



COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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, 2018

TOWN COUNCIL

Powell Duggan, Mayor
Linda Reynolds, Vice Mayor

Jerry Wood
Alec Burnett
Robert Kravetz
Brett Hamby
Sean Polster
Kevin Carter

APPOINTED OFFICIALS

Brannon Godfrey Town Manager
Whitson W. Robinson..... Town Attorney
Evelyn J. Weimer..... Town Recorder
Stephanie Miller..... Finance/Personnel Director
Margaret Rice..... Director of Parks & Recreation
Brandie Schaeffer Planning/Zoning Director
Edward B. Tucker, Jr. Public Works/Utilities Director
Daniel Boring..... Interim Chief of Police

INDEPENDENT AUDITORS

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



TOWN OF WARRENTON

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November 28, 2018

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Warrenton for the fiscal year ended June 30, 2018. 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 & Company, L.L.P., 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, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report expresses an unmodified opinion on the fair presentation of the financial statements and is presented as the first part of the Financial Section of this report.

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

PROFILE OF THE TOWN

The Town of Warrenton, the County Seat and the largest town in Fauquier County, is located in the Upper Piedmont region of Virginia at the foot of the Blue Ridge mountains about 45 miles southwest of Washington, DC. The Town encompasses 4.25 square miles and has a population of 9,861. 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 Town Charter requires the Town Manager to submit a balanced budget to the Town Council no later than May 1 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 public hearings, the Town adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended.

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

ECONOMIC CONDITION AND OUTLOOK

The Local Economy

Every four years, the County of Fauquier conducts a general real estate reassessment in accordance with Section 58.1-3252 of the Code of Virginia. The current assessments went into effect on January 1, 2018. The increase in taxable assessed value for properties located in the town was 9.8%. Primary revenue sources for the Town continue to be Meals Tax and Business License Taxes, representing 33.3% of General Fund revenue. Some positive indicators of the vitality of the local economy include the following:

- Revenue from Business, Professional and Occupational Licenses increased by 5.7 percent over Fiscal Year 2017.

- Bank Franchise Tax receipts increased by 23.1 percent.
- As of June 2018, Fauquier County's unemployment rate was 2.8%, which compares favorably to Virginia at 3.3% and the national rate of 4.0%.

Long-term Financial Planning

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

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

The Town is currently updating the Comprehensive Plan, with an anticipated completion date in 2019. The updated plan will ensure funding allocation is relevant to present goals and will also contemplate the life cycle costs of projects. It is financially prudent to ensure decision makers are aware of the financial commitment beyond the capital project. Life Cycle costs include items like the estimated useful life of vehicles, buildings, equipment, etc. The Comprehensive Plan will include scenarios of growth for the Town so that elected officials can understand budgetary impacts in light of projected capital projects.

Relevant Financial Policies

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

The Town maintains strict adherence to its Purchasing Policy and policies regarding the capitalization of assets.

The Town follows an adopted Fund Balance Policy for the General Fund that sets a reserve requirement at 50% of the currently adopted budget expenditures. The Water and Sewer Operating Fund maintains a cash balance equivalent to 200 days of operating expenses.

The Town has recently consolidated the financial policies listed above along with others into one document. The Comprehensive Fiscal Policies are currently being reviewed by the Finance Committee, and will hopefully be adopted by the full Council in Fiscal Year 2019.

Major Initiatives

The Council, Town Manager, and Town Department Heads conduct annual retreats to evaluate strategic goals for the Town in the coming year. The most recent retreat was held in August 2018, and resulted in the following strategic priorities:

- Review potential boundary adjustments on the northern and eastern edges of the Town;
- Work on branding for the Town;
- Provide quality of life and recreational activities for residents;
- Work on boundaries for the historic district and identify gateways to the Town; and
- Develop an inventory of affordable housing options.

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

An important part of community planning is economic development. The consideration of the northern boundary adjustment is largely driven by a desire for economic expansion for the Town, but must be weighed against the additional service requirements that come with expanding the Town limits. The Town has partnered with the Fauquier County Economic Development Authority (FCEDA) to award Small Business Assistance grants. Funded by \$25,000 from the Town and \$25,000 from the FCEDA, the program has awarded a total of \$46,500 to seven different local small businesses.

Improving transportation and pedestrian safety and relieving traffic congestion continue to be top priorities for the Town, especially in light of development in neighboring Counties. A local non-profit, the PATH Foundation, provided a grant to increase pedestrian safety and visibility in Old Town Warrenton by installing bump-outs at a main intersection in town. The Town continues to work with VDOT and community stakeholders (particularly Broadview Avenue business owners and nearby residents) to redesign Broadview Avenue, the Town's main commercial corridor. We believe that Town investment in this redesign will catalyze private reinvestment in the business properties along this important commercial corridor. In addition to ensuring that Town roads and streets are properly maintained, the impact of proposed developments on traffic is thoroughly analyzed prior to approval. Sidewalk and street lighting projects in Old Town have enabled more business growth off of Main Street by providing pedestrian-friendly access.

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

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

The Parks and Recreation Department has continued programs such as Warrenton Town Limits (an Independence Day celebration that offers free admission and a full day of family-friendly activities, culminating in a spectacular fireworks display) and the Movies in the Park screenings in the summer. In addition to maintaining the Warrenton Aquatic and Recreation Facility (WARF), a 59,738 square foot aquatic and fitness facility, the department maintains six parks throughout Town, including a recently opened Dog Park near the Warrenton Greenway (a Rails-to-Trails walking trail near Old Town). In Fiscal Year 2019, the Recreation Department will be working on the design of the first phase of the Timberfence Trail, with 80% federal funding recently awarded by the Commonwealth Transportation Board. This trail will connect the Gold Cup subdivision to the WARF along property owned by the Fauquier County School Board. The County has agreed to contribute 10% of the project costs.

IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

During Fiscal Year 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Further details regarding these statements are available in Note 1, Note 8, and Note 14.

During Fiscal Year 2019, the Town will be analyzing the impact of GASB Statements No. 83, No. 84, No. 87, No. 88 and No. 90. More information about these statements may be found in Note 13 – Upcoming Pronouncements.

AWARDS

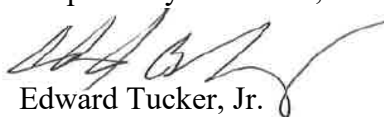
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,


Edward Tucker, Jr.
Acting Town Manager


Stephanie E. Miller
Director of Finance & Human Resources



Government Finance Officers Association

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

Presented to

**Town of Warrenton
Virginia**

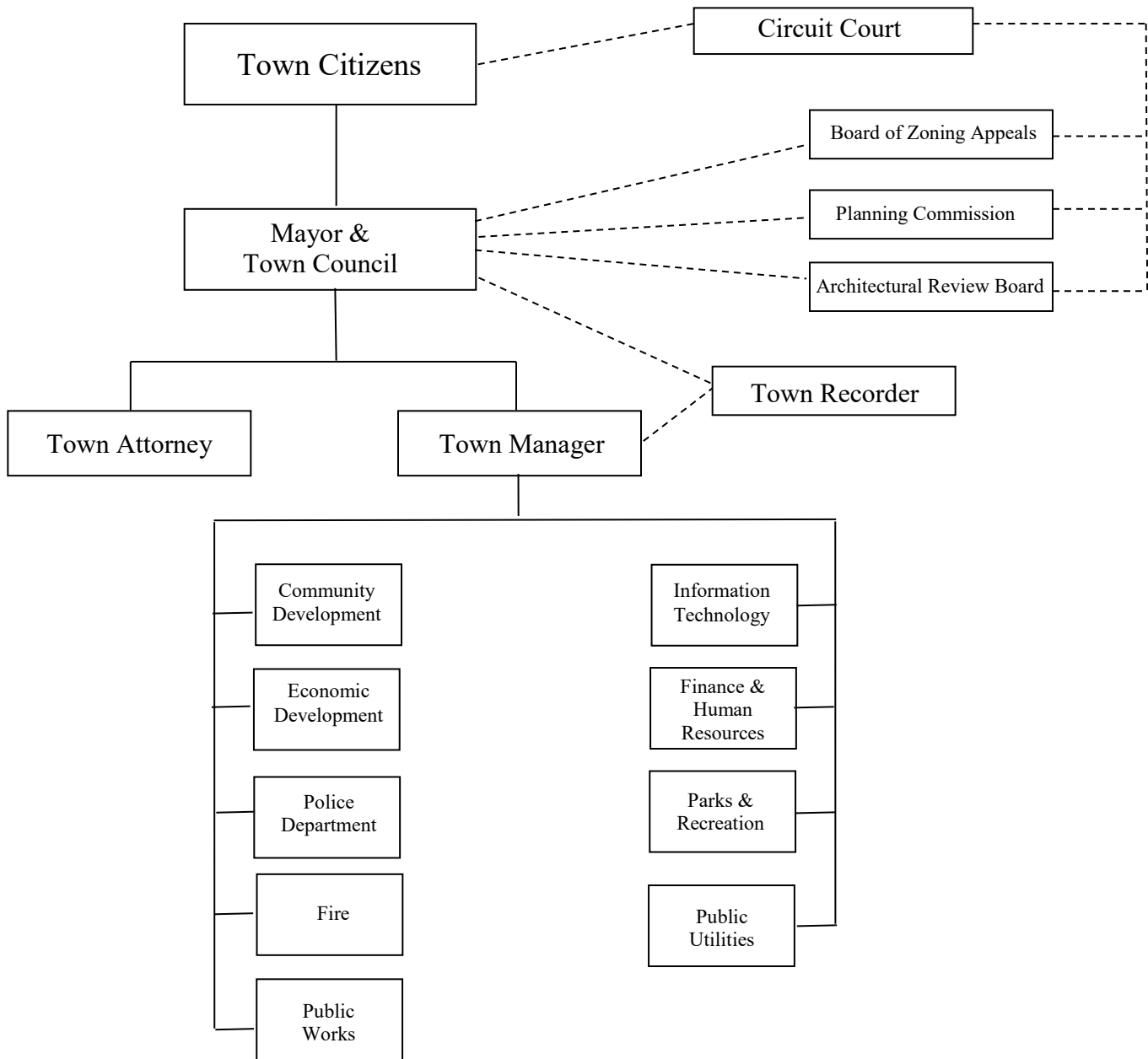
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia (the "Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Report on the Financial Statements (Continued)

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia, as of June 30, 2018, 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.

Change in Accounting Principle

As described in Notes 1 and 15 to the financial statements, in 2018 the Town of Warrenton, Virginia adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 28, 2018

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, 2018. This discussion and analysis is intended to be read in conjunction with the Letter of Transmittal in the Introductory Section of this report and the Financial Statements, which follow this discussion and analysis.

FISCAL YEAR 2018 FINANCIAL HIGHLIGHTS

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year, which required a restatement of net position at June 30, 2017 due to a change in accounting principle. More information regarding the new standard and the restatement may be found in Note 14.

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

		June 30, 2018	As Restated June 30, 2017
Net Position	\$	73,316,054	\$ 73,670,581
Unrestricted		15,861,648	14,819,960

The Town's total net position decreased \$354,527 in fiscal year 2018. The decrease in net position is due primarily to the depreciation of assets, which totaled \$3,751,253 for the reporting entity, coupled with the recognition of other postemployment benefit liability expense resulting from the implementation of GASB 75. The unrestricted portion of net position increased by \$1,044,688, mostly related to business-type activities.

The Town's governmental funds reported a decrease of \$108,216 in combined ending fund balances for the fiscal year. Tax revenue increased by approximately \$395,846, but was offset by a decline in intergovernmental revenue of \$295,514. Other revenue showed modest increases. Governmental expenditures increased by \$996,877 compared to fiscal year 2017. Unassigned fund balance decreased by \$976,553 and represents 81.0% of total fund balance.

	June 30, 2018	June 30, 2017
Fund balance, ending	\$ 13,444,958	\$ 13,553,174
Increase (decrease) from prior year	(108,216)	255,976
Unassigned fund balance	10,894,756	11,871,309
Percentage unassigned	81.0%	87.6%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Introductory Section includes a listing of Principal Town Officials, the Letter of Transmittal, a copy of the Fiscal Year 2017 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, and the Town's organizational chart.

