



COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023

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



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INTRODUCTORY SECTION

TOWN OF WARRENTON, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2023

TOWN COUNCIL

H.E. Carter Nevill, Mayor
James Hartman III, Vice Mayor

Paul Mooney, At Large
Heather Sutphin, Ward 1
William Semple II, Ward 2
Brett Hamby, Ward 3
David McGuire, At Large
John B. Heroux III, Ward 5

APPOINTED OFFICIALS

Frank Cassidy Interim Town Manager
Martin Crim Town Attorney
Stephen Clough..... Town Clerk
Stephanie Miller..... Finance Director
Tommy Cureton.....Parks & Recreation Director
Rob Walton Community Development Director
Frank Cassidy Public Works/Utilities Director
Timothy Carter..... Chief of Police



The Town of Warrenton
P.O. Box 341
Warrenton, VA 20188
P (540) 347-1101
F (540) 349-2414

December 1, 2023

**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, 2023. 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, 2023, 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.

EXPERIENCE

All 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, which serves as the County Seat and is 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 Northern Virginia region is highly competitive and influenced by changing economic forces. The region is home base for the federal government and related industries and many residents commute to work further north. 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 a small-town character.

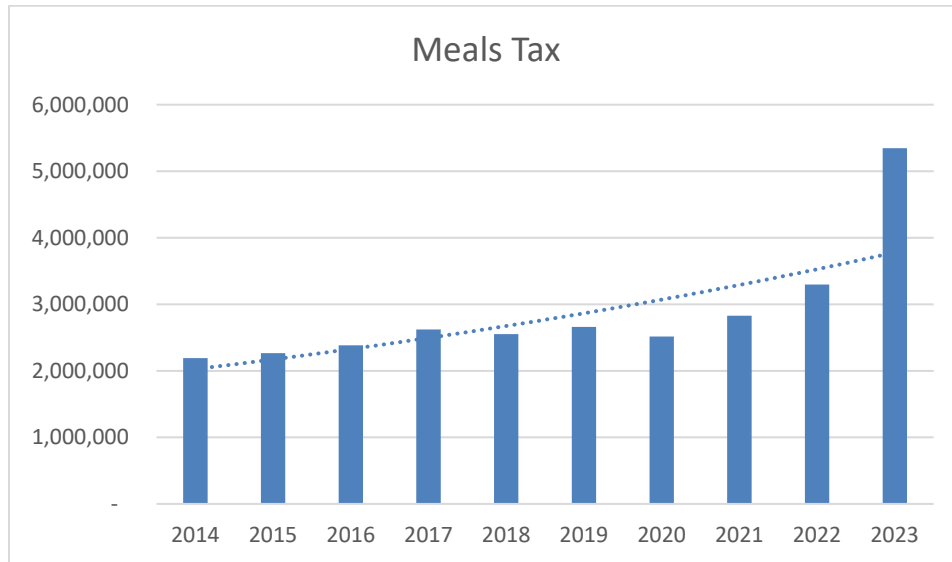
Warrenton continues to strive for inclusive and attainable housing for all ages, incomes, and needs that preserve established residential neighborhoods, while supporting infill development. Housing is not often seen as an economic driver, but it serves as a balance in the overall quality of life for 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.

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.

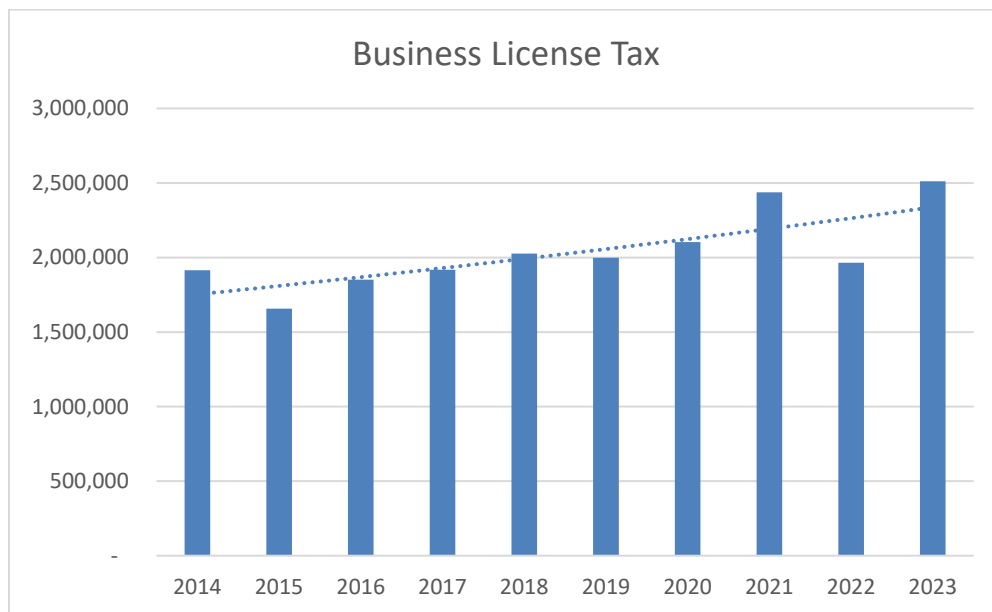
The Old Town Historic District is a mainstay of the Town and serves as an economic driver when considering the small land footprint compared to economic output. The popular Farmers Market is held just off of Main Street and serves to drive pedestrian traffic to local stores on the weekend. Weekend night-time street closures and monthly events held on Main Street also attract residents and visitors to the restaurants and stores in Old Town. A successful parklet program developed during the pandemic has been continued. Local restaurants enjoy the expanded outdoor seating, and it provides a vibrant addition to Main Street. Some side streets have also been closed intermittently to vehicular traffic to expand outdoor dining and pedestrian options.

Primary local revenue sources for the Town continue to be meals tax and business, professional, and occupational license (BPOL) tax. Meals tax accounted for 27.1% and BPOL accounted for 12.7% of general fund revenue for fiscal year 2023.

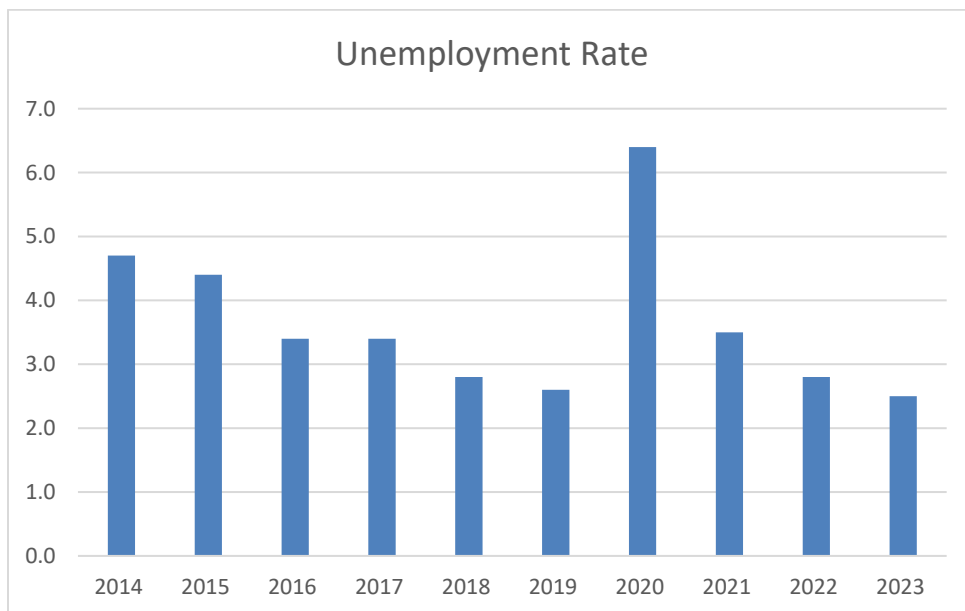
Over the past ten years, Meals Tax has risen by a total of 144.0% and has been the most consistent local tax source for the town. The average annual increase is 10.8%. However, these figures are somewhat distorted by the fact that the meals tax rate was raised from 4% to 6% effective July 1, 2023. Removing the impact of the tax rate increase, the 10-year increase is 62.6% and the average annual increase is 5.4%. The chart below shows the trend over the last 10 years.



Business license tax is based on prior calendar year gross receipts. This means that the amount collected for fiscal year 2023 reflects the performance of local businesses in calendar year 2022. Over the past ten years, business license tax revenue has grown by 31.2 percent with an average annual increase of 7.6%.



Unemployment rates are not available for the Town. The rate for Fauquier County as of June 2023 was 2.5 percent. This was a 0.3 percent decrease from June of 2022. The June 2021 unemployment rate compares favorably to the 2.8 percent reported for Virginia and 3.8 percent reported nationally. As can be seen from the chart below, the unemployment rate for Fauquier County appears to be returning to pre-Covid trends.

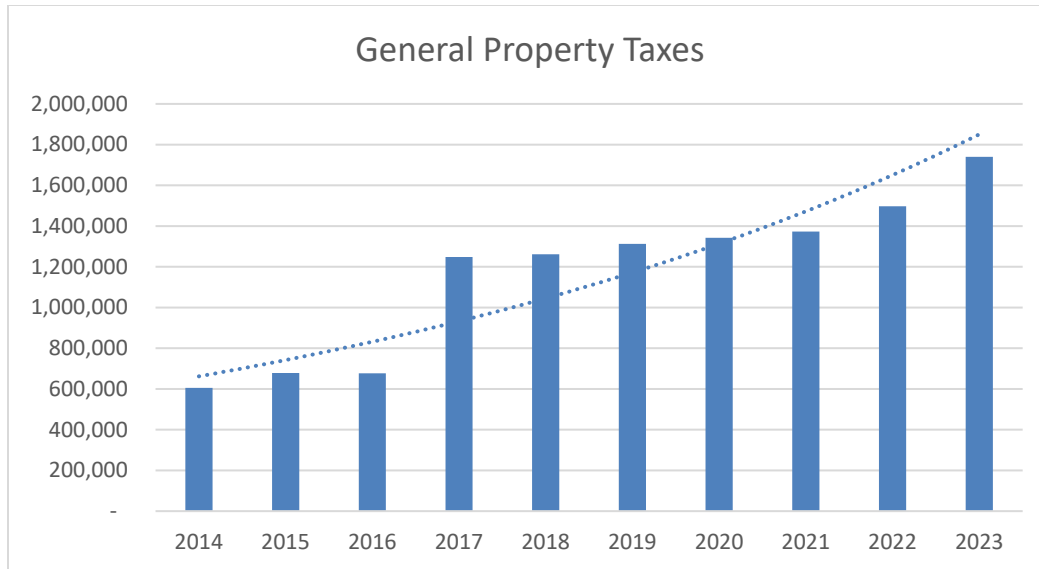


Every four years, the County of Fauquier conducts a general real estate reassessment in accordance with Section 58.1-3252 of the Code of Virginia. The current assessments went into effect on January 1, 2022. And reflected an increase of approximately 22%. The next reassessment will be conducted during 2024 and 2025, with an effective date of January 1, 2026.

The local real estate market has slowed recently due to rising interest rates. The Greater Piedmont Realtors Association published the following statistics for Fauquier County for June 2023 compared to June 2022:

- Sales activity is down 11%
- Median sales price is up 9% to \$605,000.
- Days on the market is up 50% to 24 days.

Despite the cooling in the real estate market, general property taxes, which includes real estate and personal property, have maintained a positive trend. Much of this owes to the four-year reassessment cycle and increases in the values of used cars since the pandemic. The chart below shows the 14.6% increase in general property taxes over the last ten years.



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, called Plan Warrenton 2040, 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. A fiscal impact model was developed in conjunction with Plan Warrenton 2040 so that the impact of new development or expansion can be quantified.

Town staff provided the Town Council with a five-year financial projection at the fiscal retreat held in February 2023. This will be updated annually in conjunction with the budget process to aid in decision-making.

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. These policies are reviewed annually for updates.

Major Initiatives

The Town continues to focus on necessary capital investments that provide services to the community. The modernization of the Town's Water and Sewer utility system is a top priority, as some of the system's key infrastructure dates to the 1950's. Coronavirus State and Local Fiscal Recovery Funds have been appropriated in the amount of \$4.5 million to support modernization of the primary clarifier. The 2024-2029 Capital Improvement Program estimates \$69.4 million for Water and Sewer projects. During fiscal year 2023, staff worked with the Town's financial advisors and NewGen Strategies & Solutions to update a rate model that seeks to balance cash funding with strategic issuance of debt to properly fund the program. The model recommended a rate increase of 23%, which was adopted by Council with an effective date of July 1, 2023. In September 2022, the Town issued a \$5 million general obligation bond to provide additional funding for the projects.

Improving pedestrian safety and relieving traffic congestion continue to be top priorities for the Town, especially given development in neighboring Counties. The Virginia Department of Transportation has recently issued a solicitation for the construction of the redesigned Broadview Avenue project, 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 Town has twenty-eight sworn police officers. 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 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. The second phase of Timber Fence Trail is underway. 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. This trail will connect the Gold Cup subdivision to the WARF along property owned by the Fauquier County School Board.

IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

During Fiscal Year 2024, the Town will analyze the impact of the following GASB Statements:

- GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62
- GASB Statement No. 101, *Compensated Absences*

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, 2022. 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,



Frank Cassidy
Interim Town Manager



Stephanie Miller
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Warrenton
Virginia**

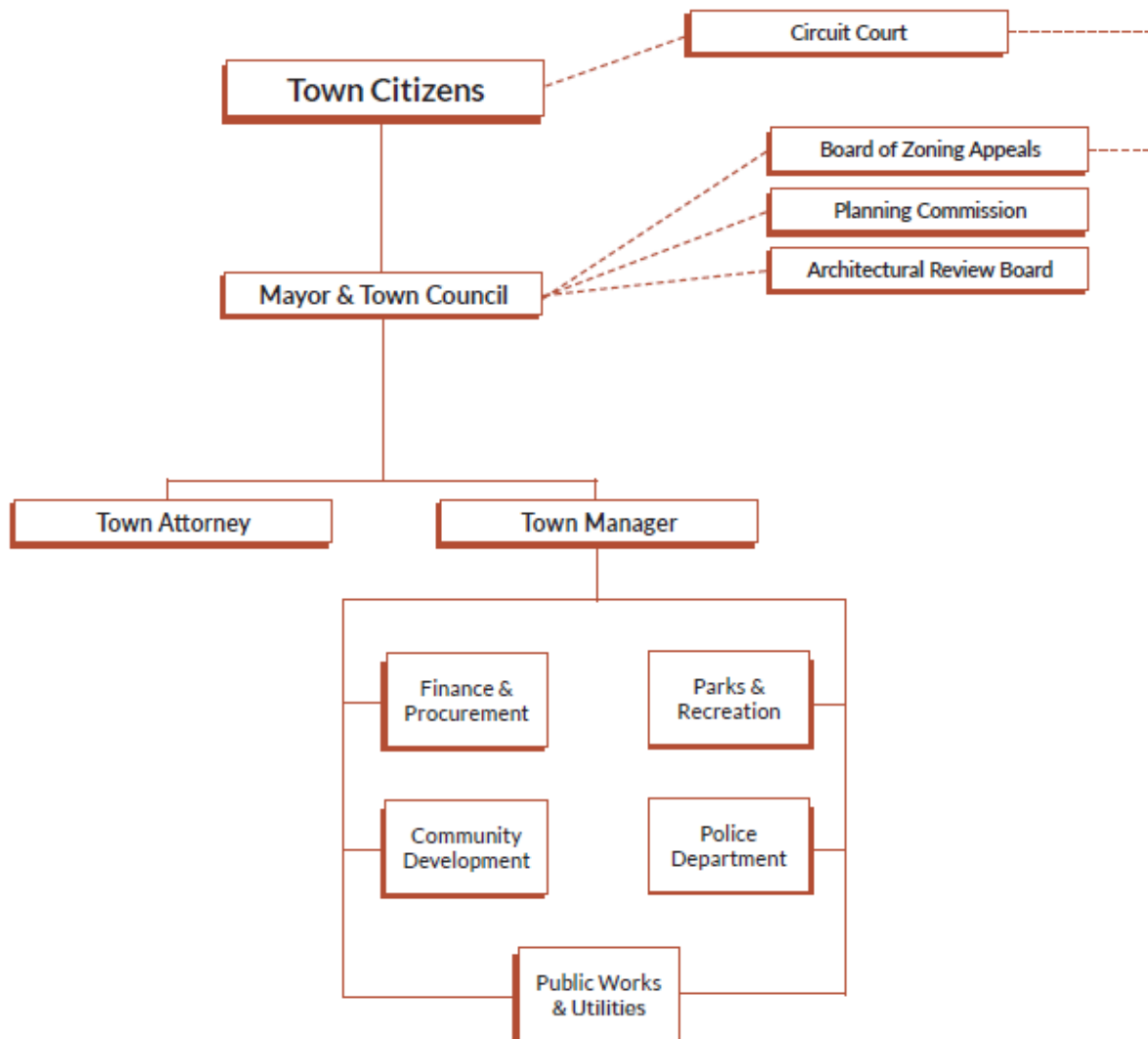
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

ORGANIZATIONAL CHART



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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 as of June 30, 2023, 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.

Basis for Opinions

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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Warrenton, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Warrenton's basic financial statements. The other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2023

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, 2023. 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 2022 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.

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 on the Town's net position and how the net position has changed during the fiscal year using accounting methods like 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 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 activities of the Town are the Water and Sewer and Stormwater Funds.

Fund Financial Statements

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

- ***Governmental Funds*** - Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. There are two governmental funds for the Town: the General Fund and the Perpetual Care Fund, which is a permanent fund established for the maintenance of the Warrenton Cemetery. The Town of Warrenton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- **Proprietary Funds** - There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis of accounting, similar to private sector business. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town of Warrenton has two proprietary funds, the Water and Sewer Fund and the Stormwater Fund. The Water and Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment. The Stormwater Fund accounts for the fees and expenses related to the management of the Town's designation as a small Municipal Separate Storm Sewer System (MS4), in accordance with the requirements of the Virginia Stormwater Management Act.
- **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 2023 FINANCIAL HIGHLIGHTS

Net Position

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.

		<u>June 30, 2023</u>		<u>June 30, 2022</u>
Net Position	\$	75,123,838	\$	73,453,846
Unrestricted		20,383,586		19,794,215

The Town's total net position increased \$1,669,992 in fiscal year 2023. This is primarily due to the change in the net pension liability and deferred outflows related to pensions. In fiscal year 2022, the Town reported a net pension asset of \$324,213. In fiscal year 2023, the Town is reporting a net pension liability of \$1,081,471. The changes related to the Defined Benefit Pension Plan are described in detail in Note 8.

Business-type activities decreased net position by \$112,913. This decrease is partly due to inflationary pressures driving up expenses related to items such as electricity and chemicals. Additionally, capital project expenses have risen due to a large multi-year capital program to modernize the water and sewer system.

Governmental activities increased net position by \$1,782,905. Compared to fiscal year 2022, expenses rose by \$2,041,789. This is primarily due to increased public works road maintenance activities and a focus on facilities maintenance. The increase in expenses was offset by increases in most governmental revenue categories, resulting in a total revenue increase compared to fiscal year 2022 for governmental activities of \$3,914,167. Further information on various revenue sources is provided in the paragraph on governmental revenues below.

The unrestricted portion of net position increased by \$589,371. This is a smaller increase than in fiscal year 2022, which reported an increase in unrestricted net position of \$2,883,453. The net investment in capital assets has remained stable, decreasing by \$55,008 compared to fiscal year 2022.

Statement of Activities

Governmental revenues increased by \$3,914,167 compared to fiscal year 2022 and expenses increased by \$2,041,789. The bulk of the revenue increase is related to the increases in general revenues, which includes property tax, sales tax, consumer utility tax, business license tax, meals tax, bank stock tax and other miscellaneous taxes. The fiscal year 2023 budget increased the meals tax rate from 4% to 6%, generating an additional \$2,049,867 compared to fiscal year 2022. Business license taxes increased by \$547,174 due to an increase in business activity and the timing of receipts. Property taxes increased by \$249,264 due to increases in underlying assessments. Other areas driving the increase in governmental revenues included the use of money and property, which rose by \$583,287 due to higher prevailing interest rates. Intergovernmental revenue rose by \$490,657 compared to fiscal year 2022. A capital grant related to the construction of a trail drove increased revenue in fiscal year 2022 and there was no similar effort in fiscal year 2023. In 2022, the Town sold a property for a gain of \$175,275, which is an unusual item. Operating grant revenue related to the maintenance of roads in Town increased by \$261,942 compared to fiscal year 2022.

On the expense side for governmental activities, public works is the primary driver of the \$2,041,789 increase compared to fiscal year 2022. Collector road maintenance activities increased due to repaving of Timber Fence Parkway and Walker Drive. Funding from fiscal year 2022 was carried over and combined with fiscal year 2023 funds to accomplish this effort. The Town also spent more on the maintenance of Town facilities in fiscal year 2023.

Revenues for business-type activities increased by \$516,158. Water and Sewer charges for services increased by 4.4%, which follows the planned rate increase. Connection fees for Water and Sewer service increased by \$100,000. Expenses increased by \$832,807 compared to fiscal year 2022, primarily for Water and Sewer. The increase in Water and Sewer expenses is related to general increases due to personnel costs and inflation for items such as chemicals.

Fund Balance

Fund balance for governmental funds increased by \$2,092,824 for the fiscal year. Unassigned fund balance increased by \$1,995,084 due primarily to an increase in receivables and cash. Unassigned fund balance represents 63.0% of total fund balance. Note 12 provides more details regarding the classification of fund balance.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Fund balance, ending	\$ 18,309,478	\$ 16,216,654
Increase (decrease) from prior year	2,092,824	119,561
Unassigned fund balance	\$ 11,537,274	\$ 9,542,190
Percentage unassigned	63.0%	58.8%

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 \$75,123,838 at June 30, 2023.

Table 1

Town of Warrenton
Summary of Net Position

	Governmental activities		Business-type activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets:						
Current and other assets	\$ 28,817,889	\$ 22,822,759	\$ 14,091,117	\$ 10,716,535	\$ 42,909,006	\$ 33,539,294
Capital assets	41,959,064	43,482,031	31,299,925	30,320,987	73,258,989	73,803,018
Total assets	\$ 70,776,953	\$ 66,304,790	\$ 45,391,042	\$ 41,037,522	\$ 116,167,995	\$ 107,342,312
Deferred outflows of resources:						
Deferred charge on refunding	\$ 291,515	\$ 341,684	\$ -	\$ -	\$ 291,515	\$ 341,684
Pension-related deferred outflows	871,464	1,064,251	324,166	378,130	1,195,630	1,442,381
OPEB-related deferred outflows	85,102	100,805	22,137	27,688	107,239	128,493
Total deferred outflows of resources	\$ 1,248,081	\$ 1,506,740	\$ 346,303	\$ 405,818	\$ 1,594,384	\$ 1,912,558
Total assets and deferred outflows of resources	\$ 72,025,034	\$ 67,811,530	\$ 45,737,345	\$ 41,443,340	\$ 117,762,379	\$ 109,254,870
Liabilities:						
Long-term liabilities	\$ 10,879,994	\$ 10,723,613	\$ 16,368,247	\$ 11,394,139	\$ 27,248,241	\$ 22,117,752
Other liabilities	10,544,708	6,415,912	1,116,320	896,414	11,661,028	7,312,326
Total liabilities	\$ 21,424,702	\$ 17,139,525	\$ 17,484,567	\$ 12,290,553	\$ 38,909,269	\$ 29,430,078
Deferred inflows of resources:						
Property taxes	\$ 670	\$ 670	\$ -	\$ -	\$ 670	\$ 670
Pension-related deferred inflows	1,099,312	2,901,123	408,920	1,030,775	1,508,232	3,931,898
OPEB-related deferred inflows	68,324	121,091	17,773	33,260	86,097	154,351
Lease-related deferred inflows	-	-	2,134,273	2,284,027	2,134,273	2,284,027
Total deferred inflows of resources	\$ 1,168,306	\$ 3,022,884	\$ 2,560,966	\$ 3,348,062	\$ 3,729,272	\$ 6,370,946
Net position:						
Net investment in capital assets	\$ 33,258,007	\$ 34,401,208	\$ 20,282,634	\$ 19,194,441	\$ 53,540,641	\$ 53,595,649
Restricted	929,200	1,123,916	270,411	331,724	1,199,611	1,455,640
Unrestricted	15,244,819	12,123,997	5,138,767	6,278,560	20,383,586	18,402,557
Total net position	\$ 49,432,026	\$ 47,649,121	\$ 25,691,812	\$ 25,804,725	\$ 75,123,838	\$ 73,453,846
Total liabilities and deferred inflows of resources and net position	\$ 72,025,034	\$ 67,811,530	\$ 45,737,345	\$ 41,443,340	\$ 117,762,379	\$ 109,254,870

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, 2023, is \$53,540,641 and represents 71.3 % of total net position. This is a decrease of \$55,008 compared to fiscal year 2022. In fiscal year 2023, the Town has several major capital projects underway to address deferred maintenance and other capital needs, particularly for the Water and Sewer enterprise fund.

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 \$1,199,611, or 1.6% of total net position.

Unrestricted Net Position: The remaining balance of unrestricted net position at June 30, 2023 is \$20,383,586, or 27.1 % of total net position, and may be used to meet the government's ongoing obligations to citizens and creditors.

Total Net Position: During fiscal year 2023, the net position of the government increased by \$1,669,992 primarily due to changes related to the Defined Benefit Pension Plan, which is described in Note 8.

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, 2023.

Table 2

Town of Warrenton Changes in Net Position							
	Governmental activities		Business-type activities		Total		
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	
Revenues:							
Program revenues:							
Charges for services	\$ 1,311,834	\$ 1,359,770	\$ 6,890,549	\$ 6,744,715	\$ 8,202,383	\$ 8,104,485	
Operating grants & contributions	2,021,815	1,759,873	-	-	2,021,815	1,759,873	
Capital grants & contributions	4,500	285,212	-	-	4,500	285,212	
General revenues:							
General property taxes	1,746,616	1,497,352	-	-	1,746,616	1,497,352	
Other local taxes	11,581,881	8,785,869	-	-	11,581,881	8,785,869	
Intergovernmental revenue, unrestricted	1,038,391	547,734	99,318	34,757	1,137,709	582,491	
Use of money and property	488,121	(95,166)	561,677	255,914	1,049,798	160,748	
Gain on sale of property	-	175,275	-	-	-	175,275	
Miscellaneous	283,266	238,715	-	-	283,266	238,715	
Grants and contributions not restricted to specific programs	1,239,149	1,246,772	-	-	1,239,149	1,246,772	
Total revenues	\$ 19,715,573	\$ 15,801,406	\$ 7,551,544	\$ 7,035,386	\$ 27,267,117	\$ 22,836,792	
Expenses:							
General government	\$ 2,208,282	\$ 2,186,451	\$ -	\$ -	\$ 2,208,282	\$ 2,186,451	
Public safety	4,945,463	4,715,140	-	-	4,945,463	4,715,140	
Public works	6,589,800	4,779,200	-	-	6,589,800	4,779,200	
Health and welfare	259,011	173,245	-	-	259,011	173,245	
Parks, recreation and cultural	3,138,550	2,871,147	-	-	3,138,550	2,871,147	
Community development	622,434	713,617	-	-	622,434	713,617	
Water and Sewer	-	-	6,907,828	6,070,323	6,907,828	6,070,323	

Stormwater	-	-	390,701	462,033	390,701	462,033
Interest on long-term debt	<u>169,128</u>	<u>452,079</u>	<u>365,928</u>	<u>299,294</u>	<u>535,056</u>	<u>751,373</u>
Total expenses	\$ <u>17,932,668</u>	\$ <u>15,890,879</u>	\$ <u>7,664,457</u>	\$ <u>6,831,650</u>	\$ <u>25,597,125</u>	\$ <u>22,722,529</u>
Change in net position	\$ 1,782,905	\$ (89,473)	\$ (112,913)	\$ 203,736	\$ 1,669,992	\$ 114,263
Net position, beginning of year	<u>47,649,121</u>	<u>47,738,594</u>	<u>25,804,725</u>	<u>25,600,989</u>	<u>73,453,846</u>	<u>73,339,583</u>
Net position, end of year	\$ <u><u>49,432,026</u></u>	\$ <u><u>47,649,121</u></u>	\$ <u><u>25,691,812</u></u>	\$ <u><u>25,804,725</u></u>	\$ <u><u>75,123,838</u></u>	\$ <u><u>73,453,846</u></u>

Governmental Activities: For the year ended June 30, 2023, Governmental activities increased net position by \$1,782,905. In fiscal year 2022, net position for governmental activities decreased by \$89,473. This year's improvement was driven by an increase in revenues of \$3,914,167 offset by an increase of \$2,041,789 in expenses.

