

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008



TOWN OF WARRENTON, VIRGINIA

TOWN OF WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

Prepared By
JOAN JACKSON, FINANCE DIRECTOR

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

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Town of Warrenton, Virginia

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Town of Warrenton, Virginia

Principal Town Officials

Town Council		
John V. Albertella	George B. Fitch, Mayor	Dennis M. Sutherland
John E. Williams	David A. Norden, Vice Mayor	Terrence L. Nyhous
Roger R. Martella, Jr.		John S. Lewis
Town Manager		
Kenneth L. McLawhon		
Town Attorney		
Whitson Robinson		
Officials		
Town Recorder	Evelyn J. Weimer	
Finance/Personnel Director	Joan Jackson	
Director of Parks & Recreation.....	Ralph W. Baird	
Planning/Zoning Director	C. Christopher Mothersead	
Chief of Police	Connie C. Novak	
Public Works/Utilities Director	Edward B. Tucker, Jr.	

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TOWN OF WARRENTON

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December 19, 2008

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

We are pleased to present the Comprehensive Annual Financial Report of the Town of Warrenton (Town) for the fiscal year ended June 30, 2008. The Town's Department of Finance prepared this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data, as presented, is accurate in all material respects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of the various funds and component units. All disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial activity have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section, which is unaudited, includes this transmittal letter, the Town's organizational chart and a list of principal officials. The financial section includes the management discussion and analysis (MDA), basic and combining fund financial statements, notes to the financial statements, required supplementary information, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

THE TOWN

The Town of Warrenton, the County Seat and the largest town in Fauquier County, is located in the Upper Piedmont region of Virginia at the foot of the Blue Ridge mountains about 45 miles southwest of Washington, DC. Settled in the late seventeenth century, the Town of Warrenton, then known as Courthouse Village, was formally incorporated in 1810.

Since 1992, Warrenton has been considered part of the Washington-Baltimore Metropolitan Statistical Area. Warrenton is easily accessible via four U.S. primary routes – 17, 15, 29 and 211. These routes provide access to Interstates 66, 64, 95 and 81 which link Warrenton to major trade routes across the Nation.

The Town has a Council-Manager form of government with an elected mayor and a seven-member Town Council, with five (5) members elected by ward and two (2) elected at large. The Town Manager performs the daily tasks required by the Town Council in accordance with the Town's Charter and oversees the activities of all Town departments and personnel.

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

FINANCIAL REPORTING ENTITY

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

ECONOMIC CONDITION AND OUTLOOK

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

During the past year residential growth slowed somewhat while several new commercial projects picked up pace. Market demands will determine community growth over the next several years.

MAJOR INITIATIVES

Current Initiatives:

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

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

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

The Finance Department continues to coordinate professional services necessary to further enhance the Town's web presence which includes an Issue Tracker to enable citizens to report a problem, pose a question, or propose an idea, 24 hours a day, 7 days a week and to monitor staff progress in resolving the issue.

The Town completed a major project during FY 2008. The new \$28 million aquatic center which includes both a competition and leisure pools had a successful grand opening on September 8, 2007. There continues to be final touches to the center enhancing the experience for the patrons.

Future Initiatives:

The ongoing development of the park area adjacent to the new aquatic center and development of parks and recreation aquatic, health, and recreational programs will demand staff's full attention in the coming fiscal year. New playground equipment is being installed at Eva Walker Park and Goldcup Park as well as other enhancements to several parks in the Town.

In the Utilities Fund, the Meter Department continues to work hard in the conversion of an additional 500 manual read meters to automated remote reads which will allow the department to maintain current staffing levels while the number of customer accounts grows.

The Transmission & Distribution Department will replace a 20+ year old Trailer Mounted Flusher which has reached the end of its useful life since has become very difficult to acquire replacement parts causing extended downtime.

Rehabilitation/Replacement of sanitary sewer lines for Frazier and Sullivan Roads as identified in the 2006 Dewberry & Davis study to combat infiltration and inflow (I&I).

Nutrient removal upgrades to the Waste Water Treatment Plant, under the current permit and federally mandated discharge limits will continue with a nitrogen and phosphorus reduction study and design engineering. This multi-million dollar effort, was timed to take advantage of Virginia Water Quality Improvement grant funding with an agreement between the Town and EPA consummated in December 2006, will allow the Town to meet the 2010 WWTP permit discharge limits.

The upgrade of the Taylor Middle School Pump Station line which involves upgrading 1910 feet of 6" cast iron force main pipe to 8" ductile iron pipe.

INTERNAL CONTROLS AND BUDGETARY ACCOUNTING

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

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

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

The Town Charter requires the Town Manager to submit a balanced budget to the Town Council no later than May 1. Each department prepares its own budget request for review and amendment by the Town Manager prior to inclusion in the Town's budget. After public hearings, the Town adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. The Town's practice is to prepare a budget document that meets the Government Finance Officers Association (GFOA) criteria to receive the Distinguished Budget Presentation Award. Beginning with the fiscal year 1997 budget, the Town has received the GFOA Award.

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.

RISK MANAGEMENT

The Town's risk management program is designed to protect against accidental losses that would significantly affect personnel, property, the budget, or the Town's ability to fulfill its responsibility to the taxpayers and the public. The Town is a member of several risk pools for workers compensation, liability, and property coverage.

CASH MANAGEMENT

The primary objectives of the Town's cash management and investment program are the safety and preservation of principal, liquidity, and yield. Idle cash during the year was invested in treasury bonds, US agencies, and demand deposit accounts with various financial institutions, fully collateralized by those institutions.

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

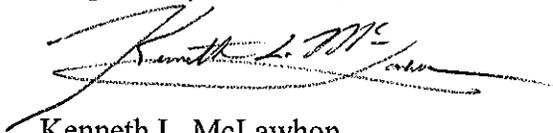
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the eleventh consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

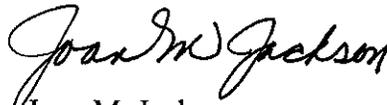
ACKNOWLEDGMENTS

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

Respectfully submitted,



Kenneth L. McLawhon
Town Manager



Joan M. Jackson
Director of Finance & Human Resources

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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, 2007

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



Charles S. Cox

President

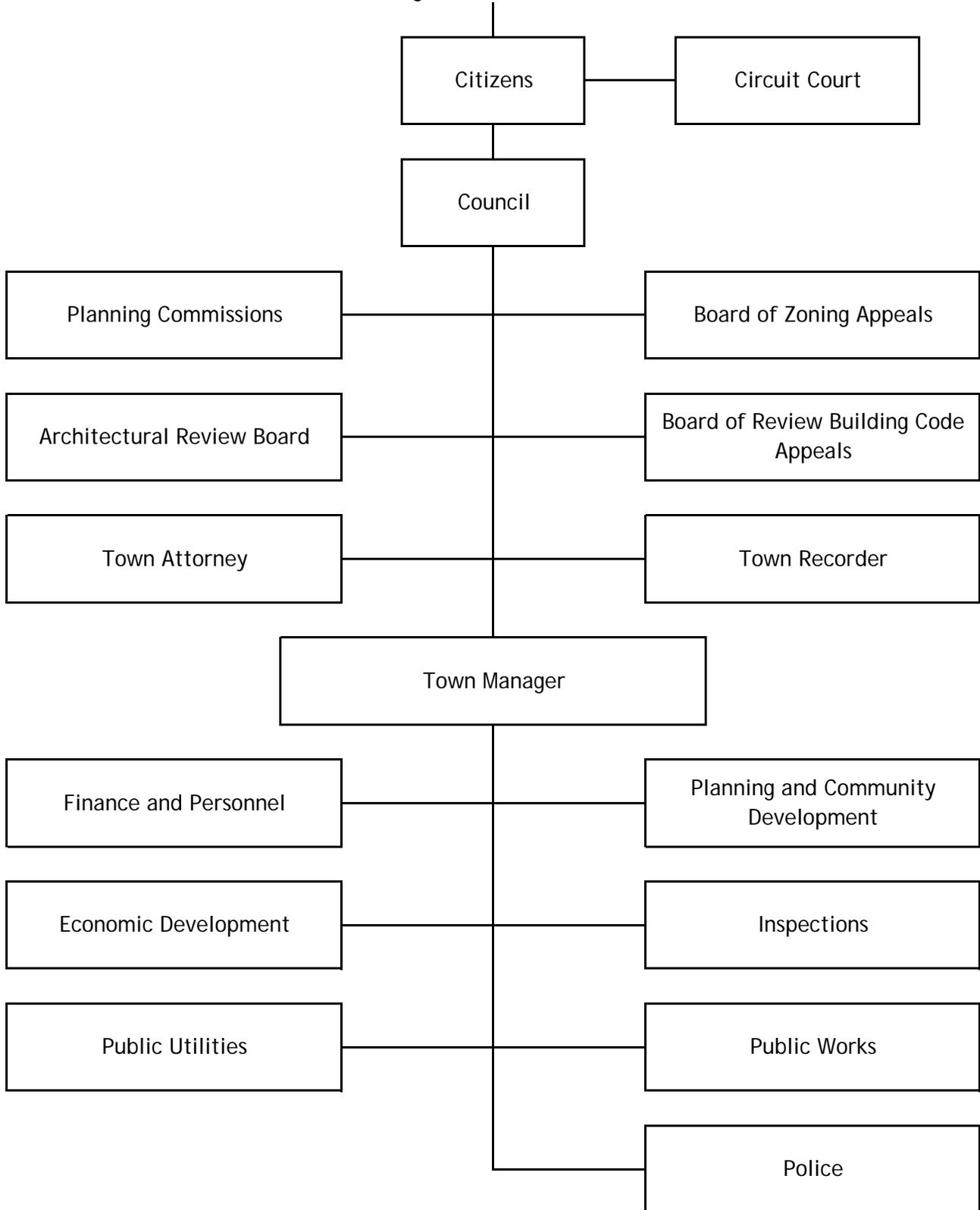
Jeffrey R. Emer

Executive Director

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Town of Warrenton

Organizational Chart



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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Warrenton, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; *Government Auditing Standards* and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008 on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and schedule of pension funding progress as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, individual and combining fund financial statements, supporting budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual and combining fund financial statements and supporting budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Verona, Virginia
December 1, 2008

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Town of Warrenton, Virginia for the fiscal year ended June 30, 2008. This narrative is to be read in conjunction with the additional information that we have furnished in our letter of transmittal which can be found earlier in this report.

Financial Highlights

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Net Assets	\$ 87,329,425	\$ 83,205,070
Unrestricted	12,397,719	14,880,313

The Town's total net assets increased \$4,124,355 in FY 2008. The increase in investment capital assets, net of related debt, \$4,766,090 represents a ongoing mandated nutrient removal program at the Wastewater Treatment plant and the completion of the Aquatic facility. This increase in net assets is offset by a \$2,388,594 reduction in unrestricted net assets.

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Fund balance, ending	\$ 6,082,559	\$ 4,225,303
Increase from prior year	1,857,256	10,628,518
Unreserved fund balance	4,720,859	2,853,603
Percentage unreserved	78%	68%

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the government's net assets changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

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

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Warrenton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis of accounting, similar to private sector business.

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

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

Fiduciary funds

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Warrenton, assets exceeded liabilities by \$83,205,070 at June 30, 2008.

Government-wide Financial Analysis: (Continued)

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

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Current and other assets	\$ 6,952,102	\$ 5,117,585	\$ 15,953,384	\$ 19,945,626	\$ 22,905,486	\$ 25,063,211
Capital assets	28,706,827	27,860,169	47,706,491	44,029,627	76,413,318	71,889,796
Total assets	<u>\$ 35,658,929</u>	<u>\$ 32,977,754</u>	<u>\$ 63,659,875</u>	<u>\$ 63,975,253</u>	<u>\$ 99,318,804</u>	<u>\$ 96,953,007</u>
Long-term liabilities	\$ 263,380	\$ 239,954	\$ 10,046,856	\$ 10,291,658	\$ 10,310,236	\$ 10,531,612
Other liabilities	241,576	511,251	1,437,567	2,705,074	1,679,143	3,216,325
Total liabilities	<u>\$ 504,956</u>	<u>\$ 751,205</u>	<u>\$ 11,484,423</u>	<u>\$ 12,996,732</u>	<u>\$ 11,989,379</u>	<u>\$ 13,747,937</u>
Net assets:						
Invested in capital assets net of related debt	\$ 28,706,827	\$ 27,860,169	\$ 37,819,911	\$ 33,900,479	\$ 66,526,738	\$ 61,760,648
Restricted	2,091,437	1,361,700	6,313,531	4,646,949	8,404,968	6,008,649
Unrestricted	4,355,709	3,004,680	8,042,010	12,431,093	12,397,719	15,435,773
Total net assets	<u>\$ 35,153,973</u>	<u>\$ 32,226,549</u>	<u>\$ 52,175,452</u>	<u>\$ 50,978,521</u>	<u>\$ 87,329,425</u>	<u>\$ 83,205,070</u>

For the Town, investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of related debt used to acquire those assets that is still outstanding, represents 76 percent of total net assets. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The majority of these net assets are to be used for public safety equipment replacement, general government renovations and utility projects. The Town's restricted net assets account for 10 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2008 is \$12,491,719 or 14 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets increased, by \$4,124,355 during the current fiscal year. The majority of this increase is attributable to an increase in revenues coupled with the Town staying within prescribed budgetary expenditure/expense limitations for the year ending June 30, 2008.

