

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011



TOWN OF WARRENTON, VIRGINIA

TOWN OF WARRENTON, VIRGINIA

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

Prepared By
JOAN JACKSON, FINANCE DIRECTOR

Town of Warrenton, Virginia
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2011

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Town of Warrenton, Virginia

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Fiscal Year Ended June 30, 2011

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Town of Warrenton, Virginia

Principal Town Officials

Town Council		
Powell L. Duggan	George B. Fitch, Mayor	Yakir M. Lubowsky
Joan R. Williams	David A. Norden, Vice Mayor	Roger R. Martella, Jr.
Samuel B. Tarr		John S. Lewis
Town Manager		
Kenneth L. McLawhon		
Town Attorney		
Whitson W. Robinson		
Officials		
Town Recorder	Evelyn J. Weimer	
Finance/Personnel Director	Joan M. Jackson	
Director of Parks & Recreation.....	vacant	
Planning/Zoning Director	Sarah A. Sitterle	
Public Works/Utilities Director	Edward B. Tucker, Jr.	



TOWN OF WARRENTON

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December 21, 2011

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 of the Town of Warrenton for the fiscal year ended June 30, 2011. The Town's Department of Finance prepared this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data, as presented, is accurate in all material respects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of the various funds and component units. All disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial activity have been included.

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. 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 has a Council-Manager form of government with an elected mayor and a seven-member Town Council, with five (5) members elected by ward and two (2) elected at large. 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, and the construction and maintenance of highways, streets, and public works infrastructure and the provision of water and wastewater services. In addition, the Town contributes to cultural events and recreational activities. The Town also operates a water and wastewater utility system.

FINANCIAL REPORTING ENTITY

This report includes all financial activities of the Town of Warrenton government, the primary government, as well as the financial activities of the Town's component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the financial statement to emphasize that they are legally separate from the primary government. The Town of Warrenton has no component units.

ECONOMIC CONDITION AND OUTLOOK

The Town of Warrenton continues to experience a small town environment with lower taxes and an escape from the rapid paced lifestyles of the more urban areas to the north and east.

During the past year residential growth has almost completely halted and commercial projects have slowed considerably. A few new businesses have opened and one very large business is expanding. Borders closed leaving a large space not rented now for several months. Business Licenses increased by only one percent which is much lower than in more prosperous years and is evidence of the fragile economy. Market demands will determine community and business growth over the next several years. Some forecasts show a slight decrease in unemployment which is a good sign.

MAJOR INITIATIVES

Current Initiatives:

During fiscal year 2002, the Town Council developed a written strategic plan and goals for the Town through 2012. As part of the strategic plan, Town Council developed a long-term vision of the Town and identified the following guiding principles that would assist the governing body to achieve this vision:

- Preserve Our Small-Town Character and Feeling
- Increase Recreational and Leisure Choices
- Preserve Our Historic Downtown
- Support Planned, Orderly Growth
- Maintain Current Town Boundaries
- Expand Warrenton as a Tourist Destination
- Preserve Scenic Views and Landscape Character
- Increase the Cost-Effective Delivery of Town Services, Reduce Duplication
- Personal Approach to Serving Citizens

Again in 2004, the mayor and seven council members once again ratified the strategic plan and goals developed in FY 2002. The foregoing 2012 “blueprint” remains solid and on track.

The Finance Department continues to coordinate professional services necessary to further enhance the Town’s web presence which includes an Issue Tracker to enable citizens to report a problem, pose a question, or propose an idea, 24 hours a day, 7 days a week and to monitor staff progress in resolving the issue. A major renovation is in progress to migrate the entire website from a language that will no longer be supported to a more secure encryption based language. This migration is almost complete with one module to be completed in the coming year.

The Warrenton Aquatic and Recreational Facility has now completed three full years in operation. Patronage continues to increase as well as revenues. A lake feature was completed with the possibility of more upgrades in coming years.

Various projects were completed by our Public Works department including storm drainage and street enhancement through landscaping and intersection improvements.

An aging street sweeper was replaced in FY2011 and has been well received by the workers and the community because of the improved reliability.

The vehicle maintenance shed was replaced in FY2011. Multiple severe snow storms this past year challenged the integrity of the roof structure. The majority of the funding came from insurance reimbursement.

MAJOR INITIATIVES: (CONTINUED)

Current Initiatives: (Continued)

Traffic calming measures such as speed indicators and additional stop signs have been introduced to find the best combination of effective tools. This is an ongoing process in response to citizen requests through emails and at the Town Council meetings.

In FY2010 federal funds were secured to place a Digester Cover at the Waste Water Treatment Plant. This cover is now in place and fully functional.

Future Initiatives:

Through the VDOT Revenue Sharing program there will be more work done to make Warrenton a "Walkable Community".

Work continues to reclaim water capacity through a multi-year project to reline our aging underground system.

In 2011 the ADA conducted a compliance review of all Town properties. An agreement was signed with a three year time line to meet all requirements and report the Town's progress on a yearly basis.

Most of the requirements will not be costly but will involve time and effort from a variety of employees.

INTERNAL CONTROLS AND BUDGETARY ACCOUNTING

The management of the Town is responsible for establishing and maintaining an internal control structure to ensure the protection of Town assets. In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls were designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with GAAP and maintaining accountability for assets. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition to the internal account controls noted above, the Town also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Town Council. All funds, except the fiduciary funds, are included in the annual appropriated budget.

The Town prepares an annual budget for all funds, to include revenues, expenditures, transfers and debt service. As part of the budget process, Council historically mandated that 15% of the annual budget for each fund is to be held in reserve, thus not available for appropriation. The five-year Capital Improvement Plan (CIP) is prepared annually by staff. The planning document is developed with significant input from staff, Council, management and the citizenry and is approved by the Town's Planning Commission. The Town Council adopts the CIP as part of the budgetary process. Once approved, the plan is used as a guide to incorporate capital outlay projects in the Town's annual budget.

INTERNAL CONTROLS AND BUDGETARY ACCOUNTING: (CONTINUED)

The Town Charter requires the Town Manager to submit a balanced budget to the Town Council no later than May 1. 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.

INDEPENDENT AUDIT

The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the Town by independent certified public accountants. Robinson, Farmer, Cox Associates was selected for our audit. The audit was designed to meet the requirements set forth in state statutes, as well as meet the requirements of OMB Circular A-133. The auditor's reports are included in the financial section and Single Audit Section of this report.

CERTIFICATE OF ACHIEVEMENT

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 for the fiscal year ended June 30, 2010. 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 comprehensive annual finance 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.

Respectfully submitted,



Kenneth L. McLawhon
Town Manager



Joan M. Jackson
Director of Finance & Human Resources

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



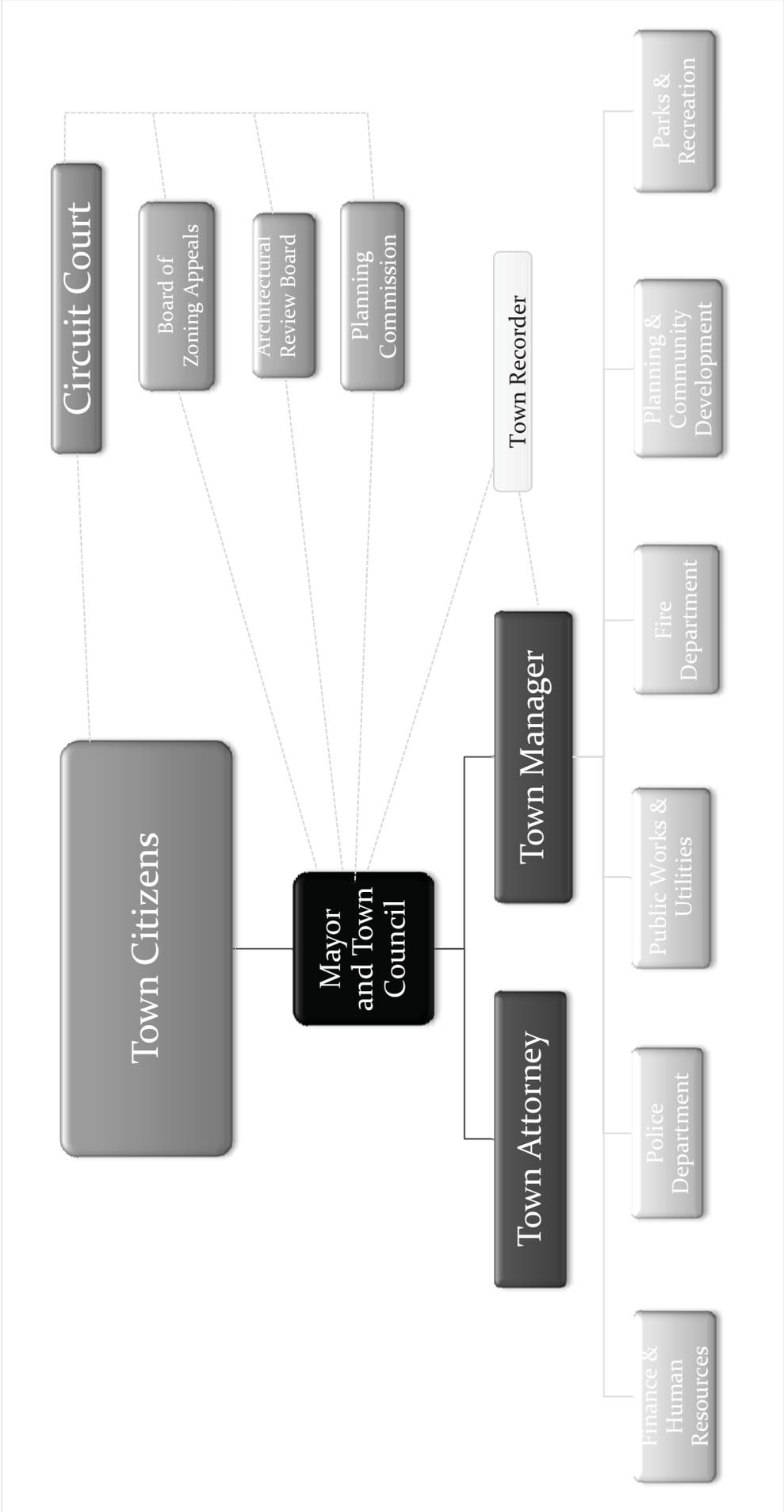
Linda C. Danison

President

Jeffrey R. Ennes

Executive Director

Town of Warrenton FY2010 Organizational Chart



ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF WARRENTON, VIRGINIA

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 as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Warrenton, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Warrenton, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of the Town of Warrenton, Virginia'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension funding progress 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 management's discussion and analysis and schedule of pension funding progress 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 management's discussion and analysis and schedule of pension funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Warrenton, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 4, 2011

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Town of Warrenton, Virginia for the fiscal year ended June 30, 2011. This narrative is to be read in conjunction with the additional information that we have furnished in our letter of transmittal which can be found earlier in this report.

Financial Highlights

The assets of the Town of Warrenton, Virginia exceeded its liabilities at the close of the last two fiscal years. The unrestricted portion may be used to meet the Town's ongoing obligations to creditors and citizens.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net Assets - as restated	\$ 87,833,036	\$ 89,454,492
Unrestricted - as restated	17,392,219	19,178,590

The Town's total net assets decreased \$1,621,456 in FY 2011. This decrease in net assets is due to a stagnant economy and depreciation of assets.

The Town's governmental funds reported an increase in combined ending fund balances for the last fiscal year primarily due to the Town's commitment to a strict purchasing policy and a sense of fiscal responsibility when evaluating expenditures. A significant amount of this fund balance is available for spending at the Town's discretion (unreserved fund balance).

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Fund balance, ending	\$ 7,776,155	\$ 7,479,205
Increase from prior year	296,950	130,795
Unassigned fund balance	5,466,518	4,972,568
Percentage unreserved	70%	66%

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justification from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of Town finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net assets and 2) the statement of activities.

The statement of net assets presents all of the Town's assets, liabilities and net assets. The difference between assets and liabilities is reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the Town.

The statement of activities presents information showing how the government's net assets 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 revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end themselves.

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

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. 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, proprietary funds, and fiduciary funds.

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.

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.

The Town of Warrenton has two proprietary funds: the Water & Sewer Fund and the Parks & Recreation Fund. The Water & Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment. The Parks & Recreation Fund, established in FY 2007, was responsible for the successful grand opening of the Warrenton Aquatic and Recreation Facility on September 8, 2007 also is responsible for other Town parks and recreational facilities, and will account for all revenues and expenses related to the use and maintenance of all Town parks and recreational facilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer Fund, which is considered a major fund of the Town. Beginning in FY 2008, the Parks & Recreation Fund became another major fund of the Town with financial statements providing separate information included in the proprietary fund financial statements.

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.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

The combining and individual fund statements are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Warrenton, assets exceeded liabilities by \$87,833,036 at June 30, 2011.

Government-wide Financial Analysis: (Continued)

The Town's net assets are divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

Town of Warrenton's Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current and other assets	\$ 8,726,827	\$ 8,128,608	\$ 11,212,417	\$ 13,296,746	\$ 19,939,244	\$ 21,425,354
Capital assets	28,089,130	28,743,572	50,863,235	50,316,221	78,952,365	79,059,793
Total assets	<u>\$ 36,815,957</u>	<u>\$ 36,872,180</u>	<u>\$ 62,075,652</u>	<u>\$ 63,612,967</u>	<u>\$ 98,891,609</u>	<u>\$ 100,485,147</u>
Long-term liabilities	\$ 323,494	\$ 297,144	\$ 9,282,278	\$ 9,545,819	\$ 9,605,772	\$ 9,842,963
Other liabilities	652,099	345,669	800,702	842,023	1,452,801	1,187,692
Total liabilities	<u>\$ 975,593</u>	<u>\$ 642,813</u>	<u>\$ 10,082,980</u>	<u>\$ 10,387,842</u>	<u>\$ 11,058,573</u>	<u>\$ 11,030,655</u>
Net assets:						
Invested in capital assets net of related debt	\$ 28,089,130	\$ 28,743,572	\$ 41,761,645	\$ 40,943,440	\$ 69,850,775	\$ 69,687,012
Restricted	590,042	588,890	-	-	590,042	588,890
Unrestricted	7,161,192	6,896,905	10,231,027	12,281,685	17,392,219	19,178,590
Total net assets	<u>\$ 35,840,364</u>	<u>\$ 36,229,367</u>	<u>\$ 51,992,672</u>	<u>\$ 53,225,125</u>	<u>\$ 87,833,036</u>	<u>\$ 89,454,492</u>

For the Town, investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of related debt used to acquire those assets that is still outstanding, represents 79.5 percent of total net assets. 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 assets represent resources that are subject to external restrictions on how they may be used. The majority of these net assets are to be used for public safety equipment replacement, general government renovations and utility projects. The Town's restricted net assets account for 0.7 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2011 is \$17,392,219 or 19.8 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Town is able to report positive balances in all three categories of net assets.

The government's net assets decreased by \$1,621,456 during the current fiscal year. This decrease is attributable to declining revenue in the Water & Sewer Fund, legal costs for an appeal process and mandated changes due to ADA requirements.