For revenues, the largest increases were in operating grants, general property taxes, other local taxes, intergovernmental revenue, and the use of money and property.

- Operating grants and contributions consist of funding from the Commonwealth in support of public safety and road maintenance activities. This category increased by \$261,942 compared to fiscal year 2022.
- General property taxes for real estate and personal property increased by \$249,264 due to increases in the underlying assessments.
- The \$2,796,012 increase in the other local taxes category is primarily composed of the following:
 - Meals tax increased by \$2,049,867 due to a 50% increase in the tax rate.
 - Business license tax increased by \$547,174 due to the timing of receipts and general increase in business activity.
- Intergovernmental revenue increased by \$490,657.
- The use of money and property increased by \$583,287 due to increases in interest rates.

Total expenses increased by \$2,041,789 due mostly to public works activities.

- Repaving of two major thoroughfares in town was accomplished by carrying over funds from fiscal year 2022 to increase the available allocation.
- Facilities maintenance expenses increased due to aging facilities. Work began on the old town hall location in preparation for future uses. Several projects related to the aquatic facility constructed in 2007 were addressed.

Business-type Activities: Business-type activities decreased net position by \$112,913. On the revenue side, charges for services increased by \$145,834. Intergovernmental revenue and the use of money and property increased net position by \$370,324. Water and Sewer expenses increased by \$837,505 compared to the prior year due to inflation. Stormwater Management expenses decreased by \$71,332 compared to fiscal year 2022. Interest on long-term debt increased by \$66,634 due to the issuance of \$5 million in debt to support capital projects.

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 \$18,309,478, an increase of \$2,092,824 compared to the prior year. Approximately 63.0%, or \$11,537,274, 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 Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. The Town reports two proprietary funds - the Water and Sewer Fund and the Stormwater Fund.

For the Water and Sewer Fund, total net position as of June 30, 2023, is \$25,691,812, a decrease of \$112,913 compared to June 30, 2022. The net investment in capital assets is \$20,282,634, which reflects an increase of \$1,088,193. The Town has recently completed several capital projects and is in the engineering phase of additional projects expected to begin construction in fiscal year 2024. The unrestricted net position of the Water and Sewer Fund at the end of the year was \$5,138,767, or 20.0%, of the fund's net position. This reflects a decrease in unrestricted net position from fiscal year 2022 of \$1,139,793, which is mostly related to the increased efforts related to capital projects.

The Stormwater Fund reported net position of \$686,761 as of June 30, 2023.

The greatest impact year after year for the proprietary fund is depreciation expense. Depreciation expense for the fiscal year ended June 30, 2023, was \$1,315,913 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.

For the Stormwater Fund, total net position as of June 30, 2023, is \$686,761. This fund was established in fiscal year 2022. In fiscal year 2023, two capital projects were completed, resulting in a net investment in capital assets of \$135,996. The unrestricted portion of net position is \$550,765, which represents 80.2% of net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budgeted appropriation and the final amended budgeted appropriation for the general fund was \$3,460,116, or 21.7%, of the total original budget. Final actual expenditures were \$1,775,761, or 9.2%, less than final amended appropriations. The two functional areas that realized the greatest variance with the budget were general government administration and capital projects. For general government, this is related to information technology projects that were carried over into fiscal year 2024. Similarly for capital outlay, there were multi-year projects that were carried over into the next fiscal year.

Final actual revenue was \$2,617,670 less than the final amended budget amounts. This was largely due to the budget for Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). Some of the projects planned for these funds span multiple years, resulting in carryover appropriations. For local revenue sources, the largest variance was in the other local taxes category, in particular, local sales and use taxes, business license taxes, bank stock taxes, and restaurant food tax. Local sales and use tax has been trending up and exceeded the budgeted amount by \$348,401. Business license taxes exceeded the estimate by \$239,435 due to increased business activity. Bank stock taxes exceeded the budget by \$448,013. This is a difficult category to predict because of limited insight into the nature of the bank's operations and the deductions allowed on the return filed with the Virginia Department of Taxation. Restaurant food tax exceeded the budget by \$773,081. This is the largest revenue source for the general fund and has been trending higher since the pandemic.

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 was \$73,258,989, which is a decrease of \$544,029 compared to fiscal year 2022. 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, 2023, total \$41,959,064 (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 old Town Hall location, the old Visitor Center building, the Public Safety Facility, and the Public Works Facility. The total net decrease in governmental activities capital assets for the current fiscal year was \$1,522,967. Depreciation and amortization expense charged for governmental activities for the period ended June 30, 2023, was \$2,592,173.

Capital asset additions during fiscal year 2023 for governmental activities totaled \$1,069,206. The following are some of the major additions in this category:

- Parks and recreation improvements - \$265,705
- Public safety vehicle replacements - \$98,129
- Public works equipment replacements - \$584,322

The Town's business-type activity capital assets total \$31,299,925 (net of accumulated depreciation) which reflects a net increase of \$978,938 from the prior year. The increase is partially due to the completion of the first two projects in the Stormwater Fund, which was established in fiscal year 2022. The Water and Sewer fund completed several large-scale projects.

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, 2023, was \$1,316,687.

For business-type activities, capital asset additions totaled \$4,258,366, including the following major items:

- Construction of an automated truck water filling station at the County landfill - \$493,722
- Cured in place pipe lining throughout the town's water and sewer transmission and distribution system - \$1,510,648
- Purchase of a 2022 Vactor - \$318,000
- Manhole rehabilitation - \$988,233
- Stormwater improvements - \$224,814

Table 3

Town of Warrenton						
Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Land	\$ 4,627,473	\$ 4,627,473	\$ 665,660	\$ 665,660	\$ 5,293,133	\$ 5,293,133
Construction in progress	64,317	82,167	861,960	2,753,784	926,277	2,835,951
Utility plant in service	-	-	27,892,751	25,915,279	27,892,751	25,915,279
Buildings and improvements	20,863,204	21,540,136	-	-	20,863,204	21,540,136
Infrastructure	11,898,352	12,970,590	224,814	-	12,123,166	12,970,590
Furniture, equipment, and vehicles	4,393,542	4,120,438	1,654,740	986,264	6,048,282	5,106,702
Intangible Right to use assets	112,176	141,227	-	-	112,176	141,227
Total	\$ <u>41,959,064</u>	\$ <u>43,482,031</u>	\$ <u>31,299,925</u>	\$ <u>30,320,987</u>	\$ <u>73,258,989</u>	\$ <u>73,803,018</u>

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

Long-term Obligations

At the end of the fiscal year, the Town had \$27.2 million in outstanding obligations. This represents an increase of \$5,130,489 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, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
General obligation bonds	\$ 7,690,000	\$ 8,165,000	\$ 15,301,000	\$ 10,583,000	\$ 22,991,000	\$ 18,748,000
Premium on refunding	1,308,290	1,532,885	479,728	543,546	1,788,018	2,076,431
Capital lease	-	31,383	-	-	-	31,383
Net pension liability	788,257	-	293,214	-	1,081,471	-
Net OPEB liability	308,542	291,829	80,261	80,156	388,803	371,985
Lease liability	112,176	141,227	-	-	112,176	141,227
Compensated absences	672,729	561,289	214,044	187,437	886,773	748,726
Total	\$ <u>10,879,994</u>	\$ <u>10,723,613</u>	\$ <u>16,368,247</u>	\$ <u>11,394,139</u>	\$ <u>27,248,241</u>	\$ <u>22,117,752</u>

In September 2022, the Town issued \$5 million in general obligation bonds for Water and Sewer capital projects. Additional information on the Town's long-term debt can be found in Note 7 of the financial statements. Details regarding the Town's net pension liability can be found in Note 8 and information on the net other postemployment benefits liability can be found in Note 9.

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 2024:

- The Town monitors monthly receipts in the areas of Meals Tax, Lodging Tax, and Sales Tax to gauge the impact on our local economy. Several revenue categories continued positive upward trends in 2023 compared to fiscal year 2022:
 - Meals tax – revenue increased by \$2,072,343, or 63.3%. A portion of this increase is due to the tax rate increasing by 50% in FY23 from 4% to 6%.
 - Transient occupancy tax – revenue increased by \$9,761, or 3.7%
 - Sales tax – revenue increased by \$39,986, or 4.0%
- The unemployment rate for Fauquier County improved from 2.8% in June 2022 to 2.5% in June 2023 and per capita personal income rose from \$38,543 to \$41,385.

Fiscal Year 2024 Budget and Rates

- The Fiscal Year 2024 Adopted Budget did not include any increases in tax rates but did include an increase in Water and Sewer rates based on a rate study update completed in 2022.
- The total appropriation for all funds is \$40,416,290, which is an increase of \$9,235,660, or 30%, from the Fiscal Year 2023 Adopted Budget.
- The adopted General Fund budget for fiscal year 2024 is \$22,736,827, an increase of \$6,323,743, or 39%, from the adopted budget for fiscal year 2023. The increase is largely driven by a \$4 million increase in capital projects and capital asset replacements.
- The largest revenue categories for the general fund are the other local taxes category at 50%, which includes the Town's two largest revenue sources - business license taxes and meals taxes; State revenue at 13%, which consists primarily of funding for the maintenance of Town streets and roads; and general property taxes at 6%. Charges for services account for 5% of general fund revenue and represent user fees for the Warrenton Aquatic and Recreation Facility (WARF).
- The Town received \$10.4 million in Coronavirus State and Local Fiscal Recover Funds (CSLFRF). The Fiscal Year 2024 Adopted Budget appropriates \$3,269,910 of those funds for park land acquisition, Wastewater Treatment Plant capital and ADA playground replacements.
- A classification and compensation study was conducted using CSLFRF funds during fiscal year 2023, resulting in an updated pay scale. The Fiscal Year 2024 Adopted Budget included a 10% compensation adjustment for all personnel employed as of April 1, 2023. Additionally, merit increases of up to 3% were programmed with an effective date of January 1, 2024.
- Five positions were added in the General Fund with a total cost of \$569,202. Additionally, four part-time maintenance workers were upgraded to full-time status at a net cost of \$163,626.
- The largest functional expenditure areas for the general fund are general government at 24%, public works at 30%, and public safety at 20%.

- The fiscal year 2024 adopted budget for the general fund plans for the use of \$4,394,803 of fund balance. Fund balance is utilized to support capital expenditures. The use of fund balance for this purpose is in line with the Town Council's adopted policy.
- The Water and sewer capital program totals \$5,311,700. Capital projects total \$5,056,700 and asset replacements total \$255,000.
- The Fiscal Year 2024 Adopted Budget dissolves the two internal service funds - Motor Pool and Information Technology. These functions are included in the General Fund starting with FY24. This has resulted in large increases in the general government and public works functions compared to fiscal year 2023.

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.

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BASIC FINANCIAL STATEMENTS

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 22,813,154	\$ 4,872,091	\$ 27,685,245
Cash and cash equivalent, restricted (Note 2)	389,915	5,546,146	5,936,061
Investments (Note 2)	3,679,213	-	3,679,213
Receivables, net (Note 3)	1,319,972	1,074,427	2,394,399
Due from other governmental units (Note 4)	318,303	63,921	382,224
Lease receivable (Note 5)	-	2,269,586	2,269,586
Inventories	194,520	264,946	459,466
Prepays	102,812	-	102,812
Capital assets: (Note 6)			
Nondepreciable	4,691,790	1,527,620	6,219,410
Depreciable, net	37,267,274	29,772,305	67,039,579
Total assets	70,776,953	45,391,042	116,167,995
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	291,515	-	291,515
Deferred outflows related to pensions (Note 8)	871,464	324,166	1,195,630
Deferred outflows related to other postemployment benefits (Note 9)	85,102	22,137	107,239
Total deferred outflows of resources	1,248,081	346,303	1,594,384
LIABILITIES			
Accounts payable	983,759	645,740	1,629,499
Accrued payroll and related liabilities	164,861	141,337	306,198
Customer deposits	-	108,707	108,707
Accrued interest payable	83,326	151,315	234,641
Unearned revenue	9,312,762	69,221	9,381,983
Long-term liabilities:			
Due within one year (Note 7)	805,790	821,792	1,627,582
Due in more than one year (Note 7)	8,977,405	15,172,980	24,150,385
Net pension liability (Note 8)	788,257	293,214	1,081,471
Net other postemployment benefit liability (Note 9)	308,542	80,261	388,803
Total liabilities	21,424,702	17,484,567	38,909,269
DEFERRED INFLOWS OF RESOURCES			
Property taxes	670	-	670
Deferred inflows related to pensions (Note 8)	1,099,312	408,920	1,508,232
Deferred inflows related to other postemployment benefits (Note 9)	68,324	17,773	86,097
Deferred inflows related to leases (Note 5)	-	2,134,273	2,134,273
Total deferred inflows of resources	1,168,306	2,560,966	3,729,272
NET POSITION			
Net investment in capital assets	33,258,007	20,282,634	53,540,641
Restricted:			
Unspent maintenance funds	-	270,411	270,411
Capital outlay	272,021	-	272,021
Perpetual Care – nonexpendable	657,179	-	657,179
Unrestricted	15,244,819	5,138,767	20,383,586
Total net position	\$ 49,432,026	\$ 25,691,812	\$ 75,123,838