Governmental Activities

Governmental activities increased the Town's net assets by \$2,741,616, thereby accounting for 66 percent of the total growth in the net assets of the Town. Key elements of this increase are as follows:

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenues:						
Program revenues:						
Charges for services	\$ 272,737	\$ 461,224	\$ 4,552,448	\$ 4,091,748	\$ 4,825,185	\$ 4,552,972
Operating grants & contributions	1,476,243	1,361,666	-	-	1,476,243	1,361,666
Capital grants & contributions	-	1,666,057	1,250,165	792,065	1,250,165	2,458,122
General revenues:						
General property taxes	663,543	554,281	-	-	663,543	554,281
Other local taxes	5,568,696	5,978,858	-	-	5,568,696	5,978,858
Use of money and property	432,507	778,520	497,567	746,081	930,074	1,524,601
Miscellaneous	109,047	22,532	128,891	228,613	237,938	251,145
Grants and contributions not restricted to specific programs	786,652	814,922	-	-	786,652	814,922
Total revenues	\$ 9,309,425	\$ 11,638,060	\$ 6,429,071	\$ 5,858,507	\$ 15,738,496	\$ 17,496,567
Expenses:						
General government	\$ 853,933	\$ 1,060,596	\$ -	\$ -	\$ 853,933	\$ 1,060,596
Public safety	2,856,414	2,504,495	-	-	2,856,414	2,504,495
Public works	1,813,751	3,196,533	-	-	1,813,751	3,196,533
Health and welfare	101,427	94,945	-	-	101,427	94,945
Parks, recreation and cultural	380,447	135,169	-	-	380,447	135,169
Community development	561,837	455,345	-	-	561,837	455,345
Parks & recreation	-	-	1,772,884	589,436	1,772,884	589,436
Water and sewer	-	-	4,570,230	4,364,123	4,570,230	4,364,123
Total expenses	\$ 6,567,809	\$ 7,447,083	\$ 6,343,114	\$ 4,953,559	\$ 12,910,923	\$ 12,400,642
Increase in net assets	\$ 2,741,616	\$ 4,190,977	\$ 85,957	\$ 904,948	\$ 2,827,573	\$ 5,095,925
Transfers	-	(13,465,916)	-	13,465,916	-	-
Net assets, beginning of year	32,412,357	41,687,296	52,089,495	37,718,631	84,501,852	79,405,927
Net assets, end of year	\$ 35,153,973	\$ 32,412,357	\$ 52,175,452	\$ 52,089,495	\$ 87,329,425	\$ 84,501,852

Governmental Activities: (Continued)

- More timely real estate and personal property tax payments from smaller, more affordable dollar amounts resulted in a slight decrease in penalty and interest revenue. The Town's real estate tax rate of .015 per \$100 of assessed value continues to be one of the lowest in the Commonwealth.
- Operating Grants and Contributions decreased \$28,270 due primarily to decreased funding in the USDA Rural Development grant from the Commonwealth of Virginia (\$14,079), in the Homeland Security (\$6,351) and in Gang Task Force (\$7,456).
- With the exception of the Communication Sales & Use tax, all local taxes reflect decreases that total \$410,162 (7 percent). There was a decrease of \$118,525 in local sales tax, a \$93,414 decrease in Franchise fees, a \$37,497 in Bank Stock taxes and a \$272,447 decrease in Telephone Utility tax. The commonwealth changed the way cable franchise fees and telephone utility taxes are paid which account for some of the decreases and are reflected in the increase in Communications Tax.
- Operating expenses decreased by 12 percent from last year because of the creation of a separate Parks and Recreation Fund.
- Capital grants and contributions were fundamentally unchanged from the previous year.

Business-type Activities

Business-type activities increased the Town's net assets by \$85,957 accounting for 3 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increases in expenses closely paralleled inflation and growth in demand for services.
- A further slowdown in the economy is reflected in higher penalties, interest and reconnection fees.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$6,082,559, an increase of \$1,857,256 over the prior year. This increase is primarily attributable to an increased sense of fiscal responsibility within the Town's staff. Due to economic conditions encountered during the year the Town staff was more cautious regarding their spending and therefore saved funds in multiple categories across the Town's operations. Approximately 78 percent of total fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to various Town capital projects. Of the capital projects, the most prominent are public works projects and the aquatic center/recreation facility.

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

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$8,136,010 or 16 percent of the total net assets. Restricted net assets of \$6,219,531 are funds committed to future utility and parks & recreation projects.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were increased by \$248,708, which is 3 percent of the total original budget. While various line items were increased or decreased due to re-allocations, the major increase is attributable to legal fees incurred in the police department and the replacement of the Town Hall roof. Final actual expenditures were \$573,485 under final amended appropriations (8 percent of the total final amended budget). This can be attributed primarily to the public works function expending less than their legally appropriated amounts. In particular, salaries and wages as well as street improvements expenses were significantly under budget. Public safety, community development, parks, recreation and cultural and general government administration also expended less than their budgeted amounts. Final actual revenues were \$402,730 less than final amended budget amounts. This is primarily due to a shortfall in business license revenues and permits, privilege fees, and regulatory licenses.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2008 is \$28,706,827 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$37,819,911 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and systems, machinery and equipment, and construction in progress. The total net increase in the Town's investment in capital assets for the current fiscal year was 9 percent for government activities and a total net increase of 2 percent for business-type activities.

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

- Various drainage projects - \$38,897
- Visitor Center landscaping and cabinets- \$13,229
- Traffic signal synchronization/pre-emption devices - 59,715
- Purchase of police department vehicles - \$96,009
- WARF Aquatic/Recreational Facility building/grounds - \$1,894,733
- Various park improvements and enhancements - \$313,190
- Waterline construction and replacement projects for \$80,158
- Meter Department equipment upgrade - \$106,000
- Sewer plant nutrient removal - \$3,101,967
- Town Hall AC replacement - \$38,817
- Purchase of pickup truck - \$53,676
- Rental Property improvements - \$6,495
- Roof repair at Town shop - \$53,579

Capital Asset and Debt Administration: (Continued)

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

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 1,129,257	\$ 1,129,257	\$ 4,185,476	\$ 4,185,476	\$ 5,314,733	\$ 5,314,733
Utility plant in service	-	-	13,428,382	14,197,074	13,428,382	14,197,074
Buildings and improvements	3,070,109	3,085,630	24,496,798	23,534,087	27,566,907	26,619,717
Improvements other than buildings	-	-	371,906	381,957	371,906	381,957
Furniture, equipment, and vehicles	775,709	692,723	1,002,819	756,805	1,778,528	1,449,528
Infrastructure	23,731,752	22,952,559	-	-	23,731,752	22,952,559
Construction in progress	-	-	4,221,110	974,228	4,221,110	974,228
Total	\$ 28,706,827	\$ 27,860,169	\$ 47,706,491	\$ 44,029,627	\$ 76,413,318	\$ 71,889,796

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

Long-term debt

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

**Town of Warrenton's Outstanding Debt
For the Year Ended June 30, 2008**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
General obligation bonds	\$ -	\$ -	\$ 9,555,000	\$ 9,775,000	\$ 9,555,000	\$ 9,775,000
Premium on bond issue	-	-	331,580	354,148	331,580	354,148
Compensated absences	263,380	239,954	160,276	162,510	423,656	402,464
Total	\$ 263,380	\$ 239,954	\$ 10,046,856	\$ 10,291,658	\$ 10,310,236	\$ 10,531,612

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

Economic Factors and Next Year's Budgets and Rates

- At the end of the fiscal year, the unemployment rate for Fauquier County was 3.5 percent, which is an increase of 1 percent from the rate of 2.5 percent a year ago. This compares favorably to the state's average unemployment rate of 4.2 percent and the national average rate of 5.3 percent.
- Earnings on investments have decreased this past fiscal year due to lower yields generally found in the financial market and less idle funds available for investment. The Town Investment revenue was \$878,646 for the fiscal year ending June 30, 2008, a modest gain but reasonable in the current economic atmosphere.
- Residential real estate activity has slowed somewhat from past years causing a decline in the number of new housing starts. For the short term, developers have put projects on hold or slowed new unit starts. However, as this is a nationwide phenomenon, this lack luster growth will not have a significant negative impact in the long term. Commercial new construction and renovations continue to have a significant positive impact on the Town's tax base.

All of these factors were considered in preparing the Town's budget for the 2008 fiscal year.

During fiscal year 2008, unreserved fund balance in the general fund increased \$1,857,256 due primarily to strict adherence to purchasing policies in effect that serve to guide expenditure considerations.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,282,241	\$ 14,299,803	\$ 20,582,044
Receivables (net of allowance for uncollectibles):			
Taxes receivable	56,905	-	56,905
Accounts receivable	288,302	398,647	686,949
Accrued interest receivable	-	3,458	3,458
Notes receivable	-	61,758	61,758
Due from other governmental units	207,785	529,296	737,081
Inventories	116,869	244,749	361,618
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	294,634	294,634
Other assets:			
Unamortized bond issue costs	-	121,039	121,039
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	13,428,382	13,428,382
Buildings and improvements	3,070,109	24,496,798	27,566,907
Improvements other than buildings	-	371,906	371,906
Furniture, equipment, and vehicles	775,709	1,002,819	1,778,528
Infrastructure	23,731,752	-	23,731,752
Construction in progress	-	4,221,110	4,221,110
Total assets	\$ 35,658,929	\$ 63,659,875	\$ 99,318,804
LIABILITIES			
Accounts payable	\$ 241,011	\$ 914,453	\$ 1,155,464
Accrued liabilities	-	25,530	25,530
Customers' deposits	-	31,515	31,515
Accrued interest payable	-	187,105	187,105
Unearned revenue	565	278,964	279,529
Long-term liabilities:			
Due within one year	26,338	268,157	294,495
Due in more than one year	237,042	9,778,699	10,015,741
Total liabilities	\$ 504,956	\$ 11,484,423	\$ 11,989,379
NET ASSETS			
Invested in capital assets, net of related debt	\$ 28,706,827	\$ 37,819,911	\$ 66,526,738
Restricted for:			
Construction	1,513,551	6,313,531	7,827,082
Perpetual Care:			
Expendable	577,886	-	577,886
Unrestricted (deficit)	4,355,709	8,042,010	12,397,719
Total net assets	\$ 35,153,973	\$ 52,175,452	\$ 87,329,425

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, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 853,933	\$ -	\$ -	\$ -
Public safety	2,856,414	119,517	378,149	-
Public works	1,813,751	153,220	1,078,245	-
Health and welfare	101,427	-	-	-
Parks, recreation, and cultural	380,447	-	5,000	-
Community development	561,837	-	14,849	-
Total governmental activities	<u>\$ 6,567,809</u>	<u>\$ 272,737</u>	<u>\$ 1,476,243</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 4,570,230	\$ 3,928,840	\$ -	\$ 1,250,165
Parks and recreation	1,772,884	623,608	-	-
Total business-type activities	<u>\$ 6,343,114</u>	<u>\$ 4,552,448</u>	<u>\$ -</u>	<u>\$ 1,250,165</u>
Total primary government	<u>\$ 12,910,923</u>	<u>\$ 4,825,185</u>	<u>\$ 1,476,243</u>	<u>\$ 1,250,165</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Business license tax

Restaurant food tax

Communications tax

Bank Stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net assets

Net assets - beginning , as adjusted

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (853,933)	\$ -	\$ (853,933)
(2,358,748)	-	(2,358,748)
(582,286)	-	(582,286)
(101,427)	-	(101,427)
(375,447)	-	(375,447)
(546,988)	-	(546,988)
<u>\$ (4,818,829)</u>	<u>\$ -</u>	<u>\$ (4,818,829)</u>
\$ -	\$ 608,775	\$ 608,775
-	(1,149,276)	(1,149,276)
<u>\$ -</u>	<u>\$ (540,501)</u>	<u>\$ (540,501)</u>
<u>\$ (4,818,829)</u>	<u>\$ (540,501)</u>	<u>\$ (5,359,330)</u>
\$ 663,543	\$ -	\$ 663,543
509,630	-	509,630
462,750	-	462,750
1,338,059	-	1,338,059
1,749,075	-	1,749,075
618,169	-	618,169
354,680	-	354,680
536,333	-	536,333
432,507	497,567	930,074
109,047	128,891	237,938
786,652	-	786,652
<u>\$ 7,560,445</u>	<u>\$ 626,458</u>	<u>\$ 8,186,903</u>
2,741,616	85,957	2,827,573
32,412,357	52,089,495	84,501,852
<u>\$ 35,153,973</u>	<u>\$ 52,175,452</u>	<u>\$ 87,329,425</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2008