(Continued)

- The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplementary information, and supporting schedules.
- The Statistical Section provides selected financial and demographic data related to the Town presented on a multi-year basis.
- The Compliance Section includes the auditors' report on compliance and internal controls.

Financial Section Overview

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

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

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

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

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

Government-wide Financial Statements

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

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

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

(Continued)

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

Fund Financial Statements

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

- ***Governmental Funds*** – Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. There are two governmental funds for the Town: the General Fund and the Perpetual Care Fund, which is a permanent fund established for the maintenance of the Warrenton Cemetery. The Town of Warrenton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
- ***Proprietary Funds*** – There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis of accounting, similar to private sector business. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town of Warrenton has one proprietary fund: the Water and Sewer Fund. The Water and Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment.
- ***Fiduciary Funds*** – Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the Town's own activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve as a useful indicator of a government's financial condition. For the Town of Warrenton, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$73,316,054 at June 30, 2018.

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

Table 1

Town of Warrenton Summary of Net Position						
	Governmental activities		Business-type activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Current and other assets	\$ 14,440,109	\$ 14,666,276	\$ 18,822,925	\$ 12,095,272	\$ 33,263,034	\$ 26,761,548
Capital assets	46,040,703	46,841,422	19,378,119	18,815,259	65,418,822	65,656,681
Total assets	\$ 60,480,812	\$ 61,507,698	\$ 38,201,044	\$ 30,910,531	\$ 98,681,856	\$ 92,418,229
Deferred outflows of resources:						
Deferred charge on refunding	\$ 604,777	\$ 689,467	\$ -	\$ -	\$ 604,777	\$ 689,467
Pension-related deferred outflows	619,179	1,163,151	207,068	403,475	826,247	1,566,626
OPEB-related deferred outflows	37,115	-	13,041	-	50,156	-
Total deferred outflows of resources	\$ 1,261,071	\$ 1,852,618	\$ 220,109	\$ 403,475	\$ 1,481,180	\$ 2,256,093
Total assets and deferred outflows of resources	\$ 61,741,883	\$ 63,360,316	\$ 38,421,153	\$ 31,314,006	\$ 100,163,036	\$ 94,674,322
Long-term liabilities	\$ 11,048,756	\$ 11,470,872	\$ 13,327,783	\$ 6,466,178	\$ 24,376,539	\$ 17,937,050
Other liabilities	1,054,148	1,683,024	749,969	643,554	1,804,117	2,326,578
Total liabilities	\$ 12,102,904	\$ 13,153,896	\$ 14,077,752	\$ 7,109,732	\$ 26,180,656	\$ 20,263,628
Deferred inflows of resources:						
Property taxes	\$ 541	\$ 670	\$ -	\$ -	\$ 541	\$ 670
Pension-related deferred inflows	459,962	187,077	153,823	64,894	613,785	251,971
OPEB-related deferred inflows	38,480	-	13,520	-	52,000	-
Total deferred inflows of resources	\$ 498,983	\$ 187,747	\$ 167,343	\$ 64,894	\$ 666,326	\$ 252,641
Net position:						
Net investment in capital assets	\$ 38,788,308	\$ 39,510,889	\$ 17,336,839	\$ 18,022,962	\$ 56,125,147	\$ 57,533,851
Restricted	1,154,623	1,159,023	174,636	157,747	1,329,259	1,316,770
Unrestricted	9,197,065	9,348,761	6,664,583	5,958,671	15,861,648	15,307,432
Total net position	\$ 49,139,996	\$ 50,018,673	\$ 24,176,058	\$ 24,139,380	\$ 73,316,054	\$ 74,158,053
Total liabilities and deferred inflows of resources and net position	\$ 61,741,883	\$ 63,360,316	\$ 38,421,153	\$ 31,314,006	\$ 100,163,036	\$ 94,674,322

For the Town, the net investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure) represents 76.6 percent of total net position. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 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 accounts for 1.8 percent of total net position. The remaining balance of unrestricted net position at June 30, 2018 is \$15,861,648, or 21.6 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors. During Fiscal Year 2018, the net position of the government decreased by \$841,999 primarily due to depreciation expense.

(Continued)

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, 2018. It is important to note that throughout this discussion and analysis, comparative prior year information has not been restated because the necessary information it is not available.

Table 2

Town of Warrenton						
Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,566,123	\$ 1,478,785	\$ 5,485,203	\$ 5,652,278	\$ 7,051,326	\$ 7,131,063
Operating grants & contributions	1,649,969	2,034,936	-	-	1,649,969	2,034,936
Capital grants & contributions	109,830	7,882	-	-	109,830	7,882
General revenues:						
General property taxes	1,267,738	1,234,762	-	-	1,267,738	1,234,762
Other local taxes	7,314,555	6,931,463	-	-	7,314,555	6,931,463
Use of money and property	137,843	96,515	303,371	214,130	441,214	310,645
Miscellaneous	367,596	346,308	-	8,500	367,596	354,808
Grants and contributions not restricted to specific programs	1,332,320	1,344,815	-	-	1,332,320	1,344,815
Total revenues	\$ 13,745,974	\$ 13,475,466	\$ 5,788,574	\$ 5,874,908	\$ 19,534,548	\$ 19,350,374
Expenses:						
General government	\$ 1,245,681	\$ 1,065,479	\$ -	\$ -	\$ 1,245,681	\$ 1,065,479
Public safety	4,070,378	4,118,389	-	-	4,070,378	4,118,389
Public works	4,890,072	5,062,855	-	-	4,890,072	5,062,855
Health and welfare	133,891	117,164	-	-	133,891	117,164
Parks, recreation and cultural	2,719,536	3,155,724	-	-	2,719,536	3,155,724
Community development	935,243	803,021	-	-	935,243	803,021
Water and Sewer	-	-	5,411,158	5,086,703	5,411,158	5,086,703
Interest on long-term debt	269,121	269,932	213,995	124,989	483,116	394,921
Total expenses	\$ 14,263,922	\$ 14,592,564	\$ 5,625,153	\$ 5,211,692	\$ 19,889,075	\$ 19,804,256
Transfers	-	(55,690)	-	55,690	-	-
Change in net position	\$ (517,948)	\$ (1,172,788)	\$ 163,421	\$ 718,906	\$ (354,527)	\$ (453,882)
Net position, beginning of year, as restated	49,657,944	51,191,461	24,012,637	23,420,474	73,670,581	74,611,935
Net position, end of year	\$ 49,139,996	\$ 50,018,673	\$ 24,176,058	\$ 24,139,380	\$ 73,316,054	\$ 74,158,053

Governmental Activities: For the year ended June 30, 2018, Governmental activities decreased net position by \$517,948. Revenue increased by \$270,508, primarily in the area of other local taxes, one-time capital expenditures and depreciation offset those gains.

(Continued)

Business-type Activities: Net position increased by \$163,421. Expenses for the Water and Sewer fund increased by about \$413,461 compared to the prior year, primarily due to capital projects. On the revenue side, the greatest variance was in charges for services, which decreased by \$167,075.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the Town's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$13,444,958, a decrease of \$108,216 compared to the prior year. Approximately 81.0 percent, or \$10,894,756, 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, or committed to indicate that it is not available for new spending.

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

For the Water and Sewer Fund, total net position as of June 30, 2018 is \$24,176,058, a slight increase compared to Fiscal Year 2017. The net investment in capital assets is \$17,336,839. Unrestricted net position of the Water and Sewer Fund at the end of the year was \$6,664,583, or 27.6 percent, of the fund's net position. This reflects an increase in unrestricted net position from Fiscal Year 2017 of \$705,912.

The greatest impact year after year for the proprietary fund is depreciation expense. Depreciation expense for the fiscal year ended June 30, 2018 was \$1,194,477 for the Water and Sewer Fund. The activity of this fund is capital intensive, requiring extensive ongoing annual maintenance expenses and a proactive capital improvement program. During Fiscal Year 2018, the Town issued \$7.16 million in general obligation bonds to finance planned improvements to the Town's aging water and sewer facilities. Several large projects are currently underway.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budgeted appropriation and the final amended budgeted appropriation for the general fund was \$1,439,342, or 9.7 percent, of the total original budget. Final actual expenditures were \$2,165,525, or 13.3 percent, less than final amended appropriations. The three functional areas that realized the greatest variation with the budget were public works, community development, and capital outlay. This is mostly due to delays related to capital asset acquisitions and projects that were carried over into the next fiscal year.

Final actual revenue was \$141,027 less than final amended budget amounts. The largest variance was in the Other Local Taxes category, and specifically Business license taxes and Bank stock taxes, which collectively were \$446,877 higher than the budgeted amounts. The higher revenue in these categories was offset by decreases in State revenue, owing to projects that were carried over in the next fiscal year.

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 decreased by \$237,859 during the fiscal year.

Capital assets for the Town's governmental activities as of June 30, 2018 total \$46,040,703 (net of accumulated depreciation). As noted in Table 3, the largest class of assets for governmental activities is buildings and improvements. This asset class includes the Warrenton Aquatic and Recreation Facility (WARF), Town Hall, the Public Safety Facility and the Public Works Facility. The total net decrease in governmental activities capital assets for the current fiscal year was \$800,719. Depreciation expense charged for governmental activities for the period ended June 30, 2018 was \$2,556,776.

Capital asset additions during fiscal year 2018 for governmental activities totaled \$1,757,449. The following are some of the major additions in this category:

- Replacement of Public Works vehicles and equipment – \$361,560
- Replacement of six (6) police department vehicles – \$340,638
- Mast Arm Conversion of traffic light at Blackwell Road and Lee Highway – \$348,897

The Town's business-type activity capital assets total \$19,378,119 (net of accumulated depreciation) which reflects a net increase of \$562,860 from the prior year. The largest class of assets for business-type activities is Utility plant in service. Depreciation expense for business-type activities for the period ended June 30, 2018 was \$1,194,477.

For business-type activities, capital asset additions totaled \$1,757,337, including the following major items:

- Completion of Well #3 Restoration project – \$994,494
- Vehicle replacements – \$61,945
- Net increase in construction in progress for various bond-funded projects totaling \$556,543

Table 3

Town of Warrenton						
Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Land	\$ 4,649,073	\$ 4,649,073	\$ 665,660	\$ 665,660	\$ 5,314,733	\$ 5,314,733
Construction in progress	128,821	57,600	1,488,750	956,498	1,617,571	1,014,098
Utility plant in service	-	-	16,233,436	16,157,178	16,233,436	16,157,178
Buildings and improvements	21,629,193	22,275,600	-	-	21,629,193	22,275,600
Infrastructure	16,547,658	17,049,359	-	-	16,547,658	17,049,359
Furniture, equipment, and vehicles	3,085,958	2,809,790	990,273	1,035,923	4,076,231	3,845,713
Total	\$ 46,040,703	\$ 46,841,422	\$ 19,378,119	\$ 18,815,259	\$ 65,418,822	\$ 65,656,681

(Continued)

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

Long-term Obligations

At the end of the fiscal year, the Town had \$24.4 million in outstanding obligations. This represents an increase of \$5.9 million from the prior year. Table 4 summarizes the outstanding debt of the Town:

Table 4

Town of Warrenton						
Long-term Obligations						
	Governmental activities		Business-type activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
General obligation bonds	\$ 7,562,000	\$ 8,020,000	\$ 12,180,000	\$ 5,020,000	\$ 19,742,000	\$ 13,040,000
Capital lease	295,172	-	-	-	295,172	-
Net pension liability	2,359,628	3,439,432	789,117	1,193,075	3,148,745	4,632,507
Net OPEB liability	342,620	-	120,380	-	463,000	-
Compensated absences	489,336	521,600	238,286	281,226	727,622	802,826
Total	\$ <u>11,048,756</u>	\$ <u>11,981,032</u>	\$ <u>13,327,783</u>	\$ <u>6,494,301</u>	\$ <u>24,376,539</u>	\$ <u>18,475,333</u>

During Fiscal Year 2018, the Town issued \$7.16 million in general obligation bonds to finance planned water and sewer fund capital projects. Additionally, the Town entered into a tax-exempt lease-purchase agreement for the acquisition of six fully-equipped police vehicles. The recognition of the Town's net other postemployment benefit liability as a result of the implementation of GASB 75 increased the Town's obligations by \$463,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

The following economic factors were considered in the preparation of the budget for Fiscal Year 2019:

- Several large housing developments and one large mixed use development have been approved within Town limits in the past few years. While they have been slow to start, availability fees and permit revenues indicate that some of these are underway and are seen as a positive indicator of the continued stability and growth of the tax base.
- Sales tax, Meals tax and Business License tax revenues have shown steady increases over the past few years.

