TOWN OF WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

Prepared By
JOAN JACKSON, FINANCE DIRECTOR

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

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Town of Warrenton, Virginia

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Town of Warrenton, Virginia

Principal Town Officials

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

Town Manager
Kenneth L. McLawhon

Town Attorney
Whitson W. Robinson

Officials	
Town Recorder	Evelyn J. Weimer
Finance/Personnel Director	Joan M. Jackson
Director of Parks & Recreation	vacant
Planning/Zoning Director	Sarah A. Sitterle
Public Works/Utilities Director	Edward B. Tucker, Jr.

TOWN OF WARRENTON

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December 21, 2012

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

We are pleased to present the Comprehensive Annual Financial Report of the Town of Warrenton for the fiscal year ended June 30, 2012. The Town's Department of Finance prepared this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data, as presented, is accurate in all material respects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of the various funds and component units. All disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial activity have been included.

THE TOWN

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

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

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

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

FINANCIAL REPORTING ENTITY

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

ECONOMIC CONDITION AND OUTLOOK

The Town of Warrenton continues to experience a small town environment with lower taxes and an escape from the rapid paced lifestyles of the more urban areas to the north and east.
During the past year residential growth has almost completely halted and commercial projects have slowed considerably. A few new businesses have opened and one very large business has expanded. Borders closed leaving a large space not rented now for several months. Market demands will determine community and business growth over the next several years. Some forecasts show a slight decrease in unemployment which is a good sign.

MAJOR INITIATIVES

Current Initiatives:

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

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

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

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

The Warrenton Aquatic and Recreational Facility has now completed four full years in operation. Patronage continues to increase as well as revenues. A lake feature was completed with the possibility of more upgrades in coming years. A "Fun for All Playground" was added this year to the grounds of the facility.

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

A large backhoe and two aging police vehicles were replaced in FY2012. New carpeting and fresh paint on the walls of the police department will keep the facility in good condition and one that presents a good image to the public.

MAJOR INITIATIVES: (CONTINUED)

Current Initiatives: (continued)

There is evidence of a recovering economy, in the permits requested this year and the expansion of a large box store.

Redistricting was a hot topic with citizens and politicians alike. The resulting new lines left some people very unhappy with the remote representation they will receive.

A "Fun for All Playground" was completed on the grounds of the Warrenton Aquatic and Recreation Facility, making it the second of its kind in the state. This permits children with disabilities to have recreational opportunities that are not available to them now.

Future Initiatives:

The Town has worked for several years on the opening of the Mosby Museum. Although there have been many hurdles to jump the museum plans to open early in the next fiscal year and will become a more valuable historical resource with each passing year.

Through the VDOT Revenue Sharing program Warrenton should finish a complete connection around the Town making Warrenton a true "Walkable Community".

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

The Police Department will be installing laptops in their fleet of vehicles that will allow instant access to the many law enforcement databases used to track warrants, motor vehicles and alert. This will take less of the officer's time and make traffic stops safer.

The Town continues to bring properties in compliance with the agreement signed last year with the Americans with Disabilities Act.

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.

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,

Kenneth L. McLawhon
Town Manager

Joan M. Jackson
Director of Finance & Human Resources

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Warrenton Virginia

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

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.

