COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2014

Town of Warrenton, Virginia

TOWN OF WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Prepared By
TOWN OF WARRENTON FINANCE DEPARTMENT

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

Table of Contents

INTRODUCTORY SECTION

	Page
Principal Town Officials	1
Letter of Transmittal	3-7
GFOA Certificate of Achievement	9
Organizational Chart	11

FINANCIAL SECTION

	Exhibit	Page
Independent Auditors' Report		13-15
Management's Discussion and Analysis		17-25
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	31
Statement of Activities	2	32-33
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	37
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	39
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	40
Statement of Net Position – Proprietary Funds	7	41
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	8	42
Statement of Cash Flows – Proprietary Funds	9	43
Statement of Fiduciary Net Position – Fiduciary Funds	10	44
Notes to Financial Statements		45-74
Required Supplementary Information:		
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	11	77
Schedule of Pension Funding Progress for Pension Plan	12	78
Other Supplementary Information:		
Combining Statement of Fiduciary Net Position – Fiduciary Funds	13	81
Combining Statement of Changes in Assets and Liabilities – Agency Funds	14	82

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

Table of Contents: (Continued)

FINANCIAL SECTION: (CONTINUED)

	Schedule	Page
Other Supplementary Information:		
Supporting Schedules:		
Schedule of Revenues – Budget and Actual - Governmental Funds	1	85-86
Schedule of Expenditures – Budget and Actual - Governmental Funds	2	87
Schedule of Revenues, Expenses and Changes in Net Position– Budget and Actual – Water and Sewer Fund	3	80-81

STATISTICAL SECTION

	Table	Page
Net Position by Component	1	92-93
Changes in Net Position	2	94-95
Fund Balances of Governmental Funds	3	96-97
Changes in Fund Balances of Governmental Funds	4	98-99
Assessed Value and Estimated Actual Value of Taxable Property	5	100
Property Tax Rates	6	101
General Government Tax Revenues by Source	7	102-103
Meals Tax Revenues	8	105
Principal Property Taxpayers	9	106-107
Property Tax Levies and Collections	10	108
Meals Tax Rates	11	109
Principal Meals Taxpayers	12	110
Ratio of Outstanding Debt by Type	13	111
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	14	112
Direct and Overlapping Governmental Activities Debt	15	113
Legal Debt Margin Information	16	114-115
Demographic and Economic Statistics	17	116
Principal Employers	18	117
Full-time Equivalent Town Employees by Function	19	118
Operating Indicators by Function	20	119
Capital Asset Statistics by Function	21	120

COMPLIANCE SECTION

	Page
Independent Auditors' 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*	121-122

Town of Warrenton, Virginia

Principal Town Officials

Town Council		
Powell L. Duggan		**Yakir M. Lubowsky**
	George B. Fitch, Mayor	
Joan R. Williams		**Roger R. Martella, Jr.**
	David A. Norden, Vice Mayor	
Robert Kravetz		**John S. Lewis**

Town Manager
Kenneth L. McLawhon

Town Attorney
Whitson W. Robinson

Officials	
Town Recorder	Evelyn J. Weimer
Finance/Personnel Director	Stephanie Miller
Director of Parks & Recreation	Margaret Rice
Planning/Zoning Director	Sarah A. Sitterle
Public Works/Utilities Director	Edward B. Tucker, Jr.
Chief of Police	Louis Battle

TOWN OF WARRENTON
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December 5, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Warrenton for the fiscal year ended June 30, 2014. The *Code of Virginia* requires that localities have their accounts and records audited annually as of June 30 by an independent certified public accountant, and that a detailed written report be presented to the local governing body within six months of the close of the fiscal year.

This report has been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). It consists of management's representations concerning the finances of the Town. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the data presented are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the Town. Disclosures have been included to enable the reader to gain the maximum understanding of the Town's financial affairs.

The Town's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse. It is further responsible to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived.

The Town's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The audit was conducted in accordance with generally accepted auditing standards. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report expresses an unqualified opinion on the fair presentation of the financial statements and is presented as the first part of the Financial Section of this report.

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

PROFILE OF THE TOWN

The Town of Warrenton, the County Seat and the largest town in Fauquier County, is located in the Upper Piedmont region of Virginia at the foot of the Blue Ridge mountains about 45 miles southwest of Washington, DC. The Town encompasses 4.25 square miles and has a population of 9,775. Settled in the late seventeenth century, the Town of Warrenton, then known as Courthouse Village, was formally incorporated in 1810. Since 1992, Warrenton has been considered part of the Washington-Baltimore Metropolitan Statistical Area. Warrenton is easily accessible via four U.S. primary routes – 17, 15, 29 and 211. These routes provide access to Interstates 66, 64, 95 and 81 which link Warrenton to major trade routes across the Nation.

The Town is organized under the Council-Manager form of government with an elected mayor and a seven-member Council. Five members are elected by ward and two are elected at large, with staggered four year terms. The Council appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Council for the proper administration of the Town government. The Town Manager performs the daily tasks required by the Town Council in accordance with the Town's Charter and oversees the activities of all Town departments and personnel.

The Town provides a wide range of municipal services including public safety, sanitation and recycling services, community development and planning, the construction and maintenance of highways, streets, parks, and public works infrastructure, and the provision of water and wastewater services. In addition, the Town contributes to cultural events and recreational activities.

An annual budget is prepared for all funds, except the fiduciary funds, to include revenues, expenditures, transfers and debt service. The Town Charter requires the Town Manager to submit a balanced budget to the Town Council no later than May 1 each year. Each department prepares its own budget request for review and amendment by the Town Manager prior to inclusion in the Town's budget. After public hearings, the Town adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended.

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

ECONOMIC CONDITION AND OUTLOOK

The Local Economy

The region continues to recover from the lingering effects of the downturn in the housing market. Every four years, the County of Fauquier conducts a general real estate reassessment in accordance with Section 58.1-3252 of the Code of Virginia. The values from the latest reassessment went into effect on January 1, 2014 and reflect an increase in assessed values. The Town has been less affected by the housing market because the Town's reliance on real estate tax revenue is minimal. The real estate tax rate was lowered in 2006 to $0.015 per $100 of assessed value, making it one of the lowest in Virginia. Primary revenue sources for the Town are Meals Tax and Business License Taxes. Nonetheless, when citizens are impacted negatively in the real estate market, consumer confidence and discretionary spending are impacted. Some positive indicators of a recovering local economy include the following:

- The number of home sales as well as Median Home Sales Prices has risen slightly over the past few years. Additionally, the average number of days on the market for homes in the area has decreased.

ECONOMIC CONDITION AND OUTLOOK: (CONTINUED)

The Local Economy: (Continued)

- The June 2014 unemployment rate for Fauquier County was 4.7 percent. This compares favorably to Virginia's rate of 5.4 percent and the United States rate of 6.3 percent. However, the County continues to lag behind neighboring jurisdictions of Fairfax and Loudoun, which both report June 2014 unemployment rates of 4.4 percent.

- Sales tax revenue has increased by 5.4 percent over Fiscal Year 2013, and continues to reflect this positive trend thus far in Fiscal Year 2015.

- Meals Tax Revenues increased by 1.8 percent over Fiscal Year 2013, but show an even more favorable trend in the first few months of the current fiscal year.

- Plans for two major developments were approved during fiscal year 2014. While this will result in increased permit fee revenue for the Town during their construction, the Town's low real estate tax rate coupled with the continued provision of 100 percent tax relief on personal property valued less than $20,000 means that housing ultimately costs the Town more in terms of the services provided to those homes than the revenues generated by them. Nonetheless, the resurgence of new residential construction is certainly an indicator of an improving market.

Long-term Financial Planning

Town staff develops a five-year Capital Improvement Program (CIP) annually, with significant input from citizens, Council, and management. The CIP outlines the Town's anticipated needs for physical facilities. It is approved by the Planning Commission prior to adoption by the Town Council as part of the annual budget process. This enables the Town to prioritize projects in view of the needs of the community, while remaining mindful of fiscal constraints related to debt service expenditures. Whenever possible, the Town has been committed to cash funding projects instead of borrowing the funds.

Relevant Financial Policies

The Town follows a formal Investment Policy that provides for the safekeeping of the Town's financial assets. The policy requires that all investments be in accordance with those authorized by the Code of Virginia.

The Town maintains strict adherence to its Purchasing Policy and policies regarding the capitalization of assets. As part of the annual budget process, Council has historically mandated that 15% of the annual budget for each fund is to be held in reserve, thus not available for appropriation.

Major Initiatives

During Fiscal Year 2002, the Town Council developed a written strategic plan and goals for the Town. 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

ECONOMIC CONDITION AND OUTLOOK: (CONTINUED)

Major Initiatives: (Continued)

- 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

In 2004, the Mayor and seven Council members once again ratified the strategic plan and goals developed in Fiscal Year 2002. In August of 2014, the Town Council held a retreat to update and prioritize the Town's goals. The three major goals identified by the current Council are:

- Encourage a vibrant and attractive local economy;
- Provide an active cultural community; and
- Provide ample recreational opportunities

Time is set aside during each Council meeting to focus on development of these goals. In October 2014, the Town Council made a commitment to fund an Economic Development position that will work closely with Fauquier County's Economic Development Department to focus on attracting and retaining business within the Town.

Improving transportation safety and relieving traffic congestion continue to be top priorities for the Town. Other transportation issues relate to the investigation of roundabouts versus traffic signals at critical intersections throughout the Town, and the expansion of pedestrian and biking options. Through the Virginia Department of Transportation Revenue Sharing program, Warrenton will continue to make improvements to existing streets and improve traffic signal reliability.

A multi-year project undertaken by the Public Utilities Department continues to reclaim sewer capacity by identifying deteriorated pipes and relining the Town's aging underground system.

The Recreation Department is working to enhance several parks in Town by moving forward with the installation of permanent restroom facilities. Identifying possible additions to trails in Warrenton is another top priority.

IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

During Fiscal Year 2014, the Town implemented GASB Statements No. 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62,* No. 67 –*Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Further information regarding these statements can be found in Note 13 to the Financial Statements. During Fiscal Year 2014, the Town will be reviewing and planning the implementation of GASB Statements No. 68, No. 69 and No. 71.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

We would like to express our sincere appreciation to each member of the Finance Department for their efforts in making this report possible on a timely basis. We would also like to thank the Town Council for their leadership and support in planning and conducting the financial operation of the Town in a responsible and progressive manner.

Respectfully submitted,

Kenneth L. McLawhon
Town Manager

Stephanie E. Miller
Director of Finance & Human Resources

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Warrenton Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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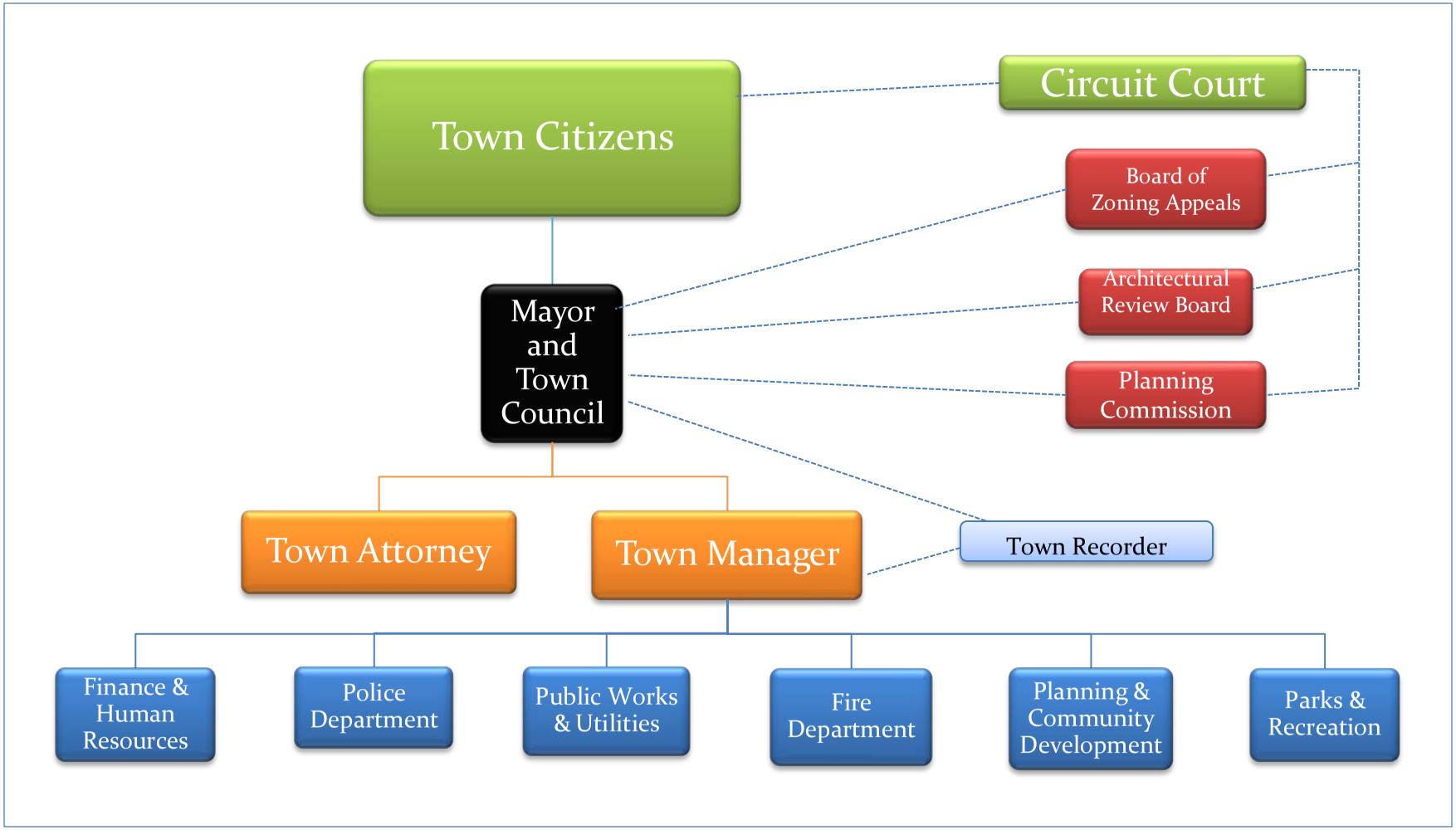
Town of Warrenton

