

County of Warren, Virginia Audit Presentation

For the Year Ended June 30, 2020

March 9, 2021

Robinson, Farmer, Cox Associates, PLLC

Certified Public Accountants

Overview

- Required Communications with Governing Body
 - Auditors' Responsibilities
 - Auditee Responsibilities

- Audit Results
 - Auditors' Opinions & Reports
 - Financial Highlights
 - MD&A
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Statistical Information
 - Compliance Testing

Required Communications

Required Communications with Governing Body

■ Separate letter titled “Communication with Those Charged with Governance”



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

Communication with Those Charged with Governance

Board of Supervisors
County of Warren, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component unit - School Board, each major fund, and the aggregate remaining fund information of County of Warren, Virginia for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Warren, Virginia are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County of Warren Virginia's financial statements were:

Management's estimate of the depreciable lives of capital assets is based on historical experience and industry standards. We evaluated the key factors and assumptions used to develop the estimate of depreciable lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible property tax revenue is based on historical experience and standard methods of computing the allowance. We evaluated the key factors and assumptions used to develop the estimate of allowance for uncollectible property tax revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

- Communication with Those Charged with Governance -

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Record proceeds from Series 2019C bond issuance, related payment to refunding escrow agent, and bond issuance costs.
- Record cash entries for FY2020 activity in SNAP accounts.
- Adjust for taxes receivable and related unavailable revenue.
- Record addition accounts payable in School Board Construction Fund.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The financial statements for the Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia ("EDA"), a component unit of the County, have not been included in the County's Comprehensive Annual Financial Report. The audited financial statements for the EDA were not available as of the release of the County's financial statements. Accordingly, a Disclaimer of Opinion has been issued on the financial statements of the EDA.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- Communication with Those Charged with Governance -

Other Matters

We applied certain limited procedures to management's discussion and analysis and the schedules related to pension and OPEB funding, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. Our responsibility with respect to the budgetary comparison information, which also supplements the basic financial statements, is to evaluate the presentation of the schedules in relation to the financial statements as a whole and to report on whether it is fairly stated, in all material respects, in relation to the financial statements as a whole.

We were engaged to report on combining and individual fund financial statements and schedules, supporting schedules, and the schedule of expenditures of federal award, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or statistical section, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the use of the Board of Supervisors and management of County of Warren, Virginia and is not intended to be, and should not be, used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
March 3, 2021

- Communication with Those Charged with Governance -



CPAs | CONSULTANTS

Required Communications

□ Required Communications with Governing Body

1. Management vs. Auditor Responsibilities

a. Management:

- prepares financial records, maintain documents
- implement and maintain internal controls
- accept responsibility for financial statements

b. Auditor:

- Examine internal controls, test account balances, sample testing of transactions examine supporting documentation, test compliance and issue Auditor opinions and reports

2. Difficulties Encountered in Performing the Audit

- No difficulties encountered

Required Communications

- Required Communications with Governing Body
 - 3. Corrected and Uncorrected Misstatements
 - Proposed several material adjustments
 - All proposed adjustments accepted
 - 4. Disagreements with Management
 - No disagreements in applying accounting principals
 - 5. Management's Consultation with Other Auditors
 - No consultations noted
 - 6. Other Matters
 - Disclaimer of Opinion – EDA financial statements

Financial Report Overview

□ Audited Financial Report – “Comprehensive Annual Financial Report”

□ Four Sections

■ 1. Introductory Section

- organizational chart, Letter of Transmittal

■ 2. Financial Section

- Indep. Auditors Report, Financial Statement Exhibits

■ 3. Statistical Section

- Trend information presented in tables

■ 4. Compliance Section

- Auditors report on internal controls
- Compliance Report - Uniform Guidance (Federal Awards)

Audit Results: Indep. Auditors Report

Financial Section: Independent Auditors Report – Pages 18 - 20

Unmodified Opinion – County Financial Statements and School Board

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit – School Board, each major fund, and the aggregate remaining fund information of the County of Warren, Virginia, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Audit Results: Indep. Auditors Report