Fiscal Year 2019 Budget and Rates

- The Fiscal Year 2019 Adopted Budget included a tax rate increase for the cigarette tax from \$0.15 per pack to \$0.20 per pack. The total appropriation for all funds is \$34,257,486.

(Continued)

- The adopted General Fund budget for Fiscal Year 2019 is \$15,669,538, an increase of \$840,474, or 5.7 percent, from the adopted budget for Fiscal Year 2018. The budget added three new full-time positions and upgraded one part-time position to full-time. The budgeted transfer from the General Fund to the Capital Projects Fund is \$2,069,944.
- The largest revenue categories for the General Fund are the Other local taxes category at 45.2 percent, which includes the Town's two largest revenue sources – Business license taxes and Meals taxes; State revenue at 19.2 percent, which consists primarily of funding for the maintenance of Town streets and roads; and Charges for services at 8.7 percent, which consists primarily of user fees for the Warrenton Aquatic and Recreation Facility (WARF). General property taxes comprise 8.4 percent of General Fund revenue.
- The largest functional expenditure areas for the General Fund are Public Works at 24.7 percent and Public Safety at 23.3 percent.
- The fiscal year 2019 budget general fund deficit is covered by the use of fund balance in the amount of \$2,104,576, or 13.4 percent of the total budget.
- The Fiscal Year 2019 Adopted Budget includes water and sewer rate increases effective July 1, 2018 consistent with a rate study conducted by Municipal Financial Services Group in 2015.
- The budget includes a large capital program totaling \$12,451,412 for the Town's Water and Sewer operations. These projects are funded by \$12.18 million in general obligation bonds that were issued in 2016 and 2018.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 8,848,310	\$ 7,220,020	\$ 16,068,330
Cash and cash equivalent, restricted (Note 2)	547,191	10,450,121	10,997,312
Investments (Note 2)	3,514,685	-	3,514,685
Receivables, net (Note 3)	903,690	922,356	1,826,046
Due from other governmental units (Note 4)	370,336	-	370,336
Inventories	167,830	209,678	377,508
Prepays	88,067	20,750	108,817
Capital assets: (Note 5)			
Nondepreciable	4,777,894	2,154,410	6,932,304
Depreciable, net	41,262,809	17,223,709	58,486,518
Total assets	60,480,812	38,201,044	98,681,856
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	604,777	-	604,777
Deferred outflows related to pensions (Note 7)	619,179	207,068	826,247
Deferred outflows related to other postemployment benefits (Note 8)	37,115	13,041	50,156
Total deferred outflows of resources	1,261,071	220,109	1,481,180
LIABILITIES			
Accounts payable	667,107	284,760	951,867
Accrued payroll and related liabilities	306,229	117,447	423,676
Customer deposits	-	82,282	82,282
Accrued interest payable	80,812	128,715	209,527
Unearned revenue	-	136,765	136,765
Long-term liabilities:			
Net pension liability (Note 7)	2,359,628	789,117	3,148,745
Net other postemployment benefit liability (Note 8)	342,620	120,380	463,000
Due within one year (Note 6)	575,973	196,829	772,802
Due in more than one year (Note 6)	7,770,535	12,221,457	19,991,992
Total liabilities	12,102,904	14,077,752	26,180,656
DEFERRED INFLOWS OF RESOURCES			
Property taxes	541	-	541
Deferred inflows related to pensions (Note 7)	459,962	153,823	613,785
Deferred inflows related to other postemployment benefits (Note 8)	38,480	13,520	52,000
Total deferred inflows of resources	498,983	167,343	666,326
NET POSITION			
Net investment in capital assets	38,788,308	17,336,839	56,125,147
Restricted:			
Unspent maintenance funds	-	174,636	174,636
Capital outlay	547,191	-	547,191
Perpetual Care – nonexpendable	607,432	-	607,432
Unrestricted	9,197,065	6,664,583	15,861,648
Total net position	\$ 49,139,996	\$ 24,176,058	\$ 73,316,054

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, 2018**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
					Business-Type		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Activities	Total
Primary Government:							
Governmental activities							
General government administration	\$ 1,245,681	\$ 170,336	\$ -	\$ -	\$ (1,075,345)		\$ (1,075,345)
Public safety	4,070,378	166,622	238,003	-	(3,665,753)		(3,665,753)
Public works	4,890,072	-	1,407,466	109,830	(3,372,776)		(3,372,776)
Health and welfare	133,891	-	-	-	(133,891)		(133,891)
Parks, recreation, and cultural	2,719,536	1,229,165	-	-	(1,490,371)		(1,490,371)
Community development	935,243	-	4,500	-	(930,743)		(930,743)
Interest on long-term debt	269,121	-	-	-	(269,121)		(269,121)
Total governmental activities	14,263,922	1,566,123	1,649,969	109,830	(10,938,000)		(10,938,000)
Business-type activities							
Water and sewer	5,625,153	5,485,203	-	-		(139,950)	(139,950)
Total business-type activities	5,625,153	5,485,203	-	-		(139,950)	(139,950)
Total primary government	\$ 19,889,075	\$ 7,051,326	\$ 1,649,969	\$ 109,830	(10,938,000)	(139,950)	(11,077,950)
General revenues:							
Property taxes					1,267,738	-	1,267,738
Sales and use taxes					709,036	-	709,036
Consumers' utility taxes					510,053	-	510,053
Business license taxes					2,026,990	-	2,026,990
Meals taxes					2,550,799	-	2,550,799
Bank stock taxes					849,887	-	849,887
Other local taxes					667,790	-	667,790
Unrestricted revenues from use of money and property					137,843	303,371	441,214
Miscellaneous					367,596	-	367,596
Grants and contributions not restricted to specific programs					1,332,320	-	1,332,320
Total general revenues					10,420,052	303,371	10,723,423
Change in net position					(517,948)	163,421	(354,527)
NET POSITION AT JULY 1, as restated (Note 15)					49,657,944	24,012,637	73,670,581
NET POSITION AT JUNE 30					\$ 49,139,996	\$ 24,176,058	\$ 73,316,054

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

TOWN OF WARRENTON, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Permanent Perpetual Care Fund	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 8,240,878	\$ 607,432	\$ 8,848,310
Cash and cash equivalents, restricted (Note 2)	547,191	-	547,191
Investments (Note 2)	3,514,685	-	3,514,685
Receivables, net (Note 3)	903,690	-	903,690
Due from other governmental units (Note 4)	370,336	-	370,336
Inventories	167,830	-	167,830
Prepays	88,067	-	88,067
Total assets	<u>\$ 13,832,677</u>	<u>\$ 607,432</u>	<u>\$ 14,440,109</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 667,107	\$ -	\$ 667,107
Accrued payroll and related liabilities	306,229	-	306,229
Total liabilities	<u>973,336</u>	<u>-</u>	<u>973,336</u>
Deferred inflows of resources			
Unavailable revenue	<u>21,815</u>	<u>-</u>	<u>21,815</u>
Fund balances (Note 11)			
Nonspendable	255,897	607,432	863,329
Restricted	547,191	-	547,191
Committed	1,139,682	-	1,139,682
Unassigned	10,894,756	-	10,894,756
Total fund balances	<u>12,837,526</u>	<u>607,432</u>	<u>13,444,958</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,832,677</u>	<u>\$ 607,432</u>	<u>\$ 14,440,109</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, 2018**

Ending fund balance – governmental fund **\$ 13,444,958**

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	\$ 84,059,297	
Less: accumulated depreciation	<u>(38,018,594)</u>	
		46,040,703

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

21,274

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

Deferred outflows of related to:

Pensions	619,179	
Other postemployment benefits	37,115	

Deferred inflows related to:

Pensions	(459,962)	
Other postemployment benefits	(38,480)	

Net pension liability	(2,359,628)	
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Net other postemployment benefit liability	<u>(342,620)</u>	
		(2,544,396)

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

General obligation bonds, including unamortized deferred amounts	(7,562,000)	
Capital leases	(295,172)	
Deferred charge on refunding	604,777	
Accrued interest payable	(80,812)	
Compensated absences	<u>(489,336)</u>	

(7,822,543)

Total net position – governmental activities **\$ 49,139,996**

TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Permanent Perpetual Care Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 1,261,220	\$ -	\$ 1,261,220
Other local taxes	7,314,555	-	7,314,555
Permits, privilege fees, and regulatory licenses	170,336	-	170,336
Fines and forfeitures	166,622	-	166,622
Revenue from use of money and property	129,447	8,396	137,843
Charges for services	1,229,165	-	1,229,165
Miscellaneous	367,596	-	367,596
Intergovernmental			
Commonwealth	3,087,912	-	3,087,912
Federal	4,207	-	4,207
	<hr/>	<hr/>	<hr/>
Total revenues	13,731,060	8,396	13,739,456
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
General government administration	1,242,131	-	1,242,131
Public safety	3,912,693	-	3,912,693
Public works	3,370,708	-	3,370,708
Health and welfare	133,891	-	133,891
Parks, recreation, and cultural	2,042,098	-	2,042,098
Community development	941,537	-	941,537
Capital projects	1,862,979	-	1,862,979
Debt service			
Principal retirement	489,537	-	489,537
Interest and other fiscal charges	178,807	-	178,807
	<hr/>	<hr/>	<hr/>
Total expenditures	14,174,381	-	14,174,381
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(443,321)	8,396	(434,925)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES			
Proceeds from capital lease	326,709	-	326,709
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(116,612)	8,396	(108,216)
	<hr/>	<hr/>	<hr/>
FUND BALANCE AT JULY 1	12,954,138	599,036	13,553,174
	<hr/>	<hr/>	<hr/>
FUND BALANCE AT JUNE 30	<u>\$ 12,837,526</u>	<u>\$ 607,432</u>	<u>\$ 13,444,958</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 TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018**

Net change in fund balance – total governmental fund \$ (108,216)

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 1,757,449	
Depreciation expense	(2,556,776)	
		(799,327)

The net effect of loss on disposition of assets involving capital assets that do not provide or use current financial resources and are not reported as revenue or expenditures in the governmental funds.		(1,392)
--	--	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		6,518
--	--	-------

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	484,571	
Pension expense	(221,624)	
		262,947

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	23,055	
Life insurance expense	(6,311)	
		16,744

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas there amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Amortization of deferred amounts	(84,690)	
Principal retired on general obligation bonds	458,000	
Capital lease issued	(326,709)	
Principal retired on capital leases	31,537	
		78,138

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	32,264	
Change in accrued interest payable	(5,624)	
		26,640