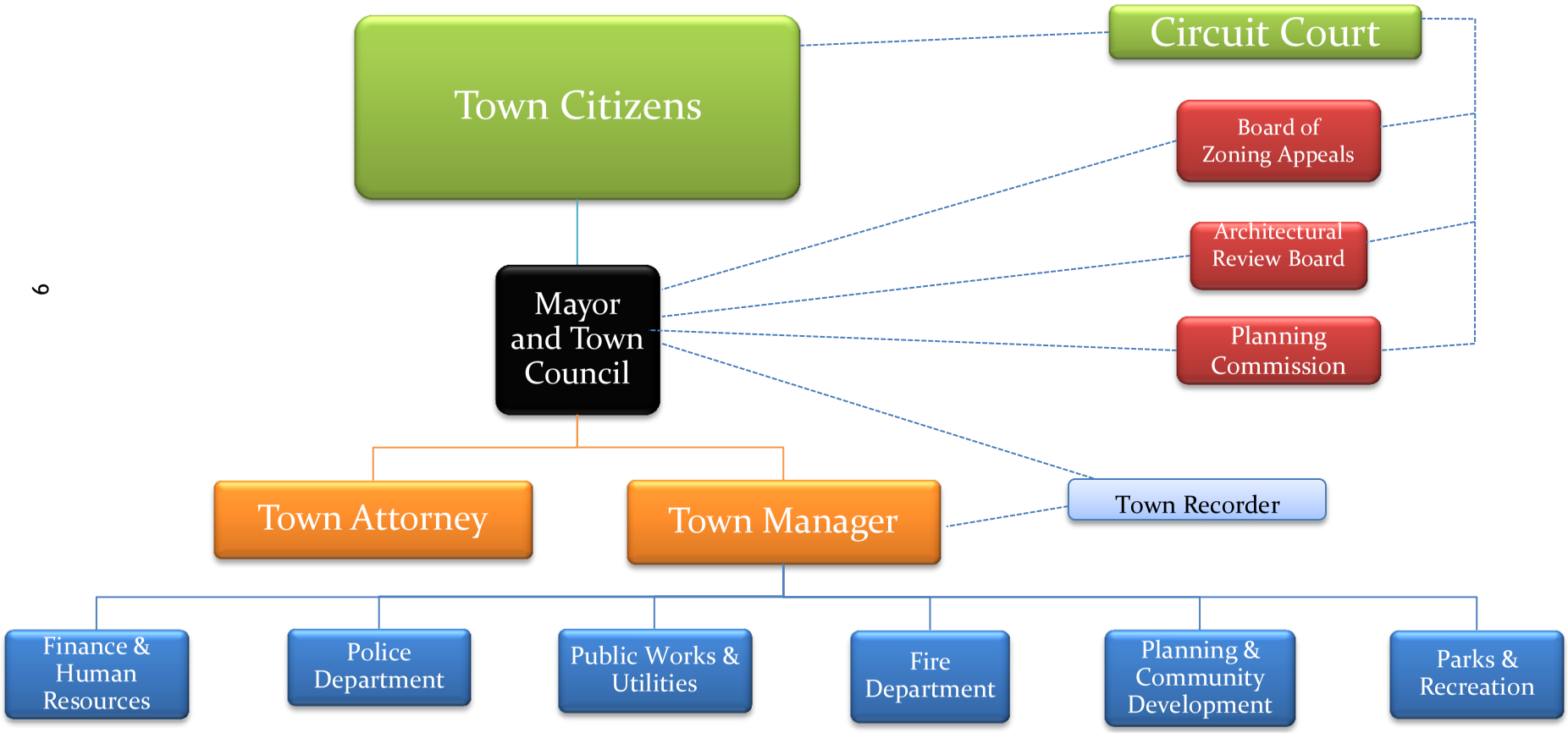
President

Executive Director

Town of Warrenton

FY2012

Organizational Chart



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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Warrenton, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of June 30, 2012, 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 14, 2012, on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 14, 2012

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, 2012. 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.

	June 30, 2012	June 30, 2011
Net Assets - as restated	$ 86,769,316	$ 87,569,204
Unrestricted - as restated	17,769,442	17,128,387

The Town's total net assets decreased $799,888 in FY 2012. This decrease in net assets is due to a stagnant economy and depreciation of assets.

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

	June 30, 2012	June 30, 2011
Fund balance, ending - as restated	$ 9,620,255	$ 7,760,730
Increase from prior year	1,859,525	281,525
Unassigned fund balance	8,511,933	5,451,093
Percentage unassigned	88%	70%

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Warrenton, assets exceeded liabilities by $86,769,316 at June 30, 2012.

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, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Current and other assets	$ 9,923,402	$ 8,462,995	$ 9,895,100	$ 11,212,417	$ 19,818,502	$ 19,675,412
Capital assets	27,226,044	28,089,130	50,003,838	50,863,235	77,229,882	78,952,365
Total assets	$ 37,149,446	$ 36,552,125	$ 59,898,938	$ 62,075,652	$ 97,048,384	$ 98,627,777
Long-term liabilities	$ 317,725	$ 323,494	$ 9,010,513	$ 9,282,278	$ 9,328,238	$ 9,605,772
Other liabilities	261,767	652,099	689,063	800,702	950,830	1,452,801
Total liabilities	$ 579,492	$ 975,593	$ 9,699,576	$ 10,082,980	$ 10,279,068	$ 11,058,573
Net assets:						
Invested in capital assets net of related debt	$ 27,226,044	$ 28,089,130	$ 41,182,941	$ 41,761,645	$ 68,408,985	$ 69,850,775
Restricted	590,889	590,042	-	-	590,889	590,042
Unrestricted	8,753,021	6,897,360	9,016,421	10,231,027	17,769,442	17,128,387
Total net assets	$ 36,569,954	$ 35,576,532	$ 50,199,362	$ 51,992,672	$ 86,769,316	$ 87,569,204

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 78.8 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 .7 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2012 is $17,769,442 or 20.4 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets decreased by $799,888 during the current fiscal year. This decrease is attributable to declining revenue in the Water & Sewer Fund, legal costs for an appeal process and mandated changes due to ADA requirements.

Governmental Activities

Governmental activities increased the net assets by $993,422, thereby keeping the decline in net assets to .9 % for the Town. Key elements of this increase are as follows:

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues:						
Program revenues:						
Charges for services	$ 862,177	$ 945,242	$ 4,805,930	$ 4,798,489	$ 5,668,107	$ 5,743,731
Operating grants & contributions	1,729,107	1,446,166	-	-	1,729,107	1,446,166
Capital grants & contributions	-	-	271,973	501,921	271,973	501,921
General revenues:						
General property taxes	558,907	577,941	-	-	558,907	577,941
Other local taxes	5,423,075	5,294,029	-	-	5,423,075	5,294,029
Use of money and property	29,029	37,421	7,477	13,907	36,506	51,328
Miscellaneous	199,056	120,425	134,361	137,373	333,417	257,798
Grants and contributions not restricted to specific programs	1,373,853	1,396,964	-	-	1,373,853	1,396,964
Total revenues	$ 10,175,204	$ 9,818,188	$ 5,219,741	$ 5,451,690	$ 15,394,945	$ 15,269,878
Expenses:						
General government	$ 1,581,007	$ 1,539,337	$ -	$ -	$ 1,581,007	$ 1,539,337
Public safety	2,761,692	2,848,144	-	-	2,761,692	2,848,144
Public works	3,319,070	4,188,005	-	-	3,319,070	4,188,005
Health and welfare	98,159	100,391	-	-	98,159	100,391
Parks, recreation and cultural	142,429	123,954	-	-	142,429	123,954
Community development	403,217	422,623	-	-	403,217	422,623
Parks & recreation	-	-	2,694,855	2,648,084	2,694,855	2,648,084
Water and sewer	-	-	5,194,404	5,020,796	5,194,404	5,020,796
Total expenses	$ 8,305,574	$ 9,222,454	$ 7,889,259	$ 7,668,880	$ 16,194,833	$ 16,891,334
Increase in net assets before transfers	$ 1,869,630	$ 595,734	$ (2,669,518)	$ (2,217,190)	$ (799,888)	$ (1,621,456)
Transfers	(876,208)	(984,737)	876,208	984,737	-	-
Change in net assets	993,422	(389,003)	(1,793,310)	(1,232,453)	(799,888)	(1,621,456)
Net assets, beginning of year - as restated	35,576,532	35,965,535	51,992,672	53,225,125	87,569,204	89,190,660
Net assets, end of year	$ 36,569,954	$ 35,576,532	$ 50,199,362	$ 51,992,672	$ 86,769,316	$ 87,569,204