Disclaimer of Opinion – EDA/IDA

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit – EDA

The financial statements of the Industrial Development Authority of the Town of Front Royal and the County of Warren, Virginia (EDA) have been omitted, and we were not engaged to audit the EDA financial statements as part of our audit of the County's basic financial statements as the EDA is audited by another CPA firm. The amounts by which this omission would affect the assets, deferred outflow of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of this discretely presented component unit have not been determined.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Unit - EDA” paragraph, we have not been able to obtain sufficient appropriate audit evidence from other auditors to provide a basis for an audit opinion on the financial statements of the discretely presented component unit EDA of the Town of Front Royal and the County of Warren, Virginia. Accordingly, we do not express an opinion on these financial statements.

Management's Discussion and Analysis

- Managements Discussion and Analysis (MD&A)
- Pages 21 - 29
 - ▣ Narrative overview of financial report
 - ▣ Prepared by the County's Finance Director/Department & County Administrator
 - ▣ Brief analysis of financial data
 - ▣ Comparisons to prior year

Governmental Funds Financial Highlights

Exhibit 3 – Page 33

Prepared on the modified accrual basis (same basis as County budget)

- Combined ending fund balances for governmental funds of \$37.23 million
- General Fund – Fund balance total was \$15.91 million
- Unassigned fund balance was \$12.71 million
- Unassigned and committed accounted for \$33.12 million – both categories available for appropriation at the discretion of the Board of Supervisors