Change in net position of governmental activities		\$ (517,948)
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,279,339	\$ 1,279,339	\$ 1,261,220	\$ (18,119)
Other local taxes	6,881,877	6,881,877	7,314,555	432,678
Permits, privilege fees, and regulatory licenses	191,900	191,900	170,336	(21,564)
Fines and forfeitures	210,000	210,000	166,622	(43,378)
Revenue from use of money and property	58,500	58,500	129,447	70,947
Charges for services	1,344,872	1,344,872	1,229,165	(115,707)
Miscellaneous	188,400	588,283	367,596	(220,687)
Intergovernmental				
Commonwealth	3,003,802	3,312,816	3,087,912	(224,904)
Federal	4,500	4,500	4,207	(293)
Total revenues	<u>13,163,190</u>	<u>13,872,087</u>	<u>13,731,060</u>	<u>(141,027)</u>
EXPENDITURES				
Current				
General government administration	1,870,796	1,934,186	1,856,897	77,289
Public safety	3,842,074	3,869,536	3,678,774	190,762
Public works	3,234,134	3,282,353	3,070,508	211,845
Health and welfare	133,892	133,892	133,891	1
Parks, recreation, and cultural	2,170,021	2,170,021	1,983,681	186,340
Community development	1,139,764	1,230,656	919,307	311,349
Capital outlay	1,876,285	3,050,664	1,862,979	1,187,685
Debt service				
Principal retirement	458,000	493,000	489,537	3,463
Interest and other fiscal charges	175,598	175,598	178,807	(3,209)
Total expenditures	<u>14,900,564</u>	<u>16,339,906</u>	<u>14,174,381</u>	<u>2,165,525</u>
Excess (deficiency) of revenues over expenditures	<u>(1,737,374)</u>	<u>(2,467,819)</u>	<u>(443,321)</u>	<u>2,024,498</u>
OTHER FINANCING SOURCES				
Capital lease proceeds	<u>-</u>	<u>-</u>	<u>326,709</u>	<u>326,709</u>
Net change in fund balance	<u>\$ (1,737,374)</u>	<u>\$ (2,467,819)</u>	<u>\$ (116,612)</u>	<u>\$ 2,351,207</u>

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

TOWN OF WARRENTON, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUND
June 30, 2018**

	Business-Type Activities Enterprise Fund Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents (Note 2)	\$ 7,220,020
Cash and cash equivalents, restricted (Note 2)	10,450,121
Receivable, net (Note 3)	922,356
Inventories	209,678
Prepaid items	20,750
Total current assets	<u>18,822,925</u>
Noncurrent assets	
Capital assets (Note 6)	
Non-depreciable	2,154,410
Depreciable, net	<u>17,223,709</u>
Total noncurrent assets	<u>19,378,119</u>
Total assets	<u>38,201,044</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (Note 7)	207,068
Deferred outflows related to other postemployment benefits (Note 8)	<u>13,041</u>
Total deferred inflows of resources	<u>220,109</u>
LIABILITIES	
Current liabilities	
Accounts payable	284,760
Accrued payroll and related liabilities	117,447
Customer deposits	82,282
Accrued interest payable	128,715
Current portion of unearned revenue	22,725
Long-term liabilities – due within one year (Note 7)	<u>196,829</u>
Total current liabilities	<u>832,758</u>
Noncurrent liabilities	
Unearned revenue – net of current portion	114,040
Net pension liability (Note 7)	789,117
Net other postemployment benefit liability (Note 8)	120,380
Long-term liabilities – due in more than one year (Note 6)	<u>12,221,457</u>
Total noncurrent liabilities	<u>13,244,994</u>
Total liabilities	<u>14,077,752</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 7)	153,823
Deferred outflows related to other postemployment benefits (Note 8)	<u>13,520</u>
Total deferred inflows of resources	<u>167,343</u>
NET POSITION	
Net investment in capital assets	17,336,839
Restricted for maintenance	174,636
Unrestricted	<u>6,664,583</u>
Total net position	<u>\$ 24,176,058</u>

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUND

Year Ended June 30, 2018

	Business-Type Activities <u>Enterprise Fund</u> <u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sale of water	\$ 1,976,630
Sewer service charges	3,148,398
Connection fees	252,975
Other fees	107,200
	<hr/>
Total operating revenues	5,485,203
	<hr/>
OPERATING EXPENSES	
Source of supply	991,083
Transmission and distribution	626,360
Meter reading	239,166
Wastewater treatment operation	1,519,776
Public utilities administration	730,828
Maintenance and repairs	392
Depreciation	1,194,477
	<hr/>
Total operating expenses	5,302,082
	<hr/>
Operating income	183,121
	<hr/>
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	151,649
Rental revenue	151,722
Interest expense	(213,995)
Bond issuance costs	(109,076)
	<hr/>
Net non-operating revenues (expenses)	(19,700)
	<hr/>
Change in net position	163,421
	<hr/>
NET POSITION AT JULY 1, AS RESTATED (Note 15)	24,012,637
	<hr/>
NET POSITION AT JUNE 30	<u><u>\$ 24,176,058</u></u>

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2018

	<u>Business-Type Activities Enterprise Fund Water and Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 5,375,441
Payments to employees	(2,356,112)
Payments to suppliers	(1,875,513)
Other receipts	107,200
	<hr/>
Net cash provided by operating activities	1,251,016
	<hr/>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,757,800)
Proceeds from debt issued	7,160,000
Bond issuance costs	(109,076)
Interest paid on capital debt	(144,307)
	<hr/>
Net cash provided by capital and related financing activities	5,148,817
	<hr/>
INVESTING ACTIVITIES	
Interest revenue	151,649
Rental and other income	151,722
	<hr/>
Net cash provided by investing activities	303,371
	<hr/>
Net increase in cash and cash equivalents	6,703,204
CASH AND CASH EQUIVALENTS	
Beginning at July 1	10,966,937
	<hr/>
Ending at June 30	\$ 17,670,141
	<hr/>
RECONCILIATION TO EXHIBIT 8	
Cash and cash equivalents	\$ 7,220,020
Cash and cash equivalent, restricted	10,450,121
	<hr/>
	\$ 17,670,141
	<hr/>

(Continued)

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

TOWN OF WARRENTON, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended June 30, 2018**Business-Type
Activities
Enterprise Fund
Water and Sewer****RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 183,121
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,194,477
Pension expense net of employer contribution	(118,622)
Other postemployment benefit expense net of employer contribution	(5,884)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(10,367)
Inventories	6,055
Prepaid items	(20,137)
Increase (decrease) in:	
Accounts payable	33,286
Accrued payroll and related liabilities	24,222
Customer deposits	19,930
Unearned revenue	(12,125)
Compensated absences	(42,940)
Net cash provided by operating activities	<u>\$ 1,251,016</u>

SCHEDULE OF NON-CASH ACTIVITIES

Capital asset additions financed by accounts payable	<u>\$ 163,924</u>
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TOWN OF WARRENTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 265,000
	<u>265,000</u>
LIABILITIES	
Accounts payable	\$ 539
Amounts held for others	264,461
	<u>264,461</u>
	<u>\$ 265,000</u>

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

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund type:

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

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

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

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

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

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

E. Cash and Cash Equivalents

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

F. Investments and Fair Measurement

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

G. Inventories

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

H. Prepaid Items

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

I. Capital Assets

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

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

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

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

J. Allowance for Uncollectible Accounts

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

Real estate taxes – general fund	\$ 2,175
Personal property taxes – general fund	20,308
Water and sewer fund receivables – water and sewer fund	19,692
	<hr/>
	\$ 42,175

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

K. Capitalization of Interest

In the current year, the Town adopted GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period by eliminating the requirement to capitalize interest. The requirements of this Statement are effective for the periods beginning after December 15, 2019, however the Town chose to early adopt this Statement, in fiscal year 2018. The requirements of this Statement are applied prospectively.

L. Deferred Outflows/Inflows of Resources

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

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

In addition to liabilities, the statements that presents financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting in this category:

- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension and OPEB expense over the closed five year period.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows/Inflows of Resources (Continued)

- Differences between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period.
- Changes in assumptions on pension plan or OPEB investments. This difference will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan and may be reported as a deferred inflow or outflow as appropriate.
- 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 closed five year period.
- 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.

M. 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.

N. Compensated Absences

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

O. 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.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

O. Long-Term Obligations (Continued)

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.

P. Unearned/Unavailable Revenue

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

In the balance sheet of governmental funds, unearned/unavailable revenue arises when asset 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.

Q. 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.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

Q. Net Position/Fund Balance (Continued)

- **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).

R. 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.

S. Minimum Fund Balance Policy

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

T. 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 \$1,355,658 in the general fund.

U. 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.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

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	\$ 4,449,459	N/A	N/A	14.55%
LGIP	12,475,683	AAAm	0.08	40.80
SNAP	10,138,540	AAAm	1 day	33.15
Virginia Investment Pool	3,514,685	AAAm	1.86	11.49
Cash on hand	1,960	N/A	N/A	0.01
	<u>\$ 30,580,327</u>			<u>100.00%</u>

*Average maturity in years

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 16,068,330
Cash and cash equivalents, restricted	10,997,312
Investments	<u>3,514,685</u>
Total deposits and investments	<u>\$ 30,580,327</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 \$311,401 to maintain water lines for the Warrenton Training Center and \$10,138,720 in unspent bond proceeds. Restricted cash in the general fund consists of \$547,191 in funds designated for capital outlay.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3. Receivables

Receivables are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 56,616	\$ -	\$ 56,616
Other local taxes	869,557	-	869,557
Accounts	<u>-</u>	<u>942,048</u>	<u>942,048</u>
Gross receivables	926,173	942,048	1,868,221
Less: allowance for uncollectibles	<u>(22,483)</u>	<u>(19,692)</u>	<u>(42,175)</u>
Net receivables	<u>\$ 903,690</u>	<u>\$ 922,356</u>	<u>\$ 1,826,046</u>

Note 4. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

Commonwealth of Virginia:	
Sales tax	\$ 124,027
Communications tax	79,095
Motor vehicle tax	22,087
Miscellaneous grants	117,685
County of Fauquier, Virginia	<u>27,442</u>
	<u>\$ 370,336</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 4,649,073	\$ -	\$ -	\$ 4,649,073
Construction in progress	57,600	79,494	(8,273)	128,821
Total capital assets, not depreciated	4,706,673	79,494	(8,273)	4,777,894
Capital assets, depreciated:				
Buildings and improvements	29,686,918	91,729	(42,770)	29,735,877
Infrastructure	41,062,384	676,987	(10,737)	41,728,634
Furniture, equipment, and vehicles	7,077,102	917,512	(177,722)	7,816,892
Total capital assets, depreciated	77,826,404	1,686,228	(231,229)	79,281,403
Less accumulated depreciation for:				
Buildings and improvements	7,411,318	738,136	(42,770)	8,106,684
Infrastructure	24,013,025	1,178,688	(10,737)	25,180,976
Furniture, equipment, and vehicles	4,267,312	639,952	(176,330)	4,730,934
Total accumulated, depreciation	35,691,655	2,556,776	(229,837)	38,018,594
Total capital assets, depreciated, net	42,134,749	(870,548)	(1,392)	41,262,809
Governmental activities capital assets, net	\$ 46,841,422	\$ (791,054)	\$ (9,665)	\$ 46,040,703

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	956,498	1,568,847	(1,036,595)	1,488,750
Total capital assets, not depreciated	1,622,158	1,568,847	(1,036,595)	2,154,410
Utility plant in service	41,397,490	1,118,899	-	42,516,389
Furniture, equipment, and vehicles	2,948,430	106,186	(63,866)	2,990,750
Total capital assets, depreciated	44,345,920	1,225,085	(63,866)	45,507,139
Less accumulated depreciation for:				
Utility plant in service	24,240,312	1,042,641	-	26,282,953
Machinery and equipment	1,912,507	151,836	(63,866)	2,000,477
Total accumulated depreciation	27,152,819	1,194,477	(63,866)	28,283,430
Total capital assets, depreciated, net	17,193,101	30,608	-	17,223,709
Business-type activities capital assets, net	<u>\$ 18,815,259</u>	<u>\$ 1,599,455</u>	<u>\$ (1,036,595)</u>	<u>\$ 19,378,119</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Public works	\$ 1,441,176
Public safety	318,461
Parks, recreation, and cultural	699,700
General government	88,986
Community development	8,453
Total depreciation expense – governmental activities	<u>\$ 2,556,776</u>
Business-type activities	
Water and sewer	<u>\$ 1,194,477</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 8,020,000	\$ -	\$ 458,000	\$ 7,562,000	\$ 463,000
Capital lease	-	326,709	31,537	295,172	64,040
Compensated absences	521,600	268,639	300,903	489,336	48,933
	<u>\$ 8,541,600</u>	<u>\$ 595,348</u>	<u>\$ 790,440</u>	<u>\$ 8,346,508</u>	<u>\$ 575,973</u>
Business-type activities:					
General obligation bond	\$ 5,020,000	\$ 7,160,000	\$ -	\$ 12,180,000	\$ 173,000
Compensated absences	281,226	79,351	122,291	238,286	23,829
	<u>\$ 5,301,226</u>	<u>\$ 7,239,351</u>	<u>\$ 122,291</u>	<u>\$ 12,418,286</u>	<u>\$ 196,829</u>