Organizational Chart

Fiscal Year 2014



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Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2014, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of pension funding progress on pages 17-25, 77 and 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

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

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

Other Matters (Continued)

Other Information (continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Warrenton, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 21, 2014

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The management of the Town of Warrenton, Virginia presents the following discussion and analysis of the Town's financial activities for the fiscal year ended June 30, 2014. This discussion and analysis is intended to be read in conjunction with the Letter of Transmittal in the Introductory Section of this report and the Financial Statements, which follow this discussion and analysis.

FISCAL YEAR 2014 FINANCIAL HIGHLIGHTS

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

	June 30, 2014	June 30, 2013
Net Position	$ 83,025,903	$ 84,213,732
Unrestricted	18,262,330	18,570,396

The Town's total net position decreased $1,187,829 in Fiscal Year 2014. This decrease in net position is due primarily to depreciation of assets, which totaled $3,560,906 for the reporting entity.

The Town's governmental funds reported an increase in combined ending fund balances for the last fiscal year due to the Town's continuing 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 (unassigned fund balance).

	June 30, 2014	June 30, 2013
Fund balance, ending	$ 12,140,168	$ 10,907,039
Increase from prior year	1,233,129	1,286,784
Unassigned fund balance	10,593,545	9,909,063
Percentage unassigned	87%	91%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Introductory Section includes a listing of Principal Town Officials, the Letter of Transmittal, a copy of the Fiscal Year 2013 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, and the Town's organizational chart.

- The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplementary information, and supporting schedules.

- The Statistical Section provides selected financial and demographic data related to the Town presented on a multi-year basis.

- The Compliance Section includes the auditors' report on compliance and internal controls.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Financial Section Overview

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

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

Required supplementary information consists of this discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund, and the Schedule of Pension Funding Progress for the Virginia Retirement System.

Other supplementary information consists of combining schedules for Fiduciary and Agency Funds.

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

Government-wide Financial Statements

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Fund Financial Statements

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

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

- *Proprietary Funds* - There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis of accounting, similar to private sector business. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town of Warrenton has two proprietary funds: the Water & Sewer Fund and the Recreation Fund. The Water & Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment. The Recreation Fund accounts for all revenues and expenses related to the operation and maintenance of all Town parks and recreational facilities.

- *Fiduciary Funds* - Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the Town's own activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve as a useful indicator of a government's financial condition. For the Town of Warrenton, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $83,025,903 at June 30, 2014.

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

Table 1

Town of Warrenton
Summary of Net Position

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Current and other assets	$ 12,481,282	$ 11,185,263	$ 8,016,172	$ 8,687,698	$ 20,497,454	$ 19,872,961
Capital assets	25,539,213	26,262,268	47,258,620	48,775,157	72,797,833	75,037,425
Total assets	$ 38,020,495	$ 37,447,531	$ 55,274,792	$ 57,462,855	$ 93,295,287	$ 94,910,386
Deferred outflows of resources	$ -	$ -	$ 957,207	$ 1,049,137	$ 957,207	$ 1,049,137
Total assets and deferred outflows of resources	$ 38,020,495	$ 37,447,531	$ 56,231,999	$ 58,511,992	$ 94,252,494	$ 95,959,523
Long-term liabilities	$ 725,867	$ 882,282	$ 9,819,716	$ 10,202,025	$ 10,545,583	$ 11,084,307
Other liabilities	309,116	262,744	371,563	398,340	680,679	661,084
Total liabilities	$ 1,034,983	$ 1,145,026	$ 10,191,279	$ 10,600,365	$ 11,226,262	$ 11,745,391
Deferred inflows of resources	$ 329	$ 400	$ -	$ -	$ 329	$ 400
Net position:						
Net investment in capital assets	$ 25,272,376	$ 26,262,268	$ 38,898,827	$ 39,058,157	$ 64,171,203	$ 65,320,425
Restricted	592,370	591,797	-	-	592,370	591,797
Unrestricted	11,120,437	9,448,040	7,141,893	8,853,470	18,262,330	18,301,510
Total net position	$ 36,985,183	$ 36,302,105	$ 46,040,720	$ 47,911,627	$ 83,025,903	$ 84,213,732
Total liabilities and deferred inflows of resources and net position	$ 38,020,495	$ 37,447,531	$ 56,231,999	$ 58,511,992	$ 94,252,494	$ 95,959,523

For the Town, the net investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) represents 77.3 percent of total net position. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents resources that are subject to external restrictions on how they may be used. The restricted net position represents amounts reserved for perpetual care of the Warrenton Cemetery, which the Town maintains. The Town's restricted net position accounts for 0.7 percent of total net position. The remaining balance of unrestricted net position at June 30, 2014 is $18,262,330 or 22.0 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

During Fiscal Year 2014, the net position of the government decreased by $1,187,829, primarily due to depreciation expense.

CHANGE IN NET POSITION

Governmental Activities: For the year ended June 30, 2014, Governmental activities increased net position by $683,078. Table 2 outlines the key elements of the net change.

Table 2

Town of Warrenton
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues:						
Program revenues:						
Charges for services	$ 558,247	$ 600,185	$ 4,841,656	$ 4,843,484	$ 5,399,903	$ 5,443,669
Operating grants & contributions	1,531,049	1,485,397	-	-	1,531,049	1,485,397
Capital grants & contributions	199,425	-	123,914	345,066	323,339	345,066
General revenues:						
General property taxes	605,047	513,896	-	-	605,047	513,896
Other local taxes	6,213,306	5,551,297	-	-	6,213,306	5,551,297
Use of money and property	21,663	30,021	163,961	144,451	185,624	174,472
Miscellaneous	96,910	128,931	-	-	96,910	128,931
Grants and contributions not restricted to specific programs	1,310,350	1,358,220	-	-	1,310,350	1,358,220
Total revenues	$ 10,535,997	$ 9,667,947	$ 5,129,531	$ 5,333,001	$ 15,665,528	$ 15,000,948
Expenses:						
General government	$ 1,741,519	$ 1,591,497	$ -	$ -	$ 1,741,519	$ 1,591,497
Public safety	2,887,360	2,760,751	-	-	2,887,360	2,760,751
Public works	3,621,458	4,253,156	-	-	3,621,458	4,253,156
Health and welfare	88,400	88,278	-	-	88,400	88,278
Parks, recreation and cultural	124,834	134,279	-	-	124,834	134,279
Community development	408,615	432,674	-	-	408,615	432,674
Water and Sewer	-	-	5,300,755	5,479,541	5,300,755	5,479,541
Parks & recreation	-	-	2,675,844	2,811,590	2,675,844	2,811,590
Interest on long-term debt	4,572	4,766	-	-	4,572	4,766
Total expenses	$ 8,876,758	$ 9,265,401	$ 7,976,599	$ 8,291,131	$ 16,853,357	$ 17,556,532
Increase (decrease) in net position before transfers	$ 1,659,239	$ 402,546	$ (2,847,068)	$ (2,958,130)	$ (1,187,829)	$ (2,555,584)
Transfers	(976,161)	(670,395)	976,161	670,395	-	-
Change in net position	$ 683,078	$ (267,849)	$ (1,870,907)	$ (2,287,735)	$ (1,187,829)	$ (2,555,584)
Net position, beginning of year	$ 36,302,105	$ 36,569,954	$ 47,911,627	$ 50,199,362	$ 84,213,732	$ 86,769,316
Net position, end of year	$ 36,985,183	$ 36,302,105	$ 46,040,720	$ 47,911,627	$ 83,025,903	$ 84,213,732

The increase in net position owes both to increases in revenue and overall decreases in expenses. On the revenue side, other local taxes accounted for the largest increase of $680,009. All items in this category reflected an increase, with the largest increase attributable to Business License Tax. One of the most dominant factors increasing Business License Tax revenue was the change from Not-for-profit to For-profit status of Fauquier Hospital, which is located within the Town limits and was purchased by Lifepoint Hospitals. On the expenses side, the Public works function exhibited the greatest decrease. This is due to fewer paving projects during fiscal year 2014 as compared to fiscal year 2013.

CHANGE IN NET POSITION: (CONTINUED)

Business-type Activities: Compared to Fiscal Year 2013, expenses for both Business-type activities decreased, and charges for services remained level. Largely owing to depreciation expense of $1,930,376, Business-type activities decreased net position by $1,870,907. Capital grants and contributions for the Water and Sewer Fund decreased by 64.1 percent. This category represents Water and Sewer connection fees.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of $12,140,168 an increase of $1,233,129 over the prior year. This increase is attributed to a continued vigilance in fiscal responsibility by the Town's staff. Approximately 87 percent, or $10,593,545, of total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is classified as nonspendable or committed to indicate that it is not available for new spending.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. As mentioned previously, the Town reports two proprietary funds: the Water & Sewer Fund and the Recreation Fund.

For the Water & Sewer Fund, the net investment in capital assets as of June 30, 2014 is $20,583,498. The Water & Sewer Fund issued bonds in 1993, which were paid in full in 2004. Unrestricted net position of the Water & Sewer Fund at the end of the year was $6,447,401, or 23.9 percent, of the fund's net position.

The net investment in capital assets for the Recreation Fund was $18,315,329 as of June 30, 2014. The outstanding balance of bonds payable for this fund is $9,317,000. The Recreation Fund reported unrestricted net position of $694,492, or 3.7 percent, of its total net position.

The greatest impact year after year for both of the proprietary funds is depreciation expense. Both funds are capital intensive, requiring ongoing annual maintenance expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budgeted appropriation and the final amended budgeted appropriation for the general fund was an increase of $317,263, or 3.4 percent, of the total original budget. Final actual expenditures were $1,075,901, or 11.5 percent, less than final amended appropriations. Final actual revenue was $987,737 higher than final amended budget amounts. This is primarily due to increases in Business License and Meals and Lodging Taxes.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets

The Town's capital asset classes include land, utility plant in service, buildings, infrastructure, machinery and equipment, and construction in progress. Capital assets for the Town's governmental activities as of June 30, 2014 total $25,539,213 (net of accumulated depreciation). As noted in Table 3, the largest class of assets for governmental activities is infrastructure. This class includes Town streets, intersections, and sidewalks. The total net decrease in governmental activities capital assets for the current fiscal year was $723,055. Depreciation expense charged for governmental activities for the period ended June 30, 2014 was $1,629,720.

Capital asset additions during fiscal year 2014 for governmental activities totaled $1,258,816. The following are some of the major additions in this category:

- Mobile Data Terminal project completion for the Police Department - $509,867
- Purchase of sanitation collection truck - $140,270
- Mast Arm Conversion Project for traffic signals - $320,428
- Purchase of Police Department vehicles - $93,602
- Sidewalk construction along Broadview Avenue - $63,541

The Town's business-type activity capital assets total $47,258,620 (net of accumulated depreciation) which reflects a net decrease of $1,516,537 from the prior year. The largest classes of assets for business-type activities are Utility plant in service (for the Water & Sewer Fund) and Buildings and improvements. Assets reported for the Recreation Fund include the Warrenton Aquatic and Recreation Facility (WARF), a 59,738 square foot facility that houses a competition pool, a leisure pool with a water slide and a lazy river, and a 3,200 square foot fitness room. The facility opened its doors in 2007. Depreciation expense for business-type activities for the period ended June 30, 2014 was $1,930,376.