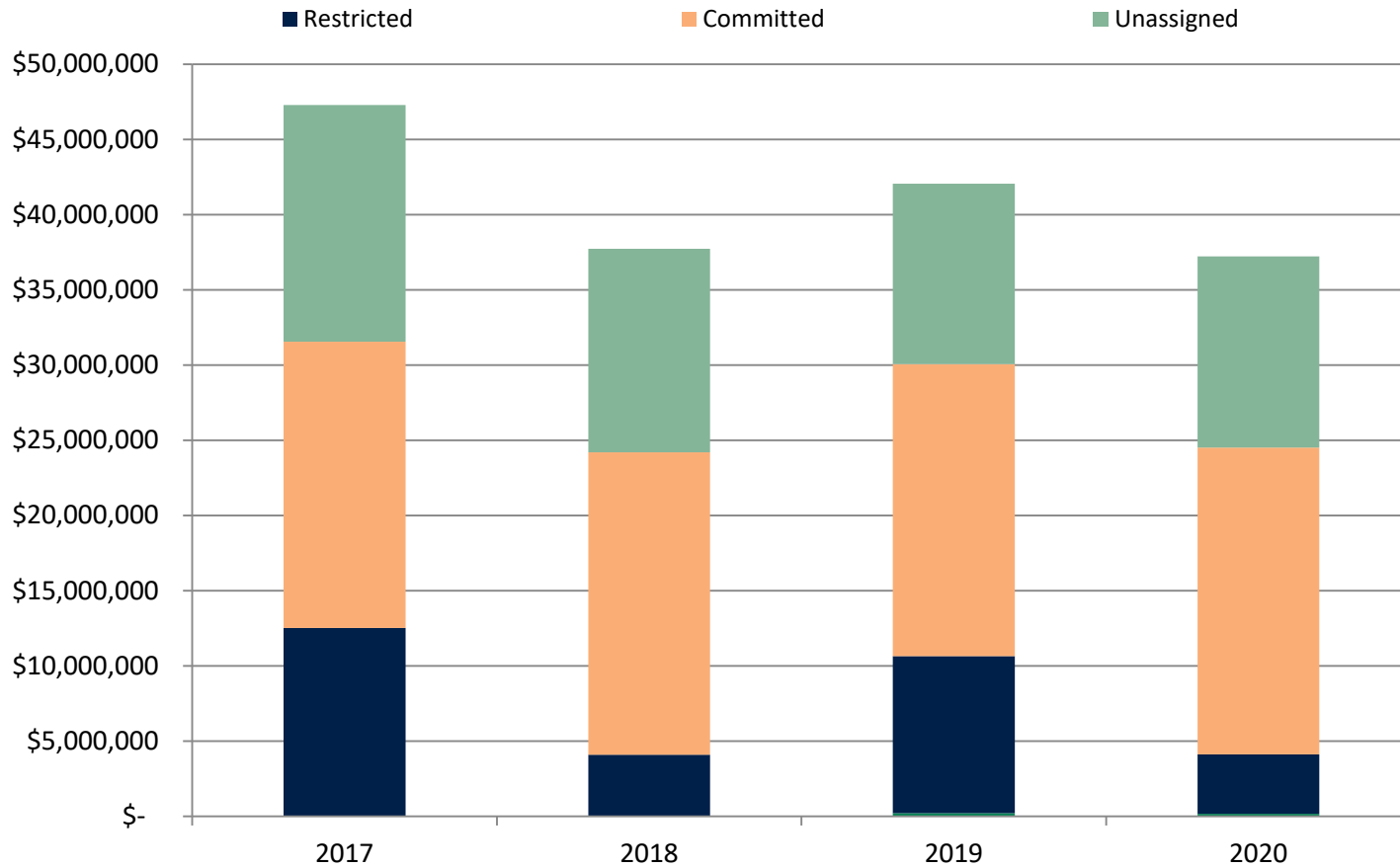
Governmental Funds Financial Highlights

Exhibit 5 – Page 35

Prepared on the modified accrual basis (same basis as County budget)

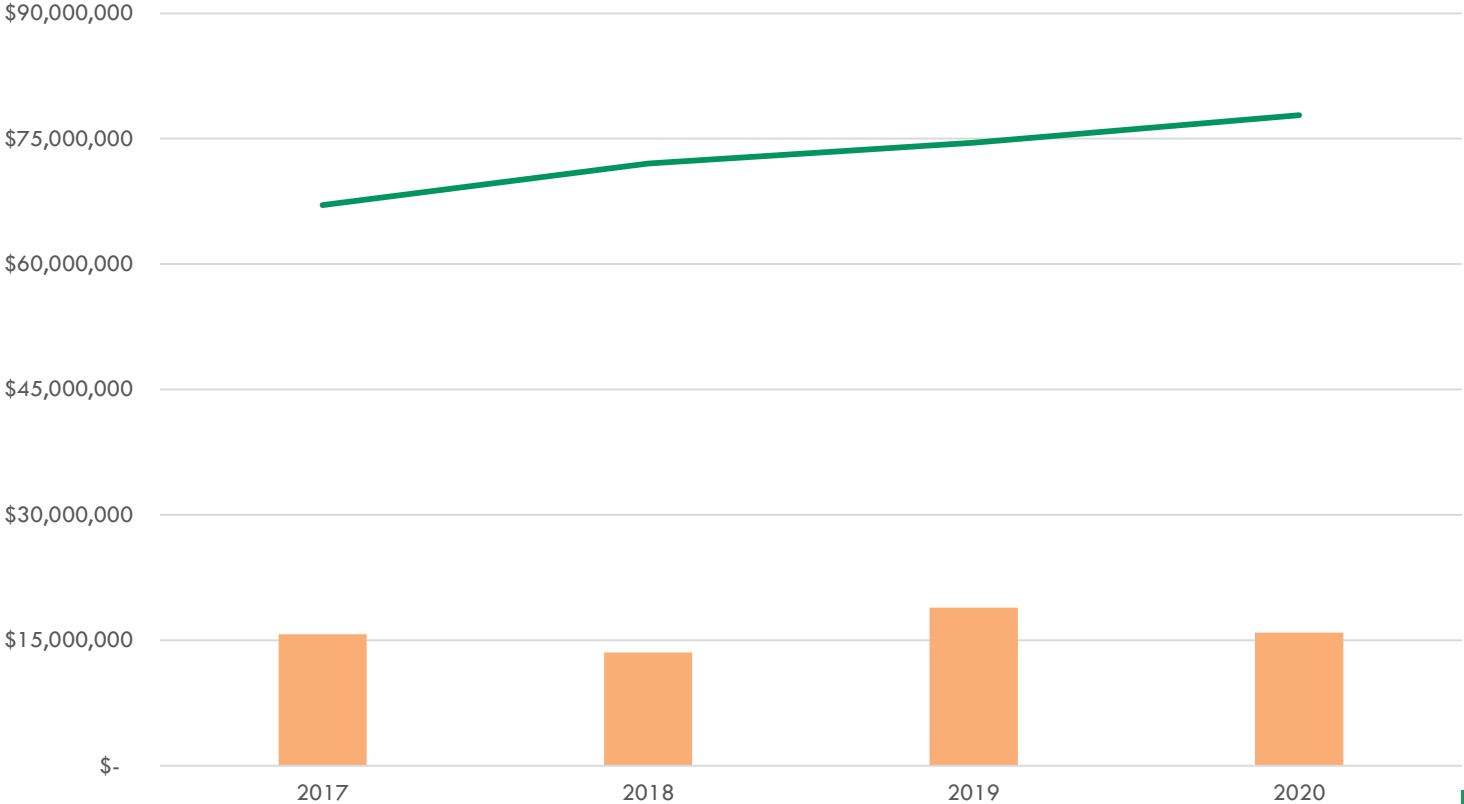
- Combined fund balances decreased by \$4.84 million in FY 2020
- General Fund – Fund balance decreased by \$3 million
- Fund balance decrease was in line with budgeted use of fund balance and was mostly due to expenditures incurred for:
 - Significant capital projects (Rivermont Fire Station and A.S. Rhodes Elementary Renovation)
 - Legal/professional fees
- Brief analysis of the change in fund balance can be found in the Management's Discussion and Analysis