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

Fiscal Year	Governmental Activities		Business-Type Activities	
	General Obligation Bond		General Obligation Bond	
	Principal	Interest	Principal	Interest
2019	\$ 463,000	\$ 164,936	\$ 173,000	\$ 346,516
2020	476,000	154,373	321,000	397,683
2021	489,000	143,516	333,000	387,658
2022	500,000	132,390	395,000	377,236
2023	511,000	121,016	452,000	364,505
2024-2028	2,720,000	425,993	2,779,000	1,568,216
2029-2033	2,403,000	109,586	3,279,000	1,068,733
2034-2038	-	-	3,869,000	476,230
2039-2040	-	-	579,000	22,236
Total general obligation bonds	<u>\$ 7,562,000</u>	<u>\$ 1,251,810</u>	<u>\$ 12,180,000</u>	<u>\$ 5,009,013</u>

	Capital Lease	
	Principal	Interest
2019	\$ 64,040	\$ 5,479
2020	65,350	4,444
2021	66,686	3,107
2022	68,050	1,743
2023	31,046	352
Total capital lease	<u>\$ 295,172</u>	<u>\$ 15,125</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General obligation bonds:						
Refunding Series 2012	2.250%	10/03/12	08/01/31	\$ 8,517,000	\$ 7,562,000	\$ -
Series 2016	2.550%	03/25/16	01/15/40	\$ 5,020,000	\$ -	\$ 5,020,000
Series 2018	3.830%	03/16/18	01/15/38	\$ 7,160,000	\$ -	\$ 7,160,000
Capital lease:						
U.S. Bancorp – vehicles	2.035%	07/28/17	07/28/22	\$ 326,709	\$ 295,172	\$ -

Note 7. Defined Benefit Pension Plan

Plan Description

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

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

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and have not taken a refund.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement –**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>77</u>
Inactive members:	
Vested inactive members	13
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>41</u>
Total inactive members	83
Active members	<u>97</u>
Total covered employees	<u><u>257</u></u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 10.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$646,623 and \$599,222 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

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

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

*Expected arithmetic nominal return

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 27,250,645	\$ 22,618,138	\$ 4,632,507
Changes for the year:			
Service cost	626,535	-	626,535
Interest	1,867,389	-	1,867,389
Differences between expected and actual experience	(115,353)	-	(115,353)
Assumption changes	(242,841)	-	(242,841)
Contributions – employer	-	599,222	(599,222)
Contributions – employee	-	287,136	(287,136)
Net investment income	-	2,751,413	(2,751,413)
Benefit payments, including refunds of employee contributions	(1,147,327)	(1,147,327)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(15,827)	15,827
Other changes	-	(2,452)	2,452
Net changes	988,403	2,472,165	(1,483,762)
Balances at June 30, 2017	\$ 28,239,048	\$ 25,090,303	\$ 3,148,745

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	\$ 6,621,509	\$ 3,148,745	\$ 238,148

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$252,881. At June 30, 2018, 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	\$ 179,624	\$ 96,921
Change in assumptions	-	160,242
Net difference between projected and actual earnings on pension plan investments	-	356,622
Employer contributions subsequent to the measurement date	<u>646,623</u>	<u>-</u>
Total	<u>\$ 826,247</u>	<u>\$ 613,785</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Defined Benefit Pension Plan (Continued)

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

The \$646,623 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (191,995)
2020	(8,145)
2021	1,564
2022	(235,585)
2023	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

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

Plan Descriptions

Group Life Insurance Program

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

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

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

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$31,156
June 30, 2017 Contribution	\$29,528

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$ 463,000
June 30, 2017 proportion	0.03079%
June 30, 2016 proportion	0.02956%
June 30, 2018 expense	\$ 8,000

Group Life Insurance Program

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,000
Change in assumptions	-	24,000
Net difference between projected and actual earnings on OPEB plan investments	-	17,000
Changes in proportion	19,000	-
Employer contributions subsequent to the measurement date	31,156	-
Total	<u>\$ 50,156</u>	<u>\$ 52,000</u>

The deferred outflows of resources related to OPEB resulting from the Town of Warrenton's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

Group Life Insurance Program

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (8,000)
2020	(8,000)
2021	(8,000)
2022	(8,000)
2023	(1,000)
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, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.0%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	\$ 1,437,586
Employers' net OPEB liability (asset)	\$ 1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

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

Long-Term Expected Rate of Return

Group Life Insurance

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

Discount Rate

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 599,000	\$ 463,000	\$ 353,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 9. Property Taxes

The town collects real property taxes semi-annually and personal property taxes annually. Assessments are the responsibility of Fauquier County, while billing and collection are the Town's responsibilities. Town Council adopts tax rates in April of each year as part of the budget process. Real property taxes are levied as of January 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, 2018 were as follows:

Real estate	\$ 0.05
Personal property	1.00

Note 10. Risk Management

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Risk Management (Continued)

The Town is a member of the Virginia Association of Counties Group Self Insurance Risk Pool (VACORP) 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 VACORP contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

Note 11. Fund Balance

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

	General Fund	Care Fund
Nonspendable:		
Inventories	\$ 167,830	\$ -
Prepays	88,067	-
Permanent fund principal	-	607,432
Total nonspendable	<u>255,897</u>	<u>607,432</u>
Restricted for:		
General government administration	9,007	-
Community development	6,612	-
Public works	323,733	-
Parks, recreation, and cultural	207,839	-
Total restricted	<u>547,191</u>	<u>-</u>
Committed to:		
General government administration	13,140	-
Public safety	93,583	-
Public works	617,274	-
Parks, recreation, and cultural	17,134	-
Community development	398,551	-
Total committed	<u>1,139,682</u>	<u>-</u>
Unassigned	<u>10,894,756</u>	<u>-</u>
Total fund balance	<u>\$ 12,837,526</u>	<u>\$ 607,432</u>

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Commitments and Contingencies

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

Note 13. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

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

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

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

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

(Continued)

TOWN OF WARRENTON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13. New Accounting Standards (Continued)

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

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

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

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

Note 14. Adoption of a New Standard and Net Position Restatement

In the current year the Town of Warrenton adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75:

	Governmental Activities	Water and Sewer Fund
Net position at June 30, 2017, as previously reported	\$ 50,018,673	\$ 24,139,380
Recognition of other postemployment benefit liability and related deferred outflows/inflows in accordance with GASB Statement No. 75	<u>(360,729)</u>	<u>(126,743)</u>
Net position at June 30, 2017, as restated	<u>\$ 49,657,944</u>	<u>\$ 24,012,637</u>

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**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF WARRENTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PRIMARY GOVERNMENT
June 30, 2018

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

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
2018	\$ 646,623	\$ 646,623	\$ -	\$ 5,992,800	10.79 %
2017	599,222	599,222	-	5,666,307	10.58
2016	679,851	679,851	-	5,278,343	12.88
2015	628,342	628,342	-	4,878,431	12.88

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of 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, 2018

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
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.

TOWN OF WARRENTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – VRS GLI
June 30, 2018

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					
2018	\$ 31,156	\$ 31,156	\$ -	\$ 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, 2018

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

(Continued)

TOWN OF WARRENTON, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

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

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF WARRENTON, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

June 30, 2018

	Agency Fund	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 255,102	\$ 9,898	\$ 265,000
LIABILITIES			
Accounts payable	\$ 539	\$ -	\$ 539
Amounts held for others	254,563	9,898	264,461
	<u>\$ 255,102</u>	<u>\$ 9,898</u>	<u>\$ 265,000</u>

TOWN OF WARRENTON, VIRGINIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Agency Fund				
Assets				
Cash and cash equivalents	\$ 251,947	\$ 3,155	\$ -	\$ 255,102
Liabilities				
Accounts payable	\$ -	\$ 539	\$ -	\$ 539
Amounts held for others	251,947	2,616	-	254,563
	<u>\$ 251,947</u>	<u>\$ 3,155</u>	<u>\$ -</u>	<u>\$ 255,102</u>
Retirement Fund				
Assets				
Cash and cash equivalents	\$ 9,753	\$ 145	\$ -	\$ 9,898
Liabilities				
Amounts held for others	\$ 9,753	\$ 145	\$ -	\$ 9,898
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 261,700	\$ 3,300	\$ -	\$ 265,000
Liabilities				
Accounts payable	\$ -	\$ 539	\$ -	\$ 539
Amounts held for others	261,700	2,761	-	264,461
	<u>\$ 261,700</u>	<u>\$ 3,300</u>	<u>\$ -</u>	<u>\$ 265,000</u>

TOWN OF WARRENTON, VIRGINIA

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

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 785,000	\$ 785,000	\$ 789,635	\$ 4,635
Real and personal public service corporation taxes	13,000	13,000	12,769	(231)
Personal property taxes	469,039	469,039	441,047	(27,992)
Penalties	7,500	7,500	13,451	5,951
Interest	4,800	4,800	4,318	(482)
Total general property taxes	1,279,339	1,279,339	1,261,220	(18,119)
Other local taxes:				
Local sales and use taxes	724,200	724,200	709,036	(15,164)
Consumers' utility taxes	517,400	517,400	510,053	(7,347)
Business license taxes	1,910,000	1,910,000	2,026,990	116,990
Consumption taxes	76,700	76,700	64,166	(12,534)
Motor vehicle licenses	166,667	166,667	195,750	29,083
Bank stock taxes	520,000	520,000	849,887	329,887
Hotel and motel room taxes	238,500	238,500	236,175	(2,325)
Restaurant food tax	2,568,410	2,568,410	2,550,799	(17,611)
Cigarette tax	160,000	160,000	171,699	11,699
Total other local taxes	6,881,877	6,881,877	7,314,555	432,678
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	191,900	191,900	170,336	(21,564)
Fines and forfeitures:				
Court fines and forfeitures	210,000	210,000	166,622	(43,378)
Revenue from use of money and property:				
Revenue from use of money	50,000	50,000	121,722	71,722
Revenue from use of property	8,500	8,500	7,725	(775)
Total revenue from use of money and property	58,500	58,500	129,447	70,947
Charges for services:				
Warf – recreation	1,344,872	1,344,872	1,229,165	(115,707)
Total charges for services	1,344,872	1,344,872	1,229,165	(115,707)

(Continued)

TOWN OF WARRENTON, VIRGINIA

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

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other local taxes: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 188,400	\$ 588,283	367,596	\$ (220,687)
Total revenue from local sources	10,154,888	10,554,771	10,638,941	84,170
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicle rental tax	105,000	105,000	121,172	16,172
Rolling stock tax	60	60	116	56
Communications tax	525,000	525,000	492,541	(32,459)
Personal property tax relief funds	718,492	718,492	718,492	-
Total non-categorical aid	1,348,552	1,348,552	1,332,321	(16,231)
Categorical aid:				
Other categorical aid:				
Litter control grant	3,700	3,700	4,071	371
DCJS grants for law enforcement	203,871	203,871	203,872	1
Bluemont series grant	4,500	4,500	4,500	-
Street and highway maintenance	1,346,679	1,346,679	1,401,189	54,510
VDOT revenue sharing	71,500	380,514	109,829	(270,685)
Fire program	25,000	25,000	32,130	7,130
Total categorical aid	1,655,250	1,964,264	1,755,591	(208,673)
Total revenue from the Commonwealth	3,003,802	3,312,816	3,087,912	(224,904)
Revenue from the Federal Government:				
Categorical aid:				
Department of justice grant	2,000	2,000	2,000	-
Transportation safety grant	2,500	2,500	2,207	(293)
Total revenue from the Federal Government	4,500	4,500	4,207	(293)
Total general fund	\$ 13,163,190	\$ 13,872,087	\$ 13,731,060	\$ (141,027)