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, 2023

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	\$ 2,208,282	\$ 219,987	\$ -	\$ -	\$ (1,988,295)		\$ (1,988,295)
Public safety	4,945,463	72,505	302,590	-	(4,570,368)		(4,570,368)
Public works	6,589,800	-	1,719,225	-	(4,870,575)		(4,870,575)
Health and welfare	259,011	-	-	-	(259,011)		(259,011)
Parks, recreation, and cultural	3,138,550	1,019,342	-	4,500	(2,114,708)		(2,114,708)
Community development	622,434	-	-	-	(622,434)		(622,434)
Interest on long-term debt	169,128	-	-	-	(169,128)		(169,128)
Total governmental activities	17,932,668	1,311,834	2,021,815	4,500	(14,594,519)		(14,594,519)
Business-type activities							
Water and sewer	7,273,756	6,236,259	-	-		(1,037,497)	(1,037,497)
Stormwater	390,701	654,290	-	-		263,589	263,589
Total business-type activities	7,664,457	6,890,549	-	-		(773,908)	(773,908)
Total primary government	\$ 25,597,125	\$ 8,202,383	\$ 2,021,815	\$ 4,500	(14,594,519)	(773,908)	(15,368,427)
General revenues:							
Property taxes					1,746,616	-	1,746,616
Sales and use taxes					1,018,823	-	1,018,823
Consumers' utility taxes					578,030	-	578,030
Business license taxes					2,511,960	-	2,511,960
Meals taxes					5,346,726	-	5,346,726
Bank stock taxes					1,248,013	-	1,248,013
Other local taxes					878,329	-	878,329
Intergovernmental revenue, unrestricted					1,038,391	99,318	1,137,709
Unrestricted revenues (loss) from use of money and property					488,121	561,677	1,049,798
Miscellaneous					283,266	-	283,266
Grants and contributions not restricted to specific programs					1,239,149	-	1,239,149
Total general revenues					16,377,424	660,995	17,038,419
Change in net position					1,782,905	(112,913)	1,669,992
NET POSITION AT JULY 1					47,649,121	25,804,725	73,453,846
NET POSITION AT JUNE 30					\$ 49,432,026	\$ 25,691,812	\$ 75,123,838

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

TOWN OF WARRENTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General Fund</u>	<u>Permanent Perpetual Care Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 22,155,975	\$ 657,179	\$ 22,813,154
Cash and cash equivalents, restricted (Note 2)	389,915	-	389,915
Investments (Note 2)	3,679,213	-	3,679,213
Receivables, net (Note 3)	1,319,972	-	1,319,972
Due from other governmental units (Note 4)	318,303	-	318,303
Inventories	194,520	-	194,520
Prepays	102,812	-	102,812
	<u>\$ 28,160,710</u>	<u>\$ 657,179</u>	<u>\$ 28,817,889</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 983,759	\$ -	\$ 983,759
Accrued payroll and related liabilities	164,861	-	164,861
Unearned revenue	9,312,762	-	9,312,762
	<u>10,461,382</u>	<u>-</u>	<u>10,461,382</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	47,029	-	47,029
FUND BALANCES (Note 12)			
Nonspendable	297,332	657,179	954,511
Restricted	389,915	-	389,915
Committed	2,532,750	-	2,532,750
Assigned	2,895,028	-	2,895,028
Unassigned	11,537,274	-	11,537,274
	<u>17,652,299</u>	<u>657,179</u>	<u>18,309,478</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,160,710</u>	<u>\$ 657,179</u>	<u>\$ 28,817,889</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, 2023**

Ending fund balance – governmental fund **\$ 18,309,478**

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	\$ 92,445,795	
Less: accumulated depreciation and amortization	<u>(50,486,731)</u>	
		41,959,064

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

46,359

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

Deferred outflows related to:

Pensions	871,464	
Other postemployment benefits	85,102	

Deferred inflows related to:

Pensions	(1,099,312)	
Other postemployment benefits	(68,324)	

Net pension liability	(788,257)	
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Net other postemployment benefit liability	<u>(308,542)</u>	(1,307,869)
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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 premium	(8,998,290)	
Deferred charge on refunding	291,515	
Lease liabilities	(112,176)	
Accrued interest payable	(83,326)	
Compensated absences	<u>(672,729)</u>	

(9,575,006)

Total net position – governmental activities **\$ 49,432,026**

TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	General Fund	Permanent Perpetual Care Fund	Total
REVENUES			
General property taxes	\$ 1,739,907	\$ -	\$ 1,739,907
Other local taxes	11,581,881	-	11,581,881
Permits, privilege fees, and regulatory licenses	219,987	-	219,987
Fines and forfeitures	72,505	-	72,505
Revenue from use of money and property	464,302	23,819	488,121
Charges for services	1,019,342	-	1,019,342
Miscellaneous	283,266	-	283,266
Intergovernmental			
Commonwealth	3,258,781	-	3,258,781
Federal	1,045,074	-	1,045,074
Total revenues	<u>19,685,045</u>	<u>23,819</u>	<u>19,708,864</u>
EXPENDITURES			
Current			
General government administration	2,168,979	-	2,168,979
Public safety	4,856,095	-	4,856,095
Public works	5,144,171	-	5,144,171
Health and welfare	259,011	-	259,011
Parks, recreation, and cultural	2,454,818	-	2,454,818
Community development	616,632	-	616,632
Capital outlay	1,231,327	-	1,231,327
Debt service			
Principal retirement	535,434	-	535,434
Interest and other fiscal charges	349,573	-	349,573
Total expenditures	<u>17,616,040</u>	<u>-</u>	<u>17,616,040</u>
Excess of revenues over expenditures	<u>2,069,005</u>	<u>23,819</u>	<u>2,092,824</u>
Net change in fund balance	2,069,005	23,819	2,092,824
FUND BALANCE AT JULY 1	<u>15,583,294</u>	<u>633,360</u>	<u>16,216,654</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 17,652,299</u></u>	<u><u>\$ 657,179</u></u>	<u><u>\$ 18,309,478</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, 2023**

Net change in fund balance – total governmental fund \$ 2,092,824

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 and amortization expense.

Capital outlay	\$ 1,069,206	
Depreciation and amortization expense	(2,592,173)	
		(1,522,967)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		6,709

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	599,905	
Pension expense net of employer contributions	(18,356)	
		581,549

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	30,102	
Life insurance expense	(9,751)	
		20,351

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 their 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	(50,169)	
Amortization of premium	224,595	
Principal retired on general obligation bonds	475,000	
Principal retired on lease liabilities	29,051	
Principal retired on financed purchases	31,383	
		709,860

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	(111,440)	
Change in accrued interest payable	6,019	
		(105,421)

Change in net position of governmental activities \$ 1,782,905

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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,449,235	\$ 1,449,235	\$ 1,739,907	\$ 290,672
Other local taxes	9,675,001	9,748,646	11,581,881	1,833,235
Permits, privilege fees, and regulatory licenses	308,064	308,064	219,987	(88,077)
Fines and forfeitures	139,871	139,871	72,505	(67,366)
Revenue from use of money and property	125,000	125,000	464,302	339,302
Charges for services	714,877	668,877	1,019,342	350,465
Miscellaneous	264,020	271,577	283,266	11,689
Intergovernmental				
Commonwealth	2,967,138	2,970,797	3,258,781	287,984
Federal	2,101,642	6,620,648	1,045,074	(5,575,574)
Total revenues	17,744,848	22,302,715	19,685,045	(2,617,670)
EXPENDITURES				
Current				
General government administration	4,010,640	4,253,141	3,630,761	622,380
Public safety	3,926,612	3,958,709	4,121,551	(162,842)
Public works	3,857,839	4,840,497	4,633,458	207,039
Health and welfare	323,361	334,011	334,011	-
Parks, recreation, and cultural	2,396,846	2,415,433	2,290,302	125,131
Community development	560,769	692,136	489,623	202,513
Capital outlay	-	2,042,256	1,231,327	810,929
Debt service				
Principal retirement	506,045	506,045	535,434	(29,389)
Interest and other fiscal charges	349,573	349,573	349,573	-
Total expenditures	15,931,685	19,391,801	17,616,040	1,775,761
Excess of revenues over expenditures	1,813,163	2,910,914	2,069,005	(841,909)
Net change in fund balance	\$ 1,813,163	\$ 2,910,914	\$ 2,069,005	\$ (841,909)

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

TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUND
June 30, 2023**

	Business-Type Activities - Enterprise Fund		
	Water and Sewer	Stormwater	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 2)	\$ 4,329,251	\$ 542,840	\$ 4,872,091
Cash and cash equivalents, restricted (Note 2)	5,546,146	-	5,546,146
Receivables, net (Note 3)	1,038,936	35,491	1,074,427
Due from other governmental units (Note 4)	-	63,921	63,921
Lease receivables (Note 5)	90,348	-	90,348
Inventories	264,946	-	264,946
Total current assets	11,269,627	642,252	11,911,879
NONCURRENT ASSETS			
Lease receivables (Note 5)	2,179,238	-	2,179,238
Capital assets (Note 6)			
Non-depreciable	1,527,620	-	1,527,620
Depreciable, net	29,547,491	224,814	29,772,305
Total noncurrent assets	33,254,349	224,814	33,479,163
Total assets	44,523,976	867,066	45,391,042
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 8)	284,755	39,411	324,166
Deferred outflows related to other postemployment benefits (Note 9)	19,381	2,756	22,137
Total deferred inflows of resources	304,136	42,167	346,303
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	550,415	95,325	645,740
Accrued payroll and related liabilities	132,259	9,078	141,337
Customer deposits	108,707	-	108,707
Accrued interest payable	151,315	-	151,315
Current portion of unearned revenue	13,006	-	13,006
Long-term liabilities – due within one year (Note 7)	818,366	3,426	821,792
Total current liabilities	1,774,068	107,829	1,881,897
NONCURRENT LIABILITIES			
Unearned revenue – net of current portion	56,215	-	56,215
Net pension liability (Note 8)	257,566	35,648	293,214
Net other postemployment benefit liability (Note 9)	70,267	9,994	80,261
Long-term liabilities – due in more than one year (Note 7)	15,155,907	17,073	15,172,980
Total noncurrent liabilities	15,539,955	62,715	15,602,670
Total liabilities	17,314,023	170,544	17,484,567
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 8)	359,205	49,715	408,920
Deferred inflows related to other postemployment benefits (Note 9)	15,560	2,213	17,773
Deferred inflows related to leases (Note 5)	2,134,273	-	2,134,273
Total deferred inflows of resources	2,509,038	51,928	2,560,966
NET POSITION			
Net investment in capital assets	20,146,638	135,996	20,282,634
Restricted for maintenance	270,411	-	270,411
Unrestricted	4,588,002	550,765	5,138,767
Total net position	\$ 25,005,051	\$ 686,761	\$ 25,691,812

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, 2023**

	Business-Type Activities - Enterprise Fund		
	Water and Sewer	Stormwater	Total
OPERATING REVENUES			
Charges for services:			
Sale of water	\$ 2,497,514	\$ -	\$ 2,497,514
Sewer service charges	3,410,119	-	3,410,119
Stormwater service charges	-	653,734	653,734
Connection fees	236,250	-	236,250
Other fees	92,376	556	92,932
	<u>6,236,259</u>	<u>654,290</u>	<u>6,890,549</u>
Total operating revenues			
OPERATING EXPENSES			
Source of supply	1,150,929	-	1,150,929
Transmission and distribution	782,025	-	782,025
Meter reading	251,444	-	251,444
Wastewater treatment operation	2,098,194	-	2,098,194
Public utilities administration	911,951	389,927	1,301,878
Maintenance and repairs	277,530	-	277,530
Depreciation	1,315,913	774	1,316,687
	<u>6,787,986</u>	<u>390,701</u>	<u>7,178,687</u>
Total operating expenses			
Operating income (loss)	<u>(551,727)</u>	<u>263,589</u>	<u>(288,138)</u>
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	-	99,318	99,318
Bond issuance cost	(119,842)	-	(119,842)
Interest revenue	419,183	-	419,183
Lease revenue	142,494	-	142,494
Interest expense	(365,928)	-	(365,928)
	<u>75,907</u>	<u>99,318</u>	<u>175,225</u>
Net non-operating revenues (expenses)			
Change in net position	(475,820)	362,907	(112,913)
NET POSITION AT JULY 1	<u>25,480,871</u>	<u>323,854</u>	<u>25,804,725</u>
NET POSITION AT JUNE 30	<u>\$ 25,005,051</u>	<u>\$ 686,761</u>	<u>\$ 25,691,812</u>

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2023

	Business-Type Activities – Enterprise Fund		
	Water and Sewer	Stormwater	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 6,077,607	\$ 698,532	\$ 6,776,139
Payments to employees	(2,872,488)	(373,072)	(3,245,560)
Payments to suppliers	(3,015,382)	(47,041)	(3,062,423)
Other receipts	92,376	-	92,376
	<u>282,113</u>	<u>278,419</u>	<u>560,532</u>
Net cash provided by operating activities			
NONCAPITAL FINANCING ACTIVITIES			
Federal grants	-	35,397	35,397
	<u>-</u>	<u>35,397</u>	<u>35,397</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,786,695)	(136,770)	(1,923,465)
Proceeds from sale of capital assets	70,917	-	70,917
Proceeds from debt issued	5,150,000	-	5,150,000
Principal paid on debt	(432,000)	-	(432,000)
Bond issuance costs	(119,842)	-	(119,842)
Interest paid on capital debt	(398,277)	-	(398,277)
	<u>2,484,103</u>	<u>(136,770)</u>	<u>2,347,333</u>
Net cash provided by (used in) capital and related financing activities			
INVESTING ACTIVITIES			
Interest revenue	419,183	-	419,183
Rental and other income	76,680	-	76,680
	<u>495,863</u>	<u>-</u>	<u>495,863</u>
Net cash provided by investing activities			
Net increase in cash and cash equivalents	3,262,079	177,046	3,439,125
CASH AND CASH EQUIVALENTS			
Beginning at July 1	6,613,318	365,794	6,979,112
Ending at June 30	<u>\$ 9,875,397</u>	<u>\$ 542,840</u>	<u>\$ 10,418,237</u>
RECONCILIATION TO EXHIBIT 8			
Cash and cash equivalents	\$ 4,329,251	\$ 542,840	\$ 4,872,091
Cash and cash equivalent, restricted	5,546,146	-	5,546,146
	<u>\$ 9,875,397</u>	<u>\$ 542,840</u>	<u>\$ 10,418,237</u>