For the business-type activities, capital asset additions totaled $800,959, including the following:

Recreation Fund:

- Park Shelter at the WARF fields (funded in part by a $40,000 donation from the Warrenton Rotary Club) $53,840

Water & Sewer Fund:

- Aqua Guard Screening System - $159,388
- Sludge Dewatering Equipment - $316,000

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS: (CONTINUED)

Table 3

Town of Warrenton
Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Land	$ 1,129,257	$ 1,129,257	$ 4,185,476	$ 4,185,476	$ 5,314,733	$ 5,314,733
Utility plant in service	-	-	18,883,761	19,819,880	18,883,761	19,819,880
Buildings and improvements	2,500,987	2,620,997	21,720,867	22,278,484	24,221,854	24,899,481
Improvements other than buildings	-	-	1,230,230	1,254,328	1,230,230	1,254,328
Machinery and equipment	2,899,836	2,411,089	1,075,112	686,695	3,974,948	3,097,784
Infrastructure	18,996,823	19,736,464	-	-	18,996,823	19,736,464
Construction in progress	12,310	364,461	163,174	550,294	175,484	914,755
Total	$ 25,539,213	$ 26,262,268	$ 47,258,620	$ 48,775,157	$ 72,797,833	$ 75,037,425

Additional information on the Town's capital assets may be found in Note 7 to the financial statements.

Long-term Obligations

At the end of the fiscal year, the Town had $10.4 million in outstanding debt. This represents a decrease of $0.5 million from the prior year. This decrease is due to the retirement of principal related to capital leases and general obligation bonds. Table 4 summarizes the outstanding debt of the Town:

Table 4

Town of Warrenton
Long-term Obligations

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
General obligation bonds	$ -	$ -	$ 9,317,000	$ 9,717,000	$ 9,317,000	$ 9,717,000
Capital leases	266,837	441,717	-	-	266,837	441,717
Compensated absences	459,030	440,565	315,987	300,344	775,017	740,909
Total	$ 725,867	$ 882,282	$ 9,632,987	$ 10,017,344	$ 10,358,854	$ 10,899,626

Additional information on the Town's long-term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

The following economic factors were considered in the preparation of the budget for Fiscal Year 2015:

- The unemployment rate for Fauquier County has decreased by 0.1 percent to 4.7 percent compared to the same period in the prior year. This compares favorably to the state's average unemployment rate of 5.4 percent and the national average rate of 6.3 percent, both of which have also decreased compared to June 2013.

- The approval of two major housing developments will bring a short-term increase in permit revenue, but a long-term burden by increasing the amount of services provided to Town residents.

- Sales tax and Meals tax revenues have continues modest but steady increases over the past few years and this trend is anticipated to continue.

Fiscal Year 2015 Budget and Rates

- The adopted General Fund budget for Fiscal Year 2015 is $9,598,941, a modest increase of $254,926, or 2.7 percent, from the adopted budget for fiscal year 2014. The Other local taxes category accounts for 63.7 percent of General Fund revenues. This category includes Sales Tax, Business License Tax and Meals Tax, among others.

- Public Safety and Public Works comprise the highest categories of expenditures for the fiscal year 2015 General Fund budget. These two functions account for 67.2 percent of general fund appropriations.

- There were no changes in tax rates for the Fiscal Year 2015 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Town of Warrenton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, P. O. 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 Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 11,274,217	$ 7,135,652	$ 18,409,869
Cash and cash equivalents - restricted	-	302,853	302,853
Receivables (net of allowance for uncollectibles):			
Taxes receivable	36,873	-	36,873
Accounts receivable	713,546	343,160	1,056,706
Due from other governmental units	330,847	-	330,847
Inventories	119,390	234,377	353,767
Prepaid items	6,409	130	6,539
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	18,883,761	18,883,761
Buildings and improvements	2,500,987	21,720,867	24,221,854
Improvements other than buildings	-	1,230,230	1,230,230
Furniture, equipment, and vehicles	2,899,836	1,075,112	3,974,948
Infrastructure	18,996,823	-	18,996,823
Construction in progress	12,310	163,174	175,484
Total assets	$ 38,020,495	$ 55,274,792	$ 93,295,287
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	957,207	957,207
Total Assets and Deferred Outflows of Resources	$ 38,020,495	$ 56,231,999	$ 94,252,494
LIABILITIES			
Accounts payable	$ 309,116	$ 223,160	$ 532,276
Customers' deposits	-	41,688	41,688
Accrued interest payable	-	94,055	94,055
Unearned revenue	-	12,660	12,660
Long-term liabilities:			
Due within one year	223,187	449,598	672,785
Due in more than one year	502,680	9,370,118	9,872,798
Total liabilities	$ 1,034,983	$ 10,191,279	$ 11,226,262
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	$ 329	$ -	$ 329
NET POSITION			
Net investment in capital assets	$ 25,272,376	$ 38,898,827	$ 64,171,203
Restricted for:			
Perpetual Care:			
Nonexpendable	592,370	-	592,370
Unrestricted (deficit)	11,120,437	7,141,893	18,262,330
Total net position	$ 36,985,183	$ 46,040,720	$ 83,025,903
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 38,020,495	$ 56,231,999	$ 94,252,494

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 1,741,519	$ 170,563	$ -	$ -
Public safety	2,887,360	387,684	246,789	-
Public works	3,621,458	-	1,279,260	199,425
Health and welfare	88,400	-	-	-
Parks, recreation, and cultural	124,834	-	5,000	-
Community development	408,615	-	-	-
Interest on long-term debt	4,572	-	-	-
Total governmental activities	$ 8,876,758	$ 558,247	$ 1,531,049	$ 199,425
Business-type activities:				
Water and sewer	$ 5,300,755	$ 3,638,503	$ -	$ 123,914
Recreation	2,675,844	1,203,153	-	-
Total business-type activities	$ 7,976,599	$ 4,841,656	$ -	$ 123,914
Total primary government	$ 16,853,357	$ 5,399,903	$ 1,531,049	$ 323,339

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 position
Net position - beginning
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,570,956)	$ -	$ (1,570,956)
(2,252,887)	-	(2,252,887)
(2,142,773)	-	(2,142,773)
(88,400)	-	(88,400)
(119,834)	-	(119,834)
(408,615)	-	(408,615)
(4,572)	-	(4,572)
$ (6,588,037)	$ -	$ (6,588,037)
$ -	$ (1,538,338)	$ (1,538,338)
-	(1,472,691)	(1,472,691)
$ -	$ (3,011,029)	$ (3,011,029)
$ (6,588,037)	$ (3,011,029)	$ (9,599,066)
$ 605,047	$ -	$ 605,047
561,084	-	561,084
500,111	-	500,111
1,914,525	-	1,914,525
2,191,572	-	2,191,572
496,445	-	496,445
549,569	-	549,569
21,663	163,961	185,624
96,910	-	96,910
1,310,350	-	1,310,350
(976,161)	976,161	-
$ 7,271,115	$ 1,140,122	$ 8,411,237
$ 683,078	$ (1,870,907)	$ (1,187,829)
36,302,105	47,911,627	84,213,732
$ 36,985,183	$ 46,040,720	$ 83,025,903

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Permanent Perpetual Care Fund	Total
ASSETS			
Cash and cash equivalents	$ 10,681,847	$ 592,370	$ 11,274,217
Receivables (net of allowance for uncollectibles):			
Taxes receivable	36,873	-	36,873
Accounts receivable	713,546	-	713,546
Due from other governmental units	330,847	-	330,847
Inventories	119,390	-	119,390
Prepaid items	6,409	-	6,409
Total assets	$ 11,888,912	$ 592,370	$ 12,481,282
LIABILITIES			
Accounts payable	$ 309,116	$ -	$ 309,116
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	$ 31,998	$ -	$ 31,998
FUND BALANCES			
Nonspendable:			
Inventory and prepaids	$ 125,799	$ -	$ 125,799
Permanent fund principal	-	592,370	592,370
Committed:			
General government	18,520	-	18,520
Data processing	368,163	-	368,163
Police	14,114	-	14,114
Public works	53,741	-	53,741
Capital projects	373,916	-	373,916
Unassigned	10,593,545	-	10,593,545
Total fund balances	$ 11,547,798	$ 592,370	$ 12,140,168
Total liabilities, deferred inflows of resources, and fund balances	$ 11,888,912	$ 592,370	$ 12,481,282

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 Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$	12,140,168
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		25,539,213
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		31,669
Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		(725,867)
Net position of governmental activities	$	36,985,183

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, 2014

	General Fund	Permanent Perpetual Care Fund	Total
REVENUES			
General property taxes	$ 589,341	$ -	$ 589,341
Other local taxes	6,213,306	-	6,213,306
Permits, privilege fees, and regulatory licenses	128,220	-	128,220
Fines and forfeitures	259,464	-	259,464
Revenue from the use of money and property	21,090	573	21,663
Charges for services	170,563	-	170,563
Miscellaneous	96,910	-	96,910
Intergovernmental:			
Commonwealth	2,991,893	-	2,991,893
Federal	48,931	-	48,931
Total revenues	$ 10,519,718	$ 573	$ 10,520,291
EXPENDITURES			
Current:			
General government administration	$ 1,724,504	$ -	$ 1,724,504
Public safety	2,586,897	-	2,586,897
Public works	2,387,155	-	2,387,155
Health and welfare	88,400	-	88,400
Parks, recreation, and cultural	120,826	-	120,826
Community development	401,399	-	401,399
Capital projects	821,485	-	821,485
Debt service:			
Principal retirement	174,880	-	174,880
Interest and other fiscal charges	5,455	-	5,455
Total expenditures	$ 8,311,001	$ -	$ 8,311,001
Excess (deficiency) of revenues over (under) expenditures	$ 2,208,717	$ 573	$ 2,209,290
OTHER FINANCING SOURCES (USES)			
Transfers out	$ (976,161)	$ -	$ (976,161)
Total other financing sources (uses)	$ (976,161)	$ -	$ (976,161)
Net change in fund balances	$ 1,232,556	$ 573	$ 1,233,129
Fund balances - beginning	10,315,242	591,797	10,907,039
Fund balances - ending	$ 11,547,798	$ 592,370	$ 12,140,168

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, 2014

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

Net change in fund balances - total governmental funds		$ 1,233,129
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.		
Capital outlays	$ 906,665	
Depreciation expense	(1,629,720)	(723,055)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		15,706
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:		
Principal retired on capital leases		174,880
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.		
Change in compensated absences		(18,465)
Change in accrued interest payable		883
Change in net position of governmental activities		$ 683,078

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

Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,277,521	$ 858,131	$ 7,135,652
Cash and cash equivalents - restricted	302,853	-	302,853
Accounts receivable (net of allowance for uncollectibles)	343,160	-	343,160
Inventories	234,251	126	234,377
Prepaid items	130	-	130
Total current assets	$ 7,157,915	$ 858,257	$ 8,016,172
Noncurrent assets:			
Capital assets:			
Land	$ 665,660	$ 3,519,816	$ 4,185,476
Utility plant in service	40,785,420	-	40,785,420
Buildings and improvements	-	24,840,359	24,840,359
Improvements other than buildings	-	1,375,782	1,375,782
Furniture, equipment, and vehicles	2,927,626	600,626	3,528,252
Construction in progress	154,800	8,374	163,174
Accumulated depreciation	(23,950,008)	(3,669,835)	(27,619,843)
Total net capital assets	$ 20,583,498	$ 26,675,122	$ 47,258,620
Total noncurrent assets	$ 20,583,498	$ 26,675,122	$ 47,258,620
Total assets	$ 27,741,413	$ 27,533,379	$ 55,274,792
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	957,207	957,207
Total assets and deferred outlfows of resources	$ 27,741,413	$ 28,490,586	$ 56,231,999
LIABILITIES			
Current liabilities:			
Accounts payable	$ 187,098	$ 36,062	$ 223,160
Customer deposits	41,688	-	41,688
Compensated absences - current portion	28,233	3,365	31,598
Interest payable	-	94,055	94,055
Unearned revenue - current portion	12,660	-	12,660
Bonds payable - current portion	-	418,000	418,000
Total current liabilities	$ 269,679	$ 551,482	$ 821,161
Noncurrent liabilities:			
Bonds payable - net of current portion	$ -	$ 8,899,000	$ 8,899,000
Compensated absences - net of current portion	254,106	30,283	284,389
Unearned revenue - net of current portion	186,729	-	186,729
Total noncurrent liabilities	$ 440,835	$ 8,929,283	$ 9,370,118
Total liabilities	$ 710,514	$ 9,480,765	$ 10,191,279
NET POSITION			
Net investment in capital assets	$ 20,583,498	$ 18,315,329	$ 38,898,827
Unrestricted	6,447,401	694,492	7,141,893
Total net position	$ 27,030,899	$ 19,009,821	$ 46,040,720
Total iabilities and net position	$ 27,741,413	$ 28,490,586	$ 56,231,999

