	21,972,135	19,106,696
Plan fiduciary net position – ending	27,466,775	27,537,534	26,455,640	25,090,303	22,618,138	22,712,989	21,972,135
Net pension liability – ending	\$ 4,242,822	\$ 3,354,786	\$ 2,687,969	\$ 3,148,745	\$ 4,632,507	\$ 3,099,932	\$ 3,385,615
Plan fiduciary net position as a percentage of total pension liability	86.62%	89.14%	90.78%	88.85%	83.00%	87.99%	86.65%
Covered payroll	\$ 6,450,476	\$ 5,882,031	\$ 5,992,800	\$ 5,666,307	\$ 5,278,343	\$ 4,878,431	\$ 4,785,081
Net pension liability as a percentage of covered payroll	65.78%	57.03%	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.

TOWN OF WARRENTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
June 30, 2021

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 595,096	\$ 595,096	\$ -	\$ 6,575,385	9.05 %
2020	595,698	595,698	-	6,450,476	9.23
2019	548,360	548,360	-	5,882,031	9.32
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, no earlier data is 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, 2021

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2021	0.03 %	\$ 523,681	\$ 6,450,476	8.12 %	52.64 %
2020	0.03	488,994	5,882,031	8.31	52.00
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, no earlier data is 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, 2021

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2021	\$ 33,582	\$ 33,582	\$ -	\$ 6,575,385	0.51 %
2020	30,628	30,628	-	6,450,476	0.47
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, no earlier data is 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, 2021

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the "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 actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered rates of disability retirement
- No changes to salary rates
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

(Continued)

TOWN OF WARRENTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WARRENTON, VIRGINIA

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

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 857,064	\$ 857,064	\$ 824,324	\$ (32,740)
Real and personal public service corporation taxes	15,000	15,000	25,671	10,671
Personal property taxes	490,000	490,000	501,075	11,075
Penalties	10,000	10,000	19,331	9,331
Interest	14,000	14,000	8,605	(5,395)
Total general property taxes	1,386,064	1,386,064	1,379,006	(7,058)
Other local taxes:				
Local sales and use taxes	670,625	670,625	925,159	254,534
Consumers' utility taxes	502,000	502,000	495,402	(6,598)
Business license taxes	1,820,000	1,820,000	2,438,043	618,043
Consumption taxes	63,500	63,500	61,994	(1,506)
Motor vehicle licenses	225,000	225,000	239,788	14,788
Bank stock taxes	750,000	750,000	1,292,086	542,086
Hotel and motel room taxes	161,000	161,000	197,050	36,050
Restaurant food tax	2,435,000	2,435,000	2,828,431	393,431
Cigarette tax	190,000	190,000	180,436	(9,564)
Total other local taxes	6,817,125	6,817,125	8,658,389	1,841,264
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	181,150	181,150	294,301	113,151
Fines and forfeitures:				
Court fines and forfeitures	185,000	185,000	112,113	(72,887)
Revenue from use of money and property:				
Revenue from use of money	243,000	243,000	25,080	(217,920)
Revenue from use of property	6,000	6,000	-	(6,000)
Total revenue from use of money and property	249,000	249,000	25,080	(223,920)
Charges for services:				
Warf – recreation	804,422	804,422	468,599	(335,823)
Total charges for services	804,422	804,422	468,599	(335,823)

(Continued)

TOWN OF WARRENTON, VIRGINIA

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

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other local taxes: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 293,708	\$ 350,568	\$ 264,835	\$ (85,733)
Total revenue from local sources	9,916,469	9,973,329	11,202,323	1,228,994
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle rental tax	130,000	130,000	111,148	(18,852)
Rolling stock tax	150	150	112	(38)
Game of skill tax	-	-	5,904	5,904
Communications tax	480,000	480,000	396,605	(83,395)
Personal property tax relief funds	718,492	718,492	718,492	-
Total non-categorical aid	1,328,642	1,328,642	1,232,261	(96,381)
Categorical aid:				
Other categorical aid:				
Litter control grant	5,000	9,000	7,355	(1,645)
DCJS grants for law enforcement	220,000	220,000	237,815	17,815
Bluemont series grant	4,500	4,500	-	(4,500)
Street and highway maintenance	1,450,000	1,450,000	1,455,872	5,872
State forfeiture proceeds	-	3,448	599	(2,849)
Fire program	34,000	34,000	36,628	2,628
Total categorical aid	1,713,500	1,720,948	1,738,269	17,321
Total revenue from the Commonwealth	3,042,142	3,049,590	2,970,530	(79,060)
Revenue from the Federal Government:				
Categorical aid:				
Department of justice grant	-	-	1,843	1,843
CARES funding	-	1,131,857	594,955	(536,902)
Other federal categorical aid	361,127	361,127	-	(361,127)
Total revenue from the Federal Government	361,127	1,492,984	596,798	(896,186)
Other financing resources:				
Proceeds from issuance of debt	249,856	249,856	-	(249,856)
Total general fund	\$ 13,569,594	\$ 14,765,759	\$ 14,769,651	\$ 3,892