Governmental Activities

Governmental activities decreased the Town's net assets by \$389,003, thereby accounting for 24.0 percent of the decline in net assets of the Town. Key elements of this decrease are as follows:

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues:						
Program revenues:						
Charges for services	\$ 945,242	\$ 945,729	\$ 4,798,489	\$ 4,757,923	\$ 5,743,731	\$ 5,703,652
Operating grants & contributions	1,446,166	1,550,847	-	-	1,446,166	1,550,847
Capital grants & contributions			501,921	981,035	501,921	981,035
General revenues:						
General property taxes	577,941	562,348	-	-	577,941	562,348
Other local taxes	5,294,029	5,137,092	-	-	5,294,029	5,137,092
Use of money and property	37,421	50,696	13,907	15,701	51,328	66,397
Miscellaneous	120,425	148,285	137,373	130,113	257,798	278,398
Grants and contributions not restricted to specific programs	1,396,964	1,366,476	-	-	1,396,964	1,366,476
Total revenues	\$ 9,818,188	\$ 9,761,473	\$ 5,451,690	\$ 5,884,772	\$ 15,269,878	\$ 15,646,245
Expenses:						
General government	\$ 1,539,337	\$ 1,794,610	\$ -	\$ -	\$ 1,539,337	\$ 1,794,610
Public safety	2,848,144	2,894,544	-	-	2,848,144	2,894,544
Public works	4,188,005	3,927,356	-	-	4,188,005	3,927,356
Health and welfare	100,391	100,441	-	-	100,391	100,441
Parks, recreation and cultural	123,954	145,439	-	-	123,954	145,439
Community development	422,623	446,757	-	-	422,623	446,757
Parks & recreation			2,648,084	2,602,184	2,648,084	2,602,184
Water and sewer			5,020,796	4,741,236	5,020,796	4,741,236
Total expenses	\$ 9,222,454	\$ 9,309,147	\$ 7,668,880	\$ 7,343,420	\$ 16,891,334	\$ 16,652,567
Increase in net assets before transfers	\$ 595,734	\$ 452,326	\$ (2,217,190)	\$ (1,458,648)	\$ (1,621,456)	\$ (1,006,322)
Transfers	(984,737)	(1,331,819)	984,737	1,331,819	-	-
Change in net assets	(389,003)	(879,493)	(1,232,453)	(126,829)	(1,621,456)	(1,006,322)
Net assets, beginning of year - as restated	36,229,367	37,108,860	53,225,125	53,351,954	89,454,492	90,460,814
Net assets, end of year	\$ 35,840,364	\$ 36,229,367	\$ 51,992,672	\$ 53,225,125	\$ 87,833,036	\$ 89,454,492

Governmental Activities: (Continued)

- Real estate and personal property tax payments increased slightly due to more vigorous collection methods. The Town's real estate tax rate of .015 per \$100 of assessed value continues to be one of the lowest in the Commonwealth.
- Charges for service tripled due to the reporting of revenue in internal service funds for data processing and motor pool and an increase of court fines receipts.
- Local taxes reflect a slight increase due to the need for collection proceedings.
- Capital grants and contributions increased due to an increase in Street and Highway Maintenance.

Business-type Activities

Business-type activities decreased the Town's net assets by \$1,232,453 accounting for 76.0 percent of the total decrease in the government's net assets. Key elements of this decrease are as follows:

- Charges for service were up by \$40,566 but so too were expenses in business-type activities by \$325,460.
- Interest income decreased by \$1,794.
- Capital Grants decreased by \$479,114 due to the completion of the Nutrient Removal Upgrade project in the previous fiscal year and all grant money for that project was received in FY2010.

Financial Analysis of the Government's Funds

As earlier mentioned, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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. Unreserved 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 \$7,776,155, an increase of \$296,950 over the prior year. This increase is attributed to a continued vigilance in fiscal responsibility by the Town's staff. Poor economic conditions continue to cause staff to be extremely cautious regarding their expenditures. Approximately 70 percent of total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, committed, or assigned to indicate that it is not available for new spending because it has already been committed to various Town capital projects. Of the capital projects, the most prominent are public works projects and parks and recreation projects.

Financial Analysis of the Government's Funds: (Continued)

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water & Sewer Fund at the end of the year was \$8,223,403 or 27 percent of the total net assets.

General Fund Budgetary Highlights

The difference between the original budgeted appropriation and the final amended budgeted appropriation was an increase of \$146,209, which is 2 percent of the total original budget. Final actual expenditures were \$259,643 more than final amended appropriations (3 percent of the total final amended budget). Most departments spent less than their legally appropriated budget with the exception of capital projects. Final actual revenue was \$486,842 more than final amended budget amounts. This is primarily due to increased collection of Business License Tax, Bank Stock Taxes, Restaurant Food Taxes, and Court Fines and Forfeitures.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2011 is \$28,089,130 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$50,863,235 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and systems, machinery and equipment, and construction in progress. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$654,442 for government activities and a total net increase of \$547,014 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- New signage at the WARF - \$38,732
- Sidewalks on various streets in Town - \$147,174
- Purchase of police department vehicles - \$60,802
- Replace damaged shed at Public Works - \$79,426
- Replace street sweeper - \$153,803
- Water treatment plant upgrade phase 2 - \$1,205,911
- Lake feature at WARF - \$67,261
- Parking lot and asphalt trails at WARF - \$17,728
- New vehicles for Public Works - \$25,298
- Shoulder upgrade and rehab parking lot - \$144,872
- Complete WWTP Digester Cover Project - \$365,461
- Water/well improvements - \$81,107
- Sewer rehab - \$104,238
- New vehicles for Water & Sewer departments - 27,627

Capital Asset and Debt Administration: (Continued)

**Town of Warrenton, Virginia Capital Assets for Governmental Activities
(net of depreciation)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 1,129,257	\$ 1,129,257	\$ 4,185,476	\$ 4,185,476	\$ 5,314,733	\$ 5,314,733
Utility plant in service		-	19,899,470	20,128,161	19,899,470	20,128,161
Buildings and improvements	2,859,594	2,909,825	23,504,088	24,116,887	26,363,682	27,026,712
Improvements other than buildings	-	-	341,288	346,279	341,288	346,279
Furniture, equipment, and vehicles	2,472,478	2,353,547	964,374	918,501	3,436,852	3,272,048
Infrastructure	21,520,434	22,350,943	-	-	21,520,434	22,350,943
Construction in progress	107,367	-	1,968,539	620,917	2,075,906	620,917
Total	<u>\$ 28,089,130</u>	<u>\$ 28,743,572</u>	<u>\$ 50,863,235</u>	<u>\$ 50,316,221</u>	<u>\$ 78,952,365</u>	<u>\$ 79,059,793</u>

Additional information on the Town's capital assets may be found in Note #8 to the financial statements.

Long-term debt

At the end of the fiscal year the Town had the following outstanding debt:

**Town of Warrenton's Outstanding Debt
For the Year Ended June 30, 2011**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
General obligation bonds	\$ -	\$ -	\$ 8,835,000	\$ 9,085,000	\$ 8,835,000	\$ 9,085,000
Premium on bond issue	-	-	266,590	287,781	266,590	287,781
Compensated absences	323,494	297,144	180,688	173,038	504,182	470,182
Total	<u>\$ 323,494</u>	<u>\$ 297,144</u>	<u>\$ 9,282,278</u>	<u>\$ 9,545,819</u>	<u>\$ 9,605,772</u>	<u>\$ 9,842,963</u>

Additional information on the Town's long-term debt can be found in Note #9 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- At the end of the fiscal year, the unemployment rate for Fauquier County was 5.0 percent, which is a decrease of 1 percent from the rate a year ago. This compares favorably to the state's average unemployment rate of 6.3 percent and the national average rate of 9.3 percent.
- Earnings on investments have decreased this past fiscal year due to lower yields generally found in the financial market and less idle funds available for investment. The Town Investment revenue was \$37,421 for the fiscal year ending June 30, 2011, reflective of the current economic atmosphere.
- Residential real estate activity has slowed considerably causing a decline in the number of new housing starts. For the short term, developers have put projects on hold or slowed new unit starts. However, as this is a nationwide phenomenon, this lack luster growth will not have a significant negative impact in the long term. Commercial new construction and renovations continue to have a positive impact on the Town's tax base.

All of these factors were considered in preparing the Town's budget for the 2012 fiscal year.

During fiscal year 2011, unassigned fund balance in the general fund increased \$493,950 due to strict adherence to purchasing policies in effect that serve to guide expenditure considerations. The FY2013 budget will be scrutinized to find ways to reduce expenditures even further than has already been done. This will be necessary because Virginia continues to announce cutbacks of its contribution to the Towns and businesses continue to struggle and close their doors. Revenues are decreasing with each year that the country remains in this economic downturn.

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 Finance Director, P. O. Drawer 341, Warrenton, Virginia 20188.

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,784,426	\$ 10,110,105	\$ 17,894,531
Receivables (net of allowance for uncollectibles):			
Taxes receivable	55,208	-	55,208
Accounts receivable	497,739	399,213	896,952
Notes receivable	-	28,372	28,372
Due from other governmental units	204,686	-	204,686
Inventories	135,556	243,071	378,627
Prepaid expenses	49,212	24,214	73,426
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	301,532	301,532
Other assets:			
Unamortized bond issue costs	-	105,910	105,910
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	19,899,470	19,899,470
Buildings and improvements	2,859,594	23,504,088	26,363,682
Improvements other than buildings	-	341,288	341,288
Furniture, equipment, and vehicles	2,472,478	964,374	3,436,852
Infrastructure	21,520,434	-	21,520,434
Construction in progress	107,367	1,968,539	2,075,906
Total assets	\$ 36,815,957	\$ 62,075,652	\$ 98,891,609
LIABILITIES			
Accounts payable	\$ 641,420	\$ 300,517	\$ 941,937
Accrued liabilities	10,114	51,075	61,189
Customers' deposits	-	37,761	37,761
Accrued interest payable	-	175,612	175,612
Unearned revenue	565	235,737	236,302
Long-term liabilities:			
Due within one year	32,349	298,762	331,111
Due in more than one year	291,145	8,983,516	9,274,661
Total liabilities	\$ 975,593	\$ 10,082,980	\$ 11,058,573
NET ASSETS			
Invested in capital assets, net of related debt	\$ 28,089,130	\$ 41,761,645	\$ 69,850,775
Restricted for:			
Perpetual Care:			
Expendable	590,042	-	590,042
Unrestricted (deficit)	7,161,192	10,231,027	17,392,219
Total net assets	\$ 35,840,364	\$ 51,992,672	\$ 87,833,036

The notes to the financial statements are an integral part of this statement.

Town of Warrenton, Virginia

Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,539,337	\$ 548,591	\$ -	\$ -
Public safety	2,848,144	257,075	271,737	-
Public works	4,188,005	139,576	1,169,429	-
Health and welfare	100,391	-	-	-
Parks, recreation, and cultural	123,954	-	5,000	-
Community development	422,623	-	-	-
Total governmental activities	<u>\$ 9,222,454</u>	<u>\$ 945,242</u>	<u>\$ 1,446,166</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 5,020,796	\$ 3,740,589	\$ -	\$ 501,921
Recreation	2,648,084	1,057,900	-	-
Total business-type activities	<u>\$ 7,668,880</u>	<u>\$ 4,798,489</u>	<u>\$ -</u>	<u>\$ 501,921</u>
Total primary government	<u>\$ 16,891,334</u>	<u>\$ 5,743,731</u>	<u>\$ 1,446,166</u>	<u>\$ 501,921</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Business license tax

Restaurant food tax

Bank Stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning - as restated

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (990,746)	\$ -	\$ (990,746)
(2,319,332)	-	(2,319,332)
(2,879,000)	-	(2,879,000)
(100,391)	-	(100,391)
(118,954)	-	(118,954)
(422,623)	-	(422,623)
<u>\$ (6,831,046)</u>	<u>\$ -</u>	<u>\$ (6,831,046)</u>
\$ -	\$ (778,286)	\$ (778,286)
-	(1,590,184)	(1,590,184)
<u>\$ -</u>	<u>\$ (2,368,470)</u>	<u>\$ (2,368,470)</u>
<u>\$ (6,831,046)</u>	<u>\$ (2,368,470)</u>	<u>\$ (9,199,516)</u>
\$ 577,941	\$ -	\$ 577,941
484,640	-	484,640
488,018	-	488,018
1,470,897	-	1,470,897
1,894,111	-	1,894,111
437,022	-	437,022
519,341	-	519,341
37,421	13,907	51,328
120,425	137,373	257,798
1,396,964	-	1,396,964
(984,737)	984,737	-
<u>\$ 6,442,043</u>	<u>\$ 1,136,017</u>	<u>\$ 7,578,060</u>
(389,003)	(1,232,453)	(1,621,456)
36,229,367	53,225,125	89,454,492
<u>\$ 35,840,364</u>	<u>\$ 51,992,672</u>	<u>\$ 87,833,036</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2011

	General	Permanent Fund Perpetual Care	Total
ASSETS			
Cash and cash equivalents	\$ 6,887,090	\$ 590,042	\$ 7,477,132
Receivables (net of allowance for uncollectibles):			
Taxes receivable	55,208	-	55,208
Accounts receivable	497,739	-	497,739
Due from other governmental units	204,686	-	204,686
Inventories	135,556	-	135,556
Prepaid items	47,851	-	47,851
Total assets	<u>\$ 7,828,130</u>	<u>\$ 590,042</u>	<u>\$ 8,418,172</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 591,285	\$ -	\$ 591,285
Deferred revenue	50,732	-	50,732
Total liabilities	<u>\$ 642,017</u>	<u>\$ -</u>	<u>\$ 642,017</u>
Fund balances:			
Nonspendable:			
Inventory	\$ 135,556	\$ -	\$ 135,556
Prepaid	47,851	-	47,851
Permanent fund principal	-	590,042	590,042
Committed to:			
Legislative	5,538	-	5,538
Finance	34,300	-	34,300
Fire and rescue squad	2,470	-	2,470
Building inspections	2,965	-	2,965
Street maintenance	37,981	-	37,981
Maintenance, buildings, and grounds	8,545	-	8,545
Cemetery maintenance	8,400	-	8,400
Capital projects	156,480	-	156,480
Other construction	1,279,509	-	1,279,509
Unassigned fund balance	5,466,518	-	5,466,518
Total fund balances	<u>\$ 7,186,113</u>	<u>\$ 590,042</u>	<u>\$ 7,776,155</u>
Total liabilities and fund balances	<u>\$ 7,828,130</u>	<u>\$ 590,042</u>	<u>\$ 8,418,172</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,776,155
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,062,789
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,167
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Internal service funds are used by management to charge the costs of certain activities, such as motor pool and data processing, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Assets:

Current assets	\$ 308,655	
Capital assets	32,926	
Less accumulated depreciation	(6,585)	
Liabilities	<u>(81,111)</u>	253,885

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(302,632)</u>
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Net assets of governmental activities	\$ <u><u>35,840,364</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2011