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government administration:				
Legislative	\$ 149,924	\$ 221,924	\$ 215,663	\$ 6,261
Executive	262,898	234,177	234,177	-
Legal services	188,864	204,287	200,120	4,167
Finance	559,496	564,184	538,246	25,938
Memberships and dues	10,909	10,909	8,959	1,950
Electoral board	10,000	10,000	7,005	2,995
Data processing	280,906	280,906	244,928	35,978
Motor pool	407,799	407,799	407,799	-
Total general government administration	1,870,796	1,934,186	1,856,897	77,289
Public safety:				
Department of police	3,170,503	3,188,050	3,033,943	154,107
Fire and rescue services	313,593	323,508	323,508	-
Bureau of building inspections	357,978	357,978	321,323	36,655
Total public safety	3,842,074	3,869,536	3,678,774	190,762
Public works:				
Public works administration	581,889	620,923	588,187	32,736
Bureau of street maintenance	763,583	725,353	725,353	-
Arterial street maintenance	468,507	470,007	396,980	73,027
Collector street maintenance	409,226	427,726	399,815	27,911
Refuse collection	404,874	414,874	401,295	13,579
Cemetery maintenance	128,240	167,783	132,859	34,924
Recycling program	132,046	132,857	125,894	6,963
Maintenance, buildings, and grounds	345,769	322,830	300,125	22,705
Total public works	3,234,134	3,282,353	3,070,508	211,845
Health and welfare:				
Welfare/social services	133,892	133,892	133,891	1
Parks, recreation, and cultural:				
Aquatic center	1,507,098	1,505,768	1,348,455	157,313
Parks	259,392	259,392	230,365	29,027
Parks and recreation – administration	351,531	352,861	352,861	-
Cultural enrichment	52,000	52,000	52,000	-
Total parks, recreation, and cultural	2,170,021	2,170,021	1,983,681	186,340

(Continued)

TOWN OF WARRENTON, VIRGINIA

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development:				
Planning and zoning	\$ 888,272	\$ 979,164	\$ 708,723	\$ 270,441
Visitor's center	84,665	84,665	76,384	8,281
Zoning appeals board	4,700	4,700	1,535	3,165
Economic development	159,427	159,427	131,973	27,454
Architectural review board	2,700	2,700	692	2,008
Total community development	<u>1,139,764</u>	<u>1,230,656</u>	<u>919,307</u>	<u>311,349</u>
Capital outlay:				
Capital outlay	<u>1,876,285</u>	<u>3,050,664</u>	<u>1,862,979</u>	<u>1,187,685</u>
Debt service:				
Principal	458,000	493,000	489,537	3,463
Interest	<u>175,598</u>	<u>175,598</u>	<u>178,807</u>	<u>(3,209)</u>
Total debt service	<u>633,598</u>	<u>668,598</u>	<u>668,344</u>	<u>254</u>
Total general fund	<u><u>\$ 14,900,564</u></u>	<u><u>\$ 16,339,906</u></u>	<u><u>\$ 14,174,381</u></u>	<u><u>\$ 2,165,525</u></u>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 29,729,797	\$ 28,743,572	\$ 28,082,545	\$ 27,226,044	\$ 25,993,382	\$ 25,272,376	\$ 42,200,589	\$ 40,859,457	\$ 39,510,889	\$ 38,788,308
Restricted	1,979,763	588,890	590,042	590,889	591,797	592,370	592,995	594,800	1,159,023	1,154,623
Unrestricted	6,279,976	6,896,905	8,216,674	8,753,021	9,716,926	11,120,437	9,734,918	9,737,204	9,348,761	9,197,065
Total governmental activities net position	<u>\$ 37,989,536</u>	<u>\$ 36,229,367</u>	<u>\$ 36,889,261</u>	<u>\$ 36,569,954</u>	<u>\$ 36,302,105</u>	<u>\$ 36,985,183</u>	<u>\$ 52,528,502</u>	<u>\$ 51,191,461</u>	<u>\$ 50,018,673</u>	<u>\$ 49,139,996</u>
Business-type activities										
Net investment in capital assets	\$ 41,495,789	\$ 40,943,440	\$ 41,761,645	\$ 41,182,941	\$ 39,058,157	\$ 38,898,827	\$ 19,807,462	\$ 18,957,111	\$ 18,022,962	\$ 17,336,839
Restricted	4,824,596	-	-	-	-	-	-	-	157,747	174,636
Unrestricted	5,872,394	12,281,685	9,234,096	9,016,421	8,853,470	7,141,893	4,262,278	4,097,907	5,958,671	6,664,583
Total business-type activities net position	<u>\$ 52,192,779</u>	<u>\$ 53,225,125</u>	<u>\$ 50,995,741</u>	<u>\$ 50,199,362</u>	<u>\$ 47,911,627</u>	<u>\$ 46,040,720</u>	<u>\$ 24,069,740</u>	<u>\$ 23,055,018</u>	<u>\$ 24,139,380</u>	<u>\$ 24,176,058</u>
Primary government										
Net investment in capital assets	\$ 71,225,586	\$ 69,687,012	\$ 69,844,190	\$ 68,408,985	\$ 65,051,539	\$ 64,171,203	\$ 62,008,051	\$ 59,816,568	\$ 57,533,851	\$ 56,125,147
Restricted	6,804,359	588,890	590,042	590,889	591,797	592,370	592,995	594,800	1,316,770	1,329,259
Unrestricted	12,152,370	19,178,590	17,450,770	17,769,442	18,570,396	18,262,330	13,997,196	13,835,111	15,307,432	15,861,648
Total primary government net position	<u>\$ 90,182,315</u>	<u>\$ 89,454,492</u>	<u>\$ 87,885,002</u>	<u>\$ 86,769,316</u>	<u>\$ 84,213,732</u>	<u>\$ 83,025,903</u>	<u>\$ 76,598,242</u>	<u>\$ 74,246,479</u>	<u>\$ 74,158,053</u>	<u>\$ 73,316,054</u>

Note: GASB Statement 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 926,615	\$ 1,794,610	\$ 1,545,922	\$ 1,581,008	\$ 1,591,497	\$ 1,741,519	\$ 1,670,785	\$ 1,753,257	\$ 1,065,479	\$ 1,245,681
Public safety	2,731,817	2,894,544	2,848,144	2,761,692	2,760,751	2,887,360	2,950,483	3,612,887	4,118,389	4,070,378
Public works	1,742,009	3,927,356	4,188,005	3,319,070	4,253,156	3,621,458	4,101,334	4,727,802	5,062,855	4,890,072
Heath and welfare	95,851	100,441	100,391	98,159	88,278	88,400	89,291	120,505	117,164	133,891
Parks, recreation, and cultural	147,141	145,439	123,954	142,429	134,279	124,834	2,867,135	2,366,743	3,155,724	2,719,536
Community development	552,783	446,757	422,623	403,217	432,674	408,615	447,025	638,788	803,021	935,243
Interest on long-term debt	-	-	-	-	4,766	4,572	3,656	286,949	269,932	269,121
Total governmental activities expenses	6,196,216	9,309,147	9,229,039	8,305,575	9,265,401	8,876,758	12,129,709	13,506,931	14,592,564	14,263,922
Business-type activities:										
Water and sewer	4,912,376	4,741,236	5,020,796	5,194,404	5,479,541	5,300,755	5,514,237	5,492,546	5,211,692	5,625,153
Parks and recreation	2,034,786	2,602,184	2,648,084	2,694,855	2,811,590	2,675,844	-	-	-	-
Total business-type activities expenses	6,947,162	7,343,420	7,668,880	7,889,259	8,291,131	7,976,599	5,514,237	5,492,546	5,211,692	5,625,153
Total primary government expenses	\$ 13,143,378	\$ 16,652,567	\$ 16,897,919	\$ 16,194,834	\$ 17,556,532	\$ 16,853,357	\$ 17,643,946	\$ 18,999,477	\$ 19,804,256	\$ 19,889,075
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ -	\$ 635,896	\$ 548,591	\$ 130,911	\$ 136,496	\$ 170,563	\$ 354,325	\$ 292,415	\$ 166,562	\$ 170,336
Public safety	196,490	167,156	257,075	307,479	280,842	387,684	185,186	128,499	125,169	166,622
Public works	-	142,677	139,576	423,787	182,847	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	-	-	1,191,345	1,137,892	1,187,054	1,229,165
Community development	150,781	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,516,783	1,550,847	1,436,300	1,729,107	1,485,397	1,531,049	1,585,610	1,693,950	2,034,936	1,649,969
Capital grants and contributions	-	-	-	-	-	199,425	51,617	136,235	7,882	109,830
Total governmental activities program revenues	1,864,054	2,496,576	2,381,542	2,591,284	2,085,582	2,288,721	3,368,083	3,388,991	3,521,603	3,325,922
Business-type activities:										
Charges for services:										
Water and sewer	\$ 3,683,359	\$ 3,753,934	\$ 3,740,589	\$ 3,676,434	\$ 3,627,141	\$ 3,638,503	\$ 3,588,448	\$ 3,948,790	\$ 5,652,278	\$ 5,485,203
Parks and recreation	877,634	1,003,989	1,057,900	1,129,496	1,216,343	1,203,153	-	-	-	-
Capital grants and contributions	2,202,277	981,035	501,921	271,973	345,066	123,914	175,350	363,519	-	-
Total business-type activities program revenues	6,763,270	5,738,958	5,300,410	5,077,903	5,188,550	4,965,570	3,763,798	4,312,309	5,652,278	5,485,203
Total primary government program revenues	\$ 8,627,324	\$ 8,235,534	\$ 7,681,952	\$ 7,669,187	\$ 7,274,132	\$ 7,254,291	\$ 7,131,881	\$ 7,701,300	\$ 9,173,881	\$ 8,811,125

(Continued)

TABLE 2

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (expense)/revenue										
Governmental activities	\$ (4,332,162)	\$ (6,812,571)	\$ (6,847,497)	\$ (5,714,291)	\$ (7,179,819)	\$ (6,588,037)	\$ (8,761,626)	\$ (10,117,940)	\$ (11,070,961)	\$ (10,938,000)
Business-type activities	(183,892)	(1,604,462)	(2,368,470)	(2,811,356)	(3,102,581)	(3,011,029)	(1,750,439)	(1,180,237)	440,586	(139,950)
Total primary government net expense	<u>\$ (4,516,054)</u>	<u>\$ (8,417,033)</u>	<u>\$ (9,215,967)</u>	<u>\$ (8,525,647)</u>	<u>\$ (10,282,400)</u>	<u>\$ (9,599,066)</u>	<u>\$ (10,512,065)</u>	<u>\$ (11,298,177)</u>	<u>\$ (10,630,375)</u>	<u>\$ (11,077,950)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 620,168	\$ 562,348	\$ 577,941	\$ 558,908	\$ 513,896	\$ 605,047	\$ 678,228	\$ 670,016	\$ 1,234,762	\$ 1,267,738
Sales and use taxes	461,030	448,227	484,640	508,741	530,836	561,084	595,653	673,700	732,197	709,036
Consumer's utility taxes	458,357	511,347	488,018	492,636	493,720	500,111	498,312	512,780	503,001	510,053
Business license taxes	1,248,770	1,405,894	1,528,085	1,363,590	1,366,360	1,914,525	1,656,923	1,851,067	1,918,233	2,026,990
Meals taxes	1,816,416	1,767,095	1,901,261	2,062,342	2,152,237	2,191,572	2,265,639	2,383,067	2,621,782	2,550,799
Communications taxes	561,660	-	-	-	-	-	-	-	-	-
Bank stock taxes	355,391	457,211	437,022	448,600	463,135	496,445	581,150	521,997	690,566	849,887
Other local taxes	568,191	547,318	525,748	547,166	545,009	549,569	535,802	571,268	465,684	667,790
Unrestricted revenues from use of money and property	255,025	50,696	37,421	29,029	30,021	21,663	21,392	46,417	96,515	137,843
Miscellaneous	27,049	148,285	120,425	199,056	128,931	96,910	110,473	207,646	346,308	367,596
Unrestricted grants and contributions	795,668	1,366,476	1,406,830	1,373,853	1,358,220	1,310,350	1,407,566	1,342,941	1,344,815	1,332,320
Transfers	-	(1,331,819)	-	-	(670,395)	(976,161)	-	-	(55,690)	-
Total governmental activities	<u>7,167,725</u>	<u>5,933,078</u>	<u>7,507,391</u>	<u>7,583,921</u>	<u>6,911,970</u>	<u>7,271,115</u>	<u>8,351,138</u>	<u>8,780,899</u>	<u>9,898,173</u>	<u>10,420,052</u>
Business-type activities:										
Unrestricted revenues from use of money and property	76,032	15,701	13,907	141,838	144,451	163,961	151,120	165,515	214,130	303,371
Miscellaneous	125,187	130,113	125,179	-	-	-	-	-	8,500	-
Transfers	-	1,331,819	-	-	670,395	976,161	-	-	55,690	-
Total business-type activities	<u>201,219</u>	<u>1,477,633</u>	<u>139,086</u>	<u>141,838</u>	<u>814,846</u>	<u>1,140,122</u>	<u>151,120</u>	<u>165,515</u>	<u>278,320</u>	<u>303,371</u>
Total primary government	<u>\$ 7,368,944</u>	<u>\$ 7,410,711</u>	<u>\$ 7,646,477</u>	<u>\$ 7,725,759</u>	<u>\$ 7,726,816</u>	<u>\$ 8,411,237</u>	<u>\$ 8,502,258</u>	<u>\$ 8,946,414</u>	<u>\$ 10,176,493</u>	<u>\$ 10,723,423</u>
Change in Net Position										
Governmental activities	\$ 2,835,563	\$ (879,493)	\$ 659,894	\$ 1,869,630	\$ (267,849)	\$ 683,078	\$ (410,488)	\$ (1,337,041)	\$ (1,172,788)	\$ (517,948)
Business-type activities	17,327	(126,829)	(2,229,384)	(2,669,518)	(2,287,735)	(1,870,907)	(1,599,319)	(1,014,722)	718,906	163,421
Total primary government	<u>\$ 2,852,890</u>	<u>\$ (1,006,322)</u>	<u>\$ (1,569,490)</u>	<u>\$ (799,888)</u>	<u>\$ (2,555,584)</u>	<u>\$ (1,187,829)</u>	<u>\$ (2,009,807)</u>	<u>\$ (2,351,763)</u>	<u>\$ (453,882)</u>	<u>\$ (354,527)</u>