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		
	Water & Sewer	**Recreation**	**Total**
OPERATING REVENUES			
Charges for services:			
Sale of water	$ 1,206,339	$ -	$ 1,206,339
Aquatic facility revenues	-	1,203,153	1,203,153
Sewer service charges	2,362,018	-	2,362,018
Late payment charges	39,092	-	39,092
Transfer fees	8,305	-	8,305
Other fees	5,867	-	5,867
Miscellaneous	16,882	-	16,882
Total operating revenues	$ 3,638,503	$ 1,203,153	$ 4,841,656
OPERATING EXPENSES			
Source of supply of water	$ 892,632	$ -	$ 892,632
Maintenance of water and sewer lines	566,398	-	566,398
Meter reading, billing, and servicing	222,139	-	222,139
Operation of sewage treatment plant	1,646,817	-	1,646,817
Administration	724,806	-	724,806
Recreation	-	1,638,968	1,638,968
Capital Outlay	20,405	18,232	38,637
Depreciation	1,227,558	702,819	1,930,377
Total operating expenses	$ 5,300,755	$ 2,360,019	$ 7,660,774
Operating income (loss)	$ (1,662,252)	$ (1,156,866)	$ (2,819,118)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	$ 4,039	$ -	$ 4,039
Rental revenue	159,922	-	159,922
Interest expense	-	(315,825)	(315,825)
Total nonoperating revenues (expenses)	$ 163,961	$ (315,825)	$ (151,864)
Income before contributions and transfers	$ (1,498,291)	$ (1,472,691)	$ (2,970,982)
Capital contributions	123,914	-	123,914
Transfers in	-	976,161	976,161
Change in net position	$ (1,374,377)	$ (496,530)	$ (1,870,907)
Total net position - beginning	28,405,276	19,506,351	47,911,627
Total net position - ending	$ 27,030,899	$ 19,009,821	$ 46,040,720

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, 2014

	Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,646,891	$ 1,203,153	$ 4,850,044
Payments to suppliers	(1,782,624)	(734,189)	(2,516,813)
Payments to employees	(2,249,477)	(943,367)	(3,192,844)
Net cash provided by (used for) operating activities	$ (385,210)	$ (474,403)	$ (859,613)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	$ (344,986)	(68,854)	$ (413,840)
Principal payments on bonds	-	(400,000)	(400,000)
Interest expense	-	(229,686)	(229,686)
Capital contributions	123,914	-	123,914
Transfers from other funds	-	976,161	976,161
Net cash provided by (used for) capital and related financing activities	$ (221,072)	$ 277,621	$ 56,549
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	$ 4,039	$ -	$ 4,039
Other - rental income	159,922	-	159,922
Net cash provided by (used for) investing activities	$ 163,961	$ -	$ 163,961
Net increase (decrease) in cash and cash equivalents	$ (442,321)	$ (196,782)	$ (639,103)
Cash and cash equivalents - beginning - (including restricted $316,528)	7,022,695	1,054,913	8,077,608
Cash and cash equivalents - ending - (including restricted $302,853)	$ 6,580,374	$ 858,131	$ 7,438,505
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (1,662,252)	$ (1,156,866)	$ (2,819,118)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	$ 1,227,558	$ 702,819	$ 1,930,377
(Increase) decrease in accounts receivable	19,670	-	19,670
(Increase) decrease in notes receivable	1,180	-	1,180
(Increase) decrease in inventories	11,583	120	11,703
(Increase) decrease in prepaid items	(130)	-	(130)
Increase (decrease) in customer deposits	429	-	429
Increase (decrease) in accounts payable and accrued expenses	23,486	(29,962)	(6,476)
Increase (decrease) in deferred revenue	(12,891)	-	(12,891)
Increase (decrease) in compensated absenses	6,157	9,486	15,643
Total adjustments	$ 1,277,042	$ 682,463	$ 1,959,505
Net cash provided (used) by operating activities	$ (385,210)	$ (474,403)	$ (859,613)

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

Town of Warrenton, Virginia **Exhibit 10**

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

		Agency Funds
ASSETS		
Cash and cash equivalents	$	193,328
Total assets	$	193,328
LIABILITIES		
Accounts payable	$	55
Amounts held for others		193,273
Total liabilities	$	193,328

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

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. Financial 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, 2014.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2014.

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

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

Separate financial statements are provided for governmental funds, 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.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

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

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 Town 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.

The Town's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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 taxes and utility taxes, which are collected by the state or utility 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.

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.

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.

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 enterprise funds:

The *water and sewer fund* accounts for the activities of the Town's water and sewer system. The Town's water and sewer 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:

The *permanent fund* accounts for and reports 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.

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units or other funds. Agency funds include the Town's agency fund and retirement fund. The Town's agency 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.

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.

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 fund are charges to customers for sales and services. Operating expenses for enterprise 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.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and Cash equivalents*

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 is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 noncurrent 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 also designated as nonspendable fund balance 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.

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 $56,344 at June 30, 2014 and is comprised of property taxes, which total $15,000, and water and sewer receivables which total $41,344.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

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.

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

Assets	Prior to 1982	After 1982
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

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred amount on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Amortization expense for the year ended June 30, 2014 is $91,930.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick 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.

10. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

11. *Construction Encumbrances*

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

12. *Fund Equity*

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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).

13. *Net Position*

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

14. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 2 — 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 May 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 July 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, 2014, there were no funds in which expenditures exceeded appropriations.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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).

Credit Risk of Debt Securities:

The Town's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Town's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 16,116,857

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 Pool

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. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 4—RECEIVABLES:

Receivables as of June 30, 2014 for the Town's individual major funds including the applicable allowances for uncollectible accounts are as follows:

	General	Water and Sewer	Total
Receivables:			
Property taxes	$ 51,873	$ -	$ 51,873
Other local taxes	674,628	-	674,628
Accounts	2,045	384,504	386,549
Gross receivables	$ 728,546	$ 384,504	$ 1,113,050
Less: allowance for uncollectibles	(15,000)	(41,344)	(56,344)
Net total receivables	$ 713,546	$ 343,160	$ 1,056,706

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2014 the Town has receivables from other governments as follows:

	Primary Government
Commonwealth of Virginia:	
Motor vehicle rental tax	$ 13,432
Sales tax	101,978
Communications tax	45,440
VDOT	169,997
Total	$ 330,847

NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 976,161
Recreation Fund	976,161	-
Total	$ 976,161	$ 976,161

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.

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2014.

Governmental Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 1,129,257	$ -	$ -	$ 1,129,257
Construction in progress	364,461	12,310	364,461	12,310
Total capital assets not being depreciated	$ 1,493,718	$ 12,310	$ 364,461	$ 1,141,567
Other capital assets:				
Buildings and improvements	$ 4,555,894	$ 3,885	$ -	$ 4,559,779
Infrastructure	39,053,927	380,467	-	39,434,394
Furniture, equipment and vehicles	5,670,318	874,464	16,085	6,528,697
Total other capital assets	$ 49,280,139	$ 1,258,816	$ 16,085	$ 50,522,870
Accumulated depreciation:				
Buildings and improvements	$ 1,934,897	$ 123,895	$ -	$ 2,058,792
Infrastructure	19,317,463	1,120,108	-	20,437,571
Furniture, equipment and vehicles	3,259,229	385,717	16,085	3,628,861
Total accumulated depreciation	$ 24,511,589	$ 1,629,720	$ 16,085	$ 26,125,224
Other capital assets, net	$ 24,768,550	$ (370,904)	$ -	$ 24,397,646
Net capital assets	$ 26,262,268	$ (358,594)	$ 364,461	$ 25,539,213

Depreciation expense was allocated as follows:

General government administration	$ 117,189
Public safety	216,446
Public works	1,290,298
Parks, recreation, and cultural	987
Community development	4,800
Total depreciation expense	$ 1,629,720

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Governmental Activities: (Continued)

Reconciliation of net position net investment in capital assets:

	Governmental Activities	Business-type Activities		
		Water & Sewer	Recreation	Total
Net capital assets	$ 25,539,213	$ 20,583,498	$ 26,675,122	$ 47,258,620
Less long-term debt applicable to capital assets at June 30, 2014:				
Capital lease obligations	(266,837)	-	-	-
General obligation bonds	-	-	(9,317,000)	(9,317,000)
Deferred amount on refunding	-	-	957,207	957,207
Net investment in capital assets	$ 25,272,376	$ 20,583,498	$ 18,315,329	$ 38,898,827

Business-type Activities:

Water & Sewer Fund:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 665,660	$ -	$ -	$ 665,660
Construction in progress	543,438	-	388,638	154,800
Total capital assets not being depreciated	$ 1,209,098	$ -	$ 388,638	$ 820,460
Other capital assets:				
Utility plant in service	$ 40,629,577	$ 155,843	$	$ 40,785,420
Furniture, equipment, and vehicles	2,349,846	577,780	-	2,927,626
Total other capital assets	$ 42,979,423	$ 733,623	$ -	$ 43,713,046
Accumulated depreciation:				
Utility plant in service	$ 20,809,697	$ 1,091,962	$	$ 21,901,659
Furniture, equipment, and vehicles	1,912,754	135,595	-	2,048,349
Total accumulated depreciation	$ 22,722,451	$ 1,227,557	$ -	$ 23,950,008
Other capital assets, net	$ 20,256,972	$ (493,934)	$ -	$ 19,763,038
Net capital assets	$ 21,466,070	$ (493,934)	$ (388,638)	$ 20,583,498

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities: (Continued)

Recreation Fund:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 3,519,816	$ -	$ -	$ 3,519,816
Construction in progress	6,856	1,518	-	8,374
Total capital assets not being depreciated	$ 3,526,672	$ 1,518	$ -	$ 3,528,190
Other capital assets:				
Buildings and improvements	$ 24,781,233	$ 59,126	$ -	$ 24,840,359
Improvements other than buildings	1,375,782	-	-	1,375,782
Furniture, equipment, and vehicles	592,416	8,210	-	600,626
Total other capital assets	$ 26,749,431	$ 67,336	$ -	$ 26,816,767
Accumulated depreciation:				
Buildings and improvements	$ 2,502,749	$ 616,743	$ -	$ 3,119,492
Improvements other than buildings	121,454	24,098	-	145,552
Furniture, equipment, and vehicles	342,813	61,978	-	404,791
Total accumulated depreciation	$ 2,967,016	$ 702,819	$ -	$ 3,669,835
Other capital assets, net	$ 23,782,415	$ (635,483)	$ -	$ 23,146,932
Net capital assets	$ 27,309,087	$ (633,965)	$ -	$ 26,675,122

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities: (Continued)

Total Business-type Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 4,185,476	$ -	$ -	$ 4,185,476
Construction in progress	550,294	1,518	388,638	163,174
Total capital assets not being depreciated	$ 4,735,770	$ 1,518	$ 388,638	$ 4,348,650
Other capital assets:				
Buildings and improvements	$ 24,781,233	$ 59,126	$ -	$ 24,840,359
Utility plant in service	40,629,577	155,843	-	40,785,420
Improvements other than buildings	1,375,782	-	-	1,375,782
Furniture, equipment, and vehicles	2,942,262	585,990	-	3,528,252
Total other capital assets	$ 69,728,854	$ 800,959	$ -	$ 70,529,813
Accumulated depreciation:				
Buildings and improvements	$ 2,502,749	$ 616,743	$ -	$ 3,119,492
Utility plant in service	20,809,697	1,091,962	-	21,901,659
Improvements other than buildings	121,454	24,098	-	145,552
Furniture, equipment, and vehicles	2,255,567	197,573	-	2,453,140
Total accumulated depreciation	$ 25,689,467	$ 1,930,376	$ -	$ 27,619,843
Other capital assets, net	$ 44,039,387	$ (1,129,417)	$ -	$ 42,909,970
Net capital assets	$ 48,775,157	$ (1,127,899)	$ (388,638)	$ 47,258,620

Depreciation expense was allocated as follows:

Water and sewer	$ 1,227,557
Recreation	702,819
Total depreciation expense	$ 1,930,376