TOWN OF WARRENTON, VIRGINIA

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

Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative	\$ 209,603	\$ 207,880	\$ 189,558	\$ 18,322
Executive	283,547	294,457	244,714	49,743
Legal services	212,079	212,079	171,604	40,475
Finance	646,957	729,481	613,867	115,614
Memberships and dues	9,342	9,342	7,652	1,690
Health & welfare	-	10,000	36,541	(26,541)
Information technology	-	160,000	187,394	(27,394)
Data processing	695,606	695,606	555,296	140,310
Motor pool	491,362	491,362	466,881	24,481
Total general government administration	2,548,496	2,810,207	2,473,507	336,700
Public safety:				
Department of police	3,353,084	3,339,100	3,100,006	239,094
Fire and rescue services	230,643	239,241	295,158	(55,917)
Bureau of building inspections	575,037	461,753	457,218	4,535
Emergency services	-	26,053	68,193	(42,140)
Total public safety	4,158,764	4,066,147	3,920,575	145,572
Public works:				
Public works administration	475,715	479,239	410,977	68,262
Bureau of street maintenance	823,036	823,036	775,656	47,380
Arterial street maintenance	418,781	425,083	291,090	133,993
Collector street maintenance	701,197	704,197	291,255	412,942
Stormwater management	306,573	306,573	215,856	90,717
Refuse collection	406,562	406,562	389,186	17,376
Cemetery maintenance	114,217	114,217	106,904	7,313
Recycling program	111,208	115,208	120,704	(5,496)
Maintenance, buildings, and grounds	410,189	1,120,046	549,908	570,138
Total public works	3,767,478	4,494,161	3,151,536	1,342,625
Health and welfare:				
Welfare/social services	183,554	183,554	183,554	-
Parks, recreation, and cultural:				
Aquatic center	1,391,194	1,391,194	1,085,139	306,055
Parks	317,706	361,651	159,081	202,570
Parks and recreation – administration	543,108	543,108	403,423	139,685
Cultural enrichment	92,488	92,488	90,238	2,250
Total parks, recreation, and cultural	2,344,496	2,388,441	1,737,881	650,560

(Continued)

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning and zoning	\$ 443,105	\$ 564,299	\$ 563,642	\$ 657
Visitor's center	64,644	64,144	39,587	24,557
Zoning appeals board	3,000	3,000	2,081	919
Economic development	109,778	474,578	207,675	266,903
Architectural review board	8,094	7,994	5,476	2,518
Total community development	<u>628,621</u>	<u>1,114,015</u>	<u>818,461</u>	<u>295,554</u>
Capital outlay:				
Capital outlay	<u>1,188,206</u>	<u>3,782,382</u>	<u>1,134,734</u>	<u>2,647,648</u>
Debt service:				
Principal	692,686	692,686	692,349	337
Interest	<u>274,910</u>	<u>274,910</u>	<u>275,247</u>	<u>(337)</u>
Total debt service	<u>967,596</u>	<u>967,596</u>	<u>967,596</u>	<u>-</u>
Total general fund	<u>\$ 15,787,211</u>	<u>\$ 19,806,503</u>	<u>\$ 14,387,844</u>	<u>\$ 5,418,659</u>

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION

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>
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	5-12
Debt Capacity 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.	13-16
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	17-18
Operating Information 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.	19-21