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	\$ 555,233	\$ -	\$ 555,233
Other local taxes	5,294,029	-	5,294,029
Permits, privilege fees, and regulatory licenses	139,576	-	139,576
Fines and forfeitures	257,075	-	257,075
Revenue from the use of money and property	36,269	1,152	37,421
Miscellaneous	120,425	-	120,425
Intergovernmental revenues:			
Commonwealth	2,825,505	-	2,825,505
Federal	17,625	-	17,625
Total revenues	<u>\$ 9,245,737</u>	<u>\$ 1,152</u>	<u>\$ 9,246,889</u>
EXPENDITURES			
Current:			
General government administration	\$ 936,694	\$ -	\$ 936,694
Public safety	2,749,926	-	2,749,926
Public works	2,993,992	-	2,993,992
Health and welfare	100,391	-	100,391
Parks, recreation, and cultural	121,616	-	121,616
Community development	392,305	-	392,305
Capital projects	670,278	-	670,278
Total expenditures	<u>\$ 7,965,202</u>	<u>\$ -</u>	<u>\$ 7,965,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,280,535</u>	<u>\$ 1,152</u>	<u>\$ 1,281,687</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>\$ (984,737)</u>	<u>\$ -</u>	<u>\$ (984,737)</u>
Net change in fund balances	\$ 295,798	\$ 1,152	\$ 296,950
Fund balances - beginning	6,890,315	588,890	7,479,205
Fund balances - ending	<u>\$ 7,186,113</u>	<u>\$ 590,042</u>	<u>\$ 7,776,155</u>

The notes to the financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ 296,950
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. This is the amount by which the depreciation exceeded capital outlays in the current period.	(680,783)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,708
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.	(5,488)
Internal service funds are used by management to charge the costs of certain activities, such as motor pool and data processing, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(22,390)</u>
Change in net assets of governmental activities	<u>\$ (389,003)</u>

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Funds			Internal Service Funds
	Water & Sewer	Recreation	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,914,082	\$ 2,196,023	\$ 10,110,105	\$ 307,294
Accounts receivable	380,253	18,960	399,213	-
Notes receivable	28,372	-	28,372	-
Inventories	242,690	381	243,071	-
Prepaid expenses	21,950	2,264	24,214	1,361
Restricted current assets:				
Cash and cash equivalents	301,532	-	301,532	-
Total current assets	\$ 8,888,879	\$ 2,217,628	\$ 11,106,507	\$ 308,655
Other assets:				
Unamortized bond issue costs	\$ -	\$ 105,910	\$ 105,910	\$ -
Capital assets:				
Land	\$ 665,660	\$ 3,519,816	\$ 4,185,476	\$ -
Utility plant in service	38,594,588	-	38,594,588	-
Buildings and systems	-	24,781,233	24,781,233	-
Improvements other than buildings	-	414,503	414,503	-
Furniture, equipment, and vehicles	2,244,755	580,830	2,825,585	32,926
Construction in progress	1,553,047	415,492	1,968,539	-
Less accumulated depreciation	(20,349,135)	(1,557,554)	(21,906,689)	(6,585)
Total capital assets	\$ 22,708,915	\$ 28,154,320	\$ 50,863,235	\$ 26,341
Total noncurrent assets	\$ 22,708,915	\$ 28,260,230	\$ 50,969,145	\$ 26,341
Total assets	\$ 31,597,794	\$ 30,477,858	\$ 62,075,652	\$ 334,996
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 224,151	\$ 76,366	\$ 300,517	\$ 50,135
Accrued liabilities	-	51,075	51,075	10,114
Customers' deposits	37,761	-	37,761	-
Compensated absences - current portion	16,783	1,286	18,069	2,086
Interest payable	-	175,612	175,612	-
Unearned revenue	235,737	-	235,737	-
Bonds payable - current portion	-	280,693	280,693	-
Total current liabilities	\$ 514,432	\$ 585,032	\$ 1,099,464	\$ 62,335
Noncurrent liabilities:				
Bonds payable - net of current portion, unamortized premium	\$ -	\$ 8,820,897	\$ 8,820,897	\$ -
Compensated absences - net of current portion	151,044	11,575	162,619	18,776
Total noncurrent liabilities	\$ 151,044	\$ 8,832,472	\$ 8,983,516	\$ 18,776
Total liabilities	\$ 665,476	\$ 9,417,504	\$ 10,082,980	\$ 81,111
NET ASSETS				
Invested in capital assets, net of related debt	\$ 22,708,915	\$ 19,052,730	\$ 41,761,645	\$ 26,341
Unrestricted	8,223,403	2,007,624	10,231,027	227,544
Total net assets	\$ 30,932,318	\$ 21,060,354	\$ 51,992,672	\$ 253,885

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Water & Sewer	Recreation	Total	
OPERATING REVENUES				
Charges for services:				
Sale of water	\$ 1,237,977	\$ -	\$ 1,237,977	\$ -
Aquatic facility revenues	-	1,057,900	1,057,900	-
Sewer service charges	2,409,175	-	2,409,175	-
Motor Pool fees	-	-	-	376,323
Data processing fees	-	-	-	172,268
Late payment charges	43,955	-	43,955	-
Transfer fees	8,124	-	8,124	-
Other fees	20,789	-	20,789	-
Miscellaneous	20,569	-	20,569	-
Total operating revenues	\$ 3,740,589	\$ 1,057,900	\$ 4,798,489	\$ 548,591
OPERATING EXPENSES				
Source of supply of water	\$ 837,269	\$ -	\$ 837,269	\$ -
Maintenance of water and sewer lines	493,310	-	493,310	-
Meter reading, billing, and servicing	233,245	-	233,245	-
Operation of sewage treatment plant	1,611,678	-	1,611,678	-
Administration	689,221	-	689,221	-
Recreation	-	1,530,005	1,530,005	-
Motor pool	-	-	-	374,344
Data processing	-	-	-	187,112
Capital Outlay	1,934	2,890	4,824	2,940
Depreciation	1,154,139	701,128	1,855,267	6,585
Total operating expenses	\$ 5,020,796	\$ 2,234,023	\$ 7,254,819	\$ 570,981
Operating income (loss)	\$ (1,280,207)	\$ (1,176,123)	\$ (2,456,330)	\$ (22,390)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	\$ 13,907	\$ -	\$ 13,907	\$ -
Rental revenue	137,373	-	137,373	-
Interest expense	-	(414,061)	(414,061)	-
Federal grant revenue	326,796	-	326,796	-
Total nonoperating revenues (expenses)	\$ 478,076	\$ (414,061)	\$ 64,015	\$ -
Income before contributions and transfers	\$ (802,131)	\$ (1,590,184)	\$ (2,392,315)	\$ (22,390)
Capital contributions	\$ 175,125	\$ -	\$ 175,125	\$ -
Transfers in	-	984,737	984,737	-
Change in net assets	\$ (627,006)	\$ (605,447)	\$ (1,232,453)	\$ (22,390)
Total net assets - beginning	\$ 31,559,324	\$ 21,665,801	\$ 53,225,125	\$ 276,275
Total net assets - ending	\$ 30,932,318	\$ 21,060,354	\$ 51,992,672	\$ 253,885

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Water & Sewer	Recreation	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,751,042	\$ 1,057,900	\$ 4,808,942	\$ 548,591
Payments to suppliers	(1,677,084)	(629,034)	(2,306,118)	(336,039)
Payments to employees	(2,209,301)	(876,587)	(3,085,888)	(202,478)
Net cash provided (used by) operating activities	\$ (135,343)	\$ (447,721)	\$ (583,064)	\$ 10,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions to capital assets	\$ (1,927,478)	\$ (474,803)	\$ (2,402,281)	\$ (32,926)
Principal payments on bonds	-	(271,191)	(271,191)	-
Interest payments	-	(413,112)	(413,112)	-
Capital contributions	617,185	-	617,185	-
Transfers from other funds	-	984,737	984,737	-
Net cash provided (used) by capital and related financing activities	\$ (1,310,293)	\$ (174,369)	\$ (1,484,662)	\$ (32,926)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 13,907	\$ -	\$ 13,907	\$ -
Other - rental income	137,373	-	137,373	-
Net cash provided (used) by investing activities	\$ 151,280	\$ -	\$ 151,280	\$ -
Net increase (decrease) in cash and cash equivalents	\$ (1,294,356)	\$ (622,090)	\$ (1,916,446)	\$ (22,852)
Cash and cash equivalents - beginning - (including restricted \$300,879)	9,509,970	2,818,113	12,328,083	330,146
Cash and cash equivalents - ending - (including restricted \$301,532)	\$ 8,215,614	\$ 2,196,023	\$ 10,411,637	\$ 307,294
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (1,280,207)	\$ (1,176,123)	\$ (2,456,330)	\$ (22,390)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	\$ 1,154,139	\$ 701,128	\$ 1,855,267	\$ 6,585
(Increase) decrease in accounts receivable	8,962	-	8,962	-
(Increase) decrease in notes receivable	10,857	-	10,857	-
(Increase) decrease in inventories	28,134	(377)	27,757	-
Increase (decrease) in customer deposits	4,115	-	4,115	-
Increase (decrease) in accounts payable and accrued expenses	(50,976)	23,115	(27,861)	24,662
Increase (decrease) in deferred revenue	(13,481)	-	(13,481)	-
Increase (decrease) in accrued leave	3,114	4,536	7,650	1,217
Total adjustments	\$ 1,144,864	\$ 728,402	\$ 1,873,266	\$ 32,464
Net cash provided (used) by operating activities	\$ (135,343)	\$ (447,721)	\$ (583,064)	\$ 10,074

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 130,649
Receivables:	
Other receivables	58
Total assets	<u>\$ 130,707</u>
LIABILITIES	
Accounts payable	\$ 107
Amounts held for others	130,600
Total liabilities	<u>\$ 130,707</u>

The notes to the financial statements are an integral part of this statement.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity:

The Town of Warrenton, Virginia (government) is a municipal corporation governed by an elected mayor and seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - There were no blended component units for the Town for the year ended June 30, 2011.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2011.

Cost Sharing Agreement

The Town has, with the County of Fauquier, a joint dispatch center. The Town appoints three members of the eight-member board of the Center. The agreement, which began in July 1994, has the Town sharing 20% of the net costs. All E-911 telephone taxes are credited to the Center and then expenses are shared on a 20/80 split with the County. Since the Center is not truly subject to joint control in that Fauquier County has the ability to unilaterally control the financial and operating policies of the Center, the Center does not meet the definition of a joint venture.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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*.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual 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. Fiduciary funds statements have no measurement focus. 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 collectible 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.

Property 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town. Utility taxes are collected by the utilities and remitted directly to the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. This fund is used to account for and report all financial resources of the general government, except those required to be accounted for and reported in another fund. The general fund includes the activities of the capital projects fund.

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the Town's water and sewer system. The Town's fund operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

The *recreation fund* accounts for the activities of the Town's recreation facilities.

Additionally, the government reports the following fund types:

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

The *permanent fund* accounts for financial resources that are legally restricted to the extent that only earnings not principal may be used for purposes that support the government's programs. The Town reports a 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.

Internal service funds account for motor pool and data processing services provided to other departments of the Town on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 for enterprise funds and internal service funds 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventory

Inventory is valued at cost, using the *first-in, first-out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

4. *Property Taxes*

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Fauquier Commissioner of Revenue annually on property owned on January 1st. Town Council adopts tax rates in April of each year as a 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 of each year. Personal property taxes are levied as of January 1st and are due on December 15th of each year. Penalties accrue on the 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 Town bills and collects its own property taxes.

5. *Allowance for Uncollectible Accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$50,214 at June 30, 2011 and is comprised of property taxes and water and sewer receivables.

6. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

7. Capital assets: (Continued)

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Prior to 1982</u>	<u>After 1982</u>
Buildings and improvements	40	50 years
Utility plant in service	40	50 years
Furniture, equipment, and vehicles	10	5-10 years
Infrastructure	30-50	30-50 years

Infrastructure acquired prior to 1980 is reported in the financial statements.

8. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general and water & sewer funds have been used to liquidate this liability in the past.

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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 debt service expenditures.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Assets, liabilities, and net assets or equity (Continued)

10. Fund equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - 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 fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

11. Net assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

12. Construction Encumbrances

Certain assets of the Town's water and sewer enterprise fund and recreation fund have been encumbered for future construction activities that are reported as unrestricted net assets.

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds and net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$302,632) difference for the primary government are as follows:

	<u>Primary Government</u>
Compensated absences	\$ (302,632)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ (302,632)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this (\$680,783) difference for the primary government are as follows:

	<u>Primary Government</u>
Capital outlay	\$ 760,798
Depreciation expense	<u>(1,441,581)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (680,783)</u>

Another element of that reconciliation states that “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.” The details of this (\$5,488) difference for the primary government are as follows:

	<u>Primary Government</u>
Compensated absences	\$ (5,488)
Net adjustment to decrease <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (5,488)</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital 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 May 1, the budget is legally enacted through passage of an Appropriations Resolution.
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 the 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 for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town funds, unless they are carried forward by a resolution of Town Council. Several supplemental appropriations were necessary during this fiscal year.
8. All budget data presented in the accompanying financial statements is the amended budget as of June 30

B. Excess of expenditures over appropriations

For the year ended June 30, 2011, the general fund expenditures exceed appropriations in the amount of \$259,643.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

NOTE 4—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.

NOTE 4—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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 and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Town of Warrenton sets forth the following authorized investments to mitigate custodial credit risk. Whereas, authorized investments for public funds are limited to those set forth in Chapter 18, Section 2.2-4501 of the Code of Virginia. Investment vehicles for the Town of Warrenton shall be further restricted in consideration of the size of the portfolio and the absence of professional investment personnel.

The Town of Warrenton may invest any and all funds belonging to it or in its control in the following:

1. Obligations of the Commonwealth of Virginia. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth of Virginia.
2. Obligations of the United States. Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporation. These securities can be held directly or in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.
3. Certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia.
4. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.
5. “Prime Quality” commercial paper, with a maturity of 270 days or less, issued by corporations organized under the laws of the United States, with a rating no lower than P-1 by Moody’s Investor and A-1 by Standard and Poor’s Corporation.
6. Commonwealth of Virginia Local Government Investment Pool (LGIP). Convenience and cost effectiveness are primary advantages in using the LGIP as an investment vehicle. The LGIP offers the Town of Warrenton diversification, daily liquidity and professional management which, over time, should provide higher yields and more liquidity than would be obtained through individual investments.

NOTE 4—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities:

The Town’s rated debt investments as of June 30, 2011 were rated by Moody’s and/or an equivalent national rating organization and the ratings are presented below using the Moody’s rating scale.

Town's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAA
Local Government Investment Pool	\$ 16,049,019

Concentration of Credit Risk

The Town of Warrenton shall diversify its investments by type and issuer consistent with the following guidelines:

1. The portfolio will be diversified with no more than five percent of its value in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the U.S. Government, insured certificates of deposit and the Commonwealth of Virginia Local Investment Pool.
2. The maximum percentage of the portfolio permitted in each eligible security type is as follows:

Commonwealth of Virginia Securities	50%
U.S. Government Securities	50%
Certificates of Deposit	75%
Repurchase Agreements	50%
Commercial Paper	25%
Virginia LGIP	100%

Interest Rate Risk

The Town limits its exposure to interest rate risk by investing only in investments detailed above. 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 two years.