NOTE 8—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the Town for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Capital leases	$ 441,717	$ -	$ 174,880	$ 266,837	$ 177,284
Compensated absences	440,565	81,748	63,283	459,030	45,903
Total governmental activities	$ 882,282	$ 81,748	$ 238,163	$ 725,867	$ 223,187
Business-type Activities					
General obligation bonds	$ 9,717,000	$ -	$ 400,000	$ 9,317,000	$ 418,000
Compensated absences	300,344	45,851	30,208	315,987	31,598
Total business-type activities	$ 10,017,344	$ 45,851	$ 430,208	$ 9,632,987	$ 449,598
Total primary government	$ 10,899,626	$ 127,599	$ 668,371	$ 10,358,854	$ 672,785

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Obligations		Business-Type Obligations	
	Capital Lease		General Obligation Bonds	
Fiscal Year	Principal	Interest	Principal	Interest
2015	$ 177,284	$ 3,051	$ 418,000	$ 218,449
2016	89,553	613	431,000	203,647
2017	-	-	448,000	188,290
2018	-	-	458,000	175,298
2019	-	-	463,000	164,936
2020-2024	-	-	2,497,000	660,701
2025-2029	-	-	2,781,000	364,106
2030-2033	-	-	1,821,000	62,066
Total	$ 266,837	$ 3,664	$ 9,317,000	$ 2,037,493

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations:

Governmental Activities Obligations:

Capital Leases:

The Town has entered into a lease agreement for financing the purchase of police equipment. Details of this lease is as follows:

$528,525 obligation for the purchase of police equipment, payable in semi-annual installments of $90,167 through September 15, 2015, interest at 1.37%	$ 266,837
Compensated absences	459,030
Total governmental activities obligations	$ 725,867

Business-type Activities Obligations:

General obligation bonds:

Series 2012, $8,517,000 Refunding Bond, issued October 3, 2012, payable in varying annual installments, through August 1, 2031, with interest payable semi-annually at 2.25%	$ 8,397,000
Series 2006, $9,775,000, issued June 28, 2006 for construction of a recreation facility, payable in varying annual installments, through August 1, 2016, with interest payable semi-annually at 4.0%	920,000
Total general obligation bonds	$ 9,317,000
Compensated absences	315,987
Total business-type activities obligations	$ 9,632,987

NOTE 9—PENSION PLAN:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

   Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

   An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

10. **Normal Retirement Age -** Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility -** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

    For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.

    - The member retires on disability.

    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).

    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

15. Exceptions to COLA Effective Dates (Continued)

- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

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

2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.

8. **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier -** Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

10. **Normal Retirement Age -** Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

13. **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

    - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

    - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

    - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*
   - School division employees
   - Political subdivision employees*
   - Judges appointed or elected to an original term on or after January 1, 2014
   - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

   Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 9—PENSION PLAN: (CONTINUED)

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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 rates for the fiscal year ended 2014 was 12.81% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, Town's annual pension cost of $612,969 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town

Fiscal Year Ending	Annual Pension Cost (APC), (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$ 315,580	100%	$ -
June 30, 2013	604,996	100%	-
June 30, 2014	612,969	100%	-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTE 9—PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 75.26% funded. The actuarial accrued liability for benefits was $24,138,087, and the actuarial value of assets was $18,166,289, resulting in an unfunded actuarial accrued liability (UAAL) of $5,971,798. The covered payroll (annual payroll of active employees covered by the plan) was $4,692,457 and ratio of the UAAL to the covered payroll was 127.26%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 10—UNEARNED DEFERRED AND UNAVAILABLE REVENUE:

Unearned and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

A. Prepaid utility payments—The Town received $199,389 in unearned revenue to maintain the Warrenton Training Center.
B. Unavailable property tax revenue—Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled $31,668 at June 30, 2014.
C. Prepaid property taxes—Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled $329 at June 30, 2014.

NOTE 11—SURETY BONDS:

	Amount
VACORP - Surety	
Public Employees Blanket Bond	$ 1,000,000

NOTE 12—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 Association of Counties Group Self Insurance Risk Pool (VACORP) for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

NOTE 12—RISK MANAGEMENT: (CONTINUED)

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays VACORP contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 13—UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The Town has not determined the impact of this pronouncement on its financial statements.

NOTE 14—LITIGATION:

At June 30, 2014 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 15—CONSTRUCTION COMMITMENT:

The Town has no material construction commitments outstanding at June 30, 2014.

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, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 562,200	$ 562,200	$ 589,341	$ 27,141
Other local taxes	5,303,000	5,303,000	6,213,306	910,306
Permits, privilege fees, and regulatory licenses	129,750	129,750	128,220	(1,530)
Fines and forfeitures	190,000	190,000	259,464	69,464
Revenue from the use of money and property	30,400	30,400	21,090	(9,310)
Charges for services	168,557	168,557	170,563	2,006
Miscellaneous	104,100	109,181	96,910	(12,271)
Intergovernmental:				
Commonwealth	3,022,065	3,022,065	2,991,893	(30,172)
Federal	2,500	16,828	48,931	32,103
Total revenues	$ 9,512,572	$ 9,531,981	$ 10,519,718	$ 987,737
EXPENDITURES				
Current:				
General government administration	$ 1,703,927	$ 1,813,235	$ 1,724,504	$ 88,731
Public safety	2,982,625	3,002,487	2,586,897	415,590
Public works	2,985,516	3,023,705	2,387,155	636,550
Health and welfare	77,111	77,111	88,400	(11,289)
Parks, recreation, and cultural	150,899	150,899	120,826	30,073
Community development	418,433	420,433	401,399	19,034
Capital projects	570,794	718,698	821,485	(102,787)
Debt service:				
Principal retirement	174,880	174,880	174,880	-
Interest and other fiscal charges	5,454	5,454	5,455	(1)
Total expenditures	$ 9,069,639	$ 9,386,902	$ 8,311,001	$ 1,075,901
Excess (deficiency) of revenues over (under) expenditures	$ 442,933	$ 145,079	$ 2,208,717	$ 2,063,638
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (973,316)	$ (976,161)	$ (976,161)	$ -
Total other financing sources (uses)	$ (973,316)	$ (976,161)	$ (976,161)	$ -
Net change in fund balances	$ (530,383)	$ (831,082)	$ 1,232,556	$ 2,063,638
Fund balances - beginning	530,383	831,082	10,315,242	9,484,160
Fund balances - ending	$ -	$ -	$ 11,547,798	$ 11,547,798

Schedule of Pension Funding Progress for Pension Plan
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	$ 18,166,289	$ 24,138,087	$ 5,971,798	75.26%	$ 4,692,457	127.26%
06/30/12	17,515,834	24,002,854	6,487,020	72.97%	4,574,091	141.82%
06/30/11	17,615,049	22,562,786	4,947,737	78.07%	4,690,265	105.49%

Other Supplementary Information

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Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds		
	Agency Fund	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	$ 183,690	$ 9,638	$ 193,328
Total assets	$ 183,690	$ 9,638	$ 193,328
LIABILITIES			
Accounts payable	$ 55	$ -	$ 55
Amounts held for others	183,635	9,638	193,273
Total liabilities	$ 183,690	$ 9,638	$ 193,328

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	$ 197,768	$ 156,221	$ 170,299	$ 183,690
Total assets	$ 197,768	$ 156,221	$ 170,299	$ 183,690
LIABILITIES				
Accounts payable	$ 464	$ 55	$ 464	$ 55
Amounts held for others	197,304	156,166	169,835	183,635
Total liabilities	$ 197,768	$ 156,221	$ 170,299	$ 183,690
Retirement Fund:				
ASSETS				
Cash and cash equivalents	$ 9,628	$ 10	$ -	$ 9,638
Total assets	$ 9,628	$ 10	$ -	$ 9,638
LIABILITIES				
Amounts held for others	$ 9,628	$ 10	$ -	$ 9,638
Total liabilities	$ 9,628	$ 10	$ -	$ 9,638
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	$ 207,396	$ 156,231	$ 170,299	$ 193,328
Total assets	$ 207,396	$ 156,231	$ 170,299	$ 193,328
LIABILITIES				
Accounts payable	$ 464	$ 55	$ 464	$ 55
Amounts held for others	206,932	156,176	169,835	193,273
Total liabilities	$ 207,396	$ 156,231	$ 170,299	$ 193,328

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	$ 208,000	$ 208,000	$ 216,127	$ 8,127
Real and personal public service corporation taxes	4,200	4,200	4,017	(183)
Personal property taxes	340,000	340,000	360,022	20,022
Penalties	8,000	8,000	6,541	(1,459)
Interest	2,000	2,000	2,634	634
Total general property taxes	$ 562,200	$ 562,200	$ 589,341	$ 27,141
Other local taxes:				
Local sales and use taxes	$ 530,000	$ 530,000	$ 561,084	$ 31,084
Consumers' utility tax	470,000	470,000	500,111	30,111
Utility license tax	-	-	24,342	24,342
Business license taxes	1,375,000	1,375,000	1,914,525	539,525
Consumption taxes	47,000	47,000	51,305	4,305
Motor vehicle licenses	101,000	101,000	101,969	969
Bank stock taxes	440,000	440,000	496,445	56,445
Hotel and motel room taxes	200,000	200,000	190,233	(9,767)
Restaurant food taxes	1,950,000	1,950,000	2,191,572	241,572
Cigarette tax	190,000	190,000	181,720	(8,280)
Total other local taxes	$ 5,303,000	$ 5,303,000	$ 6,213,306	$ 910,306
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	$ 129,750	$ 129,750	$ 128,220	$ (1,530)
Total permits, privilege fees, and regulatory licenses	$ 129,750	$ 129,750	$ 128,220	$ (1,530)
Fines and forfeitures:				
Court fines and forfeitures	$ 190,000	$ 190,000	$ 259,464	$ 69,464
Total fines and forfeitures	$ 190,000	$ 190,000	$ 259,464	$ 69,464
Revenue from use of money and property:				
Revenue from use of money	$ 20,000	$ 20,000	$ 12,030	$ (7,970)
Revenue from use of property	10,400	10,400	9,060	(1,340)
Total revenue from use of money and property	$ 30,400	$ 30,400	$ 21,090	$ (9,310)
Charges for services:				
Motor pool fees	$ 59,059	$ 59,059	$ 60,478	$ 1,419
Data processing fees	109,498	109,498	110,085	587
Total charges for services	$ 168,557	$ 168,557	$ 170,563	$ 2,006
Miscellaneous revenue:				
Miscellaneous	$ 104,100	$ 109,181	$ 96,910	$ (12,271)
Total miscellaneous revenue	$ 104,100	$ 109,181	$ 96,910	$ (12,271)
Total revenue from local sources	$ 6,488,007	$ 6,493,088	$ 7,478,894	$ 985,806

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	$ 120,000	$ 120,000	$ 95,712	$ (24,288)
Rolling stock tax	75	75	132	57
Communications tax	530,000	530,000	496,014	(33,986)
Personal property tax relief funds	718,492	718,492	718,492	-
Total noncategorical aid	$ 1,368,567	$ 1,368,567	$ 1,310,350	$ (58,217)
Categorical aid:				
Other categorical aid:				
Litter control grant	$ 3,000	$ 3,000	$ 3,659	$ 659
DCJS law enforcement grant	197,512	197,512	197,512	-
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,235,986	1,235,986	1,275,601	39,615
State forfeiture proceeds	-	-	346	346
VDOT revenue sharing	186,000	186,000	199,425	13,425
Fire program	26,000	26,000	-	(26,000)
Total other categorical aid	$ 1,653,498	$ 1,653,498	$ 1,681,543	$ 28,045
Total categorical aid	$ 1,653,498	$ 1,653,498	$ 1,681,543	$ 28,045
Total revenue from the Commonwealth	$ 3,022,065	$ 3,022,065	$ 2,991,893	$ (30,172)
Revenue from the federal government:				
Categorical aid:				
Emergency services grant	$ -	$ -	$ 36,820	$ 36,820
Department of justice grant	-	14,328	10,888	(3,440)
Transportation safety grant	2,500	2,500	1,223	(1,277)
Total categorical aid	$ 2,500	$ 16,828	$ 48,931	$ 32,103
Total revenue from the federal government	$ 2,500	$ 16,828	$ 48,931	$ 32,103
Total General Fund	$ 9,512,572	$ 9,531,981	$ 10,519,718	$ 987,737