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 27,226,044	\$ 25,993,382	\$ 25,272,376	\$ 42,200,589	\$ 40,859,457	\$ 39,510,889	\$ 38,788,308	\$ 38,111,853	\$ 37,683,553	\$ 35,719,844
Restricted	590,889	591,797	592,370	592,995	594,800	1,159,023	1,154,623	910,053	920,523	879,148
Unrestricted	8,753,021	9,716,926	11,120,437	9,734,918	9,737,204	9,348,761	9,197,065	9,902,354	9,920,549	11,139,602
Total governmental activities net position	<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>	<u>\$ 48,524,625</u>	<u>\$ 47,738,594</u>
Business-type activities										
Net investment in capital assets	\$ 41,182,941	\$ 39,058,157	\$ 38,898,827	\$ 19,807,462	\$ 18,957,111	\$ 18,022,962	\$ 17,336,839	\$ 18,259,451	\$ 17,364,417	\$ 19,595,398
Restricted	-	-	-	-	-	157,747	174,636	205,247	222,456	234,421
Unrestricted	9,016,421	8,853,470	7,141,893	4,262,278	4,097,907	5,958,671	6,664,583	6,163,356	7,248,156	5,771,160
Total business-type activities net position	<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>	<u>\$ 24,835,029</u>	<u>\$ 25,600,979</u>
Primary government										
Net investment in capital assets	\$ 68,408,985	\$ 65,051,539	\$ 64,171,203	\$ 62,008,051	\$ 59,816,568	\$ 57,533,851	\$ 56,125,147	\$ 56,371,304	\$ 55,047,970	\$ 55,315,242
Restricted	590,889	591,797	592,370	592,995	594,800	1,316,770	1,329,259	1,115,300	1,142,979	1,113,569
Unrestricted	17,769,442	18,570,396	18,262,330	13,997,196	13,835,111	15,307,432	15,861,648	16,065,710	17,168,705	16,910,762
Total primary government net position	<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>	<u>\$ 73,359,654</u>	<u>\$ 73,339,573</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 1,581,008	\$ 1,591,497	\$ 1,741,519	\$ 1,670,785	\$ 1,753,257	\$ 1,065,479	\$ 1,245,681	\$ 1,373,604	\$ 1,597,253	\$ 1,860,468
Public safety	2,761,692	2,760,751	2,887,360	2,950,483	3,612,887	4,118,389	4,070,378	3,754,801	4,116,850	4,683,874
Public works	3,319,070	4,253,156	3,621,458	4,101,334	4,727,802	5,062,855	4,890,072	5,925,684	5,351,067	5,058,972
Heath and welfare	98,159	88,278	88,400	89,291	120,505	117,164	133,891	161,934	177,910	183,565
Parks, recreation, and cultural	142,429	134,279	124,834	2,867,135	2,366,743	3,155,724	2,719,536	2,782,463	2,569,659	2,502,658
Community development	403,217	432,674	408,615	447,025	638,788	803,021	935,243	995,959	1,062,002	923,715
Interest on long-term debt	-	4,766	4,572	3,656	286,949	269,932	269,121	264,935	391,806	337,397
Total governmental activities expenses	8,305,575	9,265,401	8,876,758	12,129,709	13,506,931	14,592,564	14,263,922	15,259,380	15,266,547	15,550,649
Business-type activities:										
Water and sewer	5,194,404	5,479,541	5,300,755	5,514,237	5,492,546	5,211,692	5,625,153	5,826,426	6,027,732	5,980,736
Parks and recreation	2,694,855	2,811,590	2,675,844	-	-	-	-	-	-	-
Total business-type activities expenses	7,889,259	8,291,131	7,976,599	5,514,237	5,492,546	5,211,692	5,625,153	5,826,426	6,027,732	5,980,736
Total primary government expenses	<u>\$ 16,194,834</u>	<u>\$ 17,556,532</u>	<u>\$ 16,853,357</u>	<u>\$ 17,643,946</u>	<u>\$ 18,999,477</u>	<u>\$ 19,804,256</u>	<u>\$ 19,889,075</u>	<u>\$ 21,085,806</u>	<u>\$ 21,294,279</u>	<u>\$ 21,531,385</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 130,911	\$ 136,496	\$ 170,563	\$ 354,325	\$ 292,415	\$ 166,562	\$ 170,336	\$ 257,969	\$ 226,685	\$ 294,301
Public safety	307,479	280,842	387,684	185,186	128,499	125,169	166,622	188,749	155,478	112,113
Public works	423,787	182,847	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	1,191,345	1,137,892	1,187,054	1,229,165	1,203,731	871,183	468,599
Operating grants and contributions	1,729,107	1,485,397	1,531,049	1,585,610	1,693,950	2,034,936	1,649,969	1,738,537	2,024,402	1,740,112
Capital grants and contributions	-	-	199,425	51,617	136,235	7,882	109,830	469,948	42,637	-
Total governmental activities program revenues	2,591,284	2,085,582	2,288,721	3,368,083	3,388,991	3,521,603	3,325,922	3,858,934	3,320,385	2,615,125
Business-type activities:										
Charges for services:										
Water and sewer	3,676,434	3,627,141	3,638,503	3,588,448	3,948,790	5,652,278	5,485,203	5,785,979	5,887,602	6,512,552
Parks and recreation	1,129,496	1,216,343	1,203,153	-	-	-	-	-	-	-
Capital grants and contributions	271,973	345,066	123,914	175,350	363,519	-	-	-	-	-
Total business-type activities program revenues	5,077,903	5,188,550	4,965,570	3,763,798	4,312,309	5,652,278	5,485,203	5,785,979	5,887,602	6,512,552
Total primary government program revenues	<u>\$ 7,669,187</u>	<u>\$ 7,274,132</u>	<u>\$ 7,254,291</u>	<u>\$ 7,131,881</u>	<u>\$ 7,701,300</u>	<u>\$ 9,173,881</u>	<u>\$ 8,811,125</u>	<u>\$ 9,644,913</u>	<u>\$ 9,207,987</u>	<u>\$ 9,127,677</u>