	General	Permanent Fund Perpetual Care	Total
ASSETS			
Cash and cash equivalents	\$ 5,704,355	\$ 577,886	\$ 6,282,241
Receivables (net of allowance for uncollectibles):			
Taxes receivable	56,905	-	56,905
Accounts receivable	288,302	-	288,302
Due from other governmental units	207,785	-	207,785
Inventories	116,869	-	116,869
Total assets	<u>\$ 6,374,216</u>	<u>\$ 577,886</u>	<u>\$ 6,952,102</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 241,011	\$ -	\$ 241,011
Deferred revenue	50,646	-	50,646
Total liabilities	<u>\$ 291,657</u>	<u>\$ -</u>	<u>\$ 291,657</u>
Fund balances:			
Reserved for:			
Construction	\$ 1,361,700	\$ -	\$ 1,361,700
Perpetual care	-	577,886	577,886
Unreserved, reported in:			
General fund	4,720,859	-	4,720,859
Total fund balances	<u>\$ 6,082,559</u>	<u>\$ 577,886</u>	<u>\$ 6,660,445</u>
Total liabilities and fund balances	<u>\$ 6,374,216</u>	<u>\$ 577,886</u>	<u>\$ 6,952,102</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,660,445
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		28,706,827
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		50,081
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(263,380)</u>
Net assets of governmental activities	\$	<u><u>35,153,973</u></u>

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, 2008

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	\$ 624,841	\$ -	\$ 624,841
Other local taxes	5,568,696	-	5,568,696
Permits, privilege fees, and regulatory licenses	153,220	-	153,220
Fines and forfeitures	119,517	-	119,517
Revenue from the use of money and property	410,081	22,426	432,507
Miscellaneous	109,047	-	109,047
Recovered costs	108,530	-	108,530
Intergovernmental revenues:			
Commonwealth	2,220,020	-	2,220,020
Federal	42,875	-	42,875
Total revenues	<u>\$ 9,356,827</u>	<u>\$ 22,426</u>	<u>\$ 9,379,253</u>
EXPENDITURES			
Current:			
General government administration	\$ 918,002	\$ -	\$ 918,002
Public safety	2,722,646	-	2,722,646
Public works	2,378,910	-	2,378,910
Health and welfare	101,427	-	101,427
Parks, recreation, and cultural	382,002	-	382,002
Community development	539,165	-	539,165
Capital projects	457,419	-	457,419
Total expenditures	<u>\$ 7,499,571</u>	<u>\$ -</u>	<u>\$ 7,499,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,857,256</u>	<u>\$ 22,426</u>	<u>\$ 1,879,682</u>
Net change in fund balances	\$ 1,857,256	\$ 22,426	\$ 1,879,682
Fund balances - beginning, as adjusted	4,225,303	555,460	4,780,763
Fund balances - ending	<u>\$ 6,082,559</u>	<u>\$ 577,886</u>	<u>\$ 6,660,445</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds	\$ 1,879,682
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 capital outlays exceeded depreciation in the current period.	846,658
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	38,702
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.	<u>(23,426)</u>
Change in net assets of governmental activities	<u>\$ 2,741,616</u>

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

Statement of Net Assets
 Proprietary Funds
 June 30, 2008

	Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,908,987	\$ 3,390,816	\$ 14,299,803
Interest receivable	3,458	-	3,458
Accounts receivable	379,662	18,985	398,647
Notes receivable	61,758	-	61,758
Due from other governmental units	529,296	-	529,296
Inventories	244,749	-	244,749
Restricted current assets:			
Cash and cash equivalents	294,634	-	294,634
Total current assets	\$ 12,422,544	\$ 3,409,801	\$ 15,832,345
Other assets:			
Unamortized bond issue costs	\$ -	\$ 121,039	\$ 121,039
Capital assets:			
Land	\$ 665,660	\$ 3,519,816	\$ 4,185,476
Utility plant in service	29,362,011	-	29,362,011
Buildings and systems	-	24,526,945	24,526,945
Improvements other than buildings	-	392,010	392,010
Furniture, equipment, and vehicles	1,893,766	466,029	2,359,795
Construction in progress	4,221,110	-	4,221,110
Less accumulated depreciation	(17,255,002)	(85,854)	(17,340,856)
Total capital assets	\$ 18,887,545	\$ 28,818,946	\$ 47,706,491
Total noncurrent assets	\$ 18,887,545	\$ 28,939,985	\$ 47,827,530
Total assets	\$ 31,310,089	\$ 32,349,786	\$ 63,659,875
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 599,285	\$ 315,168	\$ 914,453
Accrued liabilities	-	25,530	25,530
Customers' deposits	31,515	-	31,515
Interest payable	-	187,105	187,105
Unearned revenue	278,964	-	278,964
Bonds payable - current portion	-	252,129	252,129
Total current liabilities	\$ 909,764	\$ 779,932	\$ 1,689,696
Noncurrent liabilities:			
Bonds payable - net of current portion, unamortized premium	\$ -	\$ 9,634,451	\$ 9,634,451
Compensated absences	157,049	3,227	160,276
Total noncurrent liabilities	\$ 157,049	\$ 9,637,678	\$ 9,794,727
Total liabilities	\$ 1,066,813	\$ 10,417,610	\$ 11,484,423
NET ASSETS			
Invested in capital assets, net of related debt	\$ 18,887,545	\$ 18,932,366	\$ 37,819,911
Restricted for capital projects	5,095,536	1,217,995	6,313,531
Unrestricted	6,260,195	1,781,815	8,042,010
Total net assets	\$ 30,243,276	\$ 21,932,176	\$ 52,175,452

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2008

	Enterprise Funds		
	Water & Sewer	Recreation	Total
OPERATING REVENUES			
Charges for services:			
Sale of water	\$ 1,311,904	\$ -	\$ 1,311,904
Acquatic facility revenues	-	623,608	623,608
Sewer service charges	2,507,703	-	2,507,703
Sale of materials and supplies	13,367	-	13,367
Late payment charges	36,649	-	36,649
Transfer fees	7,925	-	7,925
Other fees	21,998	-	21,998
Miscellaneous	29,294	-	29,294
Total operating revenues	\$ 3,928,840	\$ 623,608	\$ 4,552,448
OPERATING EXPENSES			
Source of supply of water	\$ 767,201	\$ -	\$ 767,201
Maintenance of water and sewer lines	504,217	-	504,217
Meter reading, billing, and servicing	236,274	-	236,274
Operation of sewage treatment plant	1,316,773	-	1,316,773
Administration	703,773	-	703,773
Recreation	-	1,239,135	1,239,135
Capital Outlay	146,292	-	146,292
Depreciation	895,700	91,651	987,351
Total operating expenses	\$ 4,570,230	\$ 1,330,786	\$ 5,901,016
Operating income (loss)	\$ (641,390)	\$ (707,178)	\$ (1,348,568)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 416,711	\$ 80,856	\$ 497,567
Rental revenue	128,891	-	128,891
Interest expense	-	(442,098)	(442,098)
Total nonoperating revenues (expenses)	\$ 545,602	\$ (361,242)	\$ 184,360
Income before contributions and transfers	\$ (95,788)	\$ (1,068,420)	\$ (1,164,208)
Capital contributions	\$ 1,250,165	\$ -	\$ 1,250,165
Change in net assets	\$ 1,154,377	\$ (1,068,420)	\$ 85,957
Total net assets - beginning , as adjusted	\$ 29,088,899	\$ 23,000,596	\$ 52,089,495
Total net assets - ending	\$ 30,243,276	\$ 21,932,176	\$ 52,175,452

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, 2008

	Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,950,064	\$ 604,623	\$ 4,554,687
Payments to suppliers	(1,163,693)	(2,357,290)	(3,520,983)
Payments to employees	(2,056,209)	(578,814)	(2,635,023)
Net cash provided (used by) operating activities	\$ <u>730,162</u>	\$ <u>(2,331,481)</u>	\$ <u>(1,601,319)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (3,312,324)	\$ (258,442)	\$ (3,570,766)
Principal payments on bonds	-	(220,000)	(220,000)
Interest payments	-	(444,715)	(444,715)
Capital contributions	1,007,596	-	1,007,596
Net cash provided (used) by capital and related financing activities	\$ <u>(2,304,728)</u>	\$ <u>(923,157)</u>	\$ <u>(3,227,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 416,711	\$ 80,856	\$ 497,567
Other - rental income	128,891	-	128,891
Net cash provided (used) by investing activities	\$ <u>545,602</u>	\$ <u>80,856</u>	\$ <u>626,458</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,028,964)	\$ (3,173,782)	(4,202,746)
Cash and cash equivalents - beginning - including restricted	12,232,585	6,564,598	18,797,183
Cash and cash equivalents - ending - including restricted	\$ <u>11,203,621</u>	\$ <u>3,390,816</u>	\$ <u>14,594,437</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (641,390)	\$ (707,178)	\$ (1,348,568)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 895,700	\$ 91,651	\$ 987,351
(Increase) decrease in accounts receivable	19,571	(18,985)	586
(Increase) decrease in notes receivable	12,101	-	12,101
(Increase) decrease in inventories	17,793	-	17,793
(Increase) decrease in interest receivable	(3,458)	-	(3,458)
Increase (decrease) in customer deposits	3,931	-	3,931
Increase (decrease) in accounts payable and accrued expenses	442,296	(576,547)	(134,251)
Increase (decrease) in retainage payable	-	(1,123,649)	(1,123,649)
Increase (decrease) in deferred revenue	(10,921)	-	(10,921)
Increase (decrease) in accrued leave	(5,461)	3,227	(2,234)
Total adjustments	\$ <u>1,371,552</u>	\$ <u>(1,624,303)</u>	\$ <u>(252,751)</u>
Net cash provided (used) by operating activities	\$ <u>730,162</u>	\$ <u>(2,331,481)</u>	\$ <u>(1,601,319)</u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 149,254
Receivables:	
Other receivables	26
Total assets	<u>\$ 149,280</u>
LIABILITIES	
Accounts payable	\$ 4
Amounts held for others	149,276
Total liabilities	<u>\$ 149,280</u>

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

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity:

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

Blended component units - There were no blended component units for the Town for the year ended June 30, 2008.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2008.

Cost Sharing Agreement

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Fiduciary funds statements have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

The *permanent fund* accounts for financial resources that are legally restricted to the extent that only earnings not principal may be used for purposes that support the government's programs. The Town reports a perpetual care fund, which is used to account for funds received for the Town's cemetery. The interest income can be used to maintain the cemetery.

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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

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

2. *Receivables and payables*

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

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

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

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

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 and July 1st for real estate and January 1st for personal property. 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 \$27,402 at June 30, 2008 and is comprised solely of property taxes and water and sewer receivables.

6. Use of Estimates

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

7. Capital assets

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

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

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

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

7. Capital assets: (Continued)

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 of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Prior to 1982</u>	<u>After 1982</u>
Buildings and improvements	40	50 years
Water and sewer lines	40	50 years
Water and sewer plant	40	50 years
Machinery and equipment	10	5-10 years
Infrastructure	30-50	30-50 years

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

8. Compensated Absences

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

9. Long-term obligations

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

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

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

9. Long-term obligations: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Net assets

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

12. Restricted assets

Certain assets of the Town's water and sewer enterprise fund have been restricted for the payment of customer deposits and for maintenance of water lines for the Warrenton training center.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds and net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$263,380) difference for the primary government are as follows:

	<u>Primary Government</u>
Compensated absences	\$ (263,380)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ (263,380)

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$846,658 difference for the primary government are as follows:

	<u>Primary Government</u>
Capital outlay	\$ 2,161,251
Depreciation expense	<u>(1,314,593)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>846,658</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$23,426) difference for the primary government are as follows:

	<u>Primary Government</u>
Compensated absences	\$ <u>(23,426)</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>(23,426)</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2008, there were no funds in which expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2008, there were no funds with deficit fund equity.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

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

Credit Risk of Debt Securities

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

1. Obligations of the Commonwealth of Virginia. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth of Virginia.
2. Obligations of the United States. Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporation. These securities can be held directly or in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.
3. Certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia.

NOTE 4—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities: (Continued)

4. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.
5. "Prime Quality" commercial paper, with a maturity of 270 days or less, issued by corporations organized under the laws of the United States, with a rating no lower than P-1 by Moody's Investor and A-1 by Standard and Poor's Corporation.
6. Commonwealth of Virginia Local Government Investment Pool (LGIP). Convenience and cost effectiveness are primary advantages in using the LGIP as an investment vehicle. The LGIP offers the Town of Warrenton diversification, daily liquidity and professional management which, over time, should provide higher yields and more liquidity than would be obtained through individual investments.

The Town's rated debt investments as of June 30, 2008 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

Locality's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAA
Local Government Investment Pool	\$ 19,347,395
Repurchase Agreements - Underlying: U.S. Agency Securities	654,366
Total	\$ 20,001,761

Concentration of Credit Risk

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

1. The portfolio will be diversified with no more than five percent of its value in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the U.S. Government, insured certificates of deposit and the Commonwealth of Virginia Local Investment Pool.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 4—DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk: (Continued)

2. The maximum percentage of the portfolio permitted in each eligible security type is as follows:

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

The Town had investments at June 30, 2008, with more than 5 percent of the total in securities of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and the Federal Mortgage Corporation.

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.