TABLE 3

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,392,537	\$ 1,748,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,522,659	5,141,861	-	-	-	-	-	-	-	-
Nonspendable	-	-	183,407	148,259	103,517	125,799	210,061	204,273	152,391	255,897
Restricted	-	-	-	-	-	-	-	-	559,987	547,191
Committed	-	-	1,301,762	369,174	302,662	828,454	493,043	976,809	370,451	1,139,682
Unassigned	-	-	6,756,426	8,511,933	9,909,063	10,593,545	11,914,259	11,521,316	11,871,309	10,894,756
Total general fund	<u>\$ 7,915,196</u>	<u>\$ 6,890,315</u>	<u>\$ 8,241,595</u>	<u>\$ 9,029,366</u>	<u>\$ 10,315,242</u>	<u>\$ 11,547,798</u>	<u>\$ 12,617,363</u>	<u>\$ 12,702,398</u>	<u>\$ 12,954,138</u>	<u>\$ 12,837,526</u>
All other governmental funds										
Unreserved, reported in:										
Permanent funds	\$ 587,226	\$ 588,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable, reported in:										
Permanent funds	<u>-</u>	<u>-</u>	<u>590,042</u>	<u>590,889</u>	<u>591,797</u>	<u>592,370</u>	<u>592,995</u>	<u>592,995</u>	<u>599,036</u>	<u>607,432</u>
Total all other governmental funds	<u>\$ 587,226</u>	<u>\$ 588,890</u>	<u>\$ 590,042</u>	<u>\$ 590,889</u>	<u>\$ 591,797</u>	<u>\$ 592,370</u>	<u>\$ 592,995</u>	<u>\$ 592,995</u>	<u>\$ 599,036</u>	<u>\$ 607,432</u>

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

TABLE 4

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	\$ 628,812	\$ 576,328	\$ 555,233	\$ 567,694	\$ 539,313	\$ 589,341	\$ 674,372	\$ 677,081	\$ 1,248,466	\$ 1,261,220
Other local taxes	5,469,815	5,137,092	5,294,029	5,423,075	5,551,297	6,213,306	6,133,479	6,513,879	6,931,463	7,314,555
Permits, privilege fees, and regulatory licenses	196,490	142,677	139,576	423,787	182,847	128,220	203,476	177,739	166,562	170,336
Fines and forfeitures	150,781	167,156	257,075	307,479	280,842	259,464	185,186	128,499	125,169	166,622
Revenue from use of money and property	255,025	50,696	37,421	29,029	30,021	21,663	21,392	46,417	96,515	137,843
Charges for services	-	-	-	130,911	136,496	170,563	1,342,194	1,252,568	1,187,054	1,229,165
Miscellaneous	27,049	148,285	120,425	199,056	128,931	96,910	110,473	207,646	346,308	367,596
Intergovernmental										
Commonwealth	2,309,451	2,914,059	2,825,505	2,913,744	2,829,793	2,991,893	3,042,804	3,081,912	2,993,657	3,087,912
Federal	3,000	3,264	17,625	189,216	13,824	48,931	1,989	91,214	393,976	4,207
Total revenues	9,040,423	9,139,557	9,246,889	10,183,991	9,693,364	10,520,291	11,715,365	12,176,955	13,489,170	13,739,456
Expenditures										
General government administration	946,907	1,128,769	936,694	1,517,470	1,528,394	1,724,504	1,625,564	1,782,114	957,937	1,242,131
Public safety	2,620,108	2,777,763	2,749,926	2,663,568	2,666,012	2,586,897	2,915,874	3,485,482	3,647,869	3,912,693
Public works	2,668,694	2,868,026	2,993,992	2,209,299	2,754,566	2,387,155	2,765,710	3,296,769	3,991,747	3,370,708
Health and welfare	95,851	100,441	100,391	98,159	88,278	88,400	89,291	120,505	117,164	133,891
Parks, recreation, and cultural	142,506	144,807	121,616	143,106	133,755	120,826	1,848,203	1,899,681	2,068,860	2,042,098
Community development	524,919	426,009	392,305	352,128	411,295	401,399	451,940	656,908	806,044	941,537
Capital projects	199,461	231,128	670,278	464,528	591,719	821,485	238,836	606,109	951,293	1,862,979
Debt service										
Principal	-	-	-	-	86,808	174,880	594,679	521,158	448,000	489,537
Interest and other fiscal charges	-	-	-	-	3,883	5,455	222,390	203,958	188,590	178,807
Total expenditures	7,198,446	7,676,943	7,965,202	7,448,258	8,264,710	8,311,001	10,752,487	12,572,684	13,177,504	14,174,381
Excess of revenues over (under) expenditures	1,841,977	1,462,614	1,281,687	2,735,733	1,428,654	2,209,290	962,878	(395,729)	311,666	(434,925)
Other financing sources (uses)										
Transfers in	-	-	-	60,000	-	-	-	-	-	-
Transfers out	-	(1,331,819)	(984,737)	(936,208)	(670,395)	(976,161)	-	-	(55,690)	-
Proceeds from indebtedness	-	-	-	-	528,525	-	-	-	-	326,709
Total other financing sources (uses)	-	(1,331,819)	(984,737)	(876,208)	(141,870)	(976,161)	-	-	(55,690)	326,709
Net change in fund balances	\$ 1,841,977	\$ 130,795	\$ 296,950	\$ 1,859,525	\$ 1,286,784	\$ 1,233,129	\$ 962,878	\$ (395,729)	\$ 255,976	\$ (108,216)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	2.47%	8.43%	6.04%	4.83%	4.72%

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)
2018	\$ 1,707,497,200	\$ 111,426,844	\$ 381,478	\$ 26,933,972	\$ 1,846,239,494	0.108
2017	1,555,378,500	111,836,351	350,166	26,222,252	1,693,787,269	0.114
2016	1,559,784,700	110,382,101	362,252	26,233,712	1,696,762,765	0.079
2015	1,548,458,500	110,060,306	379,240	26,169,523	1,685,067,569	0.080
2014	1,554,110,600	99,076,256	362,438	26,004,347	1,679,553,641	0.073
2013	1,388,763,400	93,279,002	366,978	26,002,462	1,508,411,842	0.076
2012	1,380,231,600	91,617,748	364,903	27,948,051	1,500,162,302	0.075
2011	1,376,203,000	88,172,640	407,578	28,221,981	1,493,005,199	0.073
2010	1,376,237,100	85,698,058	630,921	28,612,897	1,491,178,976	0.072
2009	1,767,638,600	93,472,804	587,884	28,291,208	1,889,990,496	0.064

- (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 County of Fauquier	
	Real Estate	Personal Property	Machinery and Tools		Real Estate	Personal Property
2018	\$ 0.050	\$ 1.00	\$ 1.00	\$ 0.108	\$ 0.982	\$ 4.65
2017	0.050	1.00	1.00	0.114	1.039	4.65
2016	0.015	1.00	1.00	0.079	0.999	4.65
2015	0.015	1.00	1.00	0.080	0.999	4.65
2014	0.015	1.00	1.00	0.073	0.992	4.65
2013	0.015	1.00	1.00	0.076	0.980	4.65
2012	0.015	1.00	1.00	0.750	0.970	4.65
2011	0.015	1.00	1.00	0.073	0.970	4.65
2010	0.015	1.00	1.00	0.072	0.970	4.65
2009	0.015	1.00	1.00	0.064	0.765	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	Communi- cations Taxes (2)	Meals Taxes	Transient Occupancy Taxes	Business Licenses	Motor Vehicle Licenses	Other Taxes	Cigarette Taxes	Total
2018	\$ 1,261,220	\$ 709,036	\$ 510,053	\$ 849,887	\$ -	\$ 2,550,799	\$ 232,628	\$ 2,026,990	\$ 195,750	\$ 67,713	\$ 171,699	8,575,775
2017	1,248,466	732,197	503,001	690,566	-	2,621,782	232,629	1,918,233	4,479	69,787	158,789	8,179,929
2016	677,081	673,700	512,780	521,997	-	2,383,067	238,418	1,851,067	95,652	72,938	164,260	7,190,960
2015	678,228	595,653	498,312	581,150	-	2,265,639	190,005	1,656,923	102,855	72,152	170,790	6,811,707
2014	605,047	561,084	500,111	496,445	-	2,191,572	190,233	1,914,525	101,969	75,647	181,720	6,818,353
2013	539,313	530,836	541,096	479,590	-	2,152,237	187,263	1,366,360	104,047	-	189,868	6,090,610
2012	567,694	508,741	540,413	467,392	-	2,062,342	195,419	1,363,590	102,358	-	182,820	5,990,769
2011	555,233	484,640	538,512	464,428	-	1,901,261	169,364	1,528,085	100,710	-	177,774	5,920,007
2010	576,328	448,227	562,803	494,251	-	1,767,095	159,647	1,405,894	99,051	-	200,124	5,713,420
2009	628,812	461,030	504,906	417,266	561,660	1,816,416	174,398	1,248,770	96,245	-	189,124	6,098,627

(1) Includes general fund and special revenue funds.