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—RECEIVABLES:

Receivables as of year end for the Town’s individual major funds including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Recreation</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 63,683	\$ -	\$ -	\$ 63,683
Other local taxes	452,791	-	-	452,791
Accounts	44,948	421,992	18,960	485,900
Gross receivables	\$ 561,422	\$ 421,992	\$ 18,960	\$ 1,002,374
Less: allowance for uncollectibles	(8,475)	(41,739)	-	(50,214)
Net total receivables	\$ <u>552,947</u>	\$ <u>380,253</u>	\$ <u>18,960</u>	\$ <u>952,160</u>

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Rental tax	\$ 31,920
Sales tax	87,303
Communications tax	85,463
Total	\$ <u>204,686</u>

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 984,737
Recreation Fund	984,737	-
Total	\$ <u>984,737</u>	\$ <u>984,737</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2011.

Governmental Activities

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 1,129,257	\$ -	\$ -	\$ 1,129,257
Construction in progress	-	107,367	-	107,367
Total capital assets not being depreciated	<u>\$ 1,129,257</u>	<u>\$ 107,367</u>	<u>\$ -</u>	<u>\$ 1,236,624</u>
Other capital assets:				
Buildings and improvements	\$ 4,454,272	\$ 79,426	\$ -	\$ 4,533,698
Infrastructure	38,358,768	265,880	-	38,624,648
Furniture, equipment and vehicles	4,915,524	341,051	(20,528)	5,236,047
Total other capital assets	<u>\$ 47,728,564</u>	<u>\$ 686,357</u>	<u>\$ (20,528)</u>	<u>\$ 48,394,393</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,544,447)	\$ (129,657)	\$ -	\$ (1,674,104)
Infrastructure	(16,007,825)	(1,096,389)	-	(17,104,214)
Furniture, equipment and vehicles	(2,561,977)	(222,120)	20,528	(2,763,569)
Total accumulated depreciation	<u>\$ (20,114,249)</u>	<u>\$ (1,448,166)</u>	<u>\$ 20,528</u>	<u>\$ (21,541,887)</u>
Other capital assets, net	<u>\$ 27,614,315</u>	<u>\$ (761,809)</u>	<u>\$ -</u>	<u>\$ 26,852,506</u>
Net capital assets	<u>\$ 28,743,572</u>	<u>\$ (654,442)</u>	<u>\$ -</u>	<u>\$ 28,089,130</u>

Depreciation expense was allocated as follows:

General government administration	\$ 36,959
Public safety	81,829
Public works	1,296,204
Parks, recreation and cultural	1,728
Community development	31,446
Total depreciation expense	<u>\$ 1,448,166</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Enterprise Activities

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 4,185,476	\$ -	\$ -	\$ 4,185,476
Construction in progress	620,917	2,304,544	(956,922)	1,968,539
Total capital assets not being depreciated	<u>\$ 4,806,393</u>	<u>\$ 2,304,544</u>	<u>\$ (956,922)</u>	<u>\$ 6,154,015</u>
Other capital assets:				
Buildings and improvements	\$ 24,781,233	\$ -	\$ -	\$ 24,781,233
Utility plant in service	37,801,766	792,823	-	38,594,589
Improvements other than buildings	396,505	17,998	-	414,503
Furniture, equipment, and vehicles	2,599,522	243,838	(17,775)	2,825,585
Total other capital assets	<u>\$ 65,579,026</u>	<u>\$ 1,054,659</u>	<u>\$ (17,775)</u>	<u>\$ 66,615,910</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (664,346)	\$ (612,799)	\$ -	\$ (1,277,145)
Utility plant in service	(17,673,605)	(1,021,514)	-	(18,695,119)
Improvements other than buildings	(50,226)	(22,989)	-	(73,215)
Furniture, equipment, and vehicles	(1,681,021)	(197,965)	17,775	(1,861,211)
Total accumulated depreciation	<u>\$ (20,069,198)</u>	<u>\$ (1,855,267)</u>	<u>\$ 17,775</u>	<u>\$ (21,906,690)</u>
Other capital assets, net	<u>\$ 45,509,828</u>	<u>\$ (800,608)</u>	<u>\$ -</u>	<u>\$ 44,709,220</u>
Net capital assets	<u>\$ 50,316,221</u>	<u>\$ 1,503,936</u>	<u>\$ (956,922)</u>	<u>\$ 50,863,235</u>

Depreciation expense was allocated as follows:

Water and sewer	\$ 1,154,139
Recreation	701,128
Total depreciation expense	<u>\$ 1,855,267</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 9—LONG-TERM DEBT:

The following is a summary of long-term debt transactions for the Town for the year ended June 30, 2011:

	Amounts Payable July 1, 2010	Increases	Decreases	Amounts Payable June 30, 2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Primary Government:				
Governmental Activities				
Compensated Absences	\$ 297,144	\$ 240,294	\$ (213,944)	\$ 323,494
Total governmental activities	<u>\$ 297,144</u>	<u>\$ 240,294</u>	<u>\$ (213,944)</u>	<u>\$ 323,494</u>
Business-type Activities				
General obligation bonds	\$ 9,085,000	\$ -	\$ (250,000)	\$ 8,835,000
Premium on bond issue	287,781	-	(21,191)	266,590
Compensated Absences	173,038	146,080	(138,430)	180,688
Total business-type activities	<u>\$ 9,545,819</u>	<u>\$ 146,080</u>	<u>\$ (409,621)</u>	<u>\$ 9,282,278</u>
Total primary government	<u><u>\$ 9,842,963</u></u>	<u><u>\$ 386,374</u></u>	<u><u>\$ (623,565)</u></u>	<u><u>\$ 9,605,772</u></u>

Total Amount Outstanding	Amount Due Within One Year
<u> </u>	<u> </u>

Details of Long-Term Indebtedness:

Governmental Activities:

Compensated absences	\$ 323,494	\$ 32,349
Total governmental activities debt	<u>\$ 323,494</u>	<u>\$ 32,349</u>

Business-type Activities:

General obligation bonds	\$ 8,835,000	\$ 260,000
Premium on bond issue	266,590	20,693
Compensated absences	180,688	18,069

Total business-type activities debt	<u>\$ 9,282,278</u>	<u>\$ 298,762</u>
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Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 9—LONG-TERM DEBT: (CONTINUED)

Annual requirements to amortize general obligation bonds and related interest are as follows:

Business-type activities - long-term indebtedness

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 260,000	\$ 423,812
2013	270,000	413,212
2014	280,000	402,212
2015	295,000	390,712
2016	305,000	378,712
2017-2021	1,730,000	1,678,819
2022-2026	2,205,000	1,195,875
2027-2031	2,830,000	559,275
2032	<u>660,000</u>	<u>17,325</u>
Total	<u>\$ 8,835,000</u>	<u>\$ 5,459,954</u>

Primary Government - Business - type Activities:

General obligation bonds:

Series 2006, \$9,775,000, issued June 28, 2006 for construction of a recreation facility, payable in varying annual installments, through June 28, 2032, with interest at 4.0%

\$ 8,835,000

Unamortized premium on general obligation bonds

266,590

Compensated absences payable

180,688

Total business-type activity long-term debt

\$ 9,282,278

NOTE 10—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. 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 for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended 2011 was 6.87% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, Town’s annual pension cost of \$315,764 (does not include employee share of \$229,814 which was assumed by the Town for VRS) was equal to the Town’s required and actual contributions.

Three-Year Trend Information for Town - Primary Government

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 315,051	100%	-
June 30, 2010	314,436	100%	-
June 30, 2011	315,764	100%	-

(1) Employer Portion only

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 82.01% funded. The actuarial accrued liability for benefits was \$21,077,019, and the actuarial value of assets was \$17,286,198, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,790,821. The covered payroll (annual payroll of active employees covered by the plan) was \$4,580,777, and ratio of the UAAL to the covered payroll was 82.75%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 11—DEFERRED UNEARNED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$286,469 consists of the following:

- A. Prepaid property taxes—Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$565 at June 30, 2011.
- B. Deferred Property Tax Revenue—Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$50,167 at June 30, 2011.
- C. Prepaid utility payments—The Town received \$235,737 in deferred revenue to maintain the Warrenton Training Center.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 12—SURETY BONDS:

	<u>Amount</u>
Virginia Municipal Liability Pool - Surety Public Employees Blanket Bond	\$ 1,000,000

NOTE 13—RISK MANAGEMENT:

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

The Town is a member of the Virginia Municipal Group Self Insurance Association 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 Virginia Municipal Group 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 14—NET ASSET ADJUSTMENTS:

Net assets were restated as of July 1, 2010 as follows:

	<u>Governmental Activities</u>	<u>Motor Pool Funds</u>	<u>Data Processing Funds</u>
Net assets as previously reported	\$ 35,953,092	\$ -	\$ -
Report internal service funds previously excluded from financial report	<u>276,275</u>	<u>(21,061)</u>	<u>297,336</u>
Net assets as restated	<u>\$ 36,229,367</u>	<u>\$ (21,061)</u>	<u>\$ 297,336</u>

Required Supplementary Information

Note to Required Supplementary Information

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 551,200	\$ 551,200	\$ 555,233	\$ 4,033
Other local taxes	5,001,425	5,001,425	5,294,029	292,604
Permits, privilege fees, and regulatory licenses	143,180	143,180	139,576	(3,604)
Fines and forfeitures	139,100	139,100	257,075	117,975
Revenue from the use of money and property	53,300	53,300	36,269	(17,031)
Miscellaneous	83,346	83,346	120,425	37,079
Intergovernmental revenues:				
Commonwealth	2,762,344	2,762,344	2,825,505	63,161
Federal	25,000	25,000	17,625	(7,375)
Total revenues	<u>\$ 8,758,895</u>	<u>\$ 8,758,895</u>	<u>\$ 9,245,737</u>	<u>\$ 486,842</u>
EXPENDITURES				
Current:				
General government administration	\$ 906,818	\$ 962,194	\$ 936,694	\$ 25,500
Public safety	2,836,415	2,849,600	2,749,926	99,674
Public works	2,801,693	3,052,147	2,993,992	58,155
Health and welfare	79,861	79,861	100,391	(20,530)
Parks, recreation, and cultural	149,607	149,607	121,616	27,991
Community development	409,631	396,816	392,305	4,511
Capital projects	375,325	215,334	670,278	(454,944)
Total expenditures	<u>\$ 7,559,350</u>	<u>\$ 7,705,559</u>	<u>\$ 7,965,202</u>	<u>\$ (259,643)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,199,545</u>	<u>\$ 1,053,336</u>	<u>\$ 1,280,535</u>	<u>\$ 227,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Transfers out	(984,737)	(984,737)	(984,737)	-
Total other financing sources and uses	<u>\$ (982,737)</u>	<u>\$ (982,737)</u>	<u>\$ (984,737)</u>	<u>\$ (2,000)</u>
Net change in fund balances	\$ 216,808	\$ 70,599	\$ 295,798	\$ 225,199
Fund balances - beginning	(216,808)	(70,599)	6,890,315	6,960,914
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,186,113</u>	<u>\$ 7,186,113</u>

Schedule of Pension Funding Progress
Last Three Fiscal Years

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/10	\$ 17,286,198	\$ 21,077,019	\$ 3,790,821	82.01%	\$ 4,580,777	82.75%
06/30/09	17,415,294	18,138,154	722,860	96.01%	4,617,831	15.65%
06/30/08	17,043,074	17,220,027	176,953	98.97%	4,521,513	3.91%

Other Supplementary Information

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Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	<u>Motor Pool</u>	<u>Data Processing</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 18,881	\$ 288,413	\$ 307,294
Prepaid expenses	1,361	-	1,361
Total current assets	<u>\$ 20,242</u>	<u>\$ 288,413</u>	<u>\$ 308,655</u>
Capital assets:			
Furniture, equipment, and vehicles	\$ -	\$ 32,926	\$ 32,926
Less accumulated depreciation	-	(6,585)	(6,585)
Total capital assets	<u>\$ -</u>	<u>\$ 26,341</u>	<u>\$ 26,341</u>
Total noncurrent assets	<u>\$ -</u>	<u>\$ 26,341</u>	<u>\$ 26,341</u>
Total assets	<u>\$ 20,242</u>	<u>\$ 314,754</u>	<u>\$ 334,996</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 11,288	\$ 38,847	\$ 50,135
Accrued liabilities	10,114	-	10,114
Compensated absences - current portion	2,086	-	2,086
Total current liabilities	<u>\$ 23,488</u>	<u>\$ 38,847</u>	<u>\$ 62,335</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 18,776	\$ -	\$ 18,776
Total noncurrent liabilities	<u>\$ 18,776</u>	<u>\$ -</u>	<u>\$ 18,776</u>
Total liabilities	<u>\$ 42,264</u>	<u>\$ 38,847</u>	<u>\$ 81,111</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 26,341	\$ 26,341
Unrestricted	(22,022)	249,566	227,544
Total net assets	<u>\$ (22,022)</u>	<u>\$ 275,907</u>	<u>\$ 253,885</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Internal Service Funds
 For the Year Ended June 30, 2011

	<u>Motor Pool</u>	<u>Data Processing</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Motor Pool fees	\$ 376,323	\$ -	\$ 376,323
Data processing fees	-	172,268	172,268
Total operating revenues	<u>\$ 376,323</u>	<u>\$ 172,268</u>	<u>\$ 548,591</u>
OPERATING EXPENSES			
Motor pool	\$ 374,344	\$ -	\$ 374,344
Data processing	-	187,112	187,112
Capital Outlay	2,940	-	2,940
Depreciation	-	6,585	6,585
Total operating expenses	<u>\$ 377,284</u>	<u>\$ 193,697</u>	<u>\$ 570,981</u>
Operating income (loss)	<u>\$ (961)</u>	<u>\$ (21,429)</u>	<u>\$ (22,390)</u>
Change in net assets	\$ (961)	\$ (21,429)	\$ (22,390)
Total net assets - beginning - as restated	<u>\$ (21,061)</u>	<u>\$ 297,336</u>	<u>\$ 276,275</u>
Total net assets - ending	<u><u>\$ (22,022)</u></u>	<u><u>\$ 275,907</u></u>	<u><u>\$ 253,885</u></u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	<u>Motor Pool</u>	<u>Data Processing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 376,323	\$ 172,268	\$ 548,591
Payments to suppliers	(181,283)	(154,756)	(336,039)
Payments to employees	(202,478)	-	(202,478)
Net cash provided (used) by operating activities	<u>\$ (7,438)</u>	<u>\$ 17,512</u>	<u>\$ 10,074</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ -	\$ (32,926)	\$ (32,926)
Net increase (decrease) in cash and cash equivalents	\$ (7,438)	\$ (15,414)	\$ (22,852)
Cash and cash equivalents - beginning	26,319	303,827	330,146
Cash and cash equivalents - ending	<u>\$ 18,881</u>	<u>\$ 288,413</u>	<u>\$ 307,294</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (961)	\$ (21,429)	\$ (22,390)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$ -	\$ 6,585	\$ 6,585
Increase (decrease) in accounts payable and accrued expenses	(7,694)	32,356	24,662
Increase (decrease) in accrued leave	1,217	-	1,217
Total adjustments	<u>\$ (6,477)</u>	<u>\$ 38,941</u>	<u>\$ 32,464</u>
Net cash provided (used) by operating activities	<u>\$ (7,438)</u>	<u>\$ 17,512</u>	<u>\$ 10,074</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2011