(Continued)

TABLE 2

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expense)/revenue										
Governmental activities	\$ (5,714,291)	\$ (7,179,819)	\$ (6,588,037)	\$ (8,761,626)	\$ (10,117,940)	\$ (11,070,961)	\$ (10,938,000)	\$ (11,400,446)	\$ (11,946,162)	\$ (12,935,524)
Business-type activities	(2,811,356)	(3,102,581)	(3,011,029)	(1,750,439)	(1,180,237)	440,586	(139,950)	(40,447)	(140,130)	531,816
Total primary government net expense	<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>	<u>\$ (12,086,292)</u>	<u>\$ (12,403,708)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 558,908	\$ 513,896	\$ 605,047	\$ 678,228	\$ 670,016	\$ 1,234,762	\$ 1,267,738	\$ 1,302,786	\$ 1,340,665	\$ 1,373,058
Sales and use taxes	508,741	530,836	561,084	595,653	673,700	732,197	709,036	709,173	781,649	925,159
Consumer's utility taxes	492,636	493,720	500,111	498,312	512,780	503,001	510,053	498,267	501,059	495,402
Business license taxes	1,363,590	1,366,360	1,914,525	1,656,923	1,851,067	1,918,233	2,026,990	1,998,815	2,103,568	2,438,043
Meals taxes	2,062,342	2,152,237	2,191,572	2,265,639	2,383,067	2,621,782	2,550,799	2,659,254	2,515,018	2,828,431
Bank stock taxes	448,600	463,135	496,445	581,150	521,997	690,566	849,887	932,498	830,298	1,292,086
Other local taxes	547,166	545,009	549,569	535,802	571,268	465,684	667,790	692,749	690,228	679,268
Intergovernmental revenue, unrestricted	-	-	-	-	-	-	-	-	602,073	594,955
Unrestricted revenues from use of money and property	29,029	30,021	21,663	21,392	46,417	96,515	137,843	348,274	329,960	25,995
Gain on sale of assets	-	-	-	-	-	-	-	105,508	-	-
Miscellaneous	199,056	128,931	96,910	110,473	207,646	346,308	367,596	635,866	574,273	264,835
Unrestricted grants and contributions	1,373,853	1,358,220	1,310,350	1,407,566	1,342,941	1,344,815	1,332,320	1,301,520	1,277,736	1,232,261
Transfers	-	(670,395)	(976,161)	-	-	(55,690)	-	-	-	-
Total governmental activities	<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>	<u>11,546,527</u>	<u>12,149,493</u>
Business-type activities:										
Intergovernmental revenue, unrestricted	-	-	-	-	-	-	-	-	-	69,249
Unrestricted revenues from use of money and property	141,838	144,451	163,961	151,120	165,515	214,130	303,371	492,443	347,105	164,885
Miscellaneous	-	-	-	-	-	8,500	-	-	-	-
Transfers	-	670,395	976,161	-	-	55,690	-	-	-	-
Total business-type activities	<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>	<u>347,105</u>	<u>234,134</u>
Total primary government	<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>	<u>\$ 11,893,632</u>	<u>\$ 12,383,627</u>
Change in Net Position										
Governmental activities	\$ 1,869,630	\$ (267,849)	\$ 683,078	\$ (410,488)	\$ (1,337,041)	\$ (1,172,788)	\$ (517,948)	\$ (215,736)	\$ (399,635)	\$ (786,031)
Business-type activities	(2,669,518)	(2,287,735)	(1,870,907)	(1,599,319)	(1,014,722)	718,906	163,421	451,996	206,975	765,950
Total primary government	<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>	<u>\$ (192,660)</u>	<u>\$ (20,081)</u>