Fund Balance by Type – All Funds



General Fund – Equity vs. Expenditures

General Fund: Expenditures (excl. capital proj.) vs. Fund Balance



Other General Fund Statistics

- General Fund – Fund Balance as percentage of Expenditures (excluding capital projects):
 - FY 2020 - 20.45%
 - FY 2019 - 25.39%
 - FY 2018 - 18.82%
 - FY 2017 - 23.47%

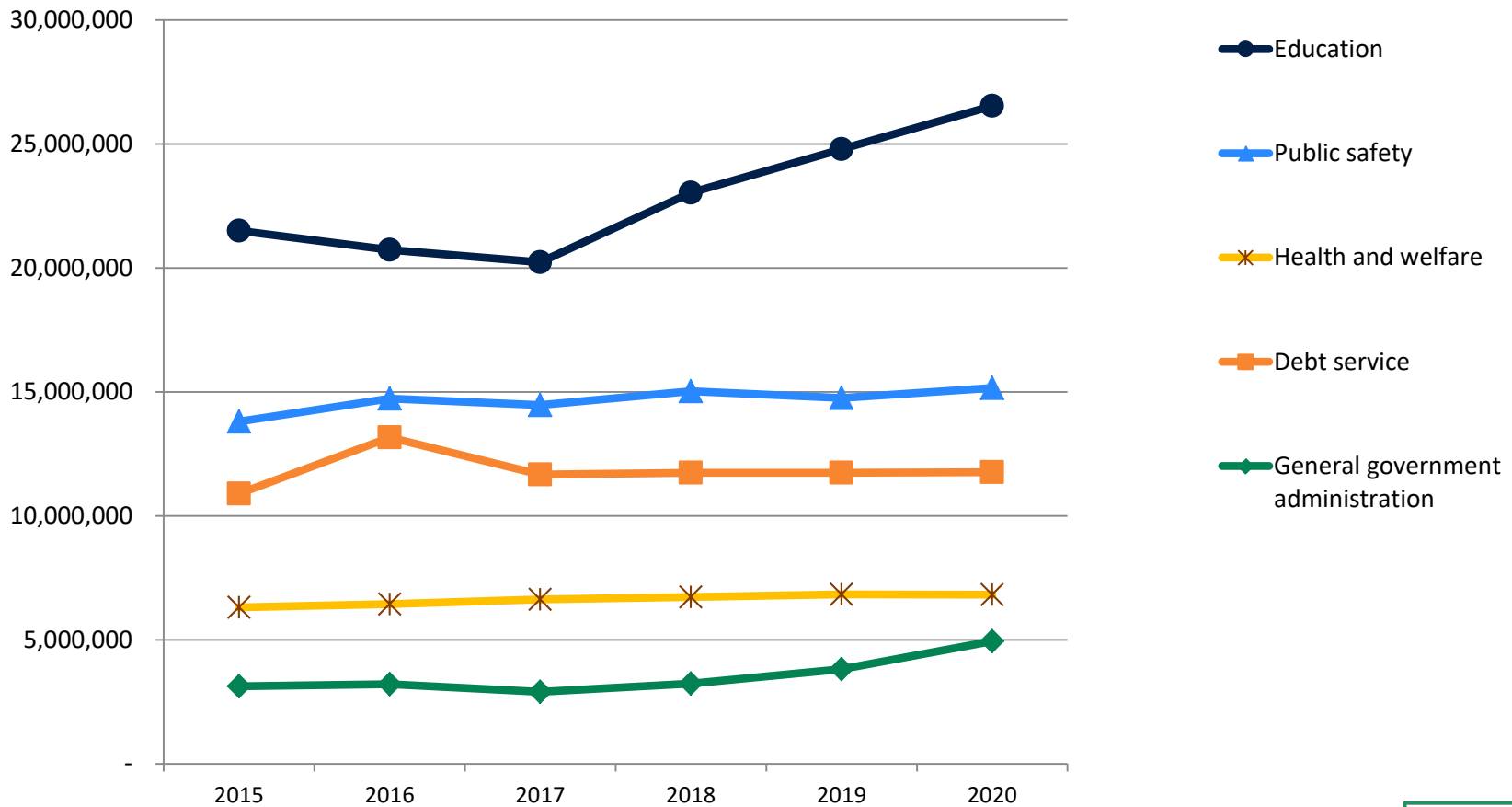
- General Fund Revenues - current and 3 prior years
 - FY 2020 - \$81,639,396
 - FY 2019 - \$77,923,710
 - FY 2018 - \$74,027,820
 - FY 2017 - \$73,278,293

Statistical Section

- Statistical Section provides historical trend data of selected financial categories and other operating information
 - Statistical Section – Pages 155-175
 - Trend data for expenditures, revenues, property tax assessments, debt and similar data
 - Demographic data – population, unemployment rate