(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, 2023

	Business-Type Activities – Enterprise Fund		
	Water and Sewer	Stormwater	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (551,727)	\$ 263,589	\$ (288,138)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,315,913	774	1,316,687
Pension expense net of employer contribution	(170,513)	(19,169)	(189,682)
Other postemployment benefit expense net of employer contribution	(9,820)	(11)	(9,831)
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(59,979)	44,242	(15,737)
Inventories	(24,803)	69	(24,734)
Increase (decrease) in:			
Accounts payable	(121,273)	(5,394)	(126,667)
Accrued payroll and related liabilities	(95,496)	(26,180)	(121,676)
Customer deposits	3,868	-	3,868
Unearned revenue	(10,165)	-	(10,165)
Compensated absences	6,108	20,499	26,607
	<u>\$ 282,113</u>	<u>\$ 278,419</u>	<u>\$ 560,532</u>
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES			
Capital asset obtained through accounts payable	<u>\$ 354,259</u>	<u>\$ 88,818</u>	<u>\$ 443,077</u>

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUND
June 30, 2023

	General Custodial Fund
	<hr/>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 377,509
	<hr/>
LIABILITIES	
Accounts payable	790
	<hr/>
NET POSITION	
Restricted for:	
Benefit of individuals	\$ 376,719
	<hr/> <hr/>

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUND
Year Ended June 30, 2023

	General Custodial Fund
	<hr/>
ADDITIONS	
Contributions for the benefit of individuals	\$ 28,613
	<hr/>
DEDUCTIONS	
Payments to benefit individuals	750
	<hr/>
Increase in fiduciary net position	27,863
	<hr/>
NET POSITION – beginning	348,856
	<hr/>
NET POSITION – ending	\$ 376,719
	<hr/> <hr/>

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

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 consists 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, 2023

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 funds:

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.

The *stormwater fund* accounts for the operations and maintenance of the storm sewer collection.

Additionally, the Town reports the following fund type:

The *fiduciary fund* accounts 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. The Town's custodial fund accounts for funds held for other entities.

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, 2023

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 are 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, 2023

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

Lease assets are amortized over the shorter of the lease term or useful life of the underlying asset.

J. Allowance for Uncollectible Accounts

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

Real estate taxes – general fund	\$ 8,046
Personal property taxes – general fund	49,768
Water and sewer fund receivables – water and sewer fund	42,640
Stormwater receivables – stormwater fund	1,280
	<hr/>
	\$ 101,734
	<hr/>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 assets 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 assets 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 and is reflected as a deferred outflow.
- 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.
- Lease-related amounts are recognized at the inception of leases in which the Town is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that related to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 that 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 and ARPA 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 and ARPA funding.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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 \$2,895,028 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, 2023

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	\$ 11,886,641	N/A	N/A	31.55	%
LGIP	16,785,185	AAAm	0.77	44.55	
SNAP	5,324,409	AAAm	1 day	14.13	
Virginia Investment Pool	3,679,213	AAAm	1.83	9.76	
Cash on hand	<u>2,580</u>	N/A	N/A	<u>0.01</u>	
	<u>\$ 37,678,028</u>			<u>100.00%</u>	

*Average maturity in years

Reconciliation of deposits and investments
to Exhibit 1:

Cash and cash equivalents	\$ 27,685,245
Cash and cash equivalents, restricted	5,936,061
Investments	<u>3,679,213</u>

Total Exhibit 1 deposits and investments	<u>37,300,519</u>
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Exhibit 11:

Cash and cash equivalents	<u>377,509</u>
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Total Exhibit 11 deposits and investments	<u>377,509</u>
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Total Exhibits deposits and investments	<u>\$ 37,678,028</u>
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(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 \$339,632 to maintain water lines for the Warrenton Training Center and \$5,206,514 in unspent bond proceeds. Restricted cash in the general fund consists of \$272,021 in funds designated for capital outlay and \$117,894 in unspent bond proceeds.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 3. Receivables

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 138,258	\$ -	\$ -	\$ 138,258
Other local taxes	1,175,363	-	-	1,175,363
Accounts	<u>64,165</u>	<u>1,081,576</u>	<u>36,771</u>	<u>1,182,512</u>
	1,377,786	1,081,576	36,771	2,496,133
Gross receivables				
Less: allowance for uncollectibles	<u>(57,814)</u>	<u>(42,640)</u>	<u>(1,280)</u>	<u>(101,734)</u>
Net receivables	<u>\$ 1,319,972</u>	<u>\$ 1,038,936</u>	<u>\$ 35,491</u>	<u>\$ 2,394,399</u>

Note 4. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Commonwealth of Virginia:			
Sales tax	\$ 175,910	\$ -	\$ 175,910
Communications tax	59,349	-	59,349
Motor vehicle tax	24,500	-	24,500
Other	<u>58,544</u>	<u>63,921</u>	<u>122,465</u>
	<u>\$ 318,303</u>	<u>\$ 63,921</u>	<u>\$ 382,224</u>

Note 5. Lease Receivable

The water and sewer fund is the lessor of cell tower land usage for five-year terms through 2045. Monthly payments are \$13,075 through 2045, at which time the guaranteed residual value is due.

The lease receivable is due as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 90,348	\$ 70,922
2025	97,301	67,950
2026	105,710	64,732
2027	114,560	61,241
2028	123,872	57,461
2029 and beyond	<u>1,737,795</u>	<u>445,990</u>
	<u>\$ 2,269,586</u>	<u>\$ 768,296</u>

Lease and interest revenue was \$83,940 and \$73,686, respectively, for 2023.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 6. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 4,627,473	\$ -	\$ -	\$ 4,627,473
Construction in progress	82,167	62,420	(80,270)	64,317
Total capital assets, not depreciated	4,709,640	62,420	(80,270)	4,691,790
Capital assets, depreciated and amortized:				
Buildings and improvements	32,623,289	108,550	-	32,731,839
Infrastructure	42,961,612	94,811	-	43,056,423
Furniture, equipment, and vehicles	11,135,014	883,695	(194,193)	11,824,516
Intangible right-to-use assets	141,227	-	-	141,227
Total capital assets, depreciated and amortized	86,861,142	1,087,056	(194,193)	87,754,005
Less accumulated depreciation and amortization for:				
Buildings and improvements	11,083,153	785,482	-	11,868,635
Infrastructure	29,991,022	1,167,049	-	31,158,071
Furniture, equipment, and vehicles	7,014,576	610,591	(194,193)	7,430,974
Intangible right-to-use assets	-	29,051	-	29,051
Total accumulated, depreciation and amortization	48,088,751	2,592,173	(194,193)	50,486,731
Total capital assets, depreciated and amortized, net	38,772,391	(1,505,117)	-	37,267,274
Governmental activities capital assets, net	<u>\$ 43,482,031</u>	<u>\$ (1,442,697)</u>	<u>\$ (80,270)</u>	<u>\$ 41,959,064</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 6. 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	<u>2,753,784</u>	<u>623,873</u>	<u>(2,515,697)</u>	<u>861,960</u>
Total capital assets, not depreciated	<u>3,419,444</u>	<u>623,873</u>	<u>(2,515,697)</u>	<u>1,527,620</u>
Infrastructure	-	225,588	-	225,588
Utility plant in service	56,141,881	3,062,175	-	59,204,056
Furniture, equipment, and vehicles	<u>3,481,849</u>	<u>970,603</u>	<u>(332,665)</u>	<u>4,119,787</u>
Total capital assets, depreciated	<u>59,623,730</u>	<u>4,258,366</u>	<u>(332,665)</u>	<u>63,549,431</u>
Less accumulated depreciation for:				
Infrastructure	-	774	-	774
Utility plant in service	30,226,602	1,084,703	-	31,311,305
Furniture, equipment, and vehicles	<u>2,495,585</u>	<u>231,210</u>	<u>(261,748)</u>	<u>2,465,047</u>
Total accumulated depreciation	<u>32,722,187</u>	<u>1,316,687</u>	<u>(261,748)</u>	<u>33,777,126</u>
Total capital assets, depreciated, net	<u>26,901,543</u>	<u>2,941,679</u>	<u>(70,917)</u>	<u>29,772,305</u>
Business-type activities capital assets, net	<u>\$ 30,320,987</u>	<u>\$ 3,565,552</u>	<u>\$ (2,586,614)</u>	<u>\$ 31,299,925</u>

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

Governmental activities	
Public works	\$ 1,463,460
Public safety	278,284
Parks, recreation, and cultural	699,362
General government	123,453
Community development	<u>27,614</u>
Total depreciation and amortization expense – governmental activities	<u>\$ 2,592,173</u>
Business-type activities	
Water and sewer	\$ 1,315,913
Stormwater	<u>774</u>
	<u>\$ 1,316,687</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 7. 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	\$ 8,165,000	\$ -	\$ (475,000)	\$ 7,690,000	\$ 500,000
Premium on refunding	1,532,885	-	(224,595)	1,308,290	208,528
Financed purchases	31,383	-	(31,383)	-	-
Lease liabilities	141,227	-	(29,051)	112,176	29,989
Compensated absences	561,289	167,569	(56,129)	672,729	67,273
	<u>\$ 10,431,784</u>	<u>\$ 167,569</u>	<u>\$ (816,158)</u>	<u>\$ 9,783,195</u>	<u>\$ 805,790</u>
Business-type activities:					
General obligation bonds –					
direct borrowings	\$ 10,583,000	\$ 5,150,000	\$ (432,000)	\$ 15,301,000	\$ 740,000
Premium on refunding	543,546	-	(63,818)	479,728	60,387
Compensated absences	187,437	45,352	(18,745)	214,044	21,405
	<u>\$ 11,313,983</u>	<u>\$ 5,195,352</u>	<u>\$ (514,563)</u>	<u>\$ 15,994,772</u>	<u>\$ 821,792</u>

For governmental activities, compensated absences, pension, and other post-employment benefits liabilities are liquidated by the general fund.

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 Bonds</u>		<u>Lease Liabilities</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 500,000	\$ 324,238	\$ 29,989	\$ 3,147	\$ 740,000	\$ 453,627
2025	525,000	297,972	30,956	2,179	767,000	428,999
2026	560,000	270,169	26,340	1,247	790,000	403,510
2027	585,000	240,828	24,891	398	816,000	377,130
2028	615,000	210,078	-	-	845,000	349,773
2029-2033	3,045,000	544,922	-	-	4,652,000	1,442,566
2034-2038	1,300,000	138,003	-	-	5,401,000	564,165
2039-2040	560,000	3,028	-	-	1,290,000	33,399
	<u>\$ 7,690,000</u>	<u>\$ 2,029,238</u>	<u>\$ 112,176</u>	<u>\$ 6,971</u>	<u>\$ 15,301,000</u>	<u>\$ 4,053,169</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 7. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General obligation bonds:						
Refunding Series 2021A	2.750%	6/8/2021	2/15/2038	\$ 7,100,000	\$ -	\$ 6,436,000
Refunding Series 2021B	5.125%	11/1/2021	6/30/2040	12,695,000	7,690,000	3,715,000
Series 2022	2.900%	9/30/2022	10/1/2039	5,150,000	-	5,150,000
					<u>\$ 7,690,000</u>	<u>\$ 15,301,000</u>
Lease liabilities:						
Canon	3.180%	6/30/2022	5/1/2027	\$ 125,413	\$ 101,467	-
Pitney Bowes	3.180%	6/30/2022	6/30/2025	15,814	10,709	-
					<u>\$ 112,176</u>	<u>\$ -</u>

Issuance

In September 2022, the Town issued \$5,150,000 in general obligation bonds within the water and sewer fund. This bond will finance capital improvements.