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater Than 10 Years</u>
Repurchase Agreements	\$ <u>654,366</u>	\$ <u>-</u>	\$ <u>654,366</u>	\$ <u>-</u>	\$ <u>-</u>

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 5—RECEIVABLES:

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Recreation</u>	<u>Total</u>
Receivables:				
Interest	\$ -	\$ 3,458	\$ -	\$ 3,458
Property taxes	64,878	-	-	64,878
Other local taxes	41,897	-	-	41,897
Accounts	<u>246,405</u>	<u>399,091</u>	<u>18,985</u>	<u>645,496</u>
Gross receivables	\$ 353,180	\$ 402,549	\$ 18,985	\$ 755,729
Less: allowance for uncollectibles	<u>(7,973)</u>	<u>(19,429)</u>	<u>-</u>	<u>(27,402)</u>
Net total receivables	<u>\$ 345,207</u>	<u>\$ 383,120</u>	<u>\$ 18,985</u>	<u>\$ 728,327</u>

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government</u>
Commonwealth of Virginia:	
DEQ	\$ 529,296
Sales tax	85,569
Communications tax	99,320
Federal Government:	
Criminal justice grant	<u>22,896</u>
Total	<u>\$ 737,081</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2008.

Governmental Activities

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 1,129,257	\$ -	\$ -	\$ 1,129,257
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 1,129,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,257</u>
Other capital assets:				
Buildings and improvements	\$ 4,264,254	\$ 104,478	\$ -	\$ 4,368,732
Infrastructure	35,780,430	267,250	-	36,047,680
Furniture, equipment and vehicles	2,761,301	1,789,523	-	4,550,824
Total other capital assets	<u>\$ 42,805,985</u>	<u>\$ 2,161,251</u>	<u>\$ -</u>	<u>\$ 44,967,236</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,178,624)	\$ (119,999)	\$ -	\$ (1,298,623)
Infrastructure	(12,827,871)	(1,010,330)	-	(13,838,201)
Furniture, equipment and vehicles	(2,068,578)	(184,264)	-	(2,252,842)
Total accumulated depreciation	<u>\$ (16,075,073)</u>	<u>\$ (1,314,593)</u>	<u>\$ -</u>	<u>\$ (17,389,666)</u>
Other capital assets, net	<u>\$ 26,730,912</u>	<u>\$ 846,658</u>	<u>\$ -</u>	<u>\$ 27,577,570</u>
Net capital assets	<u>\$ 27,860,169</u>	<u>\$ 846,658</u>	<u>\$ -</u>	<u>\$ 28,706,827</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 15,992			
Public safety	137,695			
Public works	1,129,797			
Parks, recreation and cultural	4,644			
Community development	26,465			
Total depreciation expense	<u>\$ 1,314,593</u>			

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Enterprise Activities

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 4,185,476	\$ -	\$ -	\$ 4,185,476
Construction in progress	974,228	3,246,882	-	4,221,110
Total capital assets not being depreciated	<u>\$ 5,159,704</u>	<u>\$ 3,246,882</u>	<u>\$ -</u>	<u>\$ 8,406,586</u>
Other capital assets:				
Buildings and improvements	\$ 23,549,160	\$ 977,785	\$ -	\$ 24,526,945
Utility plant in service	29,358,849	3,162	-	29,362,011
Improvements other than buildings	392,010	-	-	392,010
Furniture, equipment, and vehicles	1,954,331	405,463	-	2,359,794
Total other capital assets	<u>\$ 55,254,350</u>	<u>\$ 1,386,410</u>	<u>\$ -</u>	<u>\$ 56,640,760</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (15,073)	\$ (15,073)	\$ -	\$ (30,146)
Utility plant in service	(15,161,775)	(771,854)	-	(15,933,629)
Improvements other than buildings	(10,053)	(10,051)	-	(20,104)
Furniture, equipment, and vehicles	(1,197,526)	(159,450)	-	(1,356,976)
Total accumulated depreciation	<u>\$ (16,384,427)</u>	<u>\$ (956,428)</u>	<u>\$ -</u>	<u>\$ (17,340,855)</u>
Other capital assets, net	<u>\$ 38,869,923</u>	<u>\$ 429,982</u>	<u>\$ -</u>	<u>\$ 39,299,905</u>
Net capital assets	<u>\$ 44,029,627</u>	<u>\$ 3,676,864</u>	<u>\$ -</u>	<u>\$ 47,706,491</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 8—LONG-TERM DEBT:

Annual requirements to amortize general obligation bonds are as follows:

Business-type activities - long term indebtedness

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 230,000	453,212
2010	240,000	443,813
2011	250,000	434,013
2012	260,000	423,813
2013	270,000	413,212
2014-2018	1,530,000	1,890,857
2019-2023	1,900,000	1,503,500
2024-2028	2,430,000	963,581
2029-2032	<u>2,445,000</u>	<u>264,993</u>
Total	<u>\$ 9,555,000</u>	<u>\$ 6,790,994</u>

Primary Government - Business - Type Activities:

General obligation bonds:

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

\$ 9,555,000

Unamortized premium on general obligation bonds

331,580

Compensated absences payable

160,276

Total business-type activity long-term debt

\$ 10,046,856

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 8—LONG-TERM DEBT: (CONTINUED)

	Amounts Payable July 1, 2007	Increases	Decreases	Amounts Payable June 30, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Primary Government:				
Governmental Activities				
Compensated Absences	\$ 239,954	\$ 189,788	\$ (166,362)	\$ 263,380
Total governmental activities	<u>\$ 239,954</u>	<u>\$ 189,788</u>	<u>\$ (166,362)</u>	<u>\$ 263,380</u>
Business Activities				
General obligation bonds	\$ 9,775,000	-	(220,000)	9,555,000
Premium on bond issue	354,148	-	(22,568)	331,580
Compensated Absences	162,510	114,987	117,221	394,718
Total business activities	<u>\$ 10,291,658</u>	<u>\$ 114,987</u>	<u>\$ (359,789)</u>	<u>\$ 10,281,298</u>
Total primary government	<u><u>\$ 10,525,515</u></u>	<u><u>\$ 304,775</u></u>	<u><u>\$ (526,151)</u></u>	<u><u>\$ 10,544,678</u></u>

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

Details of Long-Term Indebtedness:

Governmental Activities:

Compensated absences	\$ 263,380	\$ 26,338
Total governmental activities debt	<u>\$ 263,380</u>	<u>\$ 26,338</u>

Business Activities:

General obligation bonds	\$ 9,555,000	\$ 230,000
Premium on bond issue	331,580	22,129
Compensated absences	<u>160,276</u>	<u>16,028</u>

Total business-type activities debt	<u><u>\$ 10,046,856</u></u>	<u><u>\$ 268,157</u></u>
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NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

The Town contributes to the Virginia Retirement System (VRS). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% 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 rate for the fiscal year ended June 30, 2008 was 7.53% of annual covered payroll.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

Primary Government

For fiscal year 2008, Town’s annual pension cost of \$334,917 (does not include employee share of \$222,389 which was assumed by the Town) was equal to the Town’s required and actual contributions.

Three-Year Trend Information for Town - Primary Government

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$ 195,490	100%	-
June 30, 2007	311,713	100%	-
June 30, 2008	334,917	100%	-

(1) Employer Portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included 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 payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress

Primary Government

As of June 30, 2007, the most recent actuarial valuation date, the plan was 96.30% funded. The actuarial accrued liability for benefits was \$15,958,378, and the actuarial value of assets was \$15,367,895, resulting in an unfunded actuarial accrued liability (UAAL) of \$590,483. The covered payroll (annual payroll of active employees covered by the plan) was \$4,226,977, and ratio of the UAAL to the covered payroll was 13.97%.

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

NOTE 10—DEFERRED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$279,529 consists of the following:

- A. Prepaid property taxes—Property taxes due subsequent to June 30, 2008, but paid in advance by the taxpayers totaled \$565 at June 30, 2008.
- B. Prepaid utility payments— The Town received \$278,964 in deferred revenue to maintain the Warrenton Training Center.

NOTE 11—SURETY BONDS:

	<u>Amount</u>
Fidelity and Deposit Company - Surety	
Kenneth L. McLawhon, Town Manager	\$ 50,000
Public Employees Blanket Bond	25,000
Untied States Fidelity and Guaranty Company - Surety	
Director of Finance	500,000
Accounting Supervisor	500,000

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; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2008 (Continued)

NOTE 13—BEGINNING NET ASSET ADJUSTMENT:

Beginning fund balance was adjusted in the general fund for the following:

	<u>General Fund</u>
Balance at July 1, 2007 as originally reported	\$ 4,039,495
Cash adjustment	185,808
Balance at July 1, 2007 as adjusted	<u>\$ 4,225,303</u>

Beginning net assets were also adjusted for both governmental and business-type activities for the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Balance at July 1, 2007 as originally reported	\$ 32,226,549	\$ 51,042,522
Transfer of recreation fund capital assets	185,808	1,046,973
Balance at July 1, 2007 as adjusted	<u>\$ 32,412,357</u>	<u>\$ 52,089,495</u>

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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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 625,270	\$ 625,270	\$ 624,841	\$ (429)
Other local taxes	6,129,192	6,129,192	5,568,696	(560,496)
Permits, privilege fees, and regulatory licenses	411,665	411,665	153,220	(258,445)
Fines and forfeitures	135,000	135,000	119,517	(15,483)
Revenue from the use of money and property	103,890	103,890	410,081	306,191
Miscellaneous	82,500	82,500	109,047	26,547
Recovered costs	20,000	20,000	108,530	88,530
Intergovernmental revenues:				
Commonwealth	2,210,092	2,210,092	2,220,020	9,928
Federal	41,948	41,948	42,875	927
Total revenues	\$ 9,759,557	\$ 9,759,557	\$ 9,356,827	\$ (402,730)
EXPENDITURES				
Current:				
General government administration	\$ 893,335	\$ 921,794	\$ 918,002	\$ 3,792
Public safety	2,766,992	2,795,957	2,722,646	73,311
Public works	2,870,334	2,857,924	2,378,910	479,014
Health and welfare	88,861	88,861	101,427	(12,566)
Parks, recreation, and cultural	147,139	407,139	382,002	25,137
Community development	574,353	588,083	539,165	48,918
Capital projects	428,500	413,298	457,419	(44,121)
Total expenditures	\$ 7,769,514	\$ 8,073,056	\$ 7,499,571	\$ 573,485
Excess (deficiency) of revenues over (under) expenditures	\$ 1,990,043	\$ 1,686,501	\$ 1,857,256	\$ 170,755
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 185,964	\$ -	\$ (185,964)
Transfers out	(1,522,527)	(1,564,205)	-	1,564,205
Total other financing sources and uses	\$ (1,522,527)	\$ (1,378,241)	\$ -	\$ 1,378,241
Net change in fund balances	\$ 467,516	\$ 308,260	\$ 1,857,256	\$ 1,548,996
Fund balances - beginning	(467,516)	(308,260)	14,482,205	14,790,465
Fund balances - ending	\$ -	\$ -	\$ 16,339,461	\$ 16,339,461

Schedule of Pension Funding Progress
As of June 30, 2008

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/07	\$ 15,367,895	\$ 15,958,378	\$ 590,483	96.30%	\$ 4,226,977	13.97%
06/30/06	13,652,775	14,190,380	537,605	96.21%	4,068,115	13.22%
06/30/05	12,725,638	13,491,452	765,814	94.32%	3,772,033	20.30%
06/30/04	12,291,644	12,232,007	(59,637)	100.49%	3,683,778	-1.62%
06/30/03	11,930,622	11,431,696	(498,926)	104.36%	3,563,311	-14.00%
06/30/02	11,077,819	9,446,564	(1,631,255)	117.27%	3,423,426	-47.65%

OTHER SUPPLEMENTARY INFORMATION

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Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 41,603	\$ 98,264	\$ -	\$ 139,867
Other receivables	23	3	-	26
Total assets	<u>\$ 41,626</u>	<u>\$ 98,267</u>	<u>\$ -</u>	<u>\$ 139,893</u>
LIABILITIES				
Accounts payable	\$ 627	\$ -	\$ 623	\$ 4
Amounts held for others	40,999	98,890	-	139,889
Total liabilities	<u>\$ 41,626</u>	<u>\$ 98,890</u>	<u>\$ 623</u>	<u>\$ 139,893</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 9,000	\$ 387	\$ -	\$ 9,387
Total assets	<u>\$ 9,000</u>	<u>\$ 387</u>	<u>\$ -</u>	<u>\$ 9,387</u>
LIABILITIES				
Amounts held for others	\$ 9,000	\$ 387	\$ -	\$ 9,387
Total liabilities	<u>\$ 9,000</u>	<u>\$ 387</u>	<u>\$ -</u>	<u>\$ 9,387</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 50,626	\$ 98,651	\$ -	\$ 149,254
Other receivables	23	3	-	26
Total assets	<u>\$ 50,649</u>	<u>\$ 98,654</u>	<u>\$ -</u>	<u>\$ 149,280</u>
LIABILITIES				
Accounts payable	\$ 627	\$ -	\$ 623	\$ 4
Amounts held for others	49,999	99,277	-	149,276
Total liabilities	<u>\$ 50,626</u>	<u>\$ 99,277</u>	<u>\$ 623</u>	<u>\$ 149,280</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	<u>Agency Funds</u>		
	<u>Agency</u>	<u>Retirement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 139,867	\$ 9,387	\$ 149,254
Receivables	26	-	26
Total assets	<u>\$ 139,893</u>	<u>\$ 9,387</u>	<u>\$ 149,280</u>
LIABILITIES			
Accounts payable	\$ 4	\$ -	\$ 4
Amounts held for others	139,889	9,387	149,276
Total liabilities	<u>\$ 139,893</u>	<u>\$ 9,387</u>	<u>\$ 149,280</u>