Governmental Activities: (Continued)

- Real estate and personal property tax payments decreased slightly because of lower collections of previous year taxes. The Town's real estate tax rate of .015 per $100 of assessed value continues to be one of the lowest in the Commonwealth.

- Meals and Lodging Tax and sales tax reflect an increase; a sign of an economy that is slowly recovering.

- Operating grants and contributions increased due to an increase in Street and Highway Maintenance, VDOT Revenue Sharing, Federal Safety Program and a Disaster relief payment.

Business-type Activities

Business-type activities decreased the Town's net assets by $1,793,310. Key elements of this decrease are as follows:

- Connection fees decreased by $96,848 which will continue to decline with the build out of the Town.

- Capital Grants decreased by $326,796 due to the completion of the Digester Cover project in FY2011.

- Expenses in Water and Sewer increased due to the continuing efforts to bring two wells back into production, the demolition of the old water plant and the conversion of meter reading equipment.

- Expenses in Parks and Recreation increased due to a significant increase in utilities.

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 $9,620,255 an increase of $1,859,525 over the prior year. This increase is attributed to a continued vigilance in fiscal responsibility by the Town's staff. Poor economic conditions continue to cause staff to be extremely cautious regarding their expenditures. Approximately 88 percent of total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is 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 parks and recreation projects.

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

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water & Sewer Fund at the end of the year were $7,760,262 or 8.8 percent of the total net assets.

General Fund Budgetary Highlights

The difference between the original budgeted appropriation and the final amended budgeted appropriation was an increase of $224,818, which is 3.1 percent of the total original budget. Final actual expenditures were $508,040 less than final amended appropriations (6.4 percent of the total final amended budget). Most departments spent less than their legally appropriated. Final actual revenue was $1,247,039 greater than final amended budget amounts. This is primarily due to increased collection of Meals and Lodging Tax.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2012 is $27,226,044 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is $50,003,838 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and systems, machinery and equipment, and construction in progress. The total net decrease in the Town's investment in capital assets for the current fiscal year was $863,086 for government activities and a total net decrease of $859,397 for business-type activities.

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

- New street lighting on Blackwell Rd - $8,389
- Sidewalks on various streets in Town – $71,236
- Purchase of police department vehicles - $75,707
- Replace backhoe - $189,013
- Water treatment plant upgrade phase 2 - $57,825
- Lake feature at WARF - $496,932
- Additions to Skate Park at WARF - $8,489
- New vehicles for Public Works - $57,650
- Shoulder upgrade on Shirley Ave - $66,631
- Water/well improvements - $57,825
- Lee St Rehab (brick sidewalk repair) - $39,893
- Sewer Rehab: Cedar Run South – 378,354

Capital Asset and Debt Administration: (Continued)

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

	Governmental activities		Business-type activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Land	$ 1,129,257	$ 1,129,257	$ 4,185,476	$ 4,185,476	$ 5,314,733	$ 5,314,733
Utility plant in service			20,236,587	19,899,470	20,236,587	19,899,470
Buildings and improvements	2,729,937	2,859,594	22,891,286	23,504,088	25,621,223	26,363,682
Improvements other than buildings	-	-	1,278,426	341,288	1,278,426	341,288
Furniture, equipment, and vehicles	2,543,656	2,472,478	796,671	964,374	3,340,327	3,436,852
Infrastructure	20,813,964	21,520,434	-	-	20,813,964	21,520,434
Construction in progress	9,230	107,367	615,392	1,968,539	624,622	2,075,906
Total	$ 27,226,044	$ 28,089,130	$ 50,003,838	$ 50,863,235	$ 77,229,882	$ 78,952,365

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

Long-term debt

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

Town of Warrenton's Outstanding Debt
For the Year Ended June 30, 2012

	Governmental activities		Business-type activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
General obligation bonds	$ -	$ -	$ 8,575,000	$ 8,835,000	$ 8,575,000	$ 8,835,000
Premium on bond issue	-	-	245,897	266,590	245,897	266,590
Compensated absences	317,725	323,494	189,616	180,688	507,341	504,182
Total	$ 317,725	$ 323,494	$ 9,010,513	$ 9,282,278	$ 9,328,238	$ 9,605,772

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

Economic Factors and Next Year's Budgets and Rates

- At the end of the fiscal year, the unemployment rate for Fauquier County was 4.8 percent, which is a decrease of .2 percent from the rate a year ago. This compares favorably to the state's average unemployment rate of 5.6 percent and the national average rate of 8.2 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 $25,427 for the fiscal year ending June 30, 2012, reflective of the current economic atmosphere.