Note 8. 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 cost-sharing 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, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021 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	101
Inactive members:	
Vested inactive members	25
Non-vested inactive members	48
Inactive members active elsewhere in VRS	41
Total inactive members	114
Active members	115
Total covered employees	330

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, 2023 was 10.55% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$823,057 and \$636,584 for the years ended June 30, 2023 and June 30, 2022, 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, 2022. The total pension liability to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees and Public Safety Employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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-2010 Mortality Table with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00 %	5.71 %	1.94 %
Fixed income	15.00	2.04	0.31
Credit strategies	14.00	4.78	0.67
Real assets	14.00	4.47	0.63
Private equity	14.00	9.73	1.36
MAPS –Multi-asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50
	*Expected arithmetic nominal return		7.83 %

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 8. 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, 2023, 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, 2021, actuarial valuations, whichever was greater. From July 1, 2022 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 (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2021	\$ 33,425,044	\$ 33,749,257	\$ (324,213)
Changes for the year:			
Service cost	703,886	-	703,886
Interest	2,235,562	-	2,235,562
Differences between expected and actual experience	(667,626)	-	(667,626)
Contributions – employer	-	573,545	(573,545)
Contributions – employee	-	330,374	(330,374)
Net investment income (loss)	-	(17,340)	17,340
Benefit payments, including refunds of employee contributions	(2,018,975)	(2,018,975)	-
Administrative expenses	-	(21,207)	21,207
Other changes	-	766	(766)
Net changes	252,847	(1,152,837)	1,405,684
Balances at June 30, 2022	\$ 33,677,891	\$ 32,596,420	\$ 1,081,471

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability (asset) 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:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability (asset)	\$ 5,184,574	\$ 1,081,471	\$ (2,299,920)

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

For the year ended June 30, 2023, the political subdivision recognized pension benefit of \$11,211. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 504,565
Change in assumptions	372,573	-
Net difference between projected and actual earnings on pension plan investments	-	1,003,667
Employer contributions subsequent to the measurement date	<u>823,057</u>	<u>-</u>
Total	<u>\$ 1,195,630</u>	<u>\$ 1,508,232</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 8. Defined Benefit Pension Plan (Continued)

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

The \$823,057 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 fiscal year ending June 30, 2024. 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 Ended June 30,	Addition (Reduction) to Pension Expense
2024	\$ (331,289)
2025	(590,262)
2026	(665,529)
2027	451,421
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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, 2023, \$62,663 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Note 9. 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:

Plan Descriptions

Group Life Insurance Program

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

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

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

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. 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</i> 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.
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, 2023 Contribution	\$37,932
June 30, 2022 Contribution	\$35,624

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liability, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	\$	388,803
June 30, 2022 proportion		0.03229 %
June 30, 2021 proportion		0.03195 %
June 30, 2023 expense	\$	19,887

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, 2023, 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	\$ 30,788	\$ 15,598
Change in assumptions	14,502	37,871
Net difference between projected and actual earnings on OPEB plan investments	-	24,294
Changes in proportion	24,017	8,334
Employer contributions subsequent to the measurement date	<u>37,932</u>	<u>-</u>
Total	<u><u>\$ 107,239</u></u>	<u><u>\$ 86,097</u></u>

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program

Year Ended June 30,	Addition (Reduction) to OPEB Expense
2024	\$ (1,324)
2025	(3,793)
2026	(15,315)
2027	5,762
2028	(2,120)
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

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 8.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liability

The net OPEB liability represents 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, 2022, 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	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability	1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21 %

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 8.

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, 2022, the rate contributed by the employer for the OPEB liability 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, 2023

Note 9. 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	\$ 565,753	\$ 388,803	\$ 245,802

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-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 OPEB Plan

At June 30, 2023, \$5,326 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Note 10. 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, 2023 were as follows:

Real estate	\$ 0.0401
Personal property	1.00

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. 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.

The Town has a contingent liability to pay for two acres of donated land. The Town is currently in discussions with that entity to determine an acceptable price and has engaged the services of a land appraiser. As the value is not yet known, the asset and related liability has not been recorded. This amount would presumably be paid from utility department funds.

Note 12. 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	\$ 194,520	\$ -
Prepays	102,812	-
Permanent fund principal	-	657,179
Total nonspendable	<u>297,332</u>	<u>657,179</u>
Restricted for:		
General government administration	6,995	-
Public safety	25,539	-
Public works	107,928	-
Parks, recreation, and cultural	131,559	-
2019 GO Bond	117,894	-
Total restricted	<u>389,915</u>	<u>-</u>

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Fund Balance (Continued)

	<u>General Fund</u>	<u>Perpetual Care Fund</u>
Committed to:		
Public safety	\$ 32,296	\$ -
Public works	454	-
Community development	<u>2,500,000</u>	<u>-</u>
Total committed	<u>2,532,750</u>	<u>-</u>
Assigned for:		
General government administration	342,860	-
Public safety	16,814	-
Public works	1,873,236	-
Parks, recreation, and cultural	419,022	-
Community development	<u>243,096</u>	<u>-</u>
Total assigned	<u>2,895,028</u>	<u>-</u>
Unassigned	<u>11,537,274</u>	<u>-</u>
Total fund balance	<u><u>\$ 17,652,299</u></u>	<u><u>\$ 657,179</u></u>

Note 13. New Accounting Standards

In April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

(Continued)

TOWN OF WARRENTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 13. New Accounting Standards (Continued)

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF WARRENTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2023

	Plan Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 703,886	\$ 667,621	\$ 602,517	\$ 597,882	\$ 609,378	\$ 626,535	\$ 549,156	\$ 554,234	\$ 547,287
Interest on total pension liability	2,235,562	2,072,646	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	(667,626)	(256,376)	(343,660)	(197,736)	(257,353)	(115,353)	546,204	(714,305)	-
Changes in assumptions	-	1,239,023	-	831,502	-	(242,841)	-	-	-
Benefit payments, including refunds of employee contributions	(2,018,975)	(2,007,467)	(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	252,847	1,715,447	817,277	1,748,711	904,561	988,403	1,437,724	455,171	1,219,663
Total pension liability – beginning	33,425,044	31,709,597	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	33,677,891	33,425,044	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	573,545	543,391	595,698	548,360	624,250	599,222	674,647	626,449	613,537
Contributions – employee	330,374	363,817	303,368	276,647	288,459	287,136	272,659	244,243	241,581
Net investment income (loss)	(17,340)	7,401,000	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	(2,018,975)	(2,007,467)	(1,476,964)	(1,471,488)	(1,376,036)	(1,147,327)	(1,415,015)	(1,120,580)	(982,889)
Administrative expenses	(21,207)	(18,952)	(17,954)	(17,517)	(16,001)	(15,827)	(14,267)	(13,787)	(16,182)
Other	766	693	(619)	(1,099)	(1,642)	(2,452)	(166)	(211)	159
Net change in plan fiduciary net position	(1,152,837)	6,282,482	(70,759)	1,081,894	1,365,337	2,472,165	(94,851)	740,854	2,865,439
Plan fiduciary net position – beginning	33,749,257	27,466,775	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	32,596,420	33,749,257	27,466,775	27,537,534	26,455,640	25,090,303	22,618,138	22,712,989	21,972,135
Net pension liability (asset) – ending	\$ 1,081,471	\$ (324,213)	\$ 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	96.79%	100.97%	86.62%	89.14%	90.78%	88.85%	83.00%	87.99%	86.65%
Covered payroll	\$ 7,024,502	\$ 6,575,385	\$ 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	15.40%	-4.93%	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.

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

TOWN OF WARRENTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
June 30, 2023

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
2023	\$ 823,057	\$ 823,057	\$ -	\$ 7,787,056	10.57 %
2022	636,584	636,584	-	7,024,502	9.06
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, 2023

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability 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					
2023	0.03 %	\$ 388,803	\$ 7,024,502	5.53 %	67.21 %
2022	0.03	371,985	6,575,385	5.66	67.45
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, 2023

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					
2023	\$ 37,932	\$ 37,932	\$ -	\$ 7,787,056	0.49 %
2022	35,624	35,624	-	7,024,502	0.51
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, 2023

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, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

TOWN OF WARRENTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 831,380	\$ 831,380	\$ 837,872	\$ 6,492
Real and personal public service corporation taxes	14,232	14,232	17,380	3,148
Personal property taxes	581,000	581,000	842,818	261,818
Penalties	22,623	22,623	33,806	11,183
Interest	-	-	8,031	8,031
Total general property taxes	<u>1,449,235</u>	<u>1,449,235</u>	<u>1,739,907</u>	<u>290,672</u>
Other local taxes:				
Local sales and use taxes	670,422	670,422	1,018,823	348,401
Consumers' utility taxes	495,419	495,419	578,030	82,611
Business license taxes	2,272,525	2,272,525	2,511,960	239,435
Consumption taxes	64,314	64,314	67,515	3,201
Motor vehicle licenses	225,000	225,000	224,882	(118)
Bank stock taxes	800,000	800,000	1,248,013	448,013
Hotel and motel room taxes	220,000	220,000	270,943	50,943
Restaurant food tax	4,500,000	4,573,645	5,346,726	773,081
Cigarette tax	427,321	427,321	314,989	(112,332)
Total other local taxes	<u>9,675,001</u>	<u>9,748,646</u>	<u>11,581,881</u>	<u>1,833,235</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>308,064</u>	<u>308,064</u>	<u>219,987</u>	<u>(88,077)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>139,871</u>	<u>139,871</u>	<u>72,505</u>	<u>(67,366)</u>
Revenue from use of money:				
Revenue from use of money	<u>125,000</u>	<u>125,000</u>	<u>464,302</u>	<u>339,302</u>
Charges for services:				
Warf – recreation	<u>714,877</u>	<u>668,877</u>	<u>1,019,342</u>	<u>350,465</u>
Total charges for services	<u>714,877</u>	<u>668,877</u>	<u>1,019,342</u>	<u>350,465</u>
Miscellaneous revenue:				
Miscellaneous	<u>264,020</u>	<u>271,577</u>	<u>283,266</u>	<u>11,689</u>
Total revenue from local sources	<u>12,676,068</u>	<u>12,711,270</u>	<u>15,381,190</u>	<u>2,669,920</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle rental tax	\$ 129,823	\$ 129,823	\$ 146,813	\$ 16,990
Rolling stock tax	77	77	69	(8)
Communications tax	384,622	384,622	373,776	(10,846)
Personal property tax relief funds	718,492	718,492	718,492	-
	<u>1,233,014</u>	<u>1,233,014</u>	<u>1,239,150</u>	<u>6,136</u>
Total non-categorical aid				
Categorical aid:				
Other categorical aid:				
Litter control grant	6,589	10,248	10,248	-
DCJS grants for law enforcement	233,186	233,186	241,507	8,321
Street and highway maintenance	1,450,000	1,450,000	1,708,977	258,977
State forfeiture proceeds	6,355	6,355	15,952	9,597
Police department	-	-	2,598	2,598
Fire program	37,994	37,994	40,349	2,355
	<u>1,734,124</u>	<u>1,737,783</u>	<u>2,019,631</u>	<u>281,848</u>
Total categorical aid				
Total revenue from the Commonwealth	<u>2,967,138</u>	<u>2,970,797</u>	<u>3,258,781</u>	<u>287,984</u>
Revenue from the Federal Government:				
Categorical aid:				
Department of justice grant	-	4,000	6,682	2,682
CSLFRF funding	2,101,642	6,616,648	1,038,392	(5,578,256)
	<u>2,101,642</u>	<u>6,620,648</u>	<u>1,045,074</u>	<u>(5,575,574)</u>
Total revenue from the Federal Government				
Total general fund	<u>\$ 17,744,848</u>	<u>\$ 22,302,715</u>	<u>\$ 19,685,045</u>	<u>\$ (2,617,670)</u>

TOWN OF WARRENTON, VIRGINIA

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

Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative	\$ 250,901	\$ 292,601	\$ 289,021	\$ 3,580
Executive	267,736	261,036	410,648	(149,612)
Legal services	182,997	182,997	220,022	(37,025)
Finance	950,579	1,041,450	866,864	174,586
Memberships and dues	9,342	9,342	10,009	(667)
Health and welfare	190,746	222,246	177,682	44,564
Electoral board	15,800	15,800	13,357	2,443
Data processing	1,850,605	1,935,735	1,203,711	732,024
Motor pool	291,934	291,934	439,447	(147,513)
Total general government administration	4,010,640	4,253,141	3,630,761	622,380
Public safety:				
Department of police	3,285,052	3,312,402	3,375,463	(63,061)
Fire and rescue services	-	-	40,350	(40,350)
Bureau of building inspections	466,694	466,694	541,269	(74,575)
Emergency services	174,866	179,613	164,469	15,144
Total public safety	3,926,612	3,958,709	4,121,551	(162,842)
Public works:				
Public works administration	901,301	893,451	617,248	276,203
Bureau of street maintenance	746,101	764,801	1,066,129	(301,328)
Arterial street maintenance	274,854	631,589	391,623	239,966
Collector street maintenance	580,703	1,055,377	1,013,939	41,438
Refuse collection	406,043	403,193	437,875	(34,682)
Cemetery maintenance	-	-	256	(256)
Recycling program	53,975	53,634	47,246	6,388
Maintenance, buildings, and grounds	894,862	1,038,452	1,059,142	(20,690)
Total public works	3,857,839	4,840,497	4,633,458	207,039
Health and welfare:				
Welfare/social services	323,361	334,011	334,011	-
Parks, recreation, and cultural:				
Aquatic center	1,482,256	1,503,232	1,645,327	(142,095)
Parks	146,509	150,220	139,845	10,375
Parks and recreation – administration	670,443	664,343	407,492	256,851
Cultural enrichment	97,638	97,638	97,638	-
Total parks, recreation, and cultural	2,396,846	2,415,433	2,290,302	125,131

(Continued)

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning and zoning	\$ 493,534	\$ 555,409	\$ 399,420	\$ 155,989
Visitor's center	61,944	61,944	18,870	43,074
Zoning appeals board	1,000	1,000	7,129	(6,129)
Economic development	-	69,492	61,808	7,684
Architectural review board	4,291	4,291	2,396	1,895
Total community development	<u>560,769</u>	<u>692,136</u>	<u>489,623</u>	<u>202,513</u>
Capital outlay:				
Capital outlay	<u>-</u>	<u>2,042,256</u>	<u>1,231,327</u>	<u>810,929</u>
Debt service:				
Principal	506,045	506,045	535,434	(29,389)
Interest	<u>349,573</u>	<u>349,573</u>	<u>349,573</u>	<u>-</u>
Total debt service	<u>855,618</u>	<u>855,618</u>	<u>885,007</u>	<u>(29,389)</u>
Total general fund	<u>\$ 15,931,685</u>	<u>\$ 19,391,801</u>	<u>\$ 17,616,040</u>	<u>\$ 1,775,761</u>