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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	\$ 243,600	\$ 243,600	\$ 261,596	\$ 17,996
Real and personal public service corporation taxes	6,170	6,170	4,454	(1,716)
Personal property taxes	367,500	367,500	346,979	(20,521)
Penalties	6,000	6,000	8,117	2,117
Interest	2,000	2,000	3,695	1,695
Total general property taxes	<u>\$ 625,270</u>	<u>\$ 625,270</u>	<u>\$ 624,841</u>	<u>\$ (429)</u>
Other local taxes:				
Local sales and use taxes	\$ 560,000	\$ 560,000	\$ 509,630	\$ (50,370)
Consumers' utility tax	492,900	492,900	462,750	(30,150)
Utility license tax	-	-	14,433	14,433
Communications tax	587,700	587,700	618,169	30,469
Business license taxes	1,773,212	1,773,212	1,338,059	(435,153)
Consumption taxes	48,080	48,080	56,759	8,679
Motor vehicle licenses	113,300	113,300	91,454	(21,846)
Bank stock taxes	390,000	390,000	354,680	(35,320)
Hotel and motel room taxes	145,600	145,600	151,272	5,672
Restaurant food taxes	1,800,000	1,800,000	1,749,075	(50,925)
Cigarette tax	218,400	218,400	222,415	4,015
Total other local taxes	<u>\$ 6,129,192</u>	<u>\$ 6,129,192</u>	<u>\$ 5,568,696</u>	<u>\$ (560,496)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 411,665	\$ 411,665	\$ 153,220	\$ (258,445)
Total permits, privilege fees, and regulatory licenses	<u>\$ 411,665</u>	<u>\$ 411,665</u>	<u>\$ 153,220</u>	<u>\$ (258,445)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 135,000	\$ 135,000	\$ 119,517	\$ (15,483)
Total fines and forfeitures	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ 119,517</u>	<u>\$ (15,483)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 402,506	\$ 302,506
Revenue from use of property	3,890	3,890	7,575	3,685
Total revenue from use of money and property	<u>\$ 103,890</u>	<u>\$ 103,890</u>	<u>\$ 410,081</u>	<u>\$ 306,191</u>
Miscellaneous revenue:				
Proffers	\$ -	\$ -	\$ 7,969	\$ 7,969
Miscellaneous	82,500	82,500	101,078	18,578
Total miscellaneous revenue	<u>\$ 82,500</u>	<u>\$ 82,500</u>	<u>\$ 109,047</u>	<u>\$ 26,547</u>
Recovered costs:				
Recoveries and Rebates	\$ 20,000	\$ 20,000	\$ 108,530	\$ 88,530
Total recovered costs	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 108,530</u>	<u>\$ 88,530</u>
Total revenue from local sources	<u>\$ 7,507,517</u>	<u>\$ 7,507,517</u>	<u>\$ 7,093,932</u>	<u>\$ (413,585)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 8,009	\$ 8,009	\$ 8,009	\$ -
Motor vehicle rental tax	120,000	120,000	60,071	(59,929)
Rolling stock tax	60	60	80	20
Personal property tax relief funds	718,491	718,491	718,492	1
Total noncategorical aid	\$ 846,560	\$ 846,560	\$ 786,652	\$ (59,908)
Other categorical aid:				
Litter control grant	\$ 4,099	\$ 4,099	\$ 3,685	\$ (414)
DJCP law enforcement grant	247,266	247,266	234,828	(12,438)
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,080,967	1,080,967	1,078,245	(2,722)
Other	10,000	10,000	94,027	84,027
Fire program	16,200	16,200	17,583	1,383
Total other categorical aid	\$ 1,363,532	\$ 1,363,532	\$ 1,433,368	\$ 69,836
Total categorical aid	\$ 1,363,532	\$ 1,363,532	\$ 1,433,368	\$ 69,836
Total revenue from the Commonwealth	\$ 2,210,092	\$ 2,210,092	\$ 2,220,020	\$ 9,928
Revenue from the federal government:				
Criminal justice grant	\$ 41,633	\$ 41,633	\$ 22,896	\$ (18,737)
Gang task force	315	315	315	-
Transportation safety grant	-	-	2,600	2,600
USDA	-	-	14,849	14,849
Other federal categorical aid	-	-	2,215	2,215
Total categorical aid	\$ 41,948	\$ 41,948	\$ 42,875	\$ 927
Total revenue from the federal government	\$ 41,948	\$ 41,948	\$ 42,875	\$ 927
Total General Fund	\$ 9,759,557	\$ 9,759,557	\$ 9,356,827	\$ (402,730)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Personal services	\$ 77,832	\$ 77,827	\$ 74,528	\$ 3,299
Fringe benefits	48,281	48,281	52,154	(3,873)
Contractual services	20,750	16,250	26,860	(10,610)
Other charges	29,162	30,984	29,142	1,842
Capital outlay	2,750	2,750	250	2,500
Total legislative department	<u>\$ 178,775</u>	<u>\$ 176,092</u>	<u>\$ 182,934</u>	<u>\$ (6,842)</u>
Executive Department:				
Personal services	\$ 120,618	\$ 120,618	\$ 119,896	\$ 722
Fringe benefits	41,970	41,970	41,642	328
Contractual services	1,780	1,780	-	1,780
Other charges	15,642	17,259	17,378	(119)
Capital outlay	500	500	250	250
Total executive department	<u>\$ 180,510</u>	<u>\$ 182,127</u>	<u>\$ 179,166</u>	<u>\$ 2,961</u>
Legal Services:				
Personal services	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Fringe benefits	12,397	12,397	11,998	399
Contractual services	77,000	103,676	109,926	(6,250)
Other charges	4,553	7,253	5,971	1,282
Total legal services	<u>\$ 96,350</u>	<u>\$ 125,726</u>	<u>\$ 130,295</u>	<u>\$ (4,569)</u>
Finance Department:				
Personal services	\$ 236,720	\$ 236,720	\$ 248,201	\$ (11,481)
Fringe benefits	92,624	92,624	93,962	(1,338)
Contractual services	32,755	32,360	25,596	6,764
Other charges	61,551	67,645	51,398	16,247
Capital outlay	2,300	2,300	250	2,050
Total finance department	<u>\$ 425,950</u>	<u>\$ 431,649</u>	<u>\$ 419,407</u>	<u>\$ 12,242</u>
Memberships and Dues:				
Other charges	\$ 6,200	\$ 6,200	\$ 6,200	\$ -
Total memberships and dues	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ -</u>
Total general government administration	<u>\$ 893,335</u>	<u>\$ 921,794</u>	<u>\$ 918,002</u>	<u>\$ 3,792</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Department of Police				
Personal services	\$ 1,430,125	\$ 1,430,125	\$ 1,427,632	\$ 2,493
Fringe benefits	537,674	537,674	427,594	110,080
Contractual services	42,025	42,614	75,561	(32,947)
Other charges	323,072	337,817	383,341	(45,524)
Capital outlay	17,300	32,800	31,576	1,224
Total department of police	<u>\$ 2,350,196</u>	<u>\$ 2,381,030</u>	<u>\$ 2,345,704</u>	<u>\$ 35,326</u>
Fire and Rescue Services:				
Personal services	\$ 64,782	\$ 64,782	\$ 65,435	\$ (653)
Fringe benefits	16,095	16,095	15,721	374
Other charges	108,917	108,917	95,531	13,386
Capital outlay	10,000	10,000	8,675	1,325
Total fire and rescue services	<u>\$ 199,794</u>	<u>\$ 199,794</u>	<u>\$ 185,445</u>	<u>\$ 14,349</u>
Bureau of Building Inspections:				
Personal services	\$ 129,401	\$ 128,701	\$ 120,757	\$ 7,944
Fringe benefits	38,860	38,860	39,495	(635)
Contractual services	8,200	7,700	888	6,812
Other charges	40,041	39,872	30,039	9,833
Capital outlay	500	-	318	(318)
Total bureau of building inspections	<u>\$ 217,002</u>	<u>\$ 215,133</u>	<u>\$ 191,497</u>	<u>\$ 23,636</u>
Total public safety	<u>\$ 2,766,992</u>	<u>\$ 2,795,957</u>	<u>\$ 2,722,646</u>	<u>\$ 73,311</u>
Public Works Administration:				
Personal services	\$ 278,863	\$ 278,863	\$ 243,979	\$ 34,884
Fringe benefits	103,127	103,127	86,310	16,817
Contractual services	22,944	22,944	12,494	10,450
Other charges	54,875	61,093	45,727	15,366
Capital outlay	500	500	55	445
Total public works administration	<u>\$ 460,309</u>	<u>\$ 466,527</u>	<u>\$ 388,565</u>	<u>\$ 77,962</u>
Bureau of Street Maintenance:				
Personal services	\$ 332,698	\$ 332,698	\$ 307,702	\$ 24,996
Fringe benefits	276,098	276,098	220,898	55,200
Contractual services	2,730	2,730	2,221	509
Other charges	200,977	200,977	254,182	(53,205)
Capital outlay	15,000	42,941	32,974	9,967
Total bureau of street maintenance	<u>\$ 827,503</u>	<u>\$ 855,444</u>	<u>\$ 817,977</u>	<u>\$ 37,467</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Arterial Street Maintenance:				
Personal services	\$ 69,000	\$ 69,000	\$ 72,035	\$ (3,035)
Fringe benefits	5,279	5,279	5,264	15
Contractual services	37,000	62,000	66,369	(4,369)
Other charges	87,300	84,800	66,680	18,120
Capital outlay	231,495	213,263	62,137	151,126
Total arterial street maintenance	<u>\$ 430,074</u>	<u>\$ 434,342</u>	<u>\$ 272,485</u>	<u>\$ 161,857</u>
Collector Street Maintenance:				
Personal services	\$ 60,000	\$ 60,000	\$ 47,587	\$ 12,413
Fringe benefits	4,055	4,055	3,518	537
Contractual services	-	-	6,112	(6,112)
Other charges	83,900	83,900	91,287	(7,387)
Capital outlay	133,785	153,968	59,081	94,887
Total collector street maintenance	<u>\$ 281,740</u>	<u>\$ 301,923</u>	<u>\$ 207,585</u>	<u>\$ 94,338</u>
Bureau of Refuse Collection:				
Personal services	\$ 175,708	\$ 175,708	\$ 168,354	\$ 7,354
Fringe benefits	88,089	88,089	61,583	26,506
Contractual services	201,170	123,505	85,094	38,411
Other charges	73,288	73,288	64,842	8,446
Total bureau of refuse collection	<u>\$ 538,255</u>	<u>\$ 460,590</u>	<u>\$ 379,873</u>	<u>\$ 80,717</u>
Recycling Program:				
Personal services	\$ 62,404	\$ 62,404	\$ 55,089	\$ 7,315
Fringe benefits	25,903	25,903	17,606	8,297
Contractual services	400	400	171	229
Other charges	29,468	29,468	23,233	6,235
Total recycling program	<u>\$ 118,175</u>	<u>\$ 118,175</u>	<u>\$ 96,099</u>	<u>\$ 22,076</u>
Maintenance, Buildings and Grounds:				
Personal services	\$ 34,344	\$ 34,344	\$ 31,543	\$ 2,801
Fringe benefits	8,722	8,722	9,400	(678)
Contractual services	69,712	69,712	70,089	(377)
Other charges	98,500	98,500	97,222	1,278
Capital outlay	3,000	9,645	8,072	1,573
Total maintenance, buildings and grounds	<u>\$ 214,278</u>	<u>\$ 220,923</u>	<u>\$ 216,326</u>	<u>\$ 4,597</u>
Total public works	<u>\$ 2,870,334</u>	<u>\$ 2,857,924</u>	<u>\$ 2,378,910</u>	<u>\$ 479,014</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare:				
Welfare/Social Services:				
Other charges	\$ 88,861	\$ 88,861	\$ 101,427	\$ (12,566)
Total welfare/social service contributions	<u>88,861</u>	<u>88,861</u>	<u>101,427</u>	<u>(12,566)</u>
Total health and welfare	<u>\$ 88,861</u>	<u>\$ 88,861</u>	<u>\$ 101,427</u>	<u>\$ (12,566)</u>
Parks, recreation, and culture:				
Maintenance, cemetery:				
Personal services	\$ 67,786	\$ 67,786	\$ 62,040	\$ 5,746
Fringe benefits	35,205	35,205	23,382	11,823
Contractual services	4,600	4,600	336	4,264
Other charges	12,148	12,148	13,228	(1,080)
Total maintenance, cemetery	<u>\$ 130,339</u>	<u>\$ 130,339</u>	<u>\$ 104,338</u>	<u>\$ 26,001</u>
Cultural enrichment:				
Other charges	\$ 16,800	\$ 276,800	\$ 277,664	\$ (864)
Total cultural enrichment	<u>\$ 16,800</u>	<u>\$ 276,800</u>	<u>\$ 277,664</u>	<u>\$ (864)</u>
Total parks, recreation, and cultural	<u>\$ 147,139</u>	<u>\$ 407,139</u>	<u>\$ 382,002</u>	<u>\$ 25,137</u>
Community development:				
Planning and Zoning Department				
Personal services	\$ 293,315	\$ 293,315	\$ 288,220	\$ 5,095
Fringe benefits	85,312	85,312	74,357	10,955
Contractual services	59,200	44,700	33,979	10,721
Other charges	117,761	125,223	109,369	15,854
Capital outlay	4,200	32,768	30,914	1,854
Total planning and zoning department	<u>\$ 559,788</u>	<u>\$ 581,318</u>	<u>\$ 536,839</u>	<u>\$ 44,479</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Zoning Appeals Board:				
Personal services	\$ 500	\$ 500	\$ -	\$ 500
Fringe benefits	38	38	-	38
Contractual services	1,500	1,500	471	1,029
Other charges	1,300	1,300	-	1,300
Total zoning appeals board	<u>\$ 3,338</u>	<u>\$ 3,338</u>	<u>\$ 471</u>	<u>\$ 2,867</u>
Architectural Review Board:				
Personal services	\$ 1,000	\$ 1,000	\$ 926	\$ 74
Fringe benefits	77	77	39	38
Contractual services	7,750	250	805	(555)
Other charges	2,400	2,100	85	2,015
Total architectural review board	<u>\$ 11,227</u>	<u>\$ 3,427</u>	<u>\$ 1,855</u>	<u>\$ 1,572</u>
Total community development	<u>\$ 574,353</u>	<u>\$ 588,083</u>	<u>\$ 539,165</u>	<u>\$ 48,918</u>
Capital projects:				
Capital outlay	\$ 428,500	\$ 413,298	\$ 457,419	\$ (44,121)
Total capital projects	<u>\$ 428,500</u>	<u>\$ 413,298</u>	<u>\$ 457,419</u>	<u>\$ (44,121)</u>
Total General Fund	<u><u>\$ 7,769,514</u></u>	<u><u>\$ 8,073,056</u></u>	<u><u>\$ 7,499,571</u></u>	<u><u>\$ 573,485</u></u>