	<u>Agency Funds</u>		
	<u>Agency</u>	<u>Retirement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 121,052	\$ 9,597	\$ 130,649
Receivables	58	-	58
Total assets	<u>\$ 121,110</u>	<u>\$ 9,597</u>	<u>\$ 130,707</u>
LIABILITIES			
Accounts payable	\$ 107	\$ -	\$ 107
Amounts held for others	121,003	9,597	130,600
Total liabilities	<u>\$ 121,110</u>	<u>\$ 9,597</u>	<u>\$ 130,707</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 126,245	\$ 121,052	\$ 126,245	\$ 121,052
Other receivables	58	58	58	58
Total assets	<u>\$ 126,303</u>	<u>\$ 121,110</u>	<u>\$ 126,303</u>	<u>\$ 121,110</u>
LIABILITIES				
Accounts payable	\$ 3,779	\$ 107	\$ 3,779	\$ 107
Amounts held for others	122,524	121,003	122,524	121,003
Total liabilities	<u>\$ 126,303</u>	<u>\$ 121,110</u>	<u>\$ 126,303</u>	<u>\$ 121,110</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 9,577	\$ 20	\$ -	\$ 9,597
Total assets	<u>\$ 9,577</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 9,597</u>
LIABILITIES				
Amounts held for others	\$ 9,577	\$ 20	\$ -	\$ 9,597
Total liabilities	<u>\$ 9,577</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 9,597</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 135,822	\$ 121,072	\$ 126,245	\$ 130,649
Other receivables	58	58	58	58
Total assets	<u>\$ 135,880</u>	<u>\$ 121,130</u>	<u>\$ 126,303</u>	<u>\$ 130,707</u>
LIABILITIES				
Accounts payable	\$ 3,779	\$ 107	\$ 3,779	\$ 107
Amounts held for others	132,101	121,023	122,524	130,600
Total liabilities	<u>\$ 135,880</u>	<u>\$ 121,130</u>	<u>\$ 126,303</u>	<u>\$ 130,707</u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 210,000	\$ 210,000	\$ 203,665	\$ (6,335)
Real and personal public service corporation taxes	4,200	4,200	4,279	79
Personal property taxes	325,000	325,000	338,595	13,595
Penalties	8,000	8,000	5,930	(2,070)
Interest	4,000	4,000	2,764	(1,236)
Total general property taxes	<u>\$ 551,200</u>	<u>\$ 551,200</u>	<u>\$ 555,233</u>	<u>\$ 4,033</u>
Other local taxes:				
Local sales and use taxes	\$ 450,000	\$ 450,000	\$ 484,640	\$ 34,640
Consumers' utility tax	467,630	467,630	488,018	20,388
Utility license tax	-	-	27,406	27,406
Business license taxes	1,400,000	1,400,000	1,470,897	70,897
Consumption taxes	48,795	48,795	50,494	1,699
Motor vehicle licenses	92,000	92,000	100,710	8,710
Bank stock taxes	363,000	363,000	437,022	74,022
Hotel and motel room taxes	180,000	180,000	162,957	(17,043)
Restaurant food taxes	1,800,000	1,800,000	1,894,111	94,111
Cigarette tax	200,000	200,000	177,774	(22,226)
Total other local taxes	<u>\$ 5,001,425</u>	<u>\$ 5,001,425</u>	<u>\$ 5,294,029</u>	<u>\$ 292,604</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 143,180	\$ 143,180	\$ 139,576	\$ (3,604)
Total permits, privilege fees, and regulatory licenses	<u>\$ 143,180</u>	<u>\$ 143,180</u>	<u>\$ 139,576</u>	<u>\$ (3,604)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 139,100	\$ 139,100	\$ 257,075	\$ 117,975
Total fines and forfeitures	<u>\$ 139,100</u>	<u>\$ 139,100</u>	<u>\$ 257,075</u>	<u>\$ 117,975</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 45,000	\$ 45,000	\$ 24,250	\$ (20,750)
Revenue from use of property	8,300	8,300	12,019	3,719
Total revenue from use of money and property	<u>\$ 53,300</u>	<u>\$ 53,300</u>	<u>\$ 36,269</u>	<u>\$ (17,031)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 83,346	\$ 83,346	\$ 120,425	\$ 37,079
Total miscellaneous revenue	<u>\$ 83,346</u>	<u>\$ 83,346</u>	<u>\$ 120,425</u>	<u>\$ 37,079</u>
Total revenue from local sources	<u>\$ 5,971,551</u>	<u>\$ 5,971,551</u>	<u>\$ 6,402,607</u>	<u>\$ 431,056</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 80,000	\$ 80,000	\$ 117,249	\$ 37,249
Rolling stock tax	30	30	11	(19)
Communications tax	540,329	540,329	561,212	20,883
Personal property tax relief funds	718,492	718,492	718,492	-
Total noncategorical aid	<u>\$ 1,338,851</u>	<u>\$ 1,338,851</u>	<u>\$ 1,396,964</u>	<u>\$ 58,113</u>
Other categorical aid:				
Litter control grant	\$ 4,000	\$ 4,000	\$ 3,380	\$ (620)
DJCP law enforcement grant	204,683	204,683	204,700	17
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,131,310	1,131,310	1,169,429	38,119
State Forfeiture Proceeds	-	-	2,671	2,671
Other	62,500	62,500	24,102	(38,398)
Fire program	16,000	16,000	19,259	3,259
Total other categorical aid	<u>\$ 1,423,493</u>	<u>\$ 1,423,493</u>	<u>\$ 1,428,541</u>	<u>\$ 5,048</u>
Total categorical aid	<u>\$ 1,423,493</u>	<u>\$ 1,423,493</u>	<u>\$ 1,428,541</u>	<u>\$ 5,048</u>
Total revenue from the Commonwealth	<u>\$ 2,762,344</u>	<u>\$ 2,762,344</u>	<u>\$ 2,825,505</u>	<u>\$ 63,161</u>
Revenue from the federal government:				
Categorical aid:				
Criminal justice grant	\$ -	\$ -	\$ 9,866	\$ 9,866
Transportation safety grant	25,000	25,000	7,759	(17,241)
Total categorical aid	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 17,625</u>	<u>\$ (7,375)</u>
Total revenue from the federal government	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 17,625</u>	<u>\$ (7,375)</u>
Total General Fund	<u><u>\$ 8,758,895</u></u>	<u><u>\$ 8,758,895</u></u>	<u><u>\$ 9,245,737</u></u>	<u><u>\$ 486,842</u></u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Personal services	\$ 70,687	\$ 57,687	\$ 56,862	\$ 825
Fringe benefits	45,969	45,969	36,663	9,306
Contractual services	28,100	51,156	48,285	2,871
Other charges	31,121	31,121	28,367	2,754
Total legislative department	<u>\$ 175,877</u>	<u>\$ 185,933</u>	<u>\$ 170,177</u>	<u>\$ 15,756</u>
Executive Department:				
Personal services	\$ 133,375	\$ 120,375	\$ 123,453	\$ (3,078)
Fringe benefits	38,845	38,845	36,937	1,908
Contractual services	700	4,531	-	4,531
Other charges	14,695	14,695	15,857	(1,162)
Total executive department	<u>\$ 187,615</u>	<u>\$ 178,446</u>	<u>\$ 176,247</u>	<u>\$ 2,199</u>
Legal Services:				
Personal services	\$ 2,400	\$ 2,400	\$ 2,400	-
Fringe benefits	8,940	8,940	11,748	(2,808)
Contractual services	83,928	131,417	140,772	(9,355)
Other charges	7,818	7,818	4,245	3,573
Total legal services	<u>\$ 103,086</u>	<u>\$ 150,575</u>	<u>\$ 159,165</u>	<u>\$ (8,590)</u>
Finance Department:				
Personal services	\$ 257,300	\$ 257,300	\$ 257,580	\$ (280)
Fringe benefits	92,472	92,472	89,537	2,935
Contractual services	28,500	35,500	23,493	12,007
Other charges	53,956	53,956	53,473	483
Capital outlay	1,000	1,000	260	740
Total finance department	<u>\$ 433,228</u>	<u>\$ 440,228</u>	<u>\$ 424,343</u>	<u>\$ 15,885</u>
Memberships and Dues:				
Other charges	\$ 7,012	\$ 7,012	\$ 6,762	\$ 250
Total memberships and dues	<u>\$ 7,012</u>	<u>\$ 7,012</u>	<u>\$ 6,762</u>	<u>\$ 250</u>
Total general government administration	<u>\$ 906,818</u>	<u>\$ 962,194</u>	<u>\$ 936,694</u>	<u>\$ 25,500</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Department of Police				
Personal services	\$ 1,592,612	\$ 1,588,508	\$ 1,521,629	\$ 66,879
Fringe benefits	494,148	493,769	441,262	52,507
Contractual services	31,136	36,124	24,332	11,792
Other charges	321,909	330,737	344,738	(14,001)
Capital outlay	-	1,510	15,852	(14,342)
Total department of police	<u>\$ 2,439,805</u>	<u>\$ 2,450,648</u>	<u>\$ 2,347,813</u>	<u>\$ 102,835</u>
Fire and Rescue Services:				
Personal services	\$ 73,118	\$ 73,118	\$ 75,370	\$ (2,252)
Fringe benefits	17,588	17,588	18,401	(813)
Other charges	69,688	72,158	71,505	653
Total fire and rescue services	<u>\$ 160,394</u>	<u>\$ 162,864</u>	<u>\$ 165,276</u>	<u>\$ (2,412)</u>
Bureau of Building Inspections:				
Personal services	\$ 161,729	\$ 161,729	\$ 162,540	\$ (811)
Fringe benefits	46,302	46,302	47,349	(1,047)
Contractual services	4,850	4,850	2,446	2,404
Other charges	22,835	22,707	24,401	(1,694)
Capital outlay	500	500	101	399
Total bureau of building inspections	<u>\$ 236,216</u>	<u>\$ 236,088</u>	<u>\$ 236,837</u>	<u>\$ (749)</u>
Total public safety	<u>\$ 2,836,415</u>	<u>\$ 2,849,600</u>	<u>\$ 2,749,926</u>	<u>\$ 99,674</u>
Public works:				
Public Works Administration:				
Personal services	\$ 278,817	\$ 278,817	\$ 282,521	\$ (3,704)
Fringe benefits	95,760	95,760	81,327	14,433
Contractual services	17,944	17,756	13,353	4,403
Other charges	39,200	39,200	41,955	(2,755)
Capital outlay	250	1,750	1,750	-
Total public works administration	<u>\$ 431,971</u>	<u>\$ 433,283</u>	<u>\$ 420,906</u>	<u>\$ 12,377</u>
Bureau of Street Maintenance:				
Personal services	\$ 391,513	\$ 391,513	\$ 348,709	\$ 42,804
Fringe benefits	248,781	248,781	269,977	(21,196)
Contractual services	2,300	2,300	1,867	433
Other charges	246,029	246,029	308,144	(62,115)
Capital outlay	11,000	11,000	10,712	288
Total bureau of street maintenance	<u>\$ 899,623</u>	<u>\$ 899,623</u>	<u>\$ 939,409</u>	<u>\$ (39,786)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Arterial Street Maintenance:				
Personal services	\$ 79,000	\$ 79,000	\$ 72,518	\$ 6,482
Fringe benefits	6,672	6,672	5,188	1,484
Contractual services	42,000	56,010	41,787	14,223
Other charges	91,255	93,755	94,014	(259)
Capital outlay	137,650	327,480	303,496	23,984
Total arterial street maintenance	<u>\$ 356,577</u>	<u>\$ 562,917</u>	<u>\$ 517,003</u>	<u>\$ 45,914</u>
Collector Street Maintenance:				
Personal services	\$ 69,000	\$ 69,000	\$ 73,222	\$ (4,222)
Fringe benefits	4,055	4,055	5,253	(1,198)
Contractual services	10,000	10,000	9,730	270
Other charges	111,615	111,615	120,774	(9,159)
Capital outlay	152,180	192,690	180,619	12,071
Total collector street maintenance	<u>\$ 346,850</u>	<u>\$ 387,360</u>	<u>\$ 389,598</u>	<u>\$ (2,238)</u>
Bureau of Refuse Collection:				
Personal services	\$ 199,308	\$ 199,308	\$ 193,679	\$ 5,629
Fringe benefits	108,704	108,704	82,813	25,891
Contractual services	5,950	5,950	2,564	3,386
Other charges	70,682	70,682	69,730	952
Total bureau of refuse collection	<u>\$ 384,644</u>	<u>\$ 384,644</u>	<u>\$ 348,786</u>	<u>\$ 35,858</u>
Recycling Program:				
Personal services	\$ 63,305	\$ 63,305	\$ 65,034	\$ (1,729)
Fringe benefits	30,843	26,363	22,151	4,212
Contractual services	200	200	182	18
Other charges	32,054	36,534	41,309	(4,775)
Total recycling program	<u>\$ 126,402</u>	<u>\$ 126,402</u>	<u>\$ 128,676</u>	<u>\$ (2,274)</u>
Maintenance, Buildings and Grounds:				
Personal services	\$ 44,381	\$ 40,281	\$ 35,426	\$ 4,855
Fringe benefits	17,394	17,394	13,044	4,350
Contractual services	77,212	86,003	76,302	9,701
Other charges	115,639	108,940	119,855	(10,915)
Capital outlay	1,000	5,300	4,987	313
Total maintenance, buildings and grounds	<u>\$ 255,626</u>	<u>\$ 257,918</u>	<u>\$ 249,614</u>	<u>\$ 8,304</u>
Total public works	<u>\$ 2,801,693</u>	<u>\$ 3,052,147</u>	<u>\$ 2,993,992</u>	<u>\$ 58,155</u>
Health and welfare:				
Welfare/Social Services:				
Other charges	\$ 79,861	\$ 79,861	\$ 100,391	\$ (20,530)
Total welfare/social service contributions	<u>79,861</u>	<u>79,861</u>	<u>100,391</u>	<u>(20,530)</u>
Total health and welfare	<u>\$ 79,861</u>	<u>\$ 79,861</u>	<u>\$ 100,391</u>	<u>\$ (20,530)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2011