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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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 25,272,376	\$ 42,200,589	\$ 40,859,457	\$ 39,510,889	\$ 38,788,308	\$ 38,111,853	\$ 37,683,553	\$ 35,719,844	\$ 34,401,208	\$ 33,258,007
Restricted	592,370	592,995	594,800	1,159,023	1,154,623	910,053	920,523	879,148	1,123,916	929,200
Unrestricted	11,120,437	9,734,918	9,737,204	9,348,761	9,197,065	9,902,354	9,920,549	11,139,602	12,123,997	15,244,819
Total governmental activities net position	<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>	<u>\$ 47,649,121</u>	<u>\$ 49,432,026</u>
Business-type activities										
Net investment in capital assets	\$ 38,898,827	\$ 19,807,462	\$ 18,957,111	\$ 18,022,962	\$ 17,336,839	\$ 18,259,451	\$ 17,364,417	\$ 19,595,398	\$ 19,194,441	\$ 20,282,634
Restricted	-	-	-	157,747	174,636	205,247	222,456	234,421	331,724	270,441
Unrestricted	7,141,893	4,262,278	4,097,907	5,958,671	6,664,583	6,163,356	7,248,156	5,771,160	6,278,560	5,138,767
Total business-type activities net position	<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>	<u>\$ 25,804,725</u>	<u>\$ 25,691,842</u>
Primary government										
Net investment in capital assets	\$ 64,171,203	\$ 62,008,051	\$ 59,816,568	\$ 57,533,851	\$ 56,125,147	\$ 56,371,304	\$ 55,047,970	\$ 55,315,242	\$ 53,595,649	\$ 53,540,641
Restricted	592,370	592,995	594,800	1,316,770	1,329,259	1,115,300	1,142,979	1,113,569	1,455,640	1,199,641
Unrestricted	18,262,330	13,997,196	13,835,111	15,307,432	15,861,648	16,065,710	17,168,705	16,910,762	18,402,557	20,383,586
Total primary government net position	<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>	<u>\$ 73,453,846</u>	<u>\$ 75,123,868</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 1,741,519	\$ 1,670,785	\$ 1,753,257	\$ 1,065,479	\$ 1,245,681	\$ 1,373,604	\$ 1,597,253	\$ 1,860,468	\$ 2,186,451	\$ 2,208,282
Public safety	2,887,360	2,950,483	3,612,887	4,118,389	4,070,378	3,754,801	4,116,850	4,683,874	4,715,140	4,945,463
Public works	3,621,458	4,101,334	4,727,802	5,062,855	4,890,072	5,925,684	5,351,067	5,058,972	4,779,200	6,589,800
Health and welfare	88,400	89,291	120,505	117,164	133,891	161,934	177,910	183,565	173,245	259,011
Parks, recreation, and cultural	124,834	2,867,135	2,366,743	3,155,724	2,719,536	2,782,463	2,569,659	2,502,658	2,871,147	3,138,550
Community development	408,615	447,025	638,788	803,021	935,243	995,959	1,062,002	923,715	713,617	622,434
Interest on long-term debt	4,572	3,656	286,949	269,932	269,121	264,935	391,806	337,397	452,079	169,128
Total governmental activities expenses	8,876,758	12,129,709	13,506,931	14,592,564	14,263,922	15,259,380	15,266,547	15,550,649	15,890,879	17,932,668
Business-type activities:										
Water and sewer	5,300,755	5,514,237	5,492,546	5,211,692	5,625,153	5,826,426	6,027,732	5,980,736	6,369,617	7,273,756
Stormwater	-	-	-	-	-	-	-	-	462,033	390,701
Parks and recreation	2,675,844	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	7,976,599	5,514,237	5,492,546	5,211,692	5,625,153	5,826,426	6,027,732	5,980,736	6,831,650	7,664,457
Total primary government expenses	\$ 16,853,357	\$ 17,643,946	\$ 18,999,477	\$ 19,804,256	\$ 19,889,075	\$ 21,085,806	\$ 21,294,279	\$ 21,531,385	\$ 22,722,529	\$ 25,597,125
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 170,563	\$ 354,325	\$ 292,415	\$ 166,562	\$ 170,336	\$ 257,969	\$ 226,685	\$ 294,301	\$ 207,878	\$ 219,987
Public safety	387,684	185,186	128,499	125,169	166,622	188,749	155,478	112,113	76,229	72,505
Public works	-	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	1,191,345	1,137,892	1,187,054	1,229,165	1,203,731	871,183	468,599	1,075,663	1,019,342
Operating grants and contributions	1,531,049	1,585,610	1,693,950	2,034,936	1,649,969	1,738,537	2,024,402	1,740,112	1,759,873	2,021,815
Capital grants and contributions	199,425	51,617	136,235	7,882	109,830	469,948	42,637	-	285,212	4,500
Total governmental activities program revenues	2,288,721	3,368,083	3,388,991	3,521,603	3,325,922	3,858,934	3,320,385	2,615,125	3,404,855	3,338,149
Business-type activities:										
Charges for services:										
Water and sewer	3,638,503	3,588,448	3,948,790	5,652,278	5,485,203	5,785,979	5,887,602	6,512,552	5,970,588	6,236,259
Stormwater	-	-	-	-	-	-	-	-	774,127	654,290
Parks and recreation	1,203,153	-	-	-	-	-	-	-	-	-
Capital grants and contributions	123,914	175,350	363,519	-	-	-	-	-	-	-
Total business-type activities program revenues	4,965,570	3,763,798	4,312,309	5,652,278	5,485,203	5,785,979	5,887,602	6,512,552	6,744,715	6,890,549
Total primary government program revenues	\$ 7,254,291	\$ 7,131,881	\$ 7,701,300	\$ 9,173,881	\$ 8,811,125	\$ 9,644,913	\$ 9,207,987	\$ 9,127,677	\$ 10,149,570	\$ 10,228,698

(Continued)

TABLE 2

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (expense)/revenue										
Governmental activities	\$ (6,588,037)	\$ (8,761,626)	\$ (10,117,940)	\$ (11,070,961)	\$ (10,938,000)	\$ (11,400,446)	\$ (11,946,162)	\$ (12,935,524)	\$ (12,486,024)	\$ (14,594,519)
Business-type activities	(3,011,029)	(1,750,439)	(1,180,237)	440,586	(139,950)	(40,447)	(140,130)	531,816	(86,935)	(773,908)
Total primary government net expense	<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>	<u>\$ (12,572,959)</u>	<u>\$ (15,368,427)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 605,047	\$ 678,228	\$ 670,016	\$ 1,234,762	\$ 1,267,738	\$ 1,302,786	\$ 1,340,665	\$ 1,373,058	\$ 1,497,352	\$ 1,746,616
Sales and use taxes	561,084	595,653	673,700	732,197	709,036	709,173	781,649	925,159	978,837	1,018,823
Consumer's utility taxes	500,111	498,312	512,780	503,001	510,053	498,267	501,059	495,402	499,103	578,030
Business license taxes	1,914,525	1,656,923	1,851,067	1,918,233	2,026,990	1,998,815	2,103,568	2,438,043	1,964,786	2,511,960
Meals taxes	2,191,572	2,265,639	2,383,067	2,621,782	2,550,799	2,659,254	2,515,018	2,828,431	3,296,859	5,346,726
Bank stock taxes	496,445	581,150	521,997	690,566	849,887	932,498	830,298	1,292,086	1,330,962	1,248,013
Other local taxes	549,569	535,802	571,268	465,684	667,790	692,749	690,228	679,268	715,322	878,329
Intergovernmental revenue, unrestricted	-	-	-	-	-	-	602,073	594,955	547,734	1,038,391
Unrestricted revenues (loss) from use of										
money and property	21,663	21,392	46,417	96,515	137,843	348,274	329,960	25,995	(95,166)	488,121
Gain on sale of assets	-	-	-	-	-	105,508	-	-	175,275	-
Miscellaneous	96,910	110,473	207,646	346,308	367,596	635,866	574,273	264,835	238,715	283,266
Unrestricted grants and contributions	1,310,350	1,407,566	1,342,941	1,344,815	1,332,320	1,301,520	1,277,736	1,232,261	1,246,772	1,239,149
Transfers	(976,161)	-	-	(55,690)	-	-	-	-	-	-
Total governmental activities	<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>	<u>12,396,551</u>	<u>16,377,424</u>
Business-type activities:										
Intergovernmental revenue, unrestricted	-	-	-	-	-	-	-	69,249	34,757	99,318
Unrestricted revenues from use of										
money and property	163,961	151,120	165,515	214,130	303,371	492,443	347,105	164,885	255,914	561,677
Miscellaneous	-	-	-	8,500	-	-	-	-	-	-
Transfers	976,161	-	-	55,690	-	-	-	-	-	-
Total business-type activities	<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>	<u>290,671</u>	<u>660,995</u>
Total primary government	<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>	<u>\$ 12,687,222</u>	<u>\$ 17,038,419</u>
Change in Net Position										
Governmental activities	\$ 683,078	\$ (410,488)	\$ (1,337,041)	\$ (1,172,788)	\$ (517,948)	\$ (215,736)	\$ (399,635)	\$ (786,031)	\$ (89,473)	\$ 1,782,905
Business-type activities	(1,870,907)	(1,599,319)	(1,014,722)	718,906	163,421	451,996	206,975	765,950	203,736	(112,913)
Total primary government	<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>	<u>\$ 114,263</u>	<u>\$ 1,669,992</u>

TABLE 3

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 125,799	\$ 210,061	\$ 204,273	\$ 152,391	\$ 255,897	\$ 308,386	\$ 251,130	\$ 259,787	\$ 324,730	\$ 297,332
Restricted	-	-	-	559,987	547,191	288,726	2,168,746	1,123,502	699,326	389,915
Committed	828,454	493,043	976,809	370,451	1,139,682	770,262	93,287	28,035	2,528,550	2,532,750
Assigned	-	-	-	-	-	113,000	2,391,574	2,478,187	2,488,498	2,895,028
Unassigned	10,593,545	11,914,259	11,521,316	11,871,309	10,894,756	11,611,907	10,178,740	11,575,773	9,542,190	11,537,274
Total general fund	<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>	<u>\$ 15,583,294</u>	<u>\$ 17,652,299</u>
All other governmental funds										
Nonspendable, reported in:										
Permanent funds	\$ 592,370	\$ 592,995	\$ 592,995	\$ 599,036	\$ 607,432	\$ 621,327	\$ 630,894	\$ 631,809	\$ 633,360	\$ 657,179
Total all other governmental funds	<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>	<u>\$ 633,360</u>	<u>\$ 657,179</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
General property taxes	\$ 589,341	\$ 674,372	\$ 677,081	\$ 1,248,466	\$ 1,261,220	\$ 1,312,429	\$ 1,342,789	\$ 1,379,006	\$ 1,461,261	\$ 1,739,907
Other local taxes	6,213,306	6,133,479	6,513,879	6,931,463	7,314,555	7,490,756	7,421,820	8,658,389	8,785,869	11,581,881
Permits, privilege fees, and regulatory licenses	128,220	203,476	177,739	166,562	170,336	257,969	226,685	294,301	207,878	219,987
Fines and forfeitures	259,464	185,186	128,499	125,169	166,622	188,749	155,478	112,113	76,229	72,505
Revenue (loss) from use of money and property	21,663	21,392	46,417	96,515	137,843	348,274	329,960	25,995	(95,166)	488,121
Charges for services	170,563	1,342,194	1,252,568	1,187,054	1,229,165	1,203,731	871,183	468,599	1,075,663	1,019,342
Miscellaneous	96,910	110,473	207,646	346,308	367,596	1,060,766	887,871	264,835	238,715	283,266
Intergovernmental										
Commonwealth	2,991,893	3,042,804	3,081,912	2,993,657	3,087,912	3,243,275	3,004,887	2,970,530	2,999,607	3,258,781
Federal	48,931	1,989	91,214	393,976	4,207	266,730	628,363	596,798	839,985	1,045,074
Total revenues	10,520,291	11,715,365	12,176,955	13,489,170	13,739,456	15,372,679	14,869,036	14,770,566	15,590,041	19,708,864
Expenditures										
General government administration	1,724,504	1,625,564	1,782,114	957,937	1,242,131	1,292,870	1,346,561	1,543,266	1,716,121	2,168,979
Public safety	2,586,897	2,915,874	3,485,482	3,647,869	3,912,693	3,536,374	3,731,363	4,316,166	4,488,739	4,856,095
Public works	2,387,155	2,765,710	3,296,769	3,991,747	3,370,708	3,796,095	3,443,271	3,498,257	3,466,980	5,144,171
Health and welfare	88,400	89,291	120,505	117,164	133,891	161,934	177,910	183,554	173,361	259,011
Parks, recreation, and cultural	120,826	1,848,203	1,899,681	2,068,860	2,042,098	2,040,281	1,855,164	1,851,122	2,216,458	2,454,818
Community development	401,399	451,940	656,908	806,044	941,537	998,655	956,701	893,149	714,724	616,632
Capital outlay	821,485	238,836	606,109	951,293	1,862,979	2,560,188	4,639,737	1,134,734	2,124,098	1,231,327
Debt service										
Principal	174,880	594,679	521,158	448,000	489,537	527,040	541,350	692,349	623,050	535,434
Interest and other fiscal charges	5,455	222,390	203,958	188,590	178,807	190,592	198,125	275,247	606,120	349,573
Bond issuance costs	-	-	-	-	-	-	78,091	-	-	-
Total expenditures	8,311,001	10,752,487	12,572,684	13,177,504	14,174,381	15,104,029	16,968,273	14,387,844	16,129,651	17,616,040
Excess of revenues over (under) expenditures	2,209,290	962,878	(395,729)	311,666	(434,925)	268,650	(2,099,237)	382,722	(539,610)	2,092,824
Other financing sources (uses)										
Transfers out	(976,161)	-	-	(55,690)	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	326,709	-	4,100,000	-	8,720,000	-
Issuance of lease	-	-	-	-	-	-	-	-	141,227	-
Payments to escrow agent	-	-	-	-	-	-	-	-	(10,097,000)	-
Premium on debt issuance	-	-	-	-	-	-	-	-	1,706,469	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	188,475	-
Total other financing sources (uses)	(976,161)	-	-	(55,690)	326,709	-	4,100,000	-	659,171	-
Net change in fund balances	\$ 1,233,129	\$ 962,878	\$ (395,729)	\$ 255,976	\$ (108,216)	\$ 268,650	\$ 2,000,763	\$ 382,722	\$ 119,561	\$ 2,092,824
Debt service as a percentage of noncapital expenditures	2.47%	8.43%	6.04%	4.83%	5.38%	5.37%	5.72%	7.35%	8.41%	5.35%