Schedule of Revenues, Expenses and Changes in Net Assets
 Water and Sewer Fund
 For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,778,920	\$ 2,778,920	\$ 2,507,703	\$ (271,217)
Sale of water	1,496,340	1,496,340	1,311,904	(184,436)
Sale of materials and supplies	30,000	30,000	13,367	(16,633)
Late payment charges	34,610	34,610	36,649	2,039
Installation fees	12,600	12,600	14,518	1,918
Transfer fees	10,000	10,000	7,925	(2,075)
Reconnection fees	10,820	10,820	7,480	(3,340)
Total sale of services, commodities and properties	<u>\$ 4,373,290</u>	<u>\$ 4,373,290</u>	<u>\$ 3,899,546</u>	<u>\$ (473,744)</u>
Miscellaneous revenue:				
Miscellaneous receipts	\$ 24,359	\$ 24,359	\$ 29,294	\$ 4,935
Total miscellaneous revenue	<u>\$ 24,359</u>	<u>\$ 24,359</u>	<u>\$ 29,294</u>	<u>\$ 4,935</u>
Total operating revenue	<u>\$ 4,397,649</u>	<u>\$ 4,397,649</u>	<u>\$ 3,928,840</u>	<u>\$ (468,809)</u>
Operating Expenses:				
Source of supply:				
Personal services	\$ 293,494	\$ 293,494	\$ 281,608	\$ 11,886
Fringe benefits	112,281	112,281	104,649	7,632
Contractual services	87,048	87,048	92,207	(5,159)
Other charges	272,122	273,987	288,737	(14,750)
Total source of supply	<u>\$ 764,945</u>	<u>\$ 766,810</u>	<u>\$ 767,201</u>	<u>\$ (391)</u>
Transmission and distribution:				
Personal services	\$ 310,222	\$ 300,722	\$ 295,742	\$ 4,980
Fringe benefits	136,210	136,210	127,897	8,313
Contractual services	16,988	16,988	2,416	14,572
Other charges	104,354	115,098	78,162	36,936
Total transmission and distribution	<u>\$ 567,774</u>	<u>\$ 569,018</u>	<u>\$ 504,217</u>	<u>\$ 64,801</u>
Meter reading:				
Personal services	\$ 83,929	\$ 83,929	\$ 81,086	\$ 2,843
Fringe benefits	33,509	33,509	42,527	(9,018)
Contractual services	9,537	9,537	2,926	6,611
Other charges	107,100	127,320	109,735	17,585
Total meter reading	<u>\$ 234,075</u>	<u>\$ 254,295</u>	<u>\$ 236,274</u>	<u>\$ 18,021</u>
Wastewater Treatment Operation:				
Personal services	\$ 496,617	\$ 496,617	\$ 453,505	\$ 43,112
Fringe benefits	181,344	181,344	143,421	37,923
Contractual services	150,115	150,115	139,248	10,867
Other charges	448,182	453,778	580,599	(126,821)
Total wastewater treatment operation	<u>\$ 1,276,258</u>	<u>\$ 1,281,854</u>	<u>\$ 1,316,773</u>	<u>\$ (34,919)</u>

Schedule of Revenues, Expenses and Changes in Net Assets
 Water and Sewer Fund
 For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personal services	\$ 392,898	\$ 392,898	\$ 388,336	\$ 4,562
Fringe benefits	138,997	138,997	131,977	7,020
Contractual services	86,870	98,060	94,648	3,412
Car Allowance	-	-	910	(910)
Other charges	86,442	94,277	85,111	9,166
Capital outlays	500	500	2,791	(2,291)
Total public utilities administration	<u>\$ 705,707</u>	<u>\$ 724,732</u>	<u>\$ 703,773</u>	<u>\$ 20,959</u>
Capital Outlay:				
Machinery & equipment	\$ 140,000	\$ 158,745	\$ 90,197	\$ 68,548
Water plant improvements	-	141,867	-	141,867
Sewer plant improvements	8,070,000	7,387,598	-	7,387,598
Sewer line rehabilitation	200,000	200,000	195	199,805
Other	-	-	29,002	(29,002)
Total capital outlay	<u>\$ 8,410,000</u>	<u>\$ 7,888,210</u>	<u>\$ 146,292</u>	<u>\$ 7,741,918</u>
Depreciation	\$ -	\$ -	\$ 895,700	\$ (895,700)
Total operating expenses	<u>\$ 11,958,759</u>	<u>\$ 11,484,919</u>	<u>\$ 4,570,230</u>	<u>\$ 6,914,689</u>
Net operating income (loss)	<u>\$ (7,561,110)</u>	<u>\$ (7,087,270)</u>	<u>\$ (641,390)</u>	<u>\$ (6,445,880)</u>
Non-operating revenues (expenses):				
Interest revenue	\$ 84,000	\$ 84,000	\$ 416,711	\$ (332,711)
Rental revenue	139,710	139,710	128,891	10,819
Capital contributions	4,698,250	4,698,250	1,250,165	3,448,085
Net non-operating revenues (expenses)	<u>\$ 4,921,960</u>	<u>\$ 4,921,960</u>	<u>\$ 1,795,767</u>	<u>\$ 3,126,193</u>
Net income (loss) before operating transfers	<u>\$ (2,639,150)</u>	<u>\$ (2,165,310)</u>	<u>\$ 1,154,377</u>	<u>\$ (3,319,687)</u>
Operating transfers in	<u>\$ -</u>	<u>\$ 17,784</u>	<u>\$ -</u>	<u>\$ 17,784</u>
Net income (loss)	<u>\$ (2,639,150)</u>	<u>\$ (2,147,526)</u>	<u>\$ 1,154,377</u>	<u>\$ (3,301,903)</u>
Net income (loss)	\$ (2,639,150)	\$ (2,147,526)	\$ 1,154,377	\$ (3,301,903)
Net assets, beginning of year	<u>2,639,150</u>	<u>2,147,526</u>	<u>29,088,899</u>	<u>(26,941,373)</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,243,276</u>	<u>\$ (30,243,276)</u>

Schedule of Changes in Reserved for Construction Fund Balances
 General Fund
 For the Year Ended June 30, 2008

	Balances	Transfers		Balances
	July 1, 2007	In	Out	June 30, 2008
ARB Printing	\$ 1,800	\$ -	\$ -	\$ 1,800
Adelphia	41,000	-	-	41,000
Business directional sign	3,100	-	-	3,100
Cemetery street improvement	5,000	-	-	5,000
Cemetery Pmts on Contract	8,600	-	-	8,600
Comprehensive Plan	27,570	12,000	-	39,570
Data processing equipment	23,487	5,600	-	29,087
Drainage projects	62,936	-	-	62,936
Driveway culvert Evans	5,400	-	-	5,400
Driveway culverts	8,642	-	-	8,642
Elections	-	5,550	-	5,550
Fire/Rescue	49,621	49,621	41,652	57,590
Haiti St. sidewalk	23,400	-	-	23,400
Highland Proffers	89,482	3,862	-	93,344
Legal Fees	139,676	48,289	-	187,965
Light installation	21,701	-	-	21,701
Microfilm records	9,102	4,300	-	13,402
Old Town Signage	5,000	-	-	5,000
Park site improvements	9,000	-	-	9,000
Parking lot improvements	3,760	-	-	3,760
Parking Project	350,000	-	-	350,000
Parks Maint. Contr. Repair	47,489	-	-	47,489
Planning department printing	8,238	1,500	-	9,738
Playground equipment	5,500	-	-	5,500
Professional services - data processing	49,672	-	-	49,672
Professional services - planning	20,152	8,000	-	28,152
Repairs municipal building	2,695	-	-	2,695
Shirley avenue drainage	-	53,431	-	53,431
Sidewalk construction	44,031	1,350	-	45,381
Sidewalk curb and gutter	54,634	-	-	54,634
Storm sewers	190,200	-	-	190,200
Street improvements/painting	7,872	-	-	7,872
SWMM upgrade	15,000	-	-	15,000
VDOT Urban Project	8,234	-	-	8,234
Visitor Center	16,824	-	-	16,824
Wherehouse improvements	2,882	-	-	2,882
Totals	\$ 1,361,700	\$ 193,503	\$ 41,652	\$ 1,513,551

Schedule of Changes in Restricted Net Assets
 Water and Sewer Fund
 For the Year Ended June 30, 2008

	Balances	Transfers		Balances
	July 1, 2007	In	Out	June 30, 2008
Caustic feed system	\$ 51,834	\$ -	\$ -	\$ 51,834
Culpeper Street water line	19,748	-	-	19,748
Data processing equipment	25,558	-	-	25,558
Furniture and fixtures	2,615	-	-	2,615
I & I	-	199,800	-	199,800
Lift station upgrade	60,720	-	-	60,720
Lines and services	813,931	-	-	813,931
Professional services - data processing	1,293	-	-	1,293
Professional services - adm	5,400	-	-	5,400
Sewer plant improvements	731,651	1,048,424	-	1,780,075
Sewer plant improvements-ammonia	601,179	-	-	601,179
Sewer rehabilitation	282,956	-	-	282,956
Rady Park Pump Station Upgrade	207,035	350,000	-	557,035
Warrenton Training Center	297,187	-	2,553	294,634
Water plant improvements	421,847	-	23,089	398,758
Totals	\$ 3,522,954	\$ 1,598,224	\$ 25,642	\$ 5,095,536

Schedule of Changes in Restricted Net Assets
 Recreation Fund
 For the Year Ended June 30, 2008

	Balances	Transfers		Balances
	July 1, 2007	In	Out	June 30, 2008
Academy Hill Park	\$ 65,000	\$ -	\$ -	\$ 65,000
Park site improvement	10,069	-	-	10,069
Gay Road Park	50,000	-	-	50,000
Recreation proffers	169,180	32,000	-	201,180
Academy recreation proffers	27,500	32,000	-	59,500
Steam mitigation	160,980	-	-	160,980
F&F aquatic center	380,173	-	-	380,173
Gold Cup park	25,000	-	-	25,000
Rt. 211 access/parking	235,093	-	-	235,093
Playground equipment	1,000	-	-	1,000
Recreation center concession/restroom	-	30,000	-	30,000
Totals	\$ 1,123,995	\$ 94,000	\$ -	\$ 1,217,995

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	7-9
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	10-13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	14-15
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.	16-18

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2001; schedules presenting government-wide information include information beginning in that year.