TABLE 3

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 148,259	\$ 103,517	\$ 125,799	\$ 210,061	\$ 204,273	\$ 152,391	\$ 255,897	\$ 308,386	\$ 251,130	\$ 259,787
Restricted	-	-	-	-	-	559,987	547,191	288,726	2,168,746	1,123,502
Committed	369,174	302,662	828,454	493,043	976,809	370,451	1,139,682	770,262	93,287	28,035
Assigned	-	-	-	-	-	-	-	113,000	2,391,574	2,478,187
Unassigned	8,511,933	9,909,063	10,593,545	11,914,259	11,521,316	11,871,309	10,894,756	11,611,907	10,178,740	11,575,773
Total general fund	<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>	<u>\$ 15,083,477</u>	<u>\$ 15,465,284</u>
All other governmental funds										
Nonspendable, reported in:										
Permanent funds	\$ 590,889	\$ 591,797	\$ 592,370	\$ 592,995	\$ 592,995	\$ 599,036	\$ 607,432	\$ 621,327	\$ 630,894	\$ 631,809
Total all other governmental funds	<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>	<u>\$ 630,894</u>	<u>\$ 631,809</u>

TABLE 4

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
General property taxes	\$ 567,694	\$ 539,313	\$ 589,341	\$ 674,372	\$ 677,081	\$ 1,248,466	\$ 1,261,220	\$ 1,312,429	\$ 1,342,789	\$ 1,379,006
Other local taxes	5,423,075	5,551,297	6,213,306	6,133,479	6,513,879	6,931,463	7,314,555	7,490,756	7,421,820	8,658,389
Permits, privilege fees, and regulatory licenses	423,787	182,847	128,220	203,476	177,739	166,562	170,336	257,969	226,685	294,301
Fines and forfeitures	307,479	280,842	259,464	185,186	128,499	125,169	166,622	188,749	155,478	112,113
Revenue from use of money and property	29,029	30,021	21,663	21,392	46,417	96,515	137,843	348,274	329,960	25,995
Charges for services	130,911	136,496	170,563	1,342,194	1,252,568	1,187,054	1,229,165	1,203,731	871,183	468,599
Miscellaneous	199,056	128,931	96,910	110,473	207,646	346,308	367,596	1,060,766	887,871	264,835
Intergovernmental										
Commonwealth	2,913,744	2,829,793	2,991,893	3,042,804	3,081,912	2,993,657	3,087,912	3,243,275	3,004,887	2,970,530
Federal	189,216	13,824	48,931	1,989	91,214	393,976	4,207	266,730	628,363	596,798
Total revenues	10,183,991	9,693,364	10,520,291	11,715,365	12,176,955	13,489,170	13,739,456	15,372,679	14,869,036	14,770,566
Expenditures										
General government administration	1,517,470	1,528,394	1,724,504	1,625,564	1,782,114	957,937	1,242,131	1,292,870	1,346,561	1,543,266
Public safety	2,663,568	2,666,012	2,586,897	2,915,874	3,485,482	3,647,869	3,912,693	3,536,374	3,731,363	4,316,166
Public works	2,209,299	2,754,566	2,387,155	2,765,710	3,296,769	3,991,747	3,370,708	3,796,095	3,443,271	3,498,257
Health and welfare	98,159	88,278	88,400	89,291	120,505	117,164	133,891	161,934	177,910	183,554
Parks, recreation, and cultural	143,106	133,755	120,826	1,848,203	1,899,681	2,068,860	2,042,098	2,040,281	1,855,164	1,851,122
Community development	352,128	411,295	401,399	451,940	656,908	806,044	941,537	998,655	956,701	893,149
Capital outlay	464,528	591,719	821,485	238,836	606,109	951,293	1,862,979	2,560,188	4,639,737	1,134,734
Debt service										
Principal	-	86,808	174,880	594,679	521,158	448,000	489,537	527,040	541,350	692,349
Interest and other fiscal charges	-	3,883	5,455	222,390	203,958	188,590	178,807	190,592	198,125	275,247
Bond issuance costs	-	-	-	-	-	-	-	-	78,091	-
Total expenditures	7,448,258	8,264,710	8,311,001	10,752,487	12,572,684	13,177,504	14,174,381	15,104,029	16,968,273	14,387,844
Excess of revenues over (under) expenditures	2,735,733	1,428,654	2,209,290	962,878	(395,729)	311,666	(434,925)	268,650	(2,099,237)	382,722
Other financing sources (uses)										
Transfers in	60,000	-	-	-	-	-	-	-	-	-
Transfers out	(936,208)	(670,395)	(976,161)	-	-	(55,690)	-	-	-	-
Proceeds from issuance of debt	-	528,525	-	-	-	-	326,709	-	4,100,000	-
Total other financing sources (uses)	(876,208)	(141,870)	(976,161)	-	-	(55,690)	326,709	-	4,100,000	-
Net change in fund balances	\$ 1,859,525	\$ 1,286,784	\$ 1,233,129	\$ 962,878	\$ (395,729)	\$ 255,976	\$ (108,216)	\$ 268,650	\$ 2,000,763	\$ 382,722
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	2.47%	8.43%	6.04%	4.83%	5.38%	5.37%	5.72%	7.35%