- Residential real estate activity has slowed considerably causing a decline in the number of new housing starts. For the short term, developers have put projects on hold or slowed new unit starts. However, as this is a nationwide phenomenon, this lack luster growth will not have a significant negative impact in the long term. Commercial new construction and renovations continue to have a positive impact on the Town's tax base.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year.

During fiscal year 2012, unassigned fund balance in the general fund increased $3,451,093 due to strict adherence to purchasing policies in effect that serve to guide expenditure considerations. The FY2013 budget will be scrutinized to find ways to reduce expenditures even further than has already been done. This will be necessary because Virginia continues to announce cutbacks of its contribution to the Towns and businesses continue to struggle and close their doors. Revenues are decreasing with each year that the country remains in this economic downturn.

Requests for Information

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 9,058,605	$ 8,830,876	$ 17,889,481
Receivables (net of allowance for uncollectibles):			
Taxes receivable	52,068	-	52,068
Accounts receivable	452,873	387,540	840,413
Notes receivable	-	15,195	15,195
Due from other governmental units	211,597	-	211,597
Inventories	148,259	258,609	406,868
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	302,013	302,013
Other assets:			
Unamortized bond issue costs	-	100,867	100,867
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	20,236,587	20,236,587
Buildings and improvements	2,729,937	22,891,286	25,621,223
Improvements other than buildings	-	1,278,426	1,278,426
Furniture, equipment, and vehicles	2,543,656	796,671	3,340,327
Infrastructure	20,813,964	-	20,813,964
Construction in progress	9,230	615,392	624,622
Total assets	$ 37,149,446	$ 59,898,938	$ 97,048,384
LIABILITIES			
Accounts payable	$ 261,303	$ 226,299	$ 487,602
Accrued liabilities	-	27,486	27,486
Customers' deposits	-	39,840	39,840
Accrued interest payable	-	171,355	171,355
Unearned revenue	464	23,679	24,143
Long-term liabilities:			
Due within one year	31,773	309,138	340,911
Due in more than one year	285,952	8,901,779	9,187,731
Total liabilities	$ 579,492	$ 9,699,576	$ 10,279,068
NET ASSETS			
Invested in capital assets, net of related debt	$ 27,226,044	$ 41,182,941	$ 68,408,985
Restricted for:			
Perpetual Care:			
Expendable	590,889	-	590,889
Unrestricted (deficit)	8,753,021	9,016,421	17,769,442
Total net assets	$ 36,569,954	$ 50,199,362	$ 86,769,316
Total Liabilities and Net Assets	$ 37,149,446	$ 59,898,938	$ 97,048,384

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, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 1,581,008	$ 130,911	$ -	$ -
Public safety	2,761,692	307,479	511,257	-
Public works	3,319,070	423,787	1,212,850	-
Health and welfare	98,159	-	-	-
Parks, recreation, and cultural	142,429	-	5,000	-
Community development	403,217	-	-	-
Total governmental activities	$ 8,305,575	$ 862,177	$ 1,729,107	$ -
Business-type activities:				
Water and sewer	$ 5,194,404	$ 3,676,434	$ -	$ 271,973
Recreation	2,694,855	1,129,496	-	-
Total business-type activities	$ 7,889,259	$ 4,805,930	$ -	$ 271,973
Total primary government	$ 16,194,834	$ 5,668,107	$ 1,729,107	$ 271,973

General revenues:
General property taxes
Other local taxes:
Local sales and use tax
Consumers' utility tax
Business license tax
Restaurant food tax
Bank Stock taxes
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning, as restated
Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,450,097)	$ -	$ (1,450,097)
(1,942,956)	-	(1,942,956)
(1,682,433)	-	(1,682,433)
(98,159)	-	(98,159)
(137,429)	-	(137,429)
(403,217)	-	(403,217)
$ (5,714,291)	$ -	$ (5,714,291)
$ -	$ (1,245,997)	$ (1,245,997)
-	(1,565,359)	(1,565,359)
$ -	$ (2,811,356)	$ (2,811,356)
$ (5,714,291)	$ (2,811,356)	$ (8,525,647)
$ 558,908	$ -	$ 558,908
508,741	-	508,741
492,636	-	492,636
1,363,590	-	1,363,590
2,062,342	-	2,062,342
448,600	-	448,600
547,166	-	547,166
29,029	141,838	170,867
199,056	-	199,056
1,373,853	-	1,373,853
(876,208)	876,208	-
$ 6,707,713	$ 1,018,046	$ 7,725,759
993,422	(1,793,310)	(799,888)
35,576,532	51,992,672	87,569,204
$ 36,569,954	$ 50,199,362	$ 86,769,316

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2012

	General	Permanent Fund Perpetual Care	Total
ASSETS			
Cash and cash equivalents	$ 8,467,716	$ 590,889	$ 9,058,605
Receivables (net of allowance for uncollectibles):			
Taxes receivable	52,068	-	52,068
Accounts receivable	452,873	-	452,873
Due from other governmental units	211,597	-	211,597
Inventories	148,259	-	148,259
Total assets	$ 9,332,513	$ 590,889	$ 9,923,402
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 261,303	$ -	$ 261,303
Deferred revenue	41,844	-	41,844
Total liabilities	$ 303,147	$ -	$ 303,147
Fund balances:			
Nonspendable:			
Inventory	$ 148,259	$ -	$ 148,259
Permanent fund principal	-	590,889	590,889
Committed to:			
Legislative	1,825	-	1,825
Finance	15,660	-	15,660
Motor pool	1,500	-	1,500
Data processing	42,566	-	42,566
Police	5,501	-	5,501
Street maintenance	257,764	-	257,764
Maintenance, buildings, and grounds	628	-	628
Capital projects	43,730	-	43,730
Unassigned fund balance	8,511,933	-	8,511,933
Total fund balances	$ 9,029,366	$ 590,889	$ 9,620,255
Total liabilities and fund balances	$ 9,332,513	$ 590,889	$ 9,923,402