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

TABLE 8

TOWN OF WARRENTON, VIRGINIA

MEALS TAX REVENUES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Gross Receipts</u>	<u>Meals Tax Revenue</u>
2018	\$ 0.04	\$ 63,769,475	\$ 2,550,779
2017	0.04	65,544,550	2,621,782
2016	0.04	59,576,675	2,383,067
2015	0.04	56,640,975	2,265,639
2014	0.04	54,789,300	2,191,572
2013	0.04	53,805,925	2,152,237
2012	0.04	51,558,550	2,062,342
2011	0.04	47,531,525	1,901,261
2010	0.04	44,177,375	1,767,095
2009	0.04	45,410,400	1,816,416

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	2018		2009	
		2018 Total Assessed Value	Percentage of Total Assessed Value	2009 Total Assessed Value	Percentage of Total Assessed Value
Fauquier Medical Center LLC	Medical Center	\$ 76,382,400	30.90 %	\$ -	- %
Warrenton Center LLC	Shopping Center	34,813,000	14.08	27,714,500	24.34
Northrock Center LLC	Office Center Complex	18,931,400	7.66	-	-
Warrenton Development Company	Developer	16,755,200	6.78	21,008,800	18.45
Walmart	Retail Store	16,463,800	6.66	14,559,700	12.79
Jefferson Associates	Office Center Complex	14,628,300	5.92	-	-
Warrenton Village LLC	Shopping Center	12,582,400	5.09	15,854,771	13.93
Seritage SRC Finance (Sears)	Retail Store	10,332,800	4.18	-	-
Warrenton Professional Center	Shopping Center	10,316,200	4.17	11,667,369	10.25
Home Depot USA Inc.	Retail Store	10,134,600	4.10	-	-
Fauquier Long Term Care	Health Care Provider	9,666,500	3.91	-	-
Kalis Holdings Inc.	Shopping Center	8,834,400	3.57	10,372,800	9.11
Highland Commons LP	Developer	7,389,500	2.98	-	-
Sears Roebuck and Co.	Retail Store	-	-	12,666,900	11.13
		<u>\$ 247,230,500</u>	<u>100.00 %</u>	<u>\$ 113,844,840</u>	<u>100.00 %</u>

Source: Fauquier County Commissioner of the Revenue.

TABLE 10

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

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
2018	\$ 1,873,452	\$ 1,843,214	98.39 %	\$ -	\$ 1,843,214	98.39 %
2017	1,896,053	1,865,815	98.41	15,903	1,881,718	99.24
2016	1,277,669	1,126,746	88.19	-	1,126,746	88.19
2015	1,267,260	1,246,135	98.33	3,625	1,249,760	98.62
2014	1,223,273	1,139,748	93.17	7,605	1,147,353	93.79
2013	1,122,476	1,074,859	95.76	4,430	1,079,289	96.15
2012	1,099,738	1,058,965	99.01	8,729	1,067,694	97.09
2011	1,085,040	1,037,948	95.66	9,923	1,047,871	96.57
2010	1,283,322	1,250,045	97.41	10,215	1,260,260	98.20
2009	1,346,551	1,305,936	96.98	16,183	1,322,119	98.19

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

TABLE 11

TOWN OF WARRENTON, VIRGINIA

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

Fiscal Year	Direct Rates	Overlapping Rates
	County of Fauquier (1)	
	Meals Tax	Meals Tax
	Percent of Gross	Percent of Gross
2018	4.00 %	0.00 %
2017	4.00	0.00
2016	4.00	0.00
2015	4.00	0.00
2014	4.00	0.00
2013	4.00	0.00
2012	4.00	0.00
2011	4.00	0.00
2010	4.00	0.00
2009	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

<u>Type of Establishment</u>	<u>2018</u>		<u>2009*</u>	
	<u>Total Assessed Value</u>	<u>Percentage of Total Assessed Value</u>	<u>Total Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Fast Food Restaurants	\$ 26,330,847	41.29 %	\$ -	- %
Sit-Down Restaurants	32,609,338	51.14	-	-
Convenience Stores	4,829,290	7.57	-	-
	<u>\$ 63,769,475</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 2009.

TABLE 13

TOWN OF WARRENTON, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases	General Obligation Bonds	General Obligation Bonds	Premium on Bond Issue			
2018	\$ 295,172	\$ 7,562,000	\$ 12,180,000	\$ -	\$ 20,037,172	5.39 %	\$ 2,029
2017	-	8,020,000	5,020,000	-	13,040,000	3.31	1,322
2016	-	8,468,000	5,020,000	-	13,488,000	3.34	1,363
2015	90,158	8,899,000	-	-	8,989,158	2.27	907
2014	266,837	-	9,317,000	-	9,583,837	2.77	980
2013	441,717	-	9,717,000	-	10,158,717	2.68	1,036
2012	-	-	8,575,000	245,897	8,820,897	2.43	906
2011	-	-	8,835,000	266,590	9,101,590	2.43	947
2010	-	-	9,085,000	287,781	9,372,781	2.92	1,003
2009	-	-	9,325,000	309,451	9,634,451	2.13	1,050

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

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

TABLE 14

TOWN OF WARRENTON, VIRGINIA

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

Fiscal Year Ended June 30,	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt Per Capita (1)
2018	\$ 7,562,000	\$ -	\$ 7,562,000	0.41 %	\$ 766
2017	8,020,000	-	8,020,000	0.47	813
2016	8,468,000	-	8,468,000	0.50	856
2015	8,899,000	-	8,899,000	0.53	898
2014	9,317,000	-	9,317,000	0.55	953
2013	9,717,000	-	9,717,000	0.64	991
2012	8,820,897	-	8,820,897	0.59	906
2011	9,101,590	-	8,835,000	0.59	919
2010	9,372,781	-	9,085,000	0.61	1,003
2009	9,634,451	-	9,325,000	0.49	1,050

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

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

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

TABLE 15

TOWN OF WARRENTON, VIRGINIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
YEAR ENDED JUNE 30, 2018

<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	\$ 84,270,903	13.7 %	\$ 11,548,528
Subtotal, overlapping debt			
Town of Warrenton, direct debt			<u>20,037,172</u>
Total direct and overlapping debt			<u><u>\$ 31,585,700</u></u>

Source: County of Fauquier June 30, 2018 Comprehensive annual Financial Report.

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

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

TABLE 16

TOWN OF WARRENTON, VIRGINIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 188,999,050	\$ 149,303,930	\$ 149,300,520	\$ 141,441,230	\$ 151,876,864	\$ 169,176,644	\$ 169,555,067	\$ 170,785,097	\$ 169,871,947	\$ 185,103,909
Total net debt applicable to limit	9,325,000	9,085,000	8,835,000	8,820,897	9,717,000	9,317,000	8,899,000	13,488,000	13,040,000	20,037,172
Legal debt margin	<u>\$ 179,674,050</u>	<u>\$ 140,218,930</u>	<u>\$ 140,465,520</u>	<u>\$ 132,620,333</u>	<u>\$ 142,159,864</u>	<u>\$ 159,859,644</u>	<u>\$ 160,656,067</u>	<u>\$ 157,297,097</u>	<u>\$ 156,831,947</u>	<u>\$ 165,066,737</u>
Total net debt applicable to the limit as a percentage of debt limit	4.93%	6.08%	5.92%	6.24%	6.40%	5.51%	5.25%	7.90%	7.68%	10.82%

Legal debt margin calculation for fiscal year 2018

Assessed value	\$ 1,846,239,494
Add back: exempt real property	<u>4,799,600</u>
Total assessed value	<u>\$ 1,851,039,094</u>
Debt limit (10% of total assessed value)	\$ 185,103,909
Net debt applicable to limit	<u>20,037,172</u>
Legal debt margin	<u>\$ 165,066,737</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
2018	9,875	\$ 371,882,625	37,659	40	2,053	3.1 %
2017	9,861	394,026,784	39,958	43	1,633	3.4
2016	9,897	403,781,098	40,366	41	1,560	3.4
2015	9,907	395,170,416	39,888	40	2,138	4.4
2014	9,775	346,044,775	35,401	41	2,008	4.7
2013	9,803	379,474,130	38,710	38	2,008	4.8
2012	9,735	362,297,760	37,216	40	1,572	4.8
2011	9,611	375,126,941	39,031	39	1,584	5.2
2010	9,059	321,223,081	35,459	40	1,581	5.6
2009	8,877	451,430,958	50,854	38	1,535	5.4

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

TABLE 18

TOWN OF WARRENTON, VIRGINIA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2018		Fiscal Year 2009	
	Rank	Employees	Rank	Employees
Fauquier County School Board	1	1,000 and over	1	1,000 and over
Fauquier Health System	2	1,000 and over	2	1,000 and over
County of Fauquier	3	500 to 999	3	500 to 999
Walmart	4	250 to 499	4	100 to 249
Food Lion (Bloom-2007)	5	100 to 249		
Town of Warrenton	6	100 to 249	9	100 to 249
Warrenton Operations LLC T/A Brookside Rehab and Nursing Ctr	7	100 to 249		
Country Chevrolet	8	Under 100		
Blue Ridge Orthopaedic Associates	9	Under 100		
The Fauquier Bank	10	Under 100	6	100 to 249
Giant Food			8	100 to 249
Warrenton Overlook Health Center			5	100 to 249
The Home Depot			10	Under 100
Safeway			7	100 to 249

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

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

TABLE 19

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General and financial administration	6	6	6	6	6	6	6	6	6	7
Legislative	1	1	1	1	1	1	1	1	1	2
Public safety										
Police department	25	27	27	27	25	25	25	26	28	23
Fire and rescue	1	1	1	1	1	1	2	2	2	2
Building inspections	2	2	2	2	2	2	2	2	3	3
Public works										
General maintenance	23	23	23	23	23	23	23	23	22	20
Administration	5	5	4	4	5	5	5	5	5	6
Culture and recreation	3	3	3	3	3	3	3	4	6	7
Planning and community development	5	4	3	3	3	3	4	5	6	6
Water and sewer										
Water	16	15	14	14	14	14	14	14	14	12
Wastewater	8	8	7	7	7	7	7	7	7	7
Administration	4	7	6	6	6	6	6	6	6	6
Motor pool	2	2	3	3	3	3	3	3	3	3
Information technology	-	-	-	-	-	-	-	1	1	1
	101	104	100	100	99	99	101	105	110	105

Source: Department of Finance and Human Resources.

TABLE 20

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety:										
Police department:										
Physical arrests	358	430	397	371	390	248	295	194	164	320
Traffic violations	2,696	5,360	6,243	3,989	6,557	5,355	3,317	3,375	2,022	2,290
Fire and rescue:										
Number of calls answered	3,972	2,435	2,416	2,643	2,100	2,601	2,819	2,811	2,982	3,028
Building inspections:										
Permits issued	676	382	333	700	671	585	649	745	622	641
Public works:										
Refuse collected (tons/year)	4,138	3,825	3,920	3,844	3,746	3,761	3,822	361	3,709	3,616
Recycling (tons/year)	728	783	881	919	4,539	1,244	1,253	963	994	1,298
Community development:										
Planning:										
Zoning permits issued	267	155	166	159	150	170	180	174	202	187

Source: Individual Town departments.

TABLE 21

TOWN OF WARRENTON, VIRGINIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	17	19	21	21	21	21	21	21
Fire stations	1	1	1	1	1	1	1	1	1	1
Sanitation:										
Collection trucks	2	2	2	2	2	3	3	3	4	4
Highway and streets:										
Streets (miles)	86.37	86.49	86.49	86.49	94.52	94.52	93.47	93.47	93.47	93.47
Streetlights	770	770	772	772	795	810	810	810	810	810
Traffic signals	8	10	10	10	11	11	12	12	12	12
Culture and recreation:										
Parks acreage	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69
Parks	5	5	5	5	5	5	5	5	5	5
Water:										
Water mains (miles)	82.40	84.00	84.00	84.00	86.00	86.00	86.00	86.00	86.00	88.00
Fire hydrants	681	690	716	717	725	725	725	731	731	743.00
Sewer:										
Sanitary sewers	63.20	63.20	66.00	66.00	66.00	66.00	66.00	68.00	68.00	69.00
Storm sewers (miles)	15.44	15.44	15.44	15.44	15.44	15.44	15.44	38.00	39.70	40.00

Source: Individual Town departments.

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item 2018-001.**

Town of Warrenton, Virginia's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 28, 2018

TOWN OF WARRENTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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

LOCAL COMPLIANCE MATTERS

Town Charter

TOWN OF WARRENTON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-001: Highway Maintenance

Condition:

In two highway maintenance work orders out of two tested, we noted instances where the incorrect equipment rate was used or no equipment rate was used to allocate the costs of machinery used on jobs.

Recommendation:

We recommend revisiting procedures for allocating machinery used to highway maintenance jobs.

Management's Response:

We will revisit our procedures to ensure that staff are aware of the importance of accurately assigning VDOT approved equipment rates to highway maintenance work orders.