TOWN OF WARRENTON, VIRGINIA

Net Assets by Component

Last Six Fiscal Years

(*accrual basis of accounting*)

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

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

Table 1

			Fiscal Year		
			2006	2007	2008
\$	27,888,659	\$	27,860,169	\$	28,706,827
	2,046,436		1,917,160		2,091,437
	12,794,906		2,449,220		4,355,709
\$	<u>42,730,001</u>	\$	<u>32,226,549</u>	\$	<u>35,153,973</u>
\$	17,155,045	\$	33,900,479	\$	37,819,911
	11,713,744		4,646,949		6,313,531
	7,738,868		12,431,093		8,042,010
\$	<u>36,607,657</u>	\$	<u>50,978,521</u>	\$	<u>52,175,452</u>
\$	45,043,704	\$	61,760,648	\$	66,526,738
	13,760,180		6,564,109		8,404,968
	20,533,774		14,880,313		12,397,719
\$	<u>79,337,658</u>	\$	<u>83,205,070</u>	\$	<u>87,329,425</u>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 801,322	\$ 865,020	\$ 841,326	\$ 937,279	\$ 1,060,596	\$ 853,933
Public safety	2,010,689	2,044,514	2,162,210	2,444,376	2,504,495	2,856,414
Public works	2,872,899	2,425,711	2,900,194	3,111,121	3,196,533	1,813,751
Health and welfare	58,350	60,986	72,096	96,765	94,945	101,427
Parks, recreation and cultural	251,035	165,968	52,562	149,936	135,169	380,447
Community development	429,669	407,819	445,378	508,498	455,345	561,837
Interest on long-term debt	2,492	94	-	-	-	-
Total governmental activities expenses	\$ 6,426,456	\$ 5,970,112	\$ 6,473,766	\$ 7,247,975	\$ 7,447,083	\$ 6,567,809
Business-type activities:						
Water and sewer	\$ 3,832,591	\$ 3,842,061	\$ 3,757,536	\$ 4,058,266	\$ 4,364,123	\$ 4,570,230
Parks and recreation	-	-	-	4,623	589,436	1,772,884
Total business-type activities expenses	\$ 3,832,591	\$ 3,842,061	\$ 3,757,536	\$ 4,062,889	\$ 4,953,559	\$ 6,343,114
Total primary government expenses	\$ 10,259,047	\$ 9,812,173	\$ 10,231,302	\$ 11,310,864	\$ 12,400,642	\$ 12,910,923
Program Revenues						
Governmental activities:						
Charges for services:						
Public safety	\$ 155,070	\$ 206,823	\$ 134,871	\$ 128,732	\$ 139,433	\$ 119,517
Community development	-	253,742	375,753	390,132	321,791	153,220
Operating grants and contributions	1,014,166	2,405,588	1,119,543	1,291,284	1,361,666	1,476,243
Capital grants and contributions	-	2,221,275	5,731,845	7,227,348	1,666,057	-
Total governmental activities program revenues	\$ 1,169,236	\$ 5,087,428	\$ 7,362,012	\$ 9,037,496	\$ 3,488,947	\$ 1,748,980
Business-type activities:						
Charges for services:						
Water and sewer	\$ 3,518,907	\$ 3,643,950	\$ 3,695,420	\$ 3,916,771	\$ 4,091,748	\$ 3,928,840
Parks and recreation	-	-	-	-	-	623,608
Capital grants and contributions	5,320,575	1,791,625	2,127,048	1,735,377	792,065	1,250,165
Total business-type activities program revenues	\$ 8,839,482	\$ 5,435,575	\$ 5,822,468	\$ 5,652,148	\$ 4,883,813	\$ 5,802,613
Total primary government program revenues	\$ 10,008,718	\$ 10,523,003	\$ 13,184,480	\$ 14,689,644	\$ 8,372,760	\$ 7,551,593
Net (expense) / revenue						
Governmental activities	\$ (5,257,220)	\$ (882,684)	\$ 888,246	\$ 1,789,521	\$ (3,958,136)	\$ (4,818,829)
Business-type activities	5,006,891	1,593,514	-	1,589,259	(69,746)	(540,501)
Total primary government net expense	\$ (250,329)	\$ 710,830	\$ 888,246	\$ 3,378,780	\$ (4,027,882)	\$ (5,359,330)

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 595,516	\$ 631,535	\$ 727,907	\$ 713,802	\$ 554,281	\$ 663,543
Other local taxes	4,884,107	-	-	-	-	-
Local sales and use tax	-	390,691	458,976	519,031	542,586	509,630
Consumer's utility tax	-	896,993	1,010,520	952,708	994,325	462,750
Business license tax	-	1,023,571	1,123,373	1,400,230	1,653,232	1,338,059
Restaurant food tax	-	1,494,046	1,561,380	1,632,434	1,775,493	1,749,075
Transient occupancy tax	-	132,663	185,405	-	-	-
Motor vehicle license tax	-	91,278	91,990	-	-	-
Communications tax	-	-	-	-	-	618,169
Bank stock tax	-	798,720	381,368	-	-	354,680
Tobacco tax	-	231,192	225,417	-	-	-
Other local taxes	-	123,546	45,556	1,088,358	1,013,222	536,333
Permits, privilege fees, and regulatory licenses	255,724	-	-	-	-	-
Unrestricted grants and contributions of money and property	641,418	748,819	805,549	835,666	-	-
Miscellaneous	259,302	105,694	314,013	625,169	778,520	432,507
Miscellaneous	112,894	142,685	253,183	265,957	22,532	109,047
Gain/loss on disposal of capital assets	-	(2,977)	-	-	-	-
Unrestricted grants and contributions Transfers	-	-	-	(5,826,014)	814,922	786,652
Total governmental activities	\$ 6,748,961	\$ 6,808,456	\$ 7,184,637	\$ 2,207,341	\$ 8,149,113	\$ 7,560,445
Business-type activities:						
Unrestricted grants and contributions	\$ -	\$ 299,000	\$ 2,064,932	\$ -	\$ -	\$ -
Unrestricted revenues from use of money and property	229,401	240,345	363,492	533,634	746,081	497,567
Miscellaneous	33,635	10,723	193,803	132,633	228,613	128,891
Transfers	-	-	-	5,826,014	-	-
Total business-type activities	\$ 263,036	\$ 550,068	\$ 2,622,227	\$ 6,492,281	\$ 974,694	\$ 626,458
Total primary government	\$ 7,011,997	\$ 7,358,524	\$ 9,806,864	\$ 8,699,622	\$ 9,123,807	\$ 8,186,903
Change in Net Assets						
Governmental activities	\$ 1,491,741	\$ 5,925,772	\$ 8,072,883	\$ 3,996,862	\$ 4,190,977	\$ 2,741,616
Business-type activities	5,269,927	2,143,582	2,622,227	8,081,540	904,948	85,957
Total primary government	\$ 6,761,668	\$ 8,069,354	\$ 10,695,110	\$ 12,078,402	\$ 5,095,925	\$ 2,827,573

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

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year				
	1999	2000	2001	2002	2003
General fund					
Reserved	\$ 1,108,969	\$ 1,920,460	\$ 3,016,433	\$ 2,560,828	\$ 1,442,840
Unreserved	4,716,876	4,098,743	5,678,717	5,898,956	8,213,270
Total general fund	<u>\$ 5,825,845</u>	<u>\$ 6,019,203</u>	<u>\$ 8,695,150</u>	<u>\$ 8,459,784</u>	<u>\$ 9,656,110</u>
All other governmental funds					
Reserved					
Unreserved, reported in:					
Capital projects funds	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent funds	-	-	-	494,443	498,896
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,443</u>	<u>\$ 498,896</u>

Table 3

Fiscal Year				
2004	2005	2006	2007	2008
\$ 6,259,158	\$ 5,492,318	\$ 596,659	\$ 1,361,700	\$ 1,361,700
<u>6,558,977</u>	<u>8,749,616</u>	<u>13,885,546</u>	<u>2,677,795</u>	<u>4,720,859</u>
<u>\$ 12,818,135</u>	<u>\$ 14,241,934</u>	<u>\$ 14,482,205</u>	<u>\$ 4,039,495</u>	<u>\$ 6,082,559</u>
\$ 125,470	\$ -	\$ -	\$ -	\$ -
<u>498,908</u>	<u>508,743</u>	<u>528,712</u>	<u>555,460</u>	<u>577,886</u>
<u>\$ 624,378</u>	<u>\$ 508,743</u>	<u>\$ 528,712</u>	<u>\$ 555,460</u>	<u>\$ 577,886</u>

TOWN OF WARRENTON, VIRGINIA

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

	Fiscal Year			
	1999	2000	2001	2002
Revenues				
General property taxes	\$ 1,643,425	\$ 1,462,133	\$ 1,211,312	\$ 605,363
Other local taxes	3,482,397	3,550,359	4,191,058	4,695,289
Permits, privilege fees and regulatory licenses	109,343	134,462	214,220	273,780
Fines and forfeitures	106,942	104,505	73,808	88,950
Revenue from use of money and property	302,289	292,579	458,405	229,157
Miscellaneous	36,698	174,071	942,784	379,256
Recovered costs	23,527	25,004	24,285	22,377
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,121,876	1,155,222	1,271,559	1,527,205
Federal	47,136	22,848	4,770	11,749
Total revenues	\$ 6,873,633	\$ 6,921,183	\$ 8,392,201	\$ 7,833,126
Expenditures				
General government administration	\$ 756,020	\$ 786,176	\$ 788,901	\$ 831,332
Public safety	1,711,155	1,822,997	1,938,025	1,839,211
Public works	1,917,692	2,010,157	1,968,878	2,151,562
Contributions	89,349	228,659	153,911	191,664
Parks, recreation and cultural	27,022	9,338	19,989	-
Community development	422,662	424,043	494,974	436,114
Non-departmental	-	-	-	-
Capital projects	1,443,594	1,390,842	476,872	2,127,027
Debt service:				
Principal	23,359	23,719	48,159	59,864
Interest and other fiscal charges	2,609	1,032	7,804	6,055
Total expenditures	\$ 6,393,462	\$ 6,696,963	\$ 5,897,513	\$ 7,642,829
Excess of revenues over (under) expenditures	\$ 480,171	\$ 224,220	\$ 2,494,688	\$ 190,297
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(30,862)	-	(425,663)
Proceeds from indebtedness	-	-	181,259	-
Total other financing sources (uses)	\$ -	\$ (30,862)	\$ 181,259	\$ (425,663)
Net change in fund balances	\$ 480,171	\$ 193,358	\$ 2,675,947	\$ (235,366)
Debt service as a percentage of noncapital expenditures	0.53%	0.47%	1.04%	1.21%

Table 4

Fiscal Year						
2003	2004	2005	2006	2007	2008	
\$ 570,204	\$ 649,312	\$ 744,748	\$ 722,808	\$ 627,637	\$ 624,841	
4,884,107	5,182,700	5,083,985	5,592,761	5,978,858	5,568,696	
255,724	323,960	375,753	390,132	321,791	153,220	
155,070	136,605	134,871	128,732	139,433	119,517	
259,302	105,694	314,013	625,169	778,520	432,507	
40,596	85,460	219,696	266,831	40,698	109,047	
72,298	57,225	33,489	23,151	13,487	108,530	
-	1,357,540	-	-	-	-	
1,623,410	1,785,002	1,924,592	2,110,717	2,162,466	2,220,020	
32,174	11,865	500	613,581	42,179	42,875	
<u>\$ 7,892,885</u>	<u>\$ 9,695,363</u>	<u>\$ 8,831,647</u>	<u>\$ 10,473,882</u>	<u>\$ 10,105,069</u>	<u>\$ 9,379,253</u>	
\$ 765,865	\$ 837,312	\$ 837,721	\$ 835,842	\$ 973,880	\$ 918,002	
1,973,466	1,956,619	2,063,730	2,365,107	2,398,000	2,722,646	
2,005,221	1,836,982	2,217,748	2,191,932	2,263,115	2,378,910	
207,671	204,369	72,096	96,765	94,945	101,427	
-	-	148,550	206,123	135,640	382,002	
438,994	403,547	433,713	504,741	508,735	539,165	
19,900	12,500	675	-	-	-	
1,322,262	1,151,423	1,749,250	986,852	680,800	457,419	
68,225	5,004	-	-	-	-	
2,492	100	-	-	-	-	
<u>\$ 6,804,096</u>	<u>\$ 6,407,856</u>	<u>\$ 7,523,483</u>	<u>\$ 7,187,362</u>	<u>\$ 7,055,115</u>	<u>\$ 7,499,571</u>	
<u>\$ 1,088,789</u>	<u>\$ 3,287,507</u>	<u>\$ 1,308,164</u>	<u>\$ 3,286,520</u>	<u>\$ 3,049,954</u>	<u>\$ 1,879,682</u>	
\$ -	\$ -	\$ -	\$ 3,000,000	\$ -	\$ -	
-	-	-	(8,826,014)	(13,465,916)	-	
-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,826,014)</u>	<u>\$ (13,465,916)</u>	<u>\$ -</u>	
<u>\$ 1,088,789</u>	<u>\$ 3,287,507</u>	<u>\$ 1,308,164</u>	<u>\$ (2,539,494)</u>	<u>\$ (10,415,962)</u>	<u>\$ 1,879,682</u>	
1.31%	0.10%	0.00%	0.00%	0.00%	0.00%	

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2008	\$ 1,758,591,700	\$ 94,289,760	\$ -	\$ 625,632	\$ 27,784,639	\$ 1,881,291,731	\$ 1,881,291,731	100.00%
2007	1,726,834,100	94,049,306	-	251,503	26,702,670	1,847,837,579	1,847,837,579	100.00%
2006	1,702,213,900	87,009,001	-	301,061	15,115,823	1,804,639,785	1,804,639,785	100.00%
2005	803,093,350	75,359,990	-	389,476	18,765,767	897,608,583	897,608,583	100.00%
2004	754,879,500	72,564,642	-	405,195	33,632,102	861,481,439	861,481,439	100.00%
2003	701,853,350	64,202,242	-	560,712	24,056,439	790,672,743	790,672,743	100.00%
2002	591,875,900	57,788,410	1,111	360,911	22,395,310	672,421,642	672,421,642	100.00%
2001	502,120,502	50,952,693	4,300	400,064	21,730,034	575,207,593	575,207,593	100.00%
2000	488,175,500	43,931,350	5,705	284,056	21,138,978	553,535,589	553,535,589	100.00%
1999	474,819,450	42,111,093	10,605	606,856	19,917,027	537,465,031	537,465,031	100.00%