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, 2012

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$	9,620,255
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,226,044
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		41,380
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		(317,725)
Net assets of governmental activities	$	36,569,954

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, 2012

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	$ 567,694	$ -	$ 567,694
Other local taxes	5,423,075	-	5,423,075
Permits, privilege fees, and regulatory licenses	423,787	-	423,787
Fines and forfeitures	307,479	-	307,479
Revenue from the use of money and property	28,182	847	29,029
Charges for services	130,911	-	130,911
Miscellaneous	199,056	-	199,056
Intergovernmental revenues:			
Commonwealth	2,913,744	-	2,913,744
Federal	189,216	-	189,216
Total revenues	$ 10,183,144	$ 847	$ 10,183,991
EXPENDITURES			
Current:			
General government administration	$ 1,517,470	$ -	$ 1,517,470
Public safety	2,663,568	-	2,663,568
Public works	2,209,299	-	2,209,299
Health and welfare	98,159	-	98,159
Parks, recreation, and cultural	143,106	-	143,106
Community development	352,128	-	352,128
Capital projects	464,528	-	464,528
Total expenditures	$ 7,448,258	$ -	$ 7,448,258
Excess (deficiency) of revenues over (under) expenditures	$ 2,734,886	$ 847	$ 2,735,733
OTHER FINANCING SOURCES (USES)			
Transfers in	$ 60,000	$ -	$ 60,000
Transfers out	(936,208)	-	(936,208)
Total other financing sources (uses)	$ (876,208)	$ -	$ (876,208)
Net change in fund balances	$ 1,858,678	$ 847	$ 1,859,525
Fund balances - beginning, as restated	7,170,688	590,042	7,760,730
Fund balances - ending	$ 9,029,366	$ 590,889	$ 9,620,255

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, 2012

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

Net change in fund balances - total governmental funds		$ 1,859,525
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Capital outlays	$ 630,204	
Depreciation expense	(1,493,290)	(863,086)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(8,786)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences		5,769
Change in net assets of governmental activities		$ 993,422

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

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 7,464,070	$ 1,366,806	$ 8,830,876
Accounts receivable (net of allowance for uncollectibles)	368,580	18,960	387,540
Notes receivable	15,195	-	15,195
Inventories	258,283	326	258,609
Restricted current assets:			
Cash and cash equivalents	302,013	-	302,013
Total current assets	$ 8,408,141	$ 1,386,092	$ 9,794,233
Other assets:			
Unamortized bond issue costs	$ -	$ 100,867	$ 100,867
Capital assets:			
Land	$ 665,660	$ 3,519,816	$ 4,185,476
Utility plant in service	39,957,390	-	39,957,390
Buildings and improvements	-	24,781,233	24,781,233
Improvements other than buildings	-	1,375,782	1,375,782
Furniture, equipment, and vehicles	2,275,835	580,830	2,856,665
Construction in progress	615,392	-	615,392
Less accumulated depreciation	(21,506,380)	(2,261,720)	(23,768,100)
Total capital assets	$ 22,007,897	$ 27,995,941	$ 50,003,838
Total noncurrent assets	$ 22,007,897	$ 28,096,808	$ 50,104,705
Total assets	$ 30,416,038	$ 29,482,900	$ 59,898,938
LIABILITIES			
Current liabilities:			
Accounts payable	$ 208,351	$ 17,948	$ 226,299
Accrued liabilities	-	27,486	27,486
Customers' deposits	39,840	-	39,840
Compensated absences - current portion	17,561	1,401	18,962
Interest payable	-	171,355	171,355
Unearned revenue - current portion	23,679	-	23,679
Bonds payable - current portion	-	290,176	290,176
Total current liabilities	$ 289,431	$ 508,366	$ 797,797
Noncurrent liabilities:			
Bonds payable - net of current portion, unamortized premium	$ -	$ 8,530,721	$ 8,530,721
Compensated absences - net of current portion	158,044	12,610	170,654
Unearned revenue - net of current portion	200,404		200,404
Total noncurrent liabilities	$ 358,448	$ 8,543,331	$ 8,901,779
Total liabilities	$ 647,879	$ 9,051,697	$ 9,699,576
NET ASSETS			
Invested in capital assets, net of related debt	$ 22,007,897	$ 19,175,044	$ 41,182,941
Unrestricted	7,760,262	1,256,159	9,016,421
Total net assets	$ 29,768,159	$ 20,431,203	$ 50,199,362