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Maintenance, cemetery:				
Personal services	\$ 70,436	\$ 68,036	\$ 49,205	\$ 18,831
Fringe benefits	31,373	31,373	23,776	7,597
Contractual services	1,850	850	330	520
Other charges	13,448	13,448	18,955	(5,507)
Capital outlay	5,000	8,400	350	8,050
Total maintenance, cemetery	<u>\$ 122,107</u>	<u>\$ 122,107</u>	<u>\$ 92,616</u>	<u>\$ 29,491</u>
Cultural enrichment:				
Other charges	\$ 27,500	\$ 27,500	\$ 29,000	\$ (1,500)
Total cultural enrichment	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 29,000</u>	<u>\$ (1,500)</u>
Total parks, recreation, and cultural	<u>\$ 149,607</u>	<u>\$ 149,607</u>	<u>\$ 121,616</u>	<u>\$ 27,991</u>
Community development:				
Planning and Zoning Department				
Personal services	\$ 201,481	\$ 199,381	\$ 200,767	\$ (1,386)
Fringe benefits	54,517	52,517	48,388	4,129
Contractual services	33,000	53,524	57,745	(4,221)
Other charges	117,463	87,975	84,067	3,908
Capital outlay	900	900	-	900
Total planning and zoning department	<u>\$ 407,361</u>	<u>\$ 394,297</u>	<u>\$ 390,967</u>	<u>\$ 3,330</u>
Zoning Appeals Board:				
Contractual services	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Other charges	100	100	-	100
Total zoning appeals board	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ -</u>	<u>\$ 1,100</u>
Architectural Review Board:				
Contractual services	\$ 1,000	\$ 1,000	\$ 820	\$ 180
Other charges	170	419	518	(99)
Total architectural review board	<u>\$ 1,170</u>	<u>\$ 1,419</u>	<u>\$ 1,338</u>	<u>\$ 81</u>
Total community development	<u>\$ 409,631</u>	<u>\$ 396,816</u>	<u>\$ 392,305</u>	<u>\$ 4,511</u>
Capital projects:				
Capital outlay	\$ 375,325	\$ 215,334	\$ 670,278	\$ (454,944)
Total capital projects	<u>\$ 375,325</u>	<u>\$ 215,334</u>	<u>\$ 670,278</u>	<u>\$ (454,944)</u>
Total General Fund	<u>\$ 7,559,350</u>	<u>\$ 7,705,559</u>	<u>\$ 7,965,202</u>	<u>\$ (259,643)</u>

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Water and Sewer Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,460,000	\$ 2,460,000	\$ 2,409,175	\$ (50,825)
Sale of water	1,340,000	1,340,000	1,237,977	(102,023)
Late payment charges	39,644	39,644	43,955	4,311
Installation fees	14,000	14,000	16,149	2,149
Transfer fees	8,500	8,500	8,124	(376)
Reconnection fees	8,800	8,800	4,640	(4,160)
Total sale of services, commodities and properties	<u>\$ 3,870,944</u>	<u>\$ 3,870,944</u>	<u>\$ 3,720,020</u>	<u>\$ (150,924)</u>
Miscellaneous revenue:				
Miscellaneous receipts	\$ 20,800	\$ 20,800	\$ 20,569	\$ (231)
Total miscellaneous revenue	<u>\$ 20,800</u>	<u>\$ 20,800</u>	<u>\$ 20,569</u>	<u>\$ (231)</u>
Total operating revenue	<u>\$ 3,891,744</u>	<u>\$ 3,891,744</u>	<u>\$ 3,740,589</u>	<u>\$ (151,155)</u>
Operating Expenses:				
Source of supply:				
Personal services	\$ 350,223	\$ 350,223	\$ 326,502	\$ 23,721
Fringe benefits	116,771	116,771	109,687	7,084
Contractual services	181,909	166,034	102,087	63,947
Other charges	331,606	331,606	298,993	32,613
Total source of supply	<u>\$ 980,509</u>	<u>\$ 964,634</u>	<u>\$ 837,269</u>	<u>\$ 127,365</u>
Transmission and distribution:				
Personal services	\$ 305,495	\$ 305,495	\$ 333,182	\$ (27,687)
Fringe benefits	149,650	149,650	124,143	25,507
Contractual services	15,400	15,400	5,090	10,310
Other charges	100,026	100,026	30,895	69,131
Capital outlays	4,700	4,700	-	4,700
Total transmission and distribution	<u>\$ 575,271</u>	<u>\$ 575,271</u>	<u>\$ 493,310</u>	<u>\$ 81,961</u>
Meter reading:				
Personal services	\$ 96,688	\$ 96,688	\$ 93,577	\$ 3,111
Fringe benefits	52,674	52,674	50,717	1,957
Contractual services	8,162	12,662	1,871	10,791
Other charges	57,962	77,042	87,080	(10,038)
Total meter reading	<u>\$ 215,486</u>	<u>\$ 239,066</u>	<u>\$ 233,245</u>	<u>\$ 5,821</u>
Wastewater Treatment Operation:				
Personal services	\$ 501,291	\$ 478,863	\$ 482,754	\$ (3,891)
Fringe benefits	167,468	167,468	156,729	10,739
Contractual services	171,483	249,631	254,636	(5,005)
Other charges	669,742	711,509	717,559	(6,050)
Capital outlays	-	12,717	-	12,717
Total wastewater treatment operation	<u>\$ 1,509,984</u>	<u>\$ 1,620,188</u>	<u>\$ 1,611,678</u>	<u>\$ 8,510</u>

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Water and Sewer Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personal services	\$ 425,783	\$ 425,783	\$ 412,544	\$ 13,239
Fringe benefits	146,267	146,267	122,580	23,687
Contractual services	82,726	90,143	64,016	26,127
Other charges	75,446	75,446	89,687	(14,241)
Capital outlays	500	500	394	106
Total public utilities administration	<u>\$ 730,722</u>	<u>\$ 738,139</u>	<u>\$ 689,221</u>	<u>\$ 48,918</u>
Wastewater Treatment Operation: (continued)				
Capital Outlay:				
Machinery & equipment	\$ 18,000	\$ 18,000	\$ -	\$ 18,000
Sewer plant improvements	-	358,316	816	357,500
Sewer line rehabilitation	560,000	459,206	1,037	458,169
Water line replacement	260,000	1,486,985	81	1,486,904
Total capital outlay	<u>\$ 838,000</u>	<u>\$ 2,322,507</u>	<u>\$ 1,934</u>	<u>\$ 2,320,573</u>
Depreciation	\$ -	\$ -	\$ 1,154,139	\$ (1,154,139)
Total operating expenses	<u>\$ 4,849,972</u>	<u>\$ 6,459,805</u>	<u>\$ 5,020,796</u>	<u>\$ 1,439,009</u>
Net operating income (loss)	<u>\$ (958,228)</u>	<u>\$ (2,568,061)</u>	<u>\$ (1,280,207)</u>	<u>\$ (1,287,854)</u>
Non-operating revenues (expenses):				
Interest revenue	\$ 16,000	\$ 16,000	\$ 13,907	\$ 2,093
Rental revenue	132,000	132,000	137,373	(5,373)
Capital contributions	575,000	575,000	175,125	399,875
Federal grant revenue	-	-	326,796	(326,796)
Net non-operating revenues (expenses)	<u>\$ 723,000</u>	<u>\$ 723,000</u>	<u>\$ 653,201</u>	<u>\$ 69,799</u>
Net income (loss) before operating transfers	<u>\$ (235,228)</u>	<u>\$ (1,845,061)</u>	<u>\$ (627,006)</u>	<u>\$ (1,218,055)</u>
Net income (loss)	<u>\$ (235,228)</u>	<u>\$ (1,845,061)</u>	<u>\$ (627,006)</u>	<u>\$ (1,218,055)</u>
Net income (loss)	\$ (235,228)	\$ (1,845,061)	\$ (627,006)	\$ (1,218,055)
Net assets, beginning of year	<u>235,228</u>	<u>1,845,061</u>	<u>31,559,324</u>	<u>(29,714,263)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,932,318</u>	<u>\$ (30,932,318)</u>

Schedule of Changes in Committed for Other Construction Fund Balances

General Fund

For the Year Ended June 30, 2011

	Balances	Transfers		Balances
	July 1, 2010	In	Out	June 30, 2011
ARB Printing	\$ 1,800	\$ -	\$ -	\$ 1,800
Adelphia	41,000	-	-	41,000
Business directional sign	3,100	-	-	3,100
Cemetery street improvement	5,000	-	-	5,000
Cemetery Pmts on Contract	8,600	-	-	8,600
Comprehensive Plan	29,340	-	-	29,340
Donations to PD	-	800	-	800
Driveway culvert Evans	5,400	-	-	5,400
Driveway culverts	8,642	-	-	8,642
Elections	3,539	-	-	3,539
Fire/Rescue	42,921	-	-	42,921
Finance special project help	13,705	-	-	13,705
Haiti St. sidewalk	23,400	-	-	23,400
Highland Proffers	95,238	198	-	95,436
Inspections - subscriptions	-	1,000	-	1,000
Lee street rehab	-	35,000	-	35,000
Light installation	21,701	-	-	21,701
Microfilm records	18,127	764	-	18,891
New Trees/Shubbery	-	5,000	-	5,000
Old Town Signage	5,000	15,000	-	20,000
P&CD travel and training	2,592	4,861	1,494	5,959
Park site improvements	9,000	-	-	9,000
Parking lot improvements	3,760	3,999	-	7,759
Parking Project	350,000	-	-	350,000
Parks Maint. Contr. Repair	47,489	-	47,489	-
Planning department printing	9,738	-	-	9,738
Playground equipment	5,500	-	-	5,500
Police department K9	-	5,500	-	5,500
Printing handbooks	8,106	-	-	8,106
Professional services - data processing	10,000	-	-	10,000
Professional services - planning	21,420	6,100	15,000	12,520
Professional services - executive	-	13,000	-	13,000
Professional services - legislative	-	13,000	-	13,000
Public safety day funds	2,692	-	2,691	1
Repairs municipal building	54,882	2,041	47,187	9,736
Repairs to other buildings	16,384	47,187	-	63,571
Sidewalk construction	45,381	-	-	45,381
Sidewalk curb and gutter	54,634	-	-	54,634
Storm sewers	180,200	-	98,803	81,397
State asset forfeiture proceeds	7,256	698	1,510	6,444
Street improvements/painting	245,817	-	242,340	3,477
SWMM upgrade	15,000	-	15,000	-
Town 2010 Birthday	12,500	-	-	12,500
VDOT Bike Pedestrian Safety program	290,000	-	286,750	3,250
VDOT revenue sharing	-	109,991	-	109,991
VDOT Urban Project	8,234	-	-	8,234
Visitor Center	16,824	-	6,000	10,824
Warrenton Heritage Day Mosby	3,000	31,180	-	34,180
Wherehouse improvements	1,532	-	-	1,532
Totals	\$ 1,748,454	\$ 295,319	\$ 764,264	\$ 1,279,509

Schedule of Changes in Construction Encumbrances
 Water and Sewer Fund
 For the Year Ended June 30, 2011

	Balances	Transfers		Balances
	July 1, 2010	In	Out	June 30, 2011
Caustic feed system	\$ 51,834	\$ -	\$ -	\$ 51,834
Culpeper Street water line	19,748	-	-	19,748
Furniture and fixtures	1,315	-	-	1,315
I & I	199,800	-	-	199,800
Lift station upgrade	40,720	-	40,720	-
Lines and services	557,171	140,000	-	697,171
Machinery and equipment meters	32,600	-	-	32,600
Professional services - administrative	5,400	-	-	5,400
Sewer plant improvements	1,401,585	-	82,945	1,318,640
Sewer rehabilitation	455,817	212,302	-	668,119
Rady Park Pump Station Upgrade	557,035	-	-	557,035
Water plant improvements	-	15,875	-	15,875
Warrenton Training Center	300,879	653	-	301,532
Totals	\$ 3,623,904	\$ 368,830	\$ 123,665	\$ 3,869,069

Schedule of Changes in Construction Encumbrances
 Recreation Fund
 For the Year Ended June 30, 2011

	Balances	Transfers		Balances
	July 1, 2010	In	Out	June 30, 2011
Academy Hill Park	\$ 65,000	\$ -	\$ -	\$ 65,000
Park site improvement	7,671	-	7,671	-
Gay Road Park	35,000	-	35,000	-
Recreation proffers	201,180	-	-	201,180
Academy recreation proffers	59,500	-	-	59,500
Steam mitigation	380,420	-	340,000	40,420
F&F aquatic center	333,673	-	2,580	331,093
Rady Park	1,164	-	-	1,164
Rt. 211 access/parking	209,093	-	-	209,093
Signage Waterloo & Rt. 211	45,000	-	40,000	5,000
Playground equipment	1,000	-	-	1,000
Warrenton Greenway depot park	25,795	-	-	25,795
WARF Construction	533,079	-	493,223	39,856
Recreation center concession/restroom	380,000	-	-	380,000
Totals	\$ 2,277,575	\$ -	\$ 918,474	\$ 1,359,101

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Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the 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.

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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 debt in the future.

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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.

16-17

Operating Information

These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

TOWN OF WARRENTON, VIRGINIA

Net Assets by Component
 Last Nine Fiscal Years
 (accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 14,682,167	\$ 17,346,179	\$ 24,142,662
Restricted	1,941,736	6,758,066	6,001,061
Unrestricted	<u>8,110,581</u>	<u>6,556,011</u>	<u>8,589,416</u>
Total governmental activities net assets	<u>\$ 24,734,484</u>	<u>\$ 30,660,256</u>	<u>\$ 38,733,139</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 12,491,284	\$ 16,786,204	\$ 16,811,434
Restricted	2,863,575	2,607,984	2,870,352
Unrestricted	<u>8,405,449</u>	<u>6,509,702</u>	<u>8,844,331</u>
Total business-type activities net assets	<u>\$ 23,760,308</u>	<u>\$ 25,903,890</u>	<u>\$ 28,526,117</u>
Primary government			
Invested in capital assets, net of related debt	\$ 27,173,451	\$ 34,132,383	\$ 40,954,096
Restricted	4,805,311	9,366,050	8,871,413
Unrestricted	<u>16,516,030</u>	<u>13,065,713</u>	<u>17,433,747</u>
Total primary government net assets	<u>\$ 48,494,792</u>	<u>\$ 56,564,146</u>	<u>\$ 67,259,256</u>

Note: Accrual-basis financial information is available back to fiscal year 2003 when the Town implemented GASB 34.