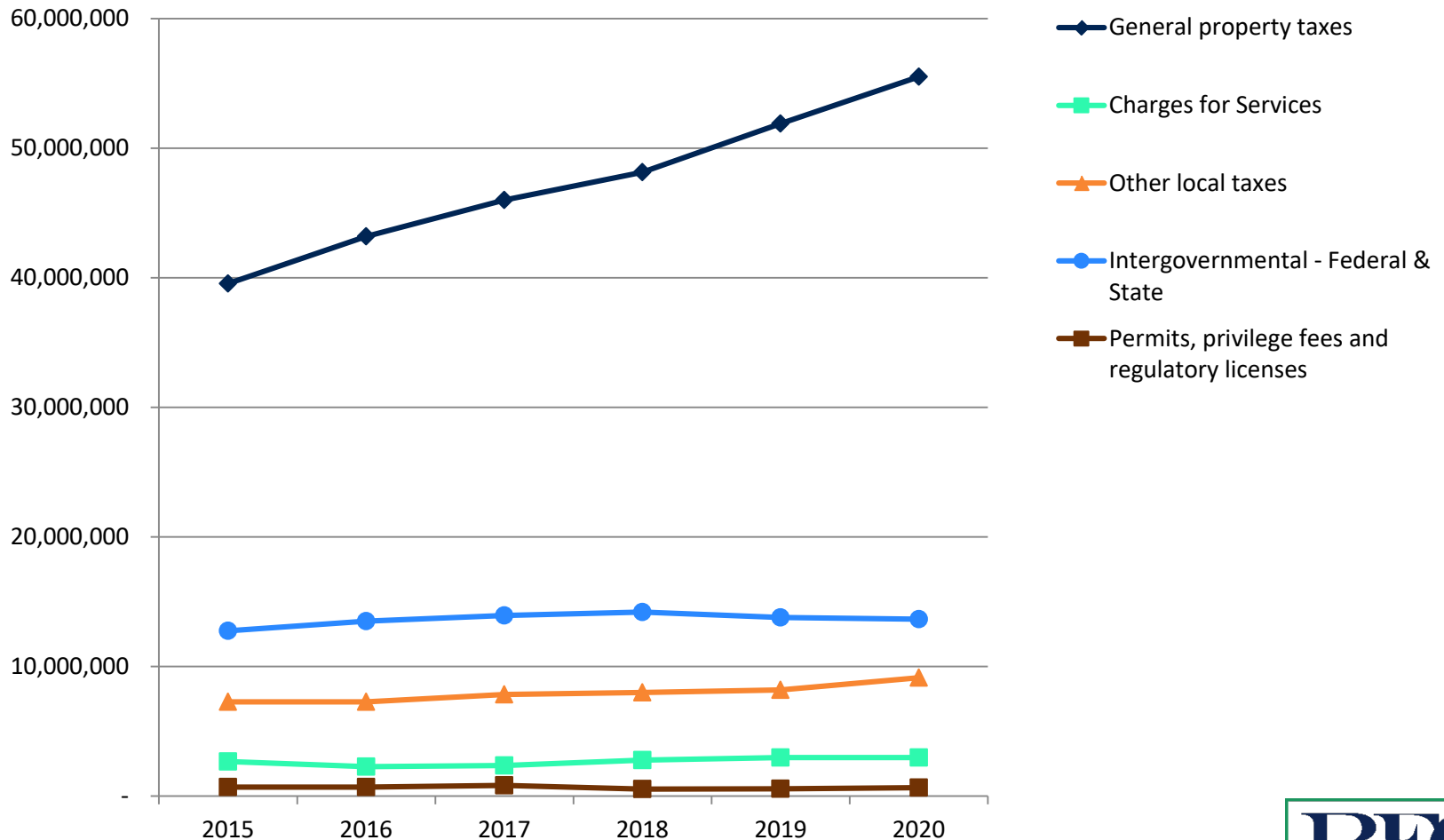
Statistical Section

Trend: Selected Major Expenditure Categories



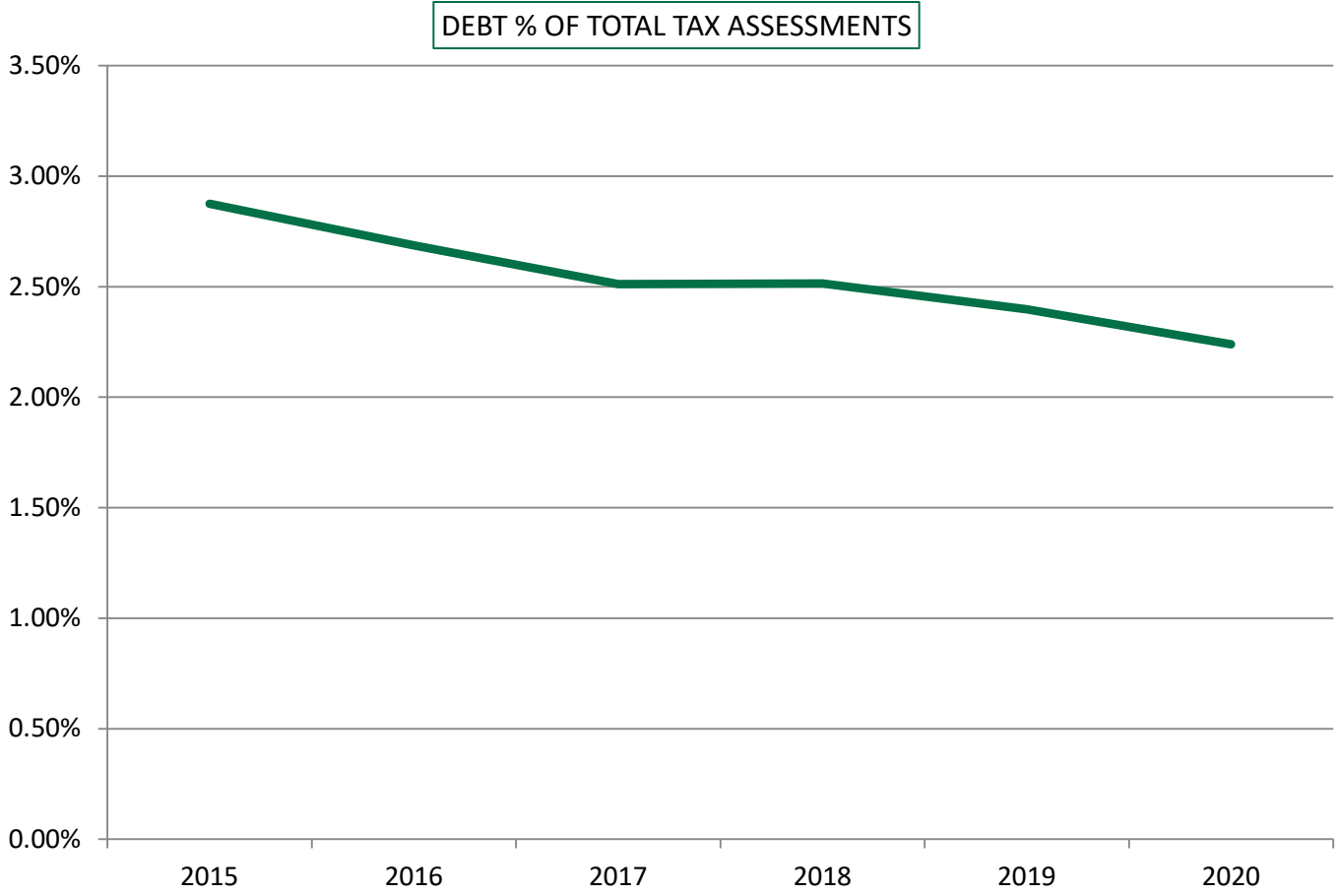
Statistical Section

Trend: Selected Major Revenue Categories



Statistical Section

Trend: Real Property Assessments vs. Debt



Compliance Section

- Auditors Report on Internal Control and Compliance
- Pages 176-177
 - No significant deficiencies
 - Material weaknesses (Pages 184-185)
 - 2020-001 – Material Audit Adjustments Proposed by Auditor
 - 2020-002 – Inadequate Year-End Controls Over Capital Assets/Project and Long-Term Obligations
- Auditors Report on Uniform Guidance (Federal Audit) Compliance
- Pages 178-179
 - No instances of noncompliance over Federal grants audited

Questions and Comments

Michael E. Lupton, CPA, MBA

Member

mlupton@rfca.com

434-973-8314