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, 2012

	Enterprise Funds		
	Water & Sewer	Recreation	Total
OPERATING REVENUES			
Charges for services:			
Sale of water	$ 1,218,019	$ -	$ 1,218,019
Aquatic facility revenues	-	1,129,496	1,129,496
Sewer service charges	2,369,392	-	2,369,392
Late payment charges	39,777	-	39,777
Transfer fees	8,520	-	8,520
Other fees	17,574	-	17,574
Miscellaneous	23,152	-	23,152
Total operating revenues	$ 3,676,434	$ 1,129,496	$ 4,805,930
OPERATING EXPENSES			
Source of supply of water	$ 816,852	$ -	$ 816,852
Maintenance of water and sewer lines	572,502	-	572,502
Meter reading, billing, and servicing	211,442	-	211,442
Operation of sewage treatment plant	1,582,869	-	1,582,869
Administration	705,489	-	705,489
Recreation	-	1,579,074	1,579,074
Capital Outlay	120,706	7,420	128,126
Depreciation	1,184,544	704,166	1,888,710
Total operating expenses	$ 5,194,404	$ 2,290,660	$ 7,485,064
Operating income (loss)	$ (1,517,970)	$ (1,161,164)	$ (2,679,134)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	$ 7,477	$ -	$ 7,477
Rental revenue	134,361	-	134,361
Connection fees	271,973	-	271,973
Interest expense	-	(404,195)	(404,195)
Total nonoperating revenues (expenses)	$ 413,811	$ (404,195)	$ 9,616
Income before transfers	$ (1,104,159)	$ (1,565,359)	$ (2,669,518)
Transfers in	$ -	$ 936,208	$ 936,208
Transfers out	(60,000)	-	(60,000)
Change in net assets	$ (1,164,159)	$ (629,151)	$ (1,793,310)
Total net assets - beginning	$ 30,932,318	$ 21,060,354	$ 51,992,672
Total net assets - ending	$ 29,768,159	$ 20,431,203	$ 50,199,362

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, 2012

	Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,691,709	$ 1,129,496	$ 4,821,205
Payments to suppliers	(1,864,613)	(791,674)	(2,656,287)
Payments to employees	(2,146,912)	(873,358)	(3,020,270)
Net cash provided (used) by operating activities	$ (319,816)	$ (535,536)	$ (855,352)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to) from other funds	$ (60,000)	$ -	$ (60,000)
Net cash provided (used) by noncapital and related financing activities	$ (60,000)	$ -	$ (60,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	$ (483,526)	(545,787)	$ (1,029,313)
Principal payments on bonds	-	(280,693)	(280,693)
Interest payments	-	(403,409)	(403,409)
Connection fees	271,973	-	271,973
Transfers from other funds	-	936,208	936,208
Net cash provided (used) by capital and related financing activities	$ (211,553)	(293,681)	$ (505,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	$ 7,477	$ -	$ 7,477
Other - rental income	134,361	-	134,361
Net cash provided (used) by investing activities	$ 141,838	$ -	$ 141,838
Net increase (decrease) in cash and cash equivalents	$ (449,531)	$ (829,217)	(1,278,748)
Cash and cash equivalents - beginning - (including restricted $301,532)	8,215,614	2,196,023	10,411,637
Cash and cash equivalents - ending - (including restricted $302,013)	$ 7,766,083	$ 1,366,806	$ 9,132,889
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (1,517,970)	$ (1,161,164)	$ (2,679,134)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	$ 1,184,544	$ 704,166	$ 1,888,710
(Increase) decrease in accounts receivable	11,673	-	11,673
(Increase) decrease in notes receivable	13,177	-	13,177
(Increase) decrease in inventories	(15,593)	55	(15,538)
(Increase) decrease in prepaid expenses	21,950	2,264	24,214
Increase (decrease) in customer deposits	2,079	-	2,079
Increase (decrease) in accounts payable and accrued expenses	(15,800)	(82,007)	(97,807)
Increase (decrease) in deferred revenue	(11,654)	-	(11,654)
Increase (decrease) in accrued leave	7,778	1,150	8,928
Total adjustments	$ 1,198,154	$ 625,628	$ 1,823,782
Net cash provided (used) by operating activities	$ (319,816)	$ (535,536)	$ (855,352)

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

		Agency Funds
ASSETS		
Cash and cash equivalents	$	124,504
Total assets	$	124,504
LIABILITIES		
Accounts payable	$	97
Amounts held for others		124,407
Total liabilities	$	124,504

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. 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, 2012.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2012.

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

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

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 and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major enterprise funds:

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

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

Additionally, the government reports the following fund types:

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

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

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 fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the 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 also designated as nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Inventory*

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

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

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

4. *Property Taxes*

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Fauquier Commissioner of Revenue annually on property owned on January 1st. Town Council adopts tax rates in April of each year as a part of the budget process. Real property taxes are levied as of January 1st and July 1st and are due on June 15th and December 15th of each year. Personal property taxes are levied as of January 1st and are due on December 15th of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 16th and June 16th. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

5. *Allowance for Uncollectible Accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $59,135 at June 30, 2012 and is comprised of property taxes, which total $16,672, and water and sewer receivables which total $42,463.

6. *Use of Estimates*

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

7. *Capital assets*

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

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

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

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

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

7. *Capital assets: (Continued)*

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

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

8. *Compensated Absences*

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

9. *Long-term obligations*

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

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

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

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

10. Fund equity

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

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

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

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

11. Net assets

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

12. Construction Encumbrances

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

NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. Prior to 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, 2012, there were no funds in which expenditures exceeded appropriations.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2012 were held by the Town or in the Town's name by the Town's custodial banks; except $16,573,044 of the Virginia Local Government Investment Pool where the underlying securities were uninsured and held by the investment's counterparty.

Credit Risk of Debt Securities:

The Town's rated debt investments as of June 30, 2012 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

Town's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAA
Local Government Investment Pool	$ 16,573,044

Interest Rate Risk

The Town limits its exposure to interest rate risk by investing only in investments detailed above. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting its weighted average maturity of its investment portfolio to less than two years.