TABLE 5

TOWN OF WARRENTON, VIRGINIA

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

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Public Service	Total Taxable Assessed Value	Direct Tax Rate (1)
2021	\$ 1,735,031,400	\$ 119,184,134	\$ 511,075	\$ 30,341,699	\$ 1,885,068,308	0.110
2020	1,711,588,500	121,035,613	314,281	32,388,996	1,865,327,390	0.112
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

- (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				Direct Tax Rate	Overlapping Rates				
	Real Estate	Personal Property	Machinery and Tools	County of Fauquier						
				Real Estate		Personal Property				
2021	\$	0.050	\$	1.00	\$	0.110	\$	0.994	\$	4.65
2020		0.050		1.00		0.112		0.994		4.65
2019		0.050		1.00		0.108		0.994		4.65
2018		0.050		1.00		0.108		0.982		4.65
2017		0.050		1.00		0.114		1.039		4.65
2016		0.015		1.00		0.079		0.999		4.65
2015		0.015		1.00		0.080		0.999		4.65
2014		0.015		1.00		0.073		0.992		4.65
2013		0.015		1.00		0.076		0.980		4.65
2012		0.015		1.00		0.750		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

Fiscal Year	Property Taxes	Sales Taxes	Utility Taxes	Franchise Taxes	Meals Taxes	Transient Occupancy Taxes	Business Licenses	Motor Vehicle Licenses	Other Taxes	Cigarette Taxes	Total
2021	\$ 1,379,006	\$ 925,159	\$ 495,402	\$ 1,292,086	\$ 2,828,431	\$ 197,050	\$ 2,438,043	\$ 239,788	\$ 61,994	\$ 180,436	\$ 10,037,395
2020	1,342,789	781,649	501,059	830,298	2,515,018	182,606	2,103,568	237,353	68,131	202,138	8,764,609
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

(1) Includes general fund and special revenue funds.

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

Fiscal Year	Tax Rate		Gross Receipts	Meals Tax Revenue	
2021	\$	0.04	\$ 70,710,775	\$	2,828,431
2020		0.04	62,875,450		2,515,018
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

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	2021			2012		
		Total Assessed Value	Rank	Percentage of Total Assessed Value	Total Assessed Value	Rank	Percentage of Total Assessed Value
Fauquier Medical Center LLC	Medical Center	\$ 54,627,800	1	0.031 %	\$ -		- %
Warrenton Center LLC*	Shopping Center	34,813,000	2	0.020	29,338,200	1	5.10
Walmart	Retail Store	15,063,900	3	0.009	8,991,800	4	1.56
Northrock Center LLC	Office Center Complex	15,057,700	4	0.009	-		-
Warrenton Development Company	Developer	14,979,800	5	0.009	10,099,500	3	1.76
Warrenton Virginia Real Estate LLC	Developer	11,946,800	6	0.007			-
Warrenton Village LLC	Shopping Center	10,457,100	7	0.006	-		-
HD Development of MD, LLC	Retail Store	10,134,600	8	0.006	-		-
Warrenton Professional Center	Shopping Center	9,719,300	9	0.006	-		-
Fauquier Long Term Care	Health Care Provider	9,666,500	10	0.006	-		-
Seritage SRC Finance (Sears)	Retail Store	9,663,500	11	0.006	-		-
Highlands of Warrenton LLC	Developer	8,784,600	12	0.005			-
Warrenton Manor Elderly LTD	Health Care Provider	7,527,800	13	0.004			-
Highland Commons VA LLC	Developer	7,389,500	14	0.004	8,279,100	5	1.44
Warrenton Volunteer Fire Company	Fire Company	7,327,700	15	0.004	-		-
		<u>\$ 227,159,600</u>		<u>0.13 %</u>	<u>\$ 56,708,600</u>		<u>9.86 %</u>

*was Jefferson Associates in 2012

Source: Fauquier County Commissioner of the Revenue.