Table 1

	2006	2007	2008	2009	2010	2011
\$	27,888,659	\$ 27,860,169	\$ 28,706,827	\$ 29,729,797	\$ 28,743,572	\$ 28,089,130
	2,046,436	1,917,160	2,091,437	1,979,763	588,890	590,042
	12,794,906	2,449,220	4,355,709	6,279,976	6,896,905	7,161,192
\$	<u>42,730,001</u>	<u>\$ 32,226,549</u>	<u>\$ 35,153,973</u>	<u>\$ 37,989,536</u>	<u>\$ 36,229,367</u>	<u>\$ 35,840,364</u>
\$	17,155,045	\$ 33,900,479	\$ 37,819,911	\$ 41,495,789	\$ 40,943,440	\$ 41,761,645
	11,713,744	4,646,949	6,313,531	4,824,596	-	-
	7,738,868	12,431,093	8,042,010	5,872,394	12,281,685	10,231,027
\$	<u>36,607,657</u>	<u>\$ 50,978,521</u>	<u>\$ 52,175,452</u>	<u>\$ 52,192,779</u>	<u>\$ 53,225,125</u>	<u>\$ 51,992,672</u>
\$	45,043,704	\$ 61,760,648	\$ 66,526,738	\$ 71,225,586	\$ 69,687,012	\$ 69,850,775
	13,760,180	6,564,109	8,404,968	6,804,359	588,890	590,042
	20,533,774	14,880,313	12,397,719	12,152,370	19,178,590	17,392,219
\$	<u>79,337,658</u>	<u>\$ 83,205,070</u>	<u>\$ 87,329,425</u>	<u>\$ 90,182,315</u>	<u>\$ 89,454,492</u>	<u>\$ 87,833,036</u>

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 801,322	\$ 865,020	\$ 841,326	\$ 937,279	\$ 1,060,596	\$ 853,933	\$ 926,615	\$ 1,794,610	\$ 1,539,337
Public safety	2,010,689	2,044,514	2,162,210	2,444,376	2,504,495	2,856,414	2,731,817	2,894,544	2,848,144
Public works	2,872,899	2,425,711	2,900,194	3,111,121	3,196,533	1,813,751	1,742,009	3,927,356	4,188,005
Health and welfare	58,350	60,986	72,096	96,765	94,945	101,427	95,851	100,441	100,391
Parks, recreation and cultural	251,035	165,968	52,562	149,936	135,169	380,447	147,141	145,439	123,954
Community development	429,669	407,819	445,378	508,498	455,345	561,837	552,783	446,757	422,623
Interest on long-term debt	2,492	94	-	-	-	-	-	-	-
Total governmental activities expenses	\$ 6,426,456	\$ 5,970,112	\$ 6,473,766	\$ 7,247,975	\$ 7,447,083	\$ 6,567,809	\$ 6,196,216	\$ 9,309,147	\$ 9,222,454
Business-type activities:									
Water and sewer	\$ 3,832,591	\$ 3,842,061	\$ 3,757,536	\$ 4,058,266	\$ 4,364,123	\$ 4,570,230	\$ 4,912,376	\$ 4,741,236	\$ 5,020,796
Parks and recreation	-	-	-	4,623	589,436	1,772,884	2,034,786	2,602,184	2,648,084
Total business-type activities expenses	\$ 3,832,591	\$ 3,842,061	\$ 3,757,536	\$ 4,062,889	\$ 4,953,559	\$ 6,343,114	\$ 6,947,162	\$ 7,343,420	\$ 7,668,880
Total primary government expenses	\$ 10,259,047	\$ 9,812,173	\$ 10,231,302	\$ 11,310,864	\$ 12,400,642	\$ 12,910,923	\$ 13,143,378	\$ 16,652,567	\$ 16,891,334
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 635,896	\$ 548,591
Public safety	155,070	206,823	134,871	128,732	139,433	119,517	196,490	167,156	257,075
Public works	-	-	-	-	-	-	-	142,677	139,576
Community development	-	253,742	375,753	390,132	321,791	153,220	150,781	-	-
Operating grants and contributions	1,014,166	2,405,588	1,119,543	1,291,284	1,361,666	1,476,243	1,516,783	1,550,847	1,446,166
Capital grants and contributions	-	2,221,275	5,731,845	7,227,348	1,666,057	-	-	-	-
Total governmental activities program revenues	\$ 1,169,236	\$ 5,087,428	\$ 7,362,012	\$ 9,037,496	\$ 3,488,947	\$ 1,748,980	\$ 1,864,054	\$ 2,496,576	\$ 2,391,408
Business-type activities:									
Charges for services:									
Water and sewer	\$ 3,518,907	\$ 3,643,950	\$ 3,695,420	\$ 3,916,771	\$ 4,091,748	\$ 3,928,840	\$ 3,683,359	\$ 3,753,934	\$ 3,740,589
Parks and recreation	-	-	-	-	-	623,608	877,634	1,003,989	1,057,900
Capital grants and contributions	5,320,575	1,791,625	2,127,048	1,735,377	792,065	1,250,165	2,202,277	981,035	501,921
Total business-type activities program revenues	\$ 8,839,482	\$ 5,435,575	\$ 5,822,468	\$ 5,652,148	\$ 4,883,813	\$ 5,802,613	\$ 6,763,270	\$ 5,738,958	\$ 5,300,410
Total primary government program revenues	\$ 10,008,718	\$ 10,523,003	\$ 13,184,480	\$ 14,689,644	\$ 8,372,760	\$ 7,551,593	\$ 8,627,324	\$ 8,235,534	\$ 7,691,818
Net (expense) / revenue									
Governmental activities	\$ (5,257,220)	\$ (882,684)	\$ 888,246	\$ 1,789,521	\$ (3,958,136)	\$ (4,818,829)	\$ (4,332,162)	\$ (6,812,571)	\$ (6,831,046)
Business-type activities	5,006,891	1,593,514	-	1,589,259	(69,746)	(540,501)	(183,892)	(1,604,462)	(2,368,470)
Total primary government net expense	\$ (250,329)	\$ 710,830	\$ 888,246	\$ 3,378,780	\$ (4,027,882)	\$ (5,359,330)	\$ (4,516,054)	\$ (8,417,033)	\$ (9,199,516)

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 595,516	\$ 631,535	\$ 727,907	\$ 713,802	\$ 554,281	\$ 663,543	\$ 620,168	\$ 562,348	\$ 577,941
Other local taxes	4,884,107	-	-	-	-	-	-	-	-
Local sales and use tax	-	390,691	458,976	519,031	542,586	509,630	461,030	448,227	484,640
Consumer's utility tax	-	896,993	1,010,520	952,708	994,325	462,750	458,357	511,347	488,018
Business license tax	-	1,023,571	1,123,373	1,400,230	1,653,232	1,338,059	1,248,770	1,405,894	1,470,897
Restaurant food tax	-	1,494,046	1,561,380	1,632,434	1,775,493	1,749,075	1,816,416	1,767,095	1,894,111
Transient occupancy tax	-	132,663	185,405	-	-	-	-	-	-
Motor vehicle license tax	-	91,278	91,990	-	-	-	-	-	-
Communications tax	-	-	-	-	-	618,169	561,660	-	-
Bank stock tax	-	798,720	381,368	-	-	354,680	355,391	457,211	437,022
Tobacco tax	-	231,192	225,417	-	-	-	-	-	-
Other local taxes	-	123,546	45,556	1,088,358	1,013,222	536,333	568,191	547,318	519,341
Permits, privilege fees, and regulatory licenses	255,724	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	641,418	748,819	805,549	835,666	-	-	-	-	-
Unrestricted revenues from use									
of money and property	259,302	105,694	314,013	625,169	778,520	432,507	255,025	50,696	37,421
Miscellaneous	112,894	142,685	253,183	265,957	22,532	109,047	27,049	148,285	120,425
Gain/loss on disposal of capital assets	-	(2,977)	-	-	-	-	-	-	-
Unrestricted grants and contributions					814,922	786,652	795,668	1,366,476	1,396,964
Transfers	-	-	-	(5,826,014)	-	-	-	(1,331,819)	(984,737)
Total governmental activities	\$ 6,748,961	\$ 6,808,456	\$ 7,184,637	\$ 2,207,341	\$ 8,149,113	\$ 7,560,445	\$ 7,167,725	\$ 5,933,078	\$ 6,442,043
Business-type activities:									
Unrestricted grants and contributions	\$ -	\$ 299,000	\$ 2,064,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted revenues from use									
of money and property	229,401	240,345	363,492	533,634	746,081	497,567	76,032	15,701	13,907
Miscellaneous	33,635	10,723	193,803	132,633	228,613	128,891	125,187	130,113	137,373
Transfers	-	-	-	5,826,014	-	-	-	1,331,819	984,737
Total business-type activities	\$ 263,036	\$ 550,068	\$ 2,622,227	\$ 6,492,281	\$ 974,694	\$ 626,458	\$ 201,219	\$ 1,477,633	\$ 1,136,017
Total primary government	\$ 7,011,997	\$ 7,358,524	\$ 9,806,864	\$ 8,699,622	\$ 9,123,807	\$ 8,186,903	\$ 7,368,944	\$ 7,410,711	\$ 7,578,060
Change in Net Assets									
Governmental activities	\$ 1,491,741	\$ 5,925,772	\$ 8,072,883	\$ 3,996,862	\$ 4,190,977	\$ 2,741,616	\$ 2,835,563	\$ (879,493)	\$ (389,003)
Business-type activities	5,269,927	2,143,582	2,622,227	8,081,540	904,948	85,957	17,327	(126,829)	(1,232,453)
Total primary government	\$ 6,761,668	\$ 8,069,354	\$ 10,695,110	\$ 12,078,402	\$ 5,095,925	\$ 2,827,573	\$ 2,852,890	\$ (1,006,322)	\$ (1,621,456)

Note: Accrual-basis financial information is available back to fiscal year 2003 when the Town implemented GASB 34.

TOWN OF WARRENTON, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund					
Reserved	\$ 2,560,828	\$ 1,442,840	\$ 6,259,158	\$ 5,492,318	\$ 596,659
Unreserved	5,898,956	8,213,270	6,558,977	8,749,616	13,885,546
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 8,459,784</u>	<u>\$ 9,656,110</u>	<u>\$ 12,818,135</u>	<u>\$ 14,241,934</u>	<u>\$ 14,482,205</u>
All other governmental funds					
Reserved					
Unreserved, reported in:					
Capital projects funds	\$ -	\$ -	\$ 125,470	\$ -	\$ -
Permanent funds	494,443	498,896	498,908	508,743	528,712
Nonspendable, reported in:					
Permanent funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 494,443</u>	<u>\$ 498,896</u>	<u>\$ 624,378</u>	<u>\$ 508,743</u>	<u>\$ 528,712</u>

Note: Fund balance classifications changed starting in fiscal year 2011 when the Town implemented GASB 54.

Table 3

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	1,361,700	\$ 1,361,700	\$ 1,392,537	\$ 1,748,454	\$ -
	2,677,795	4,720,859	6,522,659	5,141,861	-
	-	-	-	-	183,407
	-	-	-	-	1,536,188
	-	-	-	-	5,466,518
\$	<u>4,039,495</u>	<u>\$ 6,082,559</u>	<u>\$ 7,915,196</u>	<u>\$ 6,890,315</u>	<u>\$ 7,186,113</u>
\$	-	\$ -	\$ -	\$ -	\$ -
	555,460	577,886	587,226	588,890	-
	-	-	-	-	590,042
\$	<u>555,460</u>	<u>\$ 577,886</u>	<u>\$ 587,226</u>	<u>\$ 588,890</u>	<u>\$ 590,042</u>

TOWN OF WARRENTON, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
General property taxes	\$ 605,363	\$ 570,204	\$ 649,312	\$ 744,748
Other local taxes	4,695,289	4,884,107	5,182,700	5,083,985
Permits, privilege fees and regulatory licenses	273,780	255,724	323,960	375,753
Fines and forfeitures	88,950	155,070	136,605	134,871
Revenue from use of money and property	229,157	259,302	105,694	314,013
Miscellaneous	379,256	40,596	85,460	219,696
Recovered costs	22,377	72,298	57,225	33,489
Intergovernmental:				
Local government	-	-	1,357,540	-
Commonwealth	1,527,205	1,623,410	1,785,002	1,924,592
Federal	11,749	32,174	11,865	500
Total revenues	<u>\$ 7,833,126</u>	<u>\$ 7,892,885</u>	<u>\$ 9,695,363</u>	<u>\$ 8,831,647</u>
Expenditures				
General government administration	\$ 831,332	\$ 765,865	\$ 837,312	\$ 837,721
Public safety	1,839,211	1,973,466	1,956,619	2,063,730
Public works	2,151,562	2,005,221	1,836,982	2,217,748
Contributions	191,664	207,671	204,369	72,096
Parks, recreation and cultural	-	-	-	148,550
Community development	436,114	438,994	403,547	433,713
Non-departmental	-	19,900	12,500	675
Capital projects	2,127,027	1,322,262	1,151,423	1,749,250
Debt service:				
Principal	59,864	68,225	5,004	-
Interest and other fiscal charges	6,055	2,492	100	-
Total expenditures	<u>\$ 7,642,829</u>	<u>\$ 6,804,096</u>	<u>\$ 6,407,856</u>	<u>\$ 7,523,483</u>
Excess of revenues over (under) expenditures	<u>\$ 190,297</u>	<u>\$ 1,088,789</u>	<u>\$ 3,287,507</u>	<u>\$ 1,308,164</u>
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(425,663)	-	-	-
Total other financing sources (uses)	<u>\$ (425,663)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ (235,366)</u>	<u>\$ 1,088,789</u>	<u>\$ 3,287,507</u>	<u>\$ 1,308,164</u>
Debt service as a percentage of noncapital expenditures	1.21%	1.31%	0.10%	0.00%

Table 4

	2006	2007	2008	2009	2010	2011
\$	722,808	\$ 627,637	\$ 624,841	\$ 628,812	\$ 576,328	\$ 555,233
	5,592,761	5,978,858	5,568,696	5,469,815	5,137,092	5,294,029
	390,132	321,791	153,220	196,490	142,677	139,576
	128,732	139,433	119,517	150,781	167,156	257,075
	625,169	778,520	432,507	255,025	50,696	37,421
	266,831	40,698	109,047	27,049	148,285	120,425
	23,151	13,487	108,530	-	-	-
	-	-	-	-	-	-
	2,110,717	2,162,466	2,220,020	2,309,451	2,914,059	2,825,505
	613,581	42,179	42,875	3,000	3,264	17,625
\$	<u>10,473,882</u>	<u>\$ 10,105,069</u>	<u>\$ 9,379,253</u>	<u>\$ 9,040,423</u>	<u>\$ 9,139,557</u>	<u>\$ 9,246,889</u>
\$	835,842	\$ 973,880	\$ 918,002	\$ 946,907	\$ 1,128,769	\$ 936,694
	2,365,107	2,398,000	2,722,646	2,620,108	2,777,763	2,749,926
	2,191,932	2,263,115	2,378,910	2,668,694	2,868,026	2,993,992
	96,765	94,945	101,427	95,851	100,441	100,391
	206,123	135,640	382,002	142,506	144,807	121,616
	504,741	508,735	539,165	524,919	426,009	392,305
	-	-	-	-	-	-
	986,852	680,800	457,419	199,461	231,128	670,278
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>7,187,362</u>	<u>\$ 7,055,115</u>	<u>\$ 7,499,571</u>	<u>\$ 7,198,446</u>	<u>\$ 7,676,943</u>	<u>\$ 7,965,202</u>
\$	<u>3,286,520</u>	<u>\$ 3,049,954</u>	<u>\$ 1,879,682</u>	<u>\$ 1,841,977</u>	<u>\$ 1,462,614</u>	<u>\$ 1,281,687</u>
\$	3,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
	(8,826,014)	(13,465,916)	-	-	(1,331,819)	(984,737)
\$	<u>(5,826,014)</u>	<u>(13,465,916)</u>	<u>-</u>	<u>-</u>	<u>(1,331,819)</u>	<u>(984,737)</u>
\$	<u>(2,539,494)</u>	<u>(10,415,962)</u>	<u>1,879,682</u>	<u>1,841,977</u>	<u>130,795</u>	<u>296,950</u>
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Mobile Homes	Machinery and Tools	Public Service	Total Taxable Assessed Value
2011	\$ 1,376,203,000	\$ 0.015	\$ 88,172,640	\$	\$ -	\$ 407,578	\$ 28,221,981	\$ 1,493,005,199
2010	1,376,237,100	0.015	88,172,640	1.00	-	407,578	28,221,981	1,493,039,299
2009	1,767,638,600	0.015	93,472,804	1.00	-	587,884	28,291,208	1,889,990,496
2008	1,758,591,700	0.150	94,289,760	1.00	-	625,632	27,784,639	1,881,291,731
2007	1,726,834,100	0.015	94,049,306	1.00	-	251,503	26,702,670	1,847,837,579
2006	1,702,213,900	0.015	87,009,001	1.00	-	301,061	15,115,823	1,804,639,785
2005	803,093,350	0.030	75,359,990	1.00	-	389,476	18,765,767	897,608,583
2004	754,879,500	0.030	72,564,642	1.00	-	405,195	33,632,102	861,481,439
2003	701,853,350	0.030	64,202,242	1.00	-	560,712	24,056,439	790,672,743
2002	591,875,900	0.050	57,788,410	1.00	1,111	360,911	22,395,310	672,421,642

Source: Commissioner of Revenue

Assessed value is 100% of Actual value for all tax types

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates			Overlapping Rates County of Fauquier	
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property
2011	\$ 0.015	\$ 1.00	\$ 1.00	\$ 0.97	\$ 4.65
2010	0.015	1.00	1.00	0.97	4.65
2009	0.015	1.00	1.00	0.765	4.65
2008	0.015	1.00	1.00	0.645	4.65
2007	0.015	1.00	1.00	0.645	4.65
2006	0.015	1.00	1.00	0.645	4.65
2005	0.03	1.00	1.00	0.99	4.65
2004	0.03	1.00	1.00	0.99	4.65
2003	0.03	1.00	1.00	0.99	4.65
2002	0.05	1.00	1.00	1.06	4.65

(1) Per \$100 of assessed value

TOWN OF WARRENTON, VIRGINIA

General Government Tax Revenues by Source (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Utility Tax</u>	<u>Franchise Tax</u>	<u>Communica- tions Tax (2)</u>	<u>Meals Tax</u>
2011	\$ 555,233	\$ 484,640	\$ 538,512	\$ 464,428	\$ -	\$ 1,901,261
2010	576,328	448,227	562,803	494,251	-	1,767,095
2009	628,812	461,030	504,906	417,266	561,660	1,816,416
2008	624,841	509,630	519,509	369,113	618,169	1,749,075
2007	627,637	542,586	1,042,580	473,713	-	1,775,493
2006	722,808	519,031	998,881	522,854	-	1,632,434
2005	744,748	458,976	1,056,076	381,368	-	1,561,380
2004	649,312	390,691	938,384	880,875	-	1,494,046
2003	570,204	332,040	907,930	783,908	-	1,366,248
2002	605,363	293,596	964,261	669,381	-	1,289,265

(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.