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)
2023	\$ 2,142,329,566	\$ 189,785,413	\$ 533,190	\$ 31,026,875	\$ 2,363,675,044	0.126
2022	2,146,350,500	141,771,009	452,805	30,915,674	2,319,489,988	0.108
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

- (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	
2023	\$ 0.0401	\$ 1.00	\$ 1.00	\$ 0.126	\$ 0.903	\$ 3.45	
2022	0.0401	1.00	1.00	0.108	0.903	3.45	
2021	0.0500	1.00	1.00	0.110	0.994	4.65	
2020	0.0500	1.00	1.00	0.112	0.994	4.65	
2019	0.0500	1.00	1.00	0.108	0.994	4.65	
2018	0.0500	1.00	1.00	0.108	0.982	4.65	
2017	0.0500	1.00	1.00	0.114	1.039	4.65	
2016	0.0150	1.00	1.00	0.079	0.999	4.65	
2015	0.0150	1.00	1.00	0.080	0.999	4.65	
2014	0.0150	1.00	1.00	0.073	0.992	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
2023	\$ 1,746,616	\$ 1,018,823	\$ 578,030	\$ 1,248,013	\$ 5,346,726	\$ 270,943	\$ 2,511,960	\$ 224,882	\$ 67,514	\$ 314,990	\$ 13,328,497
2022	1,497,352	978,837	499,103	1,330,962	3,296,859	261,215	1,964,786	219,887	24,263	173,866	10,247,130
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

(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	
2023	\$	0.06	\$ 89,112,100	\$	5,346,726
2022		0.04	82,421,475		3,296,859
2021		0.04	70,710,775		2,828,431
2020		0.04	62,875,450		2,515,018
2019		0.04	68,860,412		2,754,416
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

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	2023			2014		
		Total Assessed Value	Rank	Percentage of Total Assessed Value	Total Assessed Value	Rank	Percentage of Total Assessed Value
Fauquier Medical Center LLC	Medical Center	\$ 53,924,900	1	0.025 %	\$ 54,075,000	1	3.48 %
Warrenton Center LLC	Shopping Center	33,606,000	2	0.016	34,170,600	2	2.20
Amazon Data Services Inc	Data Services	31,282,500	3	0.015	-	-	-
Wal-Mart Real Estate Business Tr	Retail Store	16,220,200	4	0.008	17,843,700	3	1.15
Sreit Highland Warrenton LLC	Developer	15,708,700	5	0.007	-	-	-
Warrenton Development Company	Developer	14,991,400	6	0.007	14,789,100	5	0.95
Northrock Center LLC	Shopping Center	14,967,700	7	0.007	15,867,700	4	1.02
Hd Development of Maryland Inc	Retail Store	12,349,600	8	0.006	-	-	-
White Springs Va Landlord LLC	Senior Living Center	12,004,100	9	0.006	-	-	-
LBX Warrenton LLC (Sears in 2014)	Shopping Center	11,051,200	10	0.005	10,421,400	8	0.67
Warrenton Village LLC	Shopping Center	10,367,500	11	0.005	10,891,600	7	0.70
Warrenton Volunteer Fire Company	Fire Company	10,166,700	12	0.005	-	-	-
Warrenton Professional Center LC	Medical Center	9,853,400	13	0.005	9,744,000	10	0.63
Fauquier Long-Term Care LLC	Senior Living Center	9,311,700	14	0.004	9,834,500	9	0.63
Gateway Warrenton HI LLC	Developer	8,792,600	15	0.004	-	-	-
		<u>\$ 264,598,200</u>		<u>0.124 %</u>	<u>\$ 177,637,600</u>		<u>11.43 %</u>

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
2023	\$ 2,618,372	\$ 2,374,441	90.68 %	\$ -	\$ 2,374,441	90.68 %
2022	2,164,750	2,138,535	98.79	26,215	2,164,750	100.00
2021	2,052,174	2,014,603	98.17	16,742	2,031,345	98.99
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

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

TABLE 11

TOWN OF WARRENTON, VIRGINIA

MEALS 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
2023	6.00 %	0.00 %
2022	4.00	0.00
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

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	2023		2014*	
	Total Assessed Value	Percentage of Total Assessed Value	Total Assessed Value	Percentage of Total Assessed Value
Fast Food Restaurants	\$ 26,282,564	29.49 %	\$ -	- %
Sit-Down Restaurants	49,918,109	56.02	-	-
Convenience Stores	12,911,427	14.49	-	-
	<u>\$ 89,112,100</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 2014.

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)
	Financed Purchases	General Obligation Bonds	Premium on Bond Refunding	Lease Liabilities	General Obligation Bonds	Premium on Bond Refunding			
2023	\$ -	\$ 7,690,000	\$ 1,308,290	\$ 112,176	\$ 15,301,000	\$ 479,728	\$ 24,891,194	5.90 %	\$ 2,441
2022	31,383	8,165,000	1,532,885	141,227	10,583,000	543,546	20,997,041	5.39	2,077
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

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	Premium on Bond Refunding	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt Per Capita (1)
2023	\$ 22,991,000	\$ 1,788,018	\$ 24,779,018	1.05 %	\$ 2,430
2022	18,748,000	2,076,431	20,824,431	0.90	2,060
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

(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, excludes leases and compensated absences.

TABLE 15

TOWN OF WARRENTON, VIRGINIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2023

<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	\$ 123,407,871	13.0 %	\$ 16,005,799
Subtotal, overlapping debt			
Town of Warrenton, direct debt			<u>9,110,466</u>
Total direct and overlapping debt			<u><u>\$ 25,116,265</u></u>

Source: County of Fauquier June 30, 2023 Annual Comprehensive 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 governments 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	\$ 18,224,401,850
Total Taxable Assessed Value Table 5	2,363,675,044
	13.0%

TABLE 16

TOWN OF WARRENTON, VIRGINIA

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 169,176,644	\$ 169,555,067	\$ 170,785,097	\$ 169,871,947	\$ 185,103,909	\$ 185,220,254	\$ 187,004,889	\$ 188,973,071	\$ 232,384,949	\$ 236,803,454
Total net debt applicable to limit	9,317,000	8,899,000	13,488,000	13,040,000	20,037,172	19,337,132	22,574,782	21,549,433	20,997,041	24,891,194
Legal debt margin	<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>	<u>\$ 211,387,908</u>	<u>\$ 211,912,260</u>
Total net debt applicable to the limit as a percentage of debt limit	5.51%	5.25%	7.90%	7.68%	10.82%	10.44%	12.07%	11.40%	9.04%	10.51%

Legal debt margin calculation for fiscal year 2023

Assessed value	\$ 2,363,675,044
Add back: exempt real property	<u>4,359,500</u>
Total assessed value	<u>\$ 2,368,034,544</u>
Debt limit (10% of total assessed value)	\$ 236,803,454
Net debt applicable to limit	<u>24,891,194</u>
Legal debt margin	<u>\$ 211,912,260</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
2023	10,197	\$422,002,845	\$ 41,385	40	1,938	2.5 %
2022	10,109	389,631,187	38,543	39	1,950	2.6
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

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 2023		Fiscal Year 2014	
	Rank	Employees	Rank	Employees
Fauquier County School Board	1	1,000 and over	1	1,000 and over
County of Fauquier	2	1,000 and over	3	500 to 999
Fauquier Health System	3	1,000 and over	2	1,000 and over
Wal-Mart	4	250 to 499	4	250 to 499
Town of Warrenton	5	250 to 499	5	100 to 249
Home Depot	6	100 to 249	8	100 to 249
Blue Ridge Orthopedic	7	100 to 249		
Appleton Campbell	8	100 to 249		
Country Chevrolet	9	100 to 249		
Harris Teeter	10	100 to 249		
The Fauquier Bank			6	100 to 249
Oak Springs Nursing Home			7	100 to 249
Food Lion			9	99 and under
McDonald's			10	99 and under

(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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022 ⁽¹⁾	2023
General and financial administration	6	6	6	6	7	8	8	8	11	10
Legislative	1	1	1	1	2	2	2	1	1	1
Public safety										
Police department	25	25	26	28	23	23	27	28	29	29
Fire and rescue	1	2	2	2	2	2	2	2	-*	-
Building inspections	2	2	2	3	3	4	4	5	6	6
Emergency services	-	-	-	-	-	-	-	-	1	1
Public works										
General maintenance	23	23	23	22	20	21	21	25	28	25
Administration	5	5	5	5	6	5	4	3	4	7
Culture and recreation	3	3	4	6	7	7	7	5	23	32
Planning and community development	3	4	5	6	6	9	9	6	3	4
Public Utilities										
Water	14	14	14	14	12	12	13	15	14	14
Wastewater	7	7	7	7	7	7	7	9	12	12
Administration	6	6	6	6	6	5	5	5	8	5
Stormwater	-	-	-	-	-	-	-	-	4	4
Motor pool	3	3	3	3	3	3	3	3	2	2
Information technology	-	-	1	1	1	1	2	4	5	5
	99	101	105	110	105	109	114	119	151	157

Source: Department of Finance and Human Resources.

*During fiscal year 2022, the Fire and Rescue Function was transferred to the County. As such, the employee count related to the function is no longer reported herein.

(1) Beginning with fiscal year 2022, this table reflects full-time equivalents. Prior years reflect only full-time employees.

TABLE 20

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public safety:										
Police department:										
Physical arrests	248	295	194	164	320	307	232	239	218	252
Traffic violations	5,355	3,317	3,375	2,022	2,290	3,725	2,668	1,757	933	1,480
Fire and rescue:										
Number of calls answered	2,601	2,819	2,811	2,982	3,028	3,785	1,834	4,399	-*	-
Building inspections:										
Permits issued	585	649	745	622	641	641	609	273	414	357
Public works:										
Refuse collected (tons/year)	3,761	3,822	361	3,709	3,616	3,754	3,796	3,895	3,973	3,653
Recycling (tons/year)	1,244	1,253	963	994	1,298	889	1,021	814	499	610
Community development:										
Planning:										
Zoning permits issued	170	180	174	202	187	241	263	127	233	269

Source: Individual Town departments.

*During fiscal year 2022, the Fire and Rescue Function was transferred to the County. As such, the operating indicator related to the function is no longer reported herein.

TABLE 21

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	21	21	21	21	21	21	22	24	29	22
Fire stations	1	1	1	1	1	1	1	1	-*	-
Sanitation:										
Collection trucks	3	3	3	4	4	4	4	4	4	4
Highway and streets:										
Streets (miles)	94.52	93.47	93.47	93.47	93.47	93.47	93.47	93.47	91.87	91.87
Streetlights	810	810	810	810	810	824	824	823	823	823
Traffic signals	11	12	12	12	12	12	12	11	10	10
Culture and recreation:										
Parks acreage	88.69	88.69	88.69	88.69	88.69	88.94	88.94	88.94	88.94	88.94
Parks	5	5	5	5	5	7	7	7	7	7
Water:										
Water mains (miles)	86.00	86.00	86.00	86.00	88.00	89.00	89.00	89.00	89.00	89.80
Fire hydrants	725	725	731	731	743.00	749.00	751.00	751	751	756
Sewer:										
Sanitary sewers	66.00	66.00	68.00	68.00	69.00	69.00	69.00	69	69	69.81
Storm sewers (miles)	15.44	15.44	38.00	39.70	40.00	40.00	40.00	40.00	40.00	40.70

Source: Individual Town departments.

*During fiscal year 2022, the Fire and Rescue Function was transferred to the County. As such, the capital asset statistic related to the function is no longer reported herein.

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COMPLIANCE SECTION

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023**

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amounts Passed Thru to Sub-Recipients	Cluster Amounts	Federal Expenditures
Department of the Treasury:					
Pass-Through Payments:					
Virginia Department of Accounts					
COVID-19 – Coronavirus State and					
Local Fiscal Recovery Funds	21.027	N/A	N/A		<u>\$ 1,038,392</u>
Department of the Interior					
National Park Service					
Virginia Department of Historic Resources					
Historic Preservation Fund Grants-In-Aid	15.904	N/A	N/A		<u>2,182</u>
National Endowment for the Arts					
Pass-Through Payments:					
Virginia Commission for the Arts					
Creative communities Partnership Grant	45.024	N/A	N/A		<u>4,500</u>
Environmental Protection Agency:					
Pass-Through Payments:					
State of Maryland					
Chesapeake Bay Program	66.466	N/A	N/A		<u>99,318</u>
Total Expenditures of Federal Awards					<u><u>\$ 1,144,392</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

TOWN OF WARRENTON, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS June 30, 2023

Basis of Presentation

The accompanying Schedule of Federal Expenditures includes the activity of all federally assisted programs for the Town of Warrenton, Virginia and is presented on the modified accrual basis of accounting, as described in Note 1 to the Town's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

De Minimis Indirect Cost Rate

The Town did not elect to utilize the 10 % de minimis indirect cost rate.

Subrecipient Monitoring

The Town provided no amounts to subrecipients during fiscal year 2023.

Outstanding Loan Balances

At June 30, 2023, the Town had no outstanding loan balances requiring continuing disclosure.

**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, 2023, 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 1, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 one instance of noncompliance that is required to be reported under *Governmental Auditing Standards* which is described in the accompanying schedule of findings and questioned costs, as Item 2023-001.**

Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the Town of Warrenton, Virginia's (the "Town") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2023. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 1, 2023

TOWN OF WARRENTON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2023

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

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF WARRENTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The major program of the Town is:

<u>Name of Program</u>	<u>Assistance Listing #</u>
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The Town of Warrenton was **not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2023-001: Budget Compliance

Condition:

The Town exceeded its final budget for public safety. It is a violation of Virginia State Code to spend amounts in excess of appropriations. The Town did not exceed their budget at the fund level, and this was only function that exceeded the final budget.

Recommendation:

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

C. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

2023-001: Budget Compliance (Continued)

Management's Response:

The Town's firefighters transitioned to employment with the County last year. The Town still receives the VDFP ATL pass through funds but didn't budget for it or for the gas that they use to fill their ladder truck (which they reimburse us for, but it still registers as an expense).

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

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