External Investment Pools

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

NOTE 4—RECEIVABLES:

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

	General	Water and Sewer	Recreation	Total
Receivables:				
Property taxes	$ 68,739	$ -	$ -	$ 68,739
Other local taxes	405,890	-	-	405,890
Accounts	46,984	411,043	18,960	476,987
Gross receivables	$ 521,613	$ 411,043	$ 18,960	$ 951,616
Less: allowance for uncollectibles	(16,672)	(42,463)	-	(59,135)
Net total receivables	$ 504,941	$ 368,580	$ 18,960	$ 892,481

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government
Commonwealth of Virginia:	
Rental tax	$ 25,084
Sales tax	92,615
Communications tax	93,898
Total	$ 211,597

NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ 60,000	$ 936,208
Water & Sewer Fund	-	60,000
Recreation Fund	936,208	-
Total	$ 996,208	$ 996,208

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

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2012.

Governmental Activities:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	$ 1,129,257	$ -	$ -	$ 1,129,257
Construction in progress	107,367	66,631	(164,768)	9,230
Total capital assets not being depreciated	$ 1,236,624	$ 66,631	$ (164,768)	$ 1,138,487
Other capital assets:				
Buildings and improvements	$ 4,533,698	$ -	$ -	$ 4,533,698
Infrastructure	38,624,648	399,661	-	39,024,309
Furniture, equipment and vehicles	5,236,047	328,680	-	5,564,727
Total other capital assets	$ 48,394,393	$ 728,341	$ -	$ 49,122,734
Less: Accumulated depreciation for:				
Buildings and improvements	$ (1,674,104)	$ (129,657)	$ -	$ (1,803,761)
Infrastructure	(17,104,214)	(1,106,131)	-	(18,210,345)
Furniture, equipment and vehicles	(2,763,569)	(257,502)	-	(3,021,071)
Total accumulated depreciation	$ (21,541,887)	$ (1,493,290)	$ -	$ (23,035,177)
Other capital assets, net	$ 26,852,506	$ (764,949)	$ -	$ 26,087,557
Net capital assets	$ 28,089,130	$ (698,318)	$ (164,768)	$ 27,226,044

Depreciation expense was allocated as follows:

General government administration	$ 64,744
Public safety	110,255
Public works	1,270,828
Community development	47,463
Total depreciation expense	$ 1,493,290

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities:

Water & Sewer Fund:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	$ 665,660	$ -	$ -	$ 665,660
Construction in progress	1,553,047	447,525	(1,385,180)	615,392
Total capital assets not being depreciated	$ 2,218,707	$ 447,525	$ (1,385,180)	$ 1,281,052
Other capital assets:				
Utility plant in service	$ 38,594,589	$ 1,390,101	$ (27,300)	$ 39,957,390
Furniture, equipment, and vehicles	2,244,755	31,080	-	2,275,835
Total other capital assets	$ 40,839,344	$ 1,421,181	$ (27,300)	$ 42,233,225
Less: Accumulated depreciation for:				
Utility plant in service	$ (18,695,119)	$ (1,052,984)	$ 27,300	$ (19,720,803)
Furniture, equipment, and vehicles	(1,654,017)	(131,560)	-	(1,785,577)
Total accumulated depreciation	$ (20,349,136)	$ (1,184,544)	$ 27,300	$ (21,506,380)
Other capital assets, net	$ 20,490,208	$ 236,637	$ -	$ 20,726,845
Net capital assets	$ 22,708,915	$ 684,162	$ (1,385,180)	$ 22,007,897

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities: (Continued)

Recreation Fund:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	$ 3,519,816	$ -	$ -	$ 3,519,816
Construction in progress	415,492	496,923	(912,415)	-
Total capital assets not being depreciated	$ 3,935,308	$ 496,923	$ (912,415)	$ 3,519,816
Other capital assets:				
Buildings and improvements	$ 24,781,233	$ -	$ -	$ 24,781,233
Improvements other than buildings	414,503	961,279	-	1,375,782
Furniture, equipment, and vehicles	580,830	-	-	580,830
Total other capital assets	$ 25,776,566	$ 961,279	$ -	$ 26,737,845
Less: Accumulated depreciation for:				
Buildings and improvements	$ (1,277,145)	$ (612,802)	$ -	$ (1,889,947)
Improvements other than buildings	(73,215)	(24,141)	-	(97,356)
Furniture, equipment, and vehicles	(207,194)	(67,223)	-	(274,417)
Total accumulated depreciation	$ (1,557,554)	$ (704,166)	$ -	$ (2,261,720)
Other capital assets, net	$ 24,219,012	$ 257,113	$ -	$ 24,476,125
Net capital assets	$ 28,154,320	$ 754,036	$ (912,415)	$ 27,995,941

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities: (Continued)

Total Business-Type Activities:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	$ 4,185,476	$ -	$ -	$ 4,185,476
Construction in progress	1,968,539	944,448	(2,297,595)	615,392
Total capital assets not being depreciated	$ 6,154,015	$ 944,448	$ (2,297,595)	$ 4,800,868
Other capital assets:				
Buildings and improvements	$ 24,781,233	$ -	$ -	$ 24,781,233
Utility plant in service	38,594,589	1,390,101	(27,300)	39,957,390
Improvements other than buildings	414,503	961,279	-	1,375,782
Furniture, equipment, and vehicles	2,825,585	31,080	-	2,856,665
Total other capital assets	$ 66,615,910	$ 2,382,460	$ (27,300)	$ 68,971,070
Less: Accumulated depreciation for:				
Buildings and improvements	$ (1,277,145)	$ (612,802)	$ -	$ (1,889,947)
Utility plant in service	(18,695,119)	(1,052,984)	27,300	(19,720,803)
Improvements other than buildings	(73,215)	(24,141)	-	(97,356)
Furniture, equipment, and vehicles	(1,861,211)	(198,783)	-	(2,059,994)
Total accumulated depreciation	$ (21,906,690)	$ (1,888,710)	$ 27,300	$ (23,768,100)
Other capital assets, net	$ 44,709,220	$ 493,750	$ -	$ 45,202,970
Net capital assets	$ 50,863,235	$ 1,438,198	$ (2,297,595)	$ 50,003,838