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative	$ 172,724	$ 178,533	$ 142,072	$ 36,461
Executive	202,438	202,438	191,632	10,806
Legal services	125,452	125,452	171,236	(45,784)
Finance	470,384	470,384	428,230	42,154
Memberships and dues	7,839	7,839	7,764	75
Data processing	282,910	386,409	314,963	71,446
Electorial board	10,350	10,350	8,298	2,052
Motor Pool	431,830	431,830	460,309	(28,479)
Total general government administration	$ 1,703,927	$ 1,813,235	$ 1,724,504	$ 88,731
Public safety:				
Department of police	$ 2,542,381	$ 2,562,243	$ 2,202,777	$ 359,466
Fire and rescue services	184,864	184,864	157,238	27,626
Bureau of building inspections	255,380	255,380	226,882	28,498
Total public safety	$ 2,982,625	$ 3,002,487	$ 2,586,897	$ 415,590
Public works:				
Public works administration	$ 480,043	$ 480,043	$ 449,042	$ 31,001
Bureau of street maintenance	967,686	967,686	808,844	158,842
Arterial street maintenance	368,548	376,896	204,273	172,623
Collector street maintenance	347,918	355,957	205,985	149,972
Refuse collection	412,924	412,924	355,903	57,021
Recycling Program	142,477	142,477	121,124	21,353
Maintenance, buildings and grounds	265,920	287,722	241,984	45,738
Total public works	$ 2,985,516	$ 3,023,705	$ 2,387,155	$ 636,550
Health and welfare:				
Welfare/social services	$ 77,111	$ 77,111	$ 88,400	$ (11,289)
Total health and welfare	$ 77,111	$ 77,111	$ 88,400	$ (11,289)
Parks, recreation, and cultural:				
Maintenance, cemetery	$ 122,399	$ 122,399	$ 93,326	$ 29,073
Cultural enrichment	28,500	28,500	27,500	1,000
Total parks, recreation, and cultural	$ 150,899	$ 150,899	$ 120,826	$ 30,073
Community development:				
Planning and zoning	$ 337,793	$ 339,793	$ 332,587	$ 7,206
Visitor's center	79,570	79,570	66,419	13,151
Zoning appeals board	500	500	1,097	(597)
Architectural review board	570	570	1,296	(726)
Total community development	$ 418,433	$ 420,433	$ 401,399	$ 19,034
Capital projects:				
Capital outlay	$ 570,794	$ 718,698	$ 821,485	$ (102,787)
Total capital projects	$ 570,794	$ 718,698	$ 821,485	$ (102,787)
Debt service:				
Principal	$ 174,880	$ 174,880	$ 174,880	$ -
Interest	5,454	5,454	5,455	(1)
Total debt service	$ 180,334	$ 180,334	$ 180,335	$ (1)
Total General Fund	$ 9,069,639	$ 9,386,902	$ 8,311,001	$ 1,075,901

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Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Water and Sewer Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	$ 2,430,000	$ 2,430,000	$ 2,362,018	$ (67,982)
Sale of water	1,260,000	1,260,000	1,206,339	(53,661)
Late payment charges	43,000	43,000	39,092	(3,908)
Installation fees	16,000	16,000	4,707	(11,293)
Transfer fees	8,500	8,500	8,305	(195)
Reconnection fees	6,000	6,000	1,160	(4,840)
Total sale of services, commodities and properties	$ 3,763,500	$ 3,763,500	$ 3,621,621	$ (141,879)
Miscellaneous revenue:				
Miscellaneous	24,300	24,300	16,882	(7,418)
Total operating revenue	$ 3,787,800	$ 3,787,800	$ 3,638,503	$ (149,297)
Operating Expenses:				
Source of supply:				
Personnel services	$ 316,013	$ 316,013	$ 338,694	$ (22,681)
Fringe benefits	107,358	107,358	119,363	(12,005)
Contractual services	113,461	122,675	106,070	16,605
Other charges	355,311	368,934	328,505	40,429
Total source of supply	$ 892,143	$ 914,980	$ 892,632	$ 22,348
Transmission and distribution:				
Personnel services	$ 349,835	$ 349,835	$ 316,896	$ 32,939
Fringe benefits	149,756	149,756	134,910	14,846
Contractual services	18,050	18,050	2,231	15,819
Other charges	114,991	114,991	112,361	2,630
Capital outlays	3,850	3,850	-	3,850
Total transmission and distribution	$ 636,482	$ 636,482	$ 566,398	$ 70,084
Meter reading:				
Personnel services	$ 104,404	$ 104,404	$ 82,585	$ 21,819
Fringe benefits	41,666	41,666	37,633	4,033
Contractual services	7,065	7,065	4,772	2,293
Other charges	68,490	77,920	97,097	(19,177)
Capital outlays	250	250	52	198
Total meter reading	$ 221,875	$ 231,305	$ 222,139	$ 9,166
Wastewater Treatment Operation:				
Personnel services	$ 509,539	$ 509,539	$ 512,411	$ (2,872)
Fringe benefits	163,742	163,742	142,414	21,328
Contractual services	213,049	249,950	246,348	3,602
Other charges	729,533	748,133	745,644	2,489
Capital outlays	4,500	2,000	-	2,000
Total wastewater treatment operation	$ 1,620,363	$ 1,673,364	$ 1,646,817	$ 26,547

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Water and Sewer Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personnel services	$ 439,103	$ 439,103	$ 425,740	$ 13,363
Fringe benefits	142,409	142,409	144,988	(2,579)
Contractual services	86,198	91,066	65,270	25,796
Other charges	88,559	88,559	88,613	(54)
Capital outlays	500	500	195	305
Total public utilities administration	$ 756,769	$ 761,637	$ 724,806	$ 36,831
Capital Outlay:				
Machinery & equipment	$ -	$ -	$ 400	$ (400)
Sewer plant improvements	103,500	262,888	13,140	249,748
Sewer line rehabilitation	95,000	222,337	-	222,337
Water line replacement	228,000	175,963	6,865	169,098
Total capital outlay	$ 426,500	$ 661,188	$ 20,405	$ 640,783
Depreciation	$ -	$ -	$ 1,227,558	$ (1,227,558)
Total operating expenses	$ 4,554,132	$ 4,878,956	$ 5,300,755	$ (421,799)
Net operating income (loss)	$ (766,332)	$ (1,091,156)	$ (1,662,252)	$ (571,096)
Nonoperating revenues (expenses):				
Interest revenue	$ 6,500	$ 6,500	$ 4,039	$ (2,461)
Rental revenue	155,000	155,000	159,922	4,922
Net nonoperating revenues (expenses)	$ 161,500	$ 161,500	$ 163,961	$ 2,461
Net income (loss) before contributions	$ (604,832)	$ (929,656)	$ (1,498,291)	$ (568,635)
Capital contributions	250,000	250,000	123,914	(126,086)
Net income (loss)	$ (354,832)	$ (679,656)	$ (1,374,377)	$ (694,721)
Net position, beginning of year	354,832	679,656	28,405,276	27,725,620
Net position, end of year	$ -	$ -	$ 27,030,899	$ 27,030,899

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.	5-12
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.	13-16
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	17-18
Operating Information These 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.	19-21

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF WARRENTON, VIRGINIA

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	$ 24,142,662	$ 27,888,659	$ 27,860,169	$ 28,706,827
Restricted	6,001,061	2,046,436	1,917,160	2,091,437
Unrestricted	8,589,416	12,794,906	2,449,220	4,355,709
Total governmental activities net position	$ 38,733,139	$ 42,730,001	$ 32,226,549	$ 35,153,973
Business-type activities				
Net investment in capital assets	$ 16,811,434	$ 17,155,045	$ 33,900,479	$ 37,819,911
Restricted	2,870,352	11,713,744	4,646,949	6,313,531
Unrestricted	8,844,331	7,738,868	12,431,093	8,042,010
Total business-type activities net position	$ 28,526,117	$ 36,607,657	$ 50,978,521	$ 52,175,452
Primary government				
Net investment in capital assets	$ 40,954,096	$ 45,043,704	$ 61,760,648	$ 66,526,738
Restricted	8,871,413	13,760,180	6,564,109	8,404,968
Unrestricted	17,433,747	20,533,774	14,880,313	12,397,719
Total primary government net position	$ 67,259,256	$ 79,337,658	$ 83,205,070	$ 87,329,425

Table 1

2009	2010	2011	2012	2013	2014
$ 29,729,797	$ 28,743,572	$ 28,082,545	$ 27,226,044	$ 25,993,382	$ 25,272,376
1,979,763	588,890	590,042	590,889	591,797	592,370
6,279,976	6,896,905	8,216,674	8,753,021	9,716,926	11,120,437
$ 37,989,536	$ 36,229,367	$ 36,889,261	$ 36,569,954	$ 36,302,105	$ 36,985,183
$ 41,495,789	$ 40,943,440	$ 41,761,645	$ 41,182,941	$ 39,058,157	$ 38,898,827
4,824,596	-	-	-	-	-
5,872,394	12,281,685	9,234,096	9,016,421	8,853,470	7,141,893
$ 52,192,779	$ 53,225,125	$ 50,995,741	$ 50,199,362	$ 47,911,627	$ 46,040,720
$ 71,225,586	$ 69,687,012	$ 69,844,190	$ 68,408,985	$ 65,320,425	$ 64,171,203
6,804,359	588,890	590,042	590,889	591,797	592,370
12,152,370	19,178,590	17,450,770	17,769,442	18,301,510	18,262,330
$ 90,182,315	$ 89,454,492	$ 87,885,002	$ 86,769,316	$ 84,213,732	$ 83,025,903

TOWN OF WARRENTON, VIRGINIA **Table 2**

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 841,326	$ 937,279	$ 1,060,596	$ 853,933	$ 926,615	$ 1,794,610	$ 1,545,922	$ 1,581,008	$ 1,591,497	$ 1,741,519
Public safety	2,162,210	2,444,376	2,504,495	2,856,414	2,731,817	2,894,544	2,848,144	2,761,692	2,760,751	2,887,360
Public works	2,900,194	3,111,121	3,196,533	1,813,751	1,742,009	3,927,356	4,188,005	3,319,070	4,253,156	3,621,458
Health and welfare	72,096	96,765	94,945	101,427	95,851	100,441	100,391	98,159	88,278	88,400
Parks, recreation and cultural	52,562	149,936	135,169	380,447	147,141	145,439	123,954	142,429	134,279	124,834
Community development	445,378	508,498	455,345	561,837	552,783	446,757	422,623	403,217	432,674	408,615
Interest on long-term debt	-	-	-	-	-	-	-	-	4,766	4,572
Total governmental activities expenses	$ 6,473,766	$ 7,247,975	$ 7,447,083	$ 6,567,809	$ 6,196,216	$ 9,309,147	$ 9,229,039	$ 8,305,575	$ 9,265,401	$ 8,876,758
Business-type activities:										
Water and sewer	$ 3,757,536	$ 4,058,266	$ 4,364,123	$ 4,570,230	$ 4,912,376	$ 4,741,236	$ 5,020,796	$ 5,194,404	$ 5,479,541	$ 5,300,755
Parks and recreation	-	4,623	589,436	1,772,884	2,034,786	2,602,184	2,648,084	2,694,855	2,811,590	2,675,844
Total business-type activities expenses	$ 3,757,536	$ 4,062,889	$ 4,953,559	$ 6,343,114	$ 6,947,162	$ 7,343,420	$ 7,668,880	$ 7,889,259	$ 8,291,131	$ 7,976,599
Total primary government expenses	$ 10,231,302	$ 11,310,864	$ 12,400,642	$ 12,910,923	$ 13,143,378	$ 16,652,567	$ 16,897,919	$ 16,194,834	$ 17,556,532	$ 16,853,357
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ -	$ -	$ -	$ -	$ -	$ 635,896	$ 548,591	$ 130,911	$ 136,496	$ 170,563
Public safety	134,871	128,732	139,433	119,517	196,490	167,156	257,075	307,479	280,842	387,684
Public works	-	-	-	-	-	142,677	139,576	423,787	182,847	-
Community development	375,753	390,132	321,791	153,220	150,781	-	-	-	-	-
Operating grants and contributions	1,119,543	1,291,284	1,361,666	1,476,243	1,516,783	1,550,847	1,436,300	1,729,107	1,485,397	1,531,049
Capital grants and contributions	5,731,845	7,227,348	1,666,057	-	-	-	-	-	-	199,425
Total governmental activities program revenues	$ 7,362,012	$ 9,037,496	$ 3,488,947	$ 1,748,980	$ 1,864,054	$ 2,496,576	$ 2,381,542	$ 2,591,284	$ 2,085,582	$ 2,288,721
Business-type activities:										
Charges for services:										
Water and sewer	$ 3,695,420	$ 3,916,771	$ 4,091,748	$ 3,928,840	$ 3,683,359	$ 3,753,934	$ 3,740,589	$ 3,676,434	$ 3,627,141	$ 3,638,503
Parks and recreation	-	-	-	623,608	877,634	1,003,989	1,057,900	1,129,496	1,216,343	1,203,153
Capital grants and contributions	2,127,048	1,735,377	792,065	1,250,165	2,202,277	981,035	501,921	271,973	345,066	123,914
Total business-type activities program revenues	$ 5,822,468	$ 5,652,148	$ 4,883,813	$ 5,802,613	$ 6,763,270	$ 5,738,958	$ 5,300,410	$ 5,077,903	$ 5,188,550	$ 4,965,570
Total primary government program revenues	$ 13,184,480	$ 14,689,644	$ 8,372,760	$ 7,551,593	$ 8,627,324	$ 8,235,534	$ 7,681,952	$ 7,669,187	$ 7,274,132	$ 7,254,291
Net (expense) / revenue										
Governmental activities	$ 888,246	$ 1,789,521	$ (3,958,136)	$ (4,818,829)	$ (4,332,162)	$ (6,812,571)	$ (6,847,497)	$ (5,714,291)	$ (7,179,819)	$ (6,588,037)
Business-type activities	-	1,589,259	(69,746)	(540,501)	(183,892)	(1,604,462)	(2,368,470)	(2,811,356)	(3,102,581)	(3,011,029)
Total primary government net expense	$ 888,246	$ 3,378,780	$ (4,027,882)	$ (5,359,330)	$ (4,516,054)	$ (8,417,033)	$ (9,215,967)	$ (8,525,647)	$ (10,282,400)	$ (9,599,066)