TABLE 10

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Year of Levy	Percentage of Levy Collected in Year of Levy	Collections in Subsequent Years	Total Collections to Date	Percentage of Total Collection to Date of Levy
2021	\$ 2,052,174	\$ 2,014,603	98.17 %	\$ -	\$ 2,014,603	98.17 %
2020	2,047,706	2,019,070	98.60	20,210	2,039,280	99.59
2019	1,890,241	1,862,971	98.56	27,108	1,890,079	99.99
2018	1,873,452	1,843,214	98.39	3,959	1,847,173	98.60
2017	1,896,053	1,865,815	98.41	28,220	1,894,035	99.89
2016	1,277,669	1,126,746	88.19	3,359	1,130,105	88.45
2015	1,267,260	1,246,135	98.33	4,523	1,250,658	98.69
2014	1,223,273	1,139,748	93.17	7,965	1,147,713	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

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

Fiscal Year	Direct Rates	Overlapping Rates
	County of Fauquier (1)	
	Meals Tax	Meals Tax
	Percent of Gross	Percent of Gross
2021	4.00 %	0.00 %
2020	4.00	0.00
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

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

Type of Establishment	2021		2012*	
	Total Assessed Value	Percentage of Total Assessed Value	Total Assessed Value	Percentage of Total Assessed Value
Fast Food Restaurants	\$ 22,043,489	30.27 %	\$ -	- %
Sit-Down Restaurants	41,133,289	56.49	-	-
Convenience Stores	9,645,130	13.24	-	-
	<u>\$ 72,821,908</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 2012.

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			
2021	\$ 99,433	\$ 10,097,000	\$ 11,353,000	\$ -	\$ 21,549,433	5.79 %	\$ 2,143
2020	165,782	10,723,000	11,686,000	-	22,574,782	5.68	2,243
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

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**

Fiscal Year Ended June 30,	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt Per Capita (1)
2021	\$ 21,450,000	\$ -	\$ 21,450,000	1.14 %	\$ 2,133
2020	22,409,000	-	22,409,000	1.20	2,226
2019	19,106,000	-	19,106,000	1.03	1,923
2018	19,742,000	-	19,742,000	1.07	1,999
2017	13,040,000	-	13,040,000	0.77	1,322
2016	13,488,000	-	13,488,000	0.79	1,363
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

(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, 2021

<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	\$ 78,664,981	13.4 %	\$ 10,538,642
Subtotal, overlapping debt			
Town of Warrenton, direct debt			<u>10,196,433</u>
Total direct and overlapping debt			<u><u>\$ 20,735,075</u></u>

Source: County of Fauquier June 30, 2021 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.

Total real and personal property assessed value, Fauquier County Table 5-A	\$ 14,070,964,848
Total Taxable Assessed Value Table 5	1,885,068,308
	13.4%

TABLE 16

TOWN OF WARRENTON, VIRGINIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 141,441,230	\$ 151,876,864	\$ 169,176,644	\$ 169,555,067	\$ 170,785,097	\$ 169,871,947	\$ 185,103,909	\$ 185,220,254	\$ 187,004,889	\$ 188,973,071
Total net debt applicable to limit	8,820,897	9,717,000	9,317,000	8,899,000	13,488,000	13,040,000	20,037,172	19,337,132	22,574,782	21,549,433
Legal debt margin	<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>	<u>\$ 164,430,107</u>	<u>\$ 167,423,638</u>
Total net debt applicable to the limit as a percentage of debt limit	6.24%	6.40%	5.51%	5.25%	7.90%	7.68%	10.82%	10.44%	12.07%	11.40%

Legal debt margin calculation for fiscal year 2020

Assessed value	\$ 1,885,068,308
Add back: exempt real property	<u>4,662,400</u>
Total assessed value	<u>\$ 1,889,730,708</u>
Debt limit (10% of total assessed value)	\$ 188,973,071
Net debt applicable to limit	<u>21,549,433</u>
Legal debt margin	<u>\$ 167,423,638</u>