Source: Commissioner of Revenue

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

Fiscal Years	Direct Rates				Overlapping Rates County of Fauquier	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property
2008	\$ 0.015	\$ 1.00	\$ N/A	\$ 1.00	\$ 0.645	\$ 4.65
2007	0.015	1.00	N/A	1.00	0.645	4.65
2006	0.015	1.00	N/A	1.00	0.645	4.65
2005	0.03	1.00	N/A	1.00	0.99	4.65
2004	0.03	1.00	N/A	1.00	0.99	4.65
2003	0.03	1.00	N/A	1.00	0.99	4.65
2002	0.05	1.00	N/A	1.00	1.06	4.65
2001	0.12	2.25	0.18	2.25	1.06	4.65
2000	0.14	2.25	0.18	2.25	1.06	4.65
1999	.17/.14	2.25	0.18	2.25	1.06	4.65

(1) Per \$100 of assessed value

TOWN OF WARRENTON, VIRGINIA

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

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Franchise Tax	Commun- ications Tax (2)	Meals Tax
2008	\$ 624,841	\$ 509,630	\$ 519,509	\$ 369,113	\$ 618,169	\$ 1,749,075
2007	627,637	542,586	1,042,580	473,713	-	1,775,493
2006	722,808	519,031	998,881	522,854	-	1,632,434
2005	744,748	458,976	1,056,076	381,368	-	1,561,380
2004	649,312	390,691	938,384	880,875	-	1,494,046
2003	570,204	332,040	907,930	783,908	-	1,366,248
2002	605,363	293,596	964,261	669,381	-	1,289,265
2001	1,211,312	275,335	912,010	529,008	-	1,082,000
2000	1,597,539	244,592	680,214	424,963	-	977,125
1999	1,643,425	206,139	641,291	436,984	-	952,222

(1) Includes General Fund and Special Revenue Funds

(2) 2008 was the first year the communications tax was collected

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

Table 7

<u>Transient Occupancy Tax</u>	<u>Business Licenses</u>	<u>Motor Vehicle Licenses</u>	<u>Motor Vehicle Rental Tax (3)</u>	<u>Cigarette Tax</u>	<u>Total</u>
\$ 151,272	\$ 1,338,059	\$ 91,454	\$ -	\$ 222,415	\$ 6,193,537
197,870	1,653,232	96,189	-	197,195	6,606,495
206,274	1,400,230	100,905	-	212,152	6,315,569
185,405	1,123,373	91,990	113,742	225,417	5,942,475
132,663	1,023,571	91,278	87,384	231,192	5,919,396
105,536	1,017,011	139,315	76,742	232,119	5,531,053
112,318	987,283	132,298	73,334	246,887	5,373,986
121,620	923,169	129,051	66,588	218,865	5,468,958
125,937	750,026	118,153	68,103	229,349	5,216,001
99,342	802,613	110,116	39,295	233,690	5,165,117

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2008	
		2007 Assessed Valuation	% of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	\$ 27,714,500	0.015357358
Warrenton Development Co	Developer	21,008,800	0.011641548
Warrenton Village	Shopping Center	16,871,600	0.009349013
Walmart	Retail Store	14,559,700	0.008067926
Sears Roebuck anc Co	Retail Store	12,666,900	0.007019074
Jefferson Associates	Shopping Center	12,294,067	0.006812477
Warrenton Professional Center	Shopping Center	12,258,300	0.006792658
Kalis Holdings Inc	Shopping Center	10,372,800	0.005747851
Home Depot USA Inc	Retail Store	9,446,134	0.00523436
Highland Commons Lp	Developer	8,433,400	0.004673176
		<u>\$ 145,626,201</u>	<u>3.88%</u>

Source: Commissioner of Revenue

Table 8

Taxpayer	Type Business	Fiscal Year 1999	
		1998 Assessed Valuation	% of Total Assessed Valuation
Jefferson Associates	Shopping Center	\$ 24,302,000	0.048862392
Bell Atlantic-Virginia Inc	Utility	11,067,030	0.022251731
Warrenton Development Co	Developer	9,558,500	0.019218631
Troy CMBS Property LLC	Shopping Center	6,590,700	0.013251476
Highland Commons LP	Builder/Developer	6,021,000	0.012106019
Warrenton Towne Center	Shopping Center	53,268,200	0.107102777
Virginia Power	Utility	4,737,930	0.009526236
Mildred S Fletcher	Rental Properties	4,494,200	0.009036185
Oak Springs	Developer	3,570,800	0.007179567
RAS North Rock Residential	Developer	3,448,600	0.006933867
		<u>\$ 127,058,960</u>	<u>3.39%</u>

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 1,142,453	\$ 1,131,930	99.08%	\$	\$ 1,131,930	99.08%
2007	\$ 1,127,768	\$ 1,108,642	98.30%	\$ 130,457	\$ 1,239,099	109.87%
2006	1,472,705	1,423,898	96.69%	130,949	1,554,847	105.58%
2005	1,300,387	1,240,510	95.40%	130,447	1,370,957	105.43%
2004	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%
2003	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%
2002	1,051,396	1,005,877	95.67%	59,813	1,065,690	101.36%
2001	1,470,335	1,403,690	95.47%	45,866	1,449,556	98.59%
2000	1,553,140	1,494,425	96.22%	60,771	1,555,196	100.13%
1999	1,603,661	1,552,848	96.83%	50,932	1,603,780	100.01%

Source: Department of Finance & Human Resources

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases	General Obligation Bonds	Capital Leases				
2008	\$ -	\$ 9,555,000	\$ -	\$ -	9,555,000	2.88%	1,106
2007	-	9,775,000	-	-	9,775,000	3.30%	1,131
2006	-	9,775,000	-	-	9,775,000	3.44%	1,182
2005	-	-	-	-	-	0.00%	-
2004	-	-	-	-	-	0.00%	-
2003	5,010	3,375,000	3,323		3,383,333	1.79%	450
2002	73,235	3,990,000	8,122		4,071,357	2.42%	610
2001	133,099	4,600,000	-		4,733,099	2.43%	713
2000	-	5,155,000	17,103		5,172,103	4.70%	816
1999	22,683	5,705,000	15,573		5,743,256	5.48%	952
1998	46,999	6,245,000	31,405		6,323,404	6.37%	1,106

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 13

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)
2008	\$ 9,555,000	\$ -	\$ 9,555,000	0.51%	1,106
2007	9,775,000	-	9,775,000	0.53%	1,131
2006	9,775,000	-	9,775,000	0.54%	1,131
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2003	3,375,000	-	3,375,000	0.43%	143
2002	3,990,000	-	3,990,000	0.59%	158
2001	4,600,000	-	4,600,000	0.80%	183
2000	5,155,000	-	5,155,000	0.93%	175
1999	5,705,000	-	5,705,000	1.06%	329

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(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, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Warrenton	90,195,000	14%	\$ 12,627,300
Subtotal, overlapping debt			<u>9,555,000</u>
Town of Warrenton, direct debt			<u>9,555,000</u>
Total direct and overlapping debt			<u>\$ 22,182,300</u>

Source: County of Fauquier June 30, 2007 Comprehensive Annual Financial Report

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

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

TOWN OF WARRENTON, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	1999	2000	2001	2002	2003
Debt limit	\$ 49,472,474	\$ 50,929,713	\$ 52,385,054	\$ 59,187,590	\$ 70,185,335
Total net debt applicable to limit	5,705,000	5,155,000	4,600,000	3,990,000	3,375,000
Legal debt margin	\$ 43,767,474	\$ 45,774,713	\$ 47,785,054	\$ 55,197,590	\$ 66,810,335
Total net debt applicable to the limit as a percentage of debt limit	11.53%	10.12%	8.78%	6.74%	4.81%

Table 13

Fiscal Year				
2004	2005	2006	2007	2008
\$ 75,487,950	\$ 80,309,335	\$ 2,670,267	\$ 2,778,464	\$ 188,129,173
-	9,775,000	9,775,000	9,775,000	9,555,000
<u>\$ 75,487,950</u>	<u>\$ 70,534,335</u>	<u>\$ (7,104,733)</u>	<u>\$ (6,996,536)</u>	<u>\$ 178,574,173</u>
0.00%	12.17%	366.07%	351.81%	5.08%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 1,881,291,731
Add back: exempt real property	-
Total assessed value	<u>\$ 1,881,291,731</u>
Debt limit (10% of total assessed value)	\$ 188,129,173
Net debt applicable to limit	<u>9,555,000</u>
Legal debt margin	<u><u>\$ 178,574,173</u></u>

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2008	8,639	\$ 331,979,492	\$ 38,428	38	1,501	3.50%
2007	8,639	\$ 296,447,285	\$ 34,315	39	1,496	2.50%
2006	8,639	296,447,285	34,315	38	1,515	2.50%
2005	8,269	283,750,735	34,315	38	1,418	2.80%
2004	8,174	192,514,048	23,552	38	1,297	2.10%
2003	7,413	174,590,976	23,552	38	1,220	2.90%
2002	7,517	189,435,917	25,201	38	1,090	2.80%
2001	6,670	168,090,670	25,201	38	1,051	1.30%
2000	6,634	195,059,502	29,403	34	1,021	1.40%
1999	6,339	110,083,074	17,366	35	954	1.80%

Source: Weldon Cooper Center, Annual school report - prepared by the county, www.fedstats.gov

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2008			Fiscal Year 1999		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Fauquier County School Board	1,854	1	8.75%	-		0.00%
Fauquier Hospital	1,100	2	5.19%	-		0.00%
County of Fauquier	608	3	2.87%	-		0.00%
Wal Mart	250	4	1.18%	-		0.00%
Warrenton Overlook Health Center	170	5	0.80%	-		0.00%
Fauquier Bank	160	6	0.76%	-		0.00%
Giant	140	7	0.66%	-		0.00%
Safeway	130	8	0.61%	-		0.00%
Home Depot	100	9	0.47%	-		0.00%
Town of Warrenton	94	10	0.44%	-		0.00%
Totals	<u>4,606</u>		<u>21.73%</u>	<u>-</u>		<u>0.00%</u>

Source: Virginia Employment Commission,
Quarterly Census of Employment and Wages (QCEW), 4th Quarter (October, November, December) 2007.

Note: The information for 1999 was not available.

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

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General and Financial Administration	6	6	6	6	6	6	5	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	24	24	24	24	24	25	24	25	27	27
Fire & rescue	1	1	1	1	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	23	21	21	21	21	21	22	22	22	21
Administration	5	4	4	4	4	4	5	5	5	5
Culture and recreation										
Parks - cemetery maintenance	2	2	2	2	2	1	1	1	1	2
Planning & Community development	5	5	5	5	5	5	5	5	5	5
Water and Sewer										
Water	14	15	15	15	15	15	15	16	16	16
Wastewater	12	12	9	9	9	9	9	9	9	9
Administration	6	6	6	6	6	6	6	7	7	7
Motor Pool	4	3	3	3	3	3	2	2	2	2
Parks & Recreation	0	0	0	0	0	0	0	0	3	3
Totals	103	100	97	97	97	97	97	101	106	106

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police department: (Calendar Year)										
Physical arrests	-	-	471	475	503	513	539	703	397	172
Traffic violations	-	-	1,172	1,786	1,154	906	1,078	1,567	1,615	1,848
Fire and rescue:										
Number of calls answered	-	-	-	-	-	-	-	-	1,628	1,840
Building inspections:										
Permits issued	-	-	-	-	552	578	611	521	573	607
Public works										
Refuse collected (tons/year)	2,780	2,958	3,303	3,453	3,598	3,879	4,187	4,085	4,289	4,138
Recycling (tons/year)	2,007	1,871	2,386	2,293	1,456	2,990	1,632	1,664	1,747	728
Community development										
Planning:										
Zoning permits issued	-	-	-	-	-	156	183	186	189	267

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	14	14	16	16	16	16	16	16	18	18
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	2	2
Highway and Streets										
Streets (miles)	72.15	74.91	80	82.8	85.16	85.16	85.16	85.5	87.16	88.34
Streetlights	599	622	634	645	645	645	695	758	770	770
Traffic Signals	4	4	4	4	4	4	6	7	8	8
Culture and Recreation										
Parks acreage	18.44	18.44	18.44	18.44	18.44	23.69	23.69	88.69	88.69	88.69
Parks	3	3	3	3	3	4	4	5	5	5
Water										
Water mains (miles)	67	69.28	73	74	76.24	69.7	69.7	72.5	73.24	82.4
Fire Hydrants	663	694	549	560	578	578	578	623	635	681
Sewer										
Sanitary sewers	51	51	55	56	58.56	58.56	58.56	58.56	58.56	63.2
Storm sewers (miles)	10.88	11.62	11.62	14.62	15.31	15.44	15.44	15.44	15.44	15.44

Source: Individual town departments

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 1, 2008. 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.

Internal Control Over Financial Reporting:

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Warrenton, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Warrenton, Virginia's financial statement that is more than inconsequential will not be prevented or detected by the Town of Warrenton, Virginia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Warrenton, Virginia's internal control.

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

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Town of Warrenton, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Robinson, Farmer, Cox Associates

Verona, Virginia
December 1, 2008