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 727,907	$ 713,802	$ 554,281	$ 663,543	$ 620,168	$ 562,348	$ 577,941	$ 558,908	$ 513,896	$ 605,047
Other local taxes										
Local sales and use tax	458,976	519,031	542,586	509,630	461,030	448,227	484,640	508,741	530,836	561,084
Consumer's utility tax	1,010,520	952,708	994,325	462,750	458,357	511,347	488,018	492,636	493,720	500,111
Business license tax	1,123,373	1,400,230	1,653,232	1,338,059	1,248,770	1,405,894	1,528,085	1,363,590	1,366,360	1,914,525
Restaurant food tax	1,561,380	1,632,434	1,775,493	1,749,075	1,816,416	1,767,095	1,901,261	2,062,342	2,152,237	2,191,572
Transient occupancy tax	185,405	-	-	-	-	-	-	-		
Motor vehicle license tax	91,990	-	-	-	-	-	-	-		
Communications tax	-	-	-	618,169	561,660	-	-	-		
Bank stock tax	381,368	-	-	354,680	355,391	457,211	437,022	448,600	463,135	496,445
Tobacco tax	225,417	-	-	-	-	-	-	-		
Other local taxes	45,556	1,088,358	1,013,222	536,333	568,191	547,318	525,748	547,166	545,009	549,569
Unrestricted revenues from use of money and property	314,013	625,169	778,520	432,507	255,025	50,696	37,421	29,029	30,021	21,663
Miscellaneous	253,183	265,957	22,532	109,047	27,049	148,285	120,425	199,056	128,931	96,910
Unrestricted grants and contributions	805,549	835,666	814,922	786,652	795,668	1,366,476	1,406,830	1,373,853	1,358,220	1,310,350
Transfers	-	(5,826,014)	-	-	-	(1,331,819)	-	-	(670,395)	(976,161)
Total governmental activities	$ 7,184,637	$ 2,207,341	$ 8,149,113	$ 7,560,445	$ 7,167,725	$ 5,933,078	$ 7,507,391	$ 7,583,921	$ 6,911,970	$ 7,271,115
Business-type activities:										
Unrestricted grants and contributions	$ 2,064,932	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted revenues from use of money and property	363,492	533,634	746,081	497,567	76,032	15,701	13,907	141,838	144,451	163,961
Miscellaneous	193,803	132,633	228,613	128,891	125,187	130,113	125,179	-	-	-
Transfers	-	5,826,014	-	-	-	1,331,819	-	-	670,395	976,161
Total business-type activities	$ 2,622,227	$ 6,492,281	$ 974,694	$ 626,458	$ 201,219	$ 1,477,633	$ 139,086	$ 141,838	$ 814,846	$ 1,140,122
Total primary government	$ 9,806,864	$ 8,699,622	$ 9,123,807	$ 8,186,903	$ 7,368,944	$ 7,410,711	$ 7,646,477	$ 7,725,759	$ 7,726,816	$ 8,411,237
Change in Net Position										
Governmental activities	$ 8,072,883	$ 3,996,862	$ 4,190,977	$ 2,741,616	$ 2,835,563	$ (879,493)	$ 659,894	$ 1,869,630	$ (267,849)	$ 683,078
Business-type activities	2,622,227	8,081,540	904,948	85,957	17,327	(126,829)	(2,229,384)	(2,669,518)	(2,287,735)	(1,870,907)
Total primary government	$ 10,695,110	$ 12,078,402	$ 5,095,925	$ 2,827,573	$ 2,852,890	$ (1,006,322)	$ (1,569,490)	$ (799,888)	$ (2,555,584)	$ (1,187,829)

TOWN OF WARRENTON, VIRGINIA

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

	2005	2006	2007	2008	2009
General fund					
Reserved	$ 5,492,318	$ 596,659	$ 1,361,700	$ 1,361,700	$ 1,392,537
Unreserved	8,749,616	13,885,546	2,677,795	4,720,859	6,522,659
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	$ 14,241,934	$ 14,482,205	$ 4,039,495	$ 6,082,559	$ 7,915,196
All other governmental funds					
Reserved					
Unreserved, reported in:					
Permanent funds	$ 508,743	$ 528,712	$ 555,460	$ 577,886	$ 587,226
Nonspendable, reported in:					
Permanent funds	-	-	-	-	-
Total all other governmental funds	$ 508,743	$ 528,712	$ 555,460	$ 577,886	$ 587,226

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

Table 3

2010	2011	2012	2013	2014
$ 1,748,454	$ -	$ -	$ -	$ -
5,141,861	-	-	-	-
-	183,407	148,259	103,517	125,799
-	1,301,762	369,174	302,662	828,454
-	6,756,426	8,511,933	9,909,063	10,593,545
$ 6,890,315	$ 8,241,595	$ 9,029,366	$ 10,315,242	$ 11,547,798
$ 588,890	$ -	$ -	$ -	$ -
-	590,042	590,889	591,797	592,370
$ 588,890	$ 590,042	$ 590,889	$ 591,797	$ 592,370

TOWN OF WARRENTON, VIRGINIA

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

	2005	2006	2007	2008
Revenues				
General property taxes	$ 744,748	$ 722,808	$ 627,637	$ 624,841
Other local taxes	5,083,985	5,592,761	5,978,858	5,568,696
Permits, privilege fees and regulatory licenses	375,753	390,132	321,791	153,220
Fines and forfeitures	134,871	128,732	139,433	119,517
Revenue from use of money and property	314,013	625,169	778,520	432,507
Charges for services	-	-	-	-
Miscellaneous	219,696	266,831	40,698	109,047
Recovered costs	33,489	23,151	13,487	108,530
Intergovernmental:				
Commonwealth	1,924,592	2,110,717	2,162,466	2,220,020
Federal	500	613,581	42,179	42,875
Total revenues	$ 8,831,647	$ 10,473,882	$ 10,105,069	$ 9,379,253
Expenditures				
General government administration	$ 837,721	$ 835,842	$ 973,880	$ 918,002
Public safety	2,063,730	2,365,107	2,398,000	2,722,646
Public works	2,217,748	2,191,932	2,263,115	2,378,910
Contributions	72,096	96,765	94,945	101,427
Parks, recreation and cultural	148,550	206,123	135,640	382,002
Community development	433,713	504,741	508,735	539,165
Capital projects	1,749,250	986,852	680,800	457,419
Debt service:				
Principal	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	$ 7,523,483	$ 7,187,362	$ 7,055,115	$ 7,499,571
Excess of revenues over (under) expenditures	$ 1,308,164	$ 3,286,520	$ 3,049,954	$ 1,879,682
Other financing sources (uses)				
Transfers in	$ -	$ 3,000,000	$ -	$ -
Transfers out	-	(8,826,014)	(13,465,916)	-
Proceeds from indebtedness	-	-	-	-
Total other financing sources (uses)	$ -	$ (5,826,014)	$ (13,465,916)	$ -
Net change in fund balances	$ 1,308,164	$ (2,539,494)	$ (10,415,962)	$ 1,879,682

Table 4

2009	2010	2011	2012	2013	2014
$ 628,812	$ 576,328	$ 555,233	$ 567,694	$ 539,313	$ 589,341
5,469,815	5,137,092	5,294,029	5,423,075	5,551,297	6,213,306
196,490	142,677	139,576	423,787	182,847	128,220
150,781	167,156	257,075	307,479	280,842	259,464
255,025	50,696	37,421	29,029	30,021	21,663
-	-	-	130,911	136,496	170,563
27,049	148,285	120,425	199,056	128,931	96,910
-	-	-	-	-	-
2,309,451	2,914,059	2,825,505	2,913,744	2,829,793	2,991,893
3,000	3,264	17,625	189,216	13,824	48,931
$ 9,040,423	$ 9,139,557	$ 9,246,889	$ 10,183,991	$ 9,693,364	$ 10,520,291
$ 946,907	$ 1,128,769	$ 936,694	$ 1,517,470	$ 1,528,394	$ 1,724,504
2,620,108	2,777,763	2,749,926	2,663,568	2,666,012	2,586,897
2,668,694	2,868,026	2,993,992	2,209,299	2,754,566	2,387,155
95,851	100,441	100,391	98,159	88,278	88,400
142,506	144,807	121,616	143,106	133,755	120,826
524,919	426,009	392,305	352,128	411,295	401,399
199,461	231,128	670,278	464,528	591,719	821,485
-	-	-	-	86,808	174,880
-	-	-	-	3,883	5,455
$ 7,198,446	$ 7,676,943	$ 7,965,202	$ 7,448,258	$ 8,264,710	$ 8,311,001
$ 1,841,977	$ 1,462,614	$ 1,281,687	$ 2,735,733	$ 1,428,654	$ 2,209,290
$ -	$ -	$ -	$ 60,000	$ -	$ -
-	(1,331,819)	(984,737)	(936,208)	(670,395)	(976,161)
-	-	-	-	528,525	-
$ -	$ (1,331,819)	$ (984,737)	$ (876,208)	$ (141,870)	$ (976,161)
$ 1,841,977	$ 130,795	$ 296,950	$ 1,859,525	$ 1,286,784	$ 1,233,129

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (1)
2014	$ 1,554,110,600	$ 99,076,256	$ 362,438	$ 26,004,347	$ 1,679,553,641	$ 0.073
2013	1,388,763,400	93,279,002	366,978	26,002,462	1,508,411,842	0.076
2012	1,380,231,600	91,617,748	364,903	27,948,051	1,500,162,302	0.075
2011	1,376,203,000	88,172,640	407,578	28,221,981	1,493,005,199	0.073
2010	1,376,237,100	85,698,058	630,921	28,612,897	1,491,178,976	0.072
2009	1,767,638,600	93,472,804	587,884	28,291,208	1,889,990,496	0.064
2008	1,758,591,700	94,289,760	625,632	27,784,639	1,881,291,731	0.065
2007	1,726,834,100	94,049,306	251,503	26,702,670	1,847,837,579	0.065
2006	1,702,213,900	87,009,001	301,061	15,115,823	1,804,639,785	0.063
2005	803,093,350	75,359,990	389,476	18,765,767	897,608,583	0.112

Source: Commissioner of Revenue

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

(1) The total direct tax rate is calculated using the weighted average method.

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

	Direct Rates				Overlapping Rates County of Fauquier	
Fiscal Years	**Real Estate**	**Personal Property**	**Machinery and Tools**	**Total Direct Tax Rate**	**Real Estate**	**Personal Property**
2014	$ 0.015	$ 1.00	$ 1.00	$ 0.073	$ 0.992	$ 4.65
2013	0.015	1.00	1.00	0.076	0.98	4.65
2012	0.015	1.00	1.00	0.075	0.97	4.65
2011	0.015	1.00	1.00	0.073	0.97	4.65
2010	0.015	1.00	1.00	0.072	0.97	4.65
2009	0.015	1.00	1.00	0.064	0.765	4.65
2008	0.015	1.00	1.00	0.065	0.645	4.65
2007	0.015	1.00	1.00	0.065	0.645	4.65
2006	0.015	1.00	1.00	0.063	0.645	4.65
2005	0.03	1.00	1.00	0.112	0.99	4.65

(1) Per $100 of assessed value

TOWN OF WARRENTON, VIRGINIA

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

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Franchise Tax	Commun-ications Tax (2)	Meals Tax
2014	$ 589,341	$ 561,084	$ 500,111	$ 496,445	$ -	$ 2,191,572
2013	539,313	530,836	541,096	479,590	-	2,152,237
2012	567,694	508,741	540,413	467,392	-	2,062,342
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

(1) Includes General Fund and Special Revenue Funds
(2) 2008 was the first year the communcations tax was collected; in 2010 these taxes were reclassified as noncategorical aid from the Commonwealth of Virginia.