TABLE 17

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

Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2021	10,057	\$372,420,767	\$ 37,031	39	1,950	3.5 %
2020	10,065	397,134,705	39,457	39	1,960	6.4
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

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

TABLE 18

TOWN OF WARRENTON, VIRGINIA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2021		Fiscal Year 2012	
	Rank	Employees	Rank	Employees
Fauquier Health System	1	1,000 and over	2	1,000 and over
Fauquier County School Board	2	500 to 999	1	1,000 and over
County of Fauquier	3	500 to 999	3	500 to 999
Wal-mart	4	250 to 499	4	250 to 499
Town of Warrenton	5	100 to 249	5	100 to 249
The Home Depot	6	100 to 249	9	100 to 249
Giant Food	7	100 to 249		
Harris Teeter	8	100 to 249		
Highland School	9	100 to 249		
Blue Ridge Orthopaedic	10	100 to 249	10	
The Fauquier Bank			7	100 to 249
Oak Springs Nursing Home			6	100 to 249
Country Chevrolet			8	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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General and financial administration	6	6	6	6	6	6	7	8	8	8
Legislative	1	1	1	1	1	1	2	2	2	1
Public safety										
Police department	27	25	25	25	26	28	23	23	27	28
Fire and rescue	1	1	1	2	2	2	2	2	2	2
Building inspections	2	2	2	2	2	3	3	4	4	5
Public works										
General maintenance	23	23	23	23	23	22	20	21	21	25
Administration	4	5	5	5	5	5	6	5	4	3
Culture and recreation	3	3	3	3	4	6	7	7	7	5
Planning and community development	3	3	3	4	5	6	6	9	9	6
Water and sewer										
Water	14	14	14	14	14	14	12	12	13	15
Wastewater	7	7	7	7	7	7	7	7	7	9
Administration	6	6	6	6	6	6	6	5	5	5
Motor pool	3	3	3	3	3	3	3	3	3	3
Information technology	-	-	-	-	1	1	1	1	2	4
	<u>100</u>	<u>99</u>	<u>99</u>	<u>101</u>	<u>105</u>	<u>110</u>	<u>105</u>	<u>109</u>	<u>114</u>	<u>119</u>

Source: Department of Finance and Human Resources.

TABLE 20

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Police department:										
Physical arrests	371	390	248	295	194	164	320	307	232	239
Traffic violations	3,989	6,557	5,355	3,317	3,375	2,022	2,290	3,725	2,668	1,757
Fire and rescue:										
Number of calls answered	2,643	2,100	2,601	2,819	2,811	2,982	3,028	3,785	1,834	4,399
Building inspections:										
Permits issued	700	671	585	649	745	622	641	641	609	273
Public works:										
Refuse collected (tons/year)	3,844	3,746	3,761	3,822	361	3,709	3,616	3,754	3,796	3,895
Recycling (tons/year)	919	4,539	1,244	1,253	963	994	1,298	889	1,021	814
Community development:										
Planning:										
Zoning permits issued	159	150	170	180	174	202	187	241	263	127

Source: Individual Town departments.

TABLE 21

TOWN OF WARRENTON, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	19	21	21	21	21	21	21	21	22	24
Fire stations	1	1	1	1	1	1	1	1	1	1
Sanitation:										
Collection trucks	2	2	3	3	3	4	4	4	4	4
Highway and streets:										
Streets (miles)	86.49	94.52	94.52	93.47	93.47	93.47	93.47	93.47	93.47	93.47
Streetlights	772	795	810	810	810	810	810	824	824	823
Traffic signals	10	11	11	12	12	12	12	12	12	11
Culture and recreation:										
Parks acreage	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.94	88.94	88.94
Parks	5	5	5	5	5	5	5	7	7	7
Water:										
Water mains (miles)	84.00	86.00	86.00	86.00	86.00	86.00	88.00	89.00	89.00	89.00
Fire hydrants	717	725	725	725	731	731	743.00	749.00	751.00	751
Sewer:										
Sanitary sewers	66.00	66.00	66.00	66.00	68.00	68.00	69.00	69.00	69.00	69
Storm sewers (miles)	15.44	15.44	15.44	15.44	38.00	39.70	40.00	40.00	40.00	40.00

Source: Individual Town departments.

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

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

To the Honorable Members of Town Council
Town of 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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 3, 2021

TOWN OF WARRENTON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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

Fire Program Aid

LOCAL COMPLIANCE MATTERS

Town Charter