(3) The Town stopped collecting auto rental tax in 2005

Table 7

<u>Transient Occupancy Tax</u>	<u>Business Licenses</u>	<u>Motor Vehicle Licenses</u>	<u>Motor Vehicle Rental Tax (3)</u>	<u>Cigarette Tax</u>	<u>Total</u>
\$ 169,364	\$ 1,528,085	\$ 100,710	\$ -	\$ 177,774	\$ 5,920,007
159,647	1,405,894	99,051	-	200,124	5,713,420
174,398	1,248,770	96,245	-	189,124	6,098,627
151,272	1,338,059	91,454	-	222,415	6,193,537
197,870	1,653,232	96,189	-	197,195	6,606,495
206,274	1,400,230	100,905	-	212,152	6,315,569
185,405	1,123,373	91,990	113,742	225,417	5,942,475
132,663	1,023,571	91,278	87,384	231,192	5,919,396
105,536	1,017,011	139,315	76,742	232,119	5,531,053
112,318	987,283	132,298	73,334	246,887	5,373,986

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2011	
		2010 Assessed Valuation	% of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	\$ 29,666,400	2.11%
Saul Holdings	Shopping Center	19,007,700	1.34%
Warrenton Development	Developer	18,774,000	1.32%
Walmart	Retail Store	16,389,800	1.17%
Warrenton Village	Shopping Center	14,379,700	1.02%
Warrenton Professional Center	Health Care Provider	11,724,400	0.83%
Kalis Holdings	Shopping Center	11,235,500	0.79%
Verizon	Utility	10,764,937	0.75%
Virginia Dominion Power	Utility	10,647,016	0.74%
Sears	Retail Store	10,298,500	0.73%
		<u>\$ 152,887,953</u>	<u>10.80%</u>

Source: Commissioner of Revenue

Table 8

Taxpayer	Type Business	Fiscal Year 2002	
		2001 Assessed Valuation	% of Total Assessed Valuation
Jefferson Associates	Shopping Center	\$ 23,107,100	4.02%
Verizon Virginia	Utility	12,397,751	2.16%
Warrenton Development Co	Developer	9,613,500	1.67%
Troy CMBS Property LLC	Shopping Center	6,590,700	1.15%
Highland Commons LP	Developer	6,021,000	1.05%
Dominion Virginia Power	Utility	5,739,223	1.00%
Warrenton Town Centre Assoc	Shopping Center	5,539,900	0.96%
Warrenton Professional Center	Health Care Provider	5,098,600	0.89%
The Fauquier Bank	Financial Institution	4,503,500	0.78%
Mildred M Fletcher	Rental Properties	4,494,200	0.78%
		<u>\$ 83,105,474</u>	<u>14.46%</u>

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 1,049,477	\$ 1,037,948	98.90%	\$ -	\$ 1,037,948	98.90%
2010	1,283,322	1,250,045	97.41%	9,455	1,259,500	98.14%
2009	1,346,551	1,305,936	96.98%	15,576	1,321,512	98.14%
2008	1,330,126	1,298,822	97.65%	15,484	1,314,306	98.81%
2007	1,313,459	1,284,836	97.82%	16,684	1,301,520	99.09%
2006	1,471,680	1,394,045	94.72%	58,766	1,452,811	98.72%
2005	1,300,387	1,240,510	95.40%	30,182	1,270,692	97.72%
2004	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%
2003	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%
2002	1,051,396	1,005,877	95.67%	36,813	1,042,690	99.17%

Source: Department of Finance & Human Resources

Meals Tax Rates
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates	Overlapping Rates County of Fauquier (1)
	Meals Tax Percent of Gross	Meals Tax Percent of Gross
2011	4.00%	0.00%
2010	4.00%	0.00%
2009	4.00%	0.00%
2008	4.00%	0.00%
2007	4.00%	0.00%
2006	4.00%	0.00%
2005	4.00%	0.00%
2004	4.00%	0.00%
2003	4.00%	0.00%
2002	4.00%	0.00%

(1) Fauquier County does not have a meal tax.

Principal Meals Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Fiscal Year 2011		Taxpayer	Fiscal Year 2002	
	Assessed Valuation	% of Total Assessed Valuation		Assessed Valuation	% of Total Assessed Valuation
McDonalds	\$ 3,614,351	6.85%	Applebees	\$ 2,784,891	8.39%
Chick-Fil-A	3,291,593	6.24%	McDonalds	2,644,533	7.97%
Longhorn Steakhouse	2,601,823	4.93%	Burger King	1,510,933	4.55%
Panera Bread	2,042,547	3.87%	Kentucky Fried Chicken	1,491,333	4.49%
Ruby Tuesday	1,987,007	3.77%	Wendy's	1,414,819	4.26%
Wendy's	1,723,352	3.27%	Napoleon's Restaurant	1,187,540	3.58%
Iron Bridge Wine Co.	1,631,408	3.09%	Red Hot & Blue	1,163,683	3.51%
Burger King	1,459,383	2.77%	Dominos Pizza	1,090,322	3.29%
Taco Bell	1,337,592	2.54%	Country Cookin' Restaurant	1,023,685	3.09%
Applebees	1,334,701	2.53%	Giant Food	1,019,424	3.07%
	<u>\$ 21,023,757</u>	<u>39.85%</u>		<u>\$ 15,331,164</u>	<u>46.21%</u>

Source: Department of Finance and Human Resources

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases	General Obligation Bonds	Capital Leases				
2011	\$ -	\$ 8,835,000	\$ -		\$ 8,835,000	2.36%	919
2010	-	9,085,000	-		9,085,000	2.83%	1,003
2009	-	9,325,000	-		9,325,000	2.07%	1,050
2008	-	9,555,000	-		9,555,000	2.27%	1,110
2007	-	9,775,000	-		9,775,000	3.30%	1,131
2006	-	9,775,000	-		9,775,000	3.30%	1,131
2005	-	-	-		-	0.00%	-
2004	-	-	-		-	0.00%	-
2003	5,010	3,375,000	3,323		3,383,333	1.94%	456
2002	73,235	3,990,000	8,122		4,071,357	2.15%	542

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less: Amounts Reserved for Debt Service</u>	<u>Net Bonded Debt (3)</u>	<u>Ratio of Net General Obligation Debt to Assessed Value (2)</u>	<u>Net Bonded Debt per Capita (1)</u>
2011	\$ 8,835,000	\$ -	\$ 8,835,000	0.59%	919
2010	9,085,000	-	9,085,000	0.61%	1,003
2009	9,325,000	-	9,325,000	0.49%	1,050
2008	9,555,000	-	9,555,000	0.51%	1,110
2007	9,775,000	-	9,775,000	0.53%	1,131
2006	9,775,000	-	9,775,000	0.54%	1,131
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2003	3,375,000	-	3,375,000	0.43%	455
2002	3,990,000	-	3,990,000	0.59%	531

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14

(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.

Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

<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	94,715,000	14%	\$ 13,260,100
Subtotal, overlapping debt			<u>13,260,100</u>
Town of Warrenton, direct debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 13,260,100</u>

Source: County of Fauquier June 30, 2011 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 of Warrenton. This process recognizes 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 government's boundaries and dividing it by the Town's total taxable assessed value.

TOWN OF WARRENTON, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 59,187,590	\$ 70,185,335	\$ 75,487,950	\$ 89,760,858	\$ 180,463,979
Total net debt applicable to limit	<u>3,990,000</u>	<u>3,375,000</u>	<u>-</u>	<u>9,775,000</u>	<u>9,775,000</u>
Legal debt margin	<u>\$ 55,197,590</u>	<u>\$ 66,810,335</u>	<u>\$ 75,487,950</u>	<u>\$ 79,985,858</u>	<u>\$ 170,688,979</u>
Total net debt applicable to the limit as a percentage of debt limit	6.74%	4.81%	0.00%	10.89%	5.42%

Table 15

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	184,783,758	\$ 188,129,173	\$ 188,999,050	\$ 149,303,930	\$ 149,300,520
	9,775,000	9,555,000	9,325,000	9,085,000	8,835,000
\$	<u>175,008,758</u>	<u>178,574,173</u>	<u>179,674,050</u>	<u>140,218,930</u>	<u>140,465,520</u>
	5.29%	5.08%	4.93%	6.08%	5.92%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 1,493,005,199
Add back: exempt real property	-
Total assessed value	<u>\$ 1,493,005,199</u>
Debt limit (10% of total assessed value)	\$ 149,300,520
Net debt applicable to limit	<u>8,835,000</u>
Legal debt margin	<u><u>\$ 140,465,520</u></u>

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2011	9,611	\$ 375,126,941	\$ 39,031	39	1,584	5.20%
2010	9,059	321,223,081	35,459	40	1,581	5.60%
2009	8,877	451,430,958	50,854	38	1,535	5.40%
2008	8,606	421,169,034	48,939	38	1,501	3.50%
2007	8,639	296,447,285	34,315	39	1,496	2.50%
2006	8,639	296,447,285	34,315	38	1,515	2.50%
2005	8,269	283,750,735	34,315	38	1,418	2.80%
2004	8,174	192,514,048	23,552	38	1,297	2.10%
2003	7,413	174,590,976	23,552	38	1,220	2.90%
2002	7,517	189,435,917	25,201	38	1,090	2.80%

Source: Weldon Cooper Center, www.fedstats.gov

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2011			Fiscal Year 2002		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Fauquier County School Board	1,889	1	9.41%	-		0.00%
Fauquier Hospital	1,300	2	6.47%	-		0.00%
County of Fauquier	626	3	3.12%	-		0.00%
Wal Mart	300	4	1.49%	-		0.00%
Town of Warrenton	203	5	1.01%	-		0.00%
Fauquier Bank	175	6	0.87%	-		0.00%
Oak Springs Nursing Home	173	7	0.86%	-		0.00%
Warrenton Overlook Health	160	8	0.80%	-		0.00%
Giant	115	9	0.57%	-		0.00%
Home Depot	100	10	0.50%	-		0.00%
Totals	5,041		25.10%	-		0.00%

Source: Bureau of Labor Standards, Quarterly Census of Employment and Wages

Note: The information for 2002 was not available.

Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General and Financial Administration	6	6	6	5	6	6	6	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	24	24	25	24	25	25	27	25	27	27
Fire & rescue	1	1	1	1	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	21	21	21	22	22	22	22	21	21	22
Administration	4	4	4	5	5	5	5	5	5	4
Culture and recreation										
Parks - cemetery maintenance	2	2	1	1	1	1	1	2	2	2
Planning & Community development	5	5	5	5	5	5	5	5	4	3
Water and Sewer										
Water	15	15	15	15	16	16	16	16	15	14
Wastewater	9	9	9	9	9	9	9	8	8	7
Administration	6	6	6	6	7	7	7	4	7	6
Motor Pool	3	3	3	2	2	2	2	2	2	3
Parks & Recreation	0	0	0	0	0	3	3	3	3	3
Totals	97	97	97	97	101	104	106	101	104	101

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Police department: (Calendar Year)										
Physical arrests	475	503	513	539	703	397	172	358	430	397
Traffic violations	1,786	1,154	906	1,078	1,567	1,615	1,848	2,696	5,360	6,243
Fire and rescue:										
Number of calls answered	-	-	-	-	-	1,628	1,840	3,972	2,435	2,416
Building inspections:										
Permits issued	-	552	578	611	521	573	607	676	382	333
Public works										
Refuse collected (tons/year)	3,453	3,598	3,879	4,187	4,085	4,289	4,138	3,930	3,825	3,920
Recycling (tons/year)	2,293	1,456	2,990	1,632	1,664	1,747	728	880	783	881
Community development										
Planning:										
Zoning permits issued	-	-	156	183	186	189	267	168	155	166

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	16	16	16	16	16	18	18	18	18	17
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	2	2
Highway and Streets										
Streets (miles)	82.8	85.16	85.16	85.16	85.5	87.16	86.76	86.37	86.49	86.49
Streetlights	645	645	645	695	758	770	770	770	770	772
Traffic Signals	4	4	4	6	7	8	8	8	10	10
Culture and Recreation										
Parks acreage	18.44	18.44	23.69	23.69	88.69	88.69	88.69	88.69	88.69	88.69
Parks	3	3	4	4	5	5	5	5	5	5
Water										
Water mains (miles)	74	76.24	69.7	69.7	72.5	73.24	82.4	82.4	84	84
Fire Hydrants	560	578	578	578	623	635	681	681	690	716
Sewer										
Sanitary sewers	56	58.56	58.56	58.56	58.56	58.56	63.2	63.2	63.2	66
Storm sewers (miles)	14.62	15.31	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44

Source: Individual town departments

**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 THE TOWN COUNCIL
TOWN OF WARRENTON, VIRGINIA**

We have audited 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 as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Town of Warrenton, Virginia's internal control over financial reporting as a basis for designing our auditing procedures 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 of Warrenton, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Warrenton, Virginia's internal control over financial reporting.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Town of Warrenton, Virginia'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Warrenton, Virginia in a separate letter dated November 4, 2011.

This report is intended solely for the information and use of the Town Council, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
November 4, 2011