Table 7

Transient Occupancy Tax	Business Licenses	Motor Vehicle Licenses	Other Taxes	Cigarette Tax	Total
$ 190,233	$ 1,914,525	$ 101,969	$ 75,647	$ 181,720	$ 6,802,647
187,263	1,366,360	104,047	-	189,868	6,090,610
195,419	1,363,590	102,358	-	182,820	5,990,769
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

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Meals Tax Revenues
Last Ten Fiscal Years

Fiscal Year	Tax Rate	Gross Receipts	Meals Tax Revenue
2014	$ 0.04	$ 54,789,300	$ 2,191,572
2013	0.04	53,805,925	2,152,237
2012	0.04	51,558,550	2,062,342
2011	0.04	47,531,525	1,901,261
2010	0.04	44,177,375	1,767,095
2009	0.04	45,410,400	1,816,416
2008	0.04	43,726,875	1,749,075
2007	0.04	44,387,325	1,775,493
2006	0.04	40,810,850	1,632,434
2005	0.04	39,034,500	1,561,380

Source: Town of Warrenton Department of Finance & Human Resources

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2014 2013 Assessed Valuation	Fiscal Year 2014 % of Total Assessed Valuation
Fauquier Medical Center LLC	Medical Center	$ 54,075,000	3.48%
Warrenton Center LLC	Shopping Center	34,170,600	2.20%
Walmart	Retail Store	17,843,700	1.15%
Northrock Center LLC	Office Center Complex	15,867,700	1.02%
Warrenton Development Company	Developer	14,789,100	0.95%
Virginia Electric and Power	Utility	11,233,719	0.72%
Warrenton Village LLC	Shopping Center	10,891,600	0.70%
Sears Roebuck and Co.	Retail Store	10,421,400	0.67%
Fauquier Long Term Care	Health Care Provider	9,834,500	0.63%
Warrenton Professional Center	Professional Center	9,744,000	0.63%
		$ 188,871,319	12.15%

Source: Fauquier County Commissioner of the Revenue

Table 9

Taxpayer	Type Business	Fiscal Year 2005 2004 Assessed Valuation	Fiscal Year 2005 % of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	$ 16,598,900	1.96%
Warrenton Development Company	Developer	10,099,500	1.19%
Warrenton Village	Shopping Center	9,445,000	1.12%
Verizon Virginia	Utility	9,284,736	1.10%
Walmart	Retail Store	8,991,800	1.06%
Highland Commons, LP	Developer	7,619,000	0.90%
Oak Springs Nursing Home	Health Care Provider	7,055,000	0.84%
Sears Roebuck and Co.	Retail Store	6,872,000	0.81%
Warrenton Professional Center	Shopping Center	6,080,000	0.72%
Kalis Holdings Inc.	Shopping Center	5,109,400	0.60%
		$ 87,155,336	10.30%

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
2014	$ 1,145,346	$ 1,139,748	99.51%	$ -	$ 1,139,748	99.51%
2013	1,080,357	1,074,859	99.49%	3,265	1,078,124	99.49%
2012	1,069,488	1,058,965	99.01%	7,308	1,066,273	99.70%
2011	1,049,477	1,037,948	98.90%	9,751	1,047,699	99.83%
2010	1,283,322	1,250,045	97.41%	10,215	1,260,260	98.20%
2009	1,346,551	1,305,936	96.98%	16,082	1,322,018	98.18%
2008	1,330,126	1,298,822	97.65%	15,903	1,314,725	98.84%
2007	1,313,459	1,284,836	97.82%	16,784	1,301,620	99.10%
2006	1,471,680	1,394,045	94.72%	58,831	1,452,876	98.72%
2005	1,300,387	1,240,510	95.40%	30,232	1,270,742	97.72%

Source: Town of Warrenton Department of Finance & Human Resources

Meal Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates	Overlapping Rates County of Fauquier [1]
Fiscal Years	**Meals Tax Percent of Gross**	**Meals Tax Percent of Gross**
2014	% 4.00	% 0.00
2013	4.00	0.00
2012	4.00	0.00
2011	4.00	0.00
2010	4.00	0.00
2009	4.00	0.00
2008	4.00	0.00
2007	4.00	0.00
2006	4.00	0.00
2005	4.00	0.00

Source: Town of Warrenton Department of Finance & Human Resources
(1) Fauquier County does not have a meals tax

Principal Meals Taxpayers
Current Year and Nine Years Prior

	Fiscal Year 2014			Fiscal Year 2005	
Taxpayer	**Assessed Valuation**	**% of Total Assessed Valuation**	**Taxpayer**	**Assessed Valuation**	**% of Total Assessed Valuation**
Chick Fil A	$ 4,202,921	7.13%	McDonalds	$ 3,243,476	8.07%
McDonalds	3,165,150	5.37%	Ruby Tuesday	2,635,491	6.56%
Longhorn Steakhouse	2,738,431	4.65%	Applebees	2,594,536	6.46%
Panera Bread	2,362,864	4.01%	KFC	1,723,534	4.29%
Applebees	2,316,447	3.93%	Wendy's	1,706,834	4.25%
Chipotle	2,250,393	3.82%	Burger King	1,490,407	3.71%
Iron Bridge Restaurant	1,801,664	3.06%	Red Hot & Blue	1,364,505	3.40%
Taco Bell	1,669,125	2.83%	Pizza Hut	1,287,611	3.21%
Ruby Tuesday's	1,655,327	2.81%	Panera Bread	1,223,970	3.05%
Wendy's	1,645,748	2.79%	Country Cookin	1,024,792	2.55%
	$ 23,808,069	40.39%		$ 18,295,156	45.54%

Source: Town of Warrenton Department of Finance & Human Resources

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities	Business-Type Activities				
Fiscal Years	**Capital Leases**	**General Obligation Bonds**	**Premium on Bond Issue**	**Total Primary Government**	**Percentage of Personal Income (1)**	**Per Capita (1)**
2014	$ 266,837	$ 9,317,000	$ -	$ 9,583,837	*	980
2013	441,717	9,717,000	-	10,158,717	2.68%	1,036
2012	-	8,575,000	245,897	8,820,897	2.43%	906
2011	-	8,835,000	266,590	9,101,590	2.36%	947
2010	-	9,085,000	287,781	9,372,781	2.83%	1,003
2009	-	9,325,000	309,451	9,634,451	2.07%	1,050
2008	-	9,555,000	331,580	9,886,580	2.27%	1,110
2007	-	9,775,000	354,148	10,129,148	3.30%	1,131
2006	-	9,775,000	354,148	10,129,148	3.30%	1,131
2005	-	-	-	-	0.00%	-

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 17

* data not available

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2014	$ 9,317,000	$ -	$ 9,317,000	0.55%	953
2013	9,717,000	-	9,717,000	0.64%	991
2012	8,820,897	-	8,820,897	0.59%	908
2011	9,101,590	-	8,835,000	0.61%	880
2010	9,372,781	-	9,085,000	0.59%	919
2009	9,634,451	-	9,325,000	0.61%	1,003
2008	9,886,580	-	9,555,000	0.49%	1,050
2007	10,129,148	-	9,775,000	0.51%	1,110
2006	10,129,148	-	9,775,000	0.53%	1,131
2005	-	-	-	-	-

(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, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Town of Warrenton	$ 102,379,363	14.63%	$ 14,980,442
Subtotal, overlapping debt			
Town of Warrenton, direct debt			266,837
Total direct and overlapping debt			$ 15,247,279

Source: County of Fauquier June 30, 2014 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 County government's boundaries and dividing it by the County's total taxable assessed value.

TOWN OF WARRENTON, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	2005	2006	2007	2008	2009
Debt limit	$ 89,760,858	$ 180,463,979	$ 184,783,758	$ 188,129,173	$ 188,999,050
Total net debt applicable to limit	9,775,000	9,775,000	9,775,000	9,555,000	9,325,000
Legal debt margin	$ 79,985,858	$ 170,688,979	$ 175,008,758	$ 178,574,173	$ 179,674,050
Total net debt applicable to the limit as a percentage of debt limit	10.89%	5.42%	5.29%	5.08%	4.93%

Table 16

2010	2011	2012	2013	2014
$ 149,303,930	$ 149,300,520	$ 141,441,230	$ 151,876,864	169,176,644
9,085,000	8,835,000	8,820,897	9,717,000	9,317,000
$ 140,218,930	$ 140,465,520	$ 132,620,333	$ 142,159,864	159,859,644
6.08%	5.92%	6.24%	6.40%	5.51%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	$	1,679,553,641
Add back: exempt real property		12,212,800
Total assessed value	$	1,691,766,441
Debt limit (10% of total assessed value)	$	169,176,644
Net debt applicable to limit		9,317,000
Legal debt margin	$	159,859,644

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy-ment Rate
2014	9,775	$ *	$ *	*	1,647	4.70%
2013	9,803	379,474,130	38,710	38	2,008	4.80%
2012	9,735	362,297,760	37,216	40	1,572	4.80%
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%

* data not available

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

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2014			Fiscal Year 2005*		
Employer	**Employees**	**Rank**	**% of Total Town Employment**	**Employees**	**Rank**	**% of Total Town Employment**
Fauquier County School Board	1,820	1	8.69%	-		0.00%
Fauquier Health System	1,250	2	5.97%	-		0.00%
County of Fauquier	643	3	3.07%	-		0.00%
Wal Mart	290	4	1.39%	-		0.00%
Town of Warrenton	241	5	1.15%	-		0.00%
The Fauquier Bank	146	6	0.70%	-		0.00%
Oak Springs Nursing Home	135	7	0.64%	-		0.00%
The Home Depot	125	8	0.60%	-		0.00%
Food Lion	65	9	0.31%	-		0.00%
McDonald's	57	10	0.27%	-		0.00%
Totals	4,772		22.79%	-		0.00%

* data for 2005 not available

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

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General and Financial Administration	5	6	6	6	6	6	6	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	24	25	25	27	25	27	27	27	25	23
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	22	22	22	22	21	21	22	22	21	19
Administration	5	5	5	5	5	5	4	4	5	4
Culture and recreation										
Parks - cemetery maintenance	1	1	1	1	2	2	2	2	2	2
Planning & Community development	5	5	5	5	5	4	3	3	3	3
Water and Sewer										
Water	15	16	16	16	16	15	14	14	13	13
Wastewater	9	9	9	9	8	8	7	7	7	6
Administration	6	7	7	7	4	7	6	6	7	7
Motor Pool	2	2	2	2	2	2	3	3	3	3
Parks & Recreation	0	0	3	3	3	3	3	3	3	3
Totals	97	101	104	106	101	104	101	101	99	93

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police department: (Calendar Year)										
Physical arrests	539	703	397	172	358	430	397	371	390	248
Traffic violations	1,078	1,567	1,615	1,848	2,696	5,360	6,243	3,989	6,557	5,355
Fire and rescue:										
Number of calls answered	-	-	1,628	1,840	3,972	2,435	2,416	2,643	2,100	2,601
Building inspections:										
Permits issued	611	521	573	607	676	382	333	700	671	585
Public works										
Refuse collected (tons/year)	4,187	4,085	4,289	4,138	3,930	3,825	3,920	3,844	3,746	3,761
Recycling (tons/year)	1,632	1,664	1,747	728	880	783	881	919	1539	1244
Community development										
Planning:										
Zoning permits issued	183	186	189	267	168	155	166	159	150	170

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	18	18	18	18	17		21	21
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	2	3
Highway and Streets										
Streets (miles)	85.16	85.5	87.16	86.76	86.37	86.49	86.49	86.49	94.52	94.52
Streetlights	695	758	770	770	770	770	772	772	795	810
Traffic Signals	6	7	8	8	8	10	10	10	11	12
Culture and Recreation										
Parks acreage	23.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69
Parks	4	5	5	5	5	5	5	5	5	5
Water										
Water mains (miles)	69.7	72.5	73.24	82.4	82.4	84	84	84	86	86
Fire Hydrants	578	623	635	681	681	690	716	717	725	725
Sewer										
Sanitary sewers	58.56	58.56	58.56	63.2	63.2	63.2	66	66	66	66
Storm sewers (miles)	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44

Source: Individual town departments

Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Warrenton, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Warrenton, Virginia's basic financial statements, and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town 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*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 21, 2014