Depreciation expense was allocated as follows:

Water and sewer	$ 1,184,544
Recreation	704,166
Total depreciation expense	$ 1,888,710

NOTE 8—LONG-TERM OBLIGATIONS:

The following is a summary of long-term debt transactions for the Town for the year ended June 30, 2012:

	Amounts Payable July 1, 2011	Increases	Decreases	Amounts Payable June 30, 2012
Primary Government:				
Governmental Activities				
Compensated Absences	$ 323,494	$ 220,677	$ (226,446)	$ 317,725
Total governmental activities	$ 323,494	$ 220,677	$ (226,446)	$ 317,725
Business-type Activities				
General obligation bonds	$ 8,835,000	$ -	$ (260,000)	$ 8,575,000
Premium on bond issue	266,590	-	(20,693)	245,897
Compensated Absences	180,688	135,410	(126,482)	189,616
Total business-type activities	$ 9,282,278	$ 135,410	$ (407,175)	$ 9,010,513
Total primary government	$ 9,605,772	$ 356,087	$ (633,621)	$ 9,328,238

	Total Amount Outstanding	Amount Due Within One Year
Details of Long-Term Indebtedness:		
Governmental Activities:		
Compensated absences	$ 317,725	$ 31,773
Total governmental activities debt	$ 317,725	$ 31,773
Business-type Activities:		
General obligation bonds	$ 8,575,000	$ 270,000
Premium on bond issue	245,897	20,176
Compensated absences	189,616	18,962
Total business-type activities debt	$ 9,010,513	$ 309,138

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Business-type activities – long-term indebtedness

Fiscal Year	Principal	Interest
2013	$ 270,000	$ 413,212
2014	280,000	402,213
2015	295,000	390,712
2016	305,000	378,713
2017	320,000	366,212
2018-2022	1,810,000	1,594,806
2023-2027	2,315,000	1,082,875
2028-2032	2,980,000	407,400
Total	$ 8,575,000	$ 5,036,143

Primary Government – Business – type Activities:

General obligation bonds:

Series 2006, $9,775,000, issued June 28, 2006 for construction of a recreation facility, payable in varying annual installments, through June 28, 2032, with interest at 4.0%	$ 8,575,000
Unamortized premium on general obligation bonds	245,897
Compensated absences payable	189,616
Total business-type activity long-term debt	$ 9,010,513

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 6.87% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, Town's annual pension cost of $315,580 (does not include employee share of $229,680 which was assumed by the Town for VRS) was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town – Primary Government

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 314,436	100%	-
June 30, 2011	315,764	100%	-
June 30, 2012	315,580	100%	-

(1) Employer Portion only

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 78.07% funded. The actuarial accrued liability for benefits was $22,562,786, and the actuarial value of assets was $17,615,049, resulting in an unfunded actuarial accrued liability (UAAL) of $4,947,737. The covered payroll (annual payroll of active employees covered by the plan) was $4,690,265, and ratio of the UAAL to the covered payroll was 105.49%.

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

NOTE 10—DEFERRED/UNEARNED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling $265,927 consists of the following:

A. Prepaid property taxes—Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled $464 at June 30, 2012.

B. Deferred Property Tax Revenue—Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $41,380 at June 30, 2012.

C. Prepaid utility payments—The Town received $224,083 in deferred revenue to maintain the Warrenton Training Center.

NOTE 11—SURETY BONDS:

	Amount
Virginia Municipal Liability Pool - Surety	
Public Employees Blanket Bond	$ 1,000,000

NOTE 12—RISK MANAGEMENT:

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

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

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

NOTE 13—FUND BALANCE/NET ASSET RESTATEMENTS:

Fund balances and net assets were restated as of July 1, 2011 as follows:

		Net Assets		
	General Fund	Motor Pool Fund	Data Processing Fund	Governmental Activities
Balance, June 30, 2011, as previously reported	$ 7,186,113	$ (22,022)	$ 275,907	$ 35,840,364
Adjustment to reclassify internal service funds into the General fund	253,885	22,022	(275,907)	-
Adjustment for Data Processing fund capital assets at July 1, 2011	(26,340)	-	-	-
Adjustment for Motor Pool fund compensated absenses at July 1, 2011	20,862	-	-	-
Cash adjustment	(263,832)	-	-	(263,832)
Balance, July 1, 2011, as restated	$ 7,170,688	$ -	$ -	$ 35,576,532

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 551,000	$ 551,000	$ 567,694	$ 16,694
Other local taxes	5,129,800	5,129,800	5,423,075	293,275
Permits, privilege fees, and regulatory licenses	117,331	117,331	423,787	306,456
Fines and forfeitures	140,000	140,000	307,479	167,479
Revenue from the use of money and property	38,600	38,600	28,182	(10,418)
Charges for services	118,222	118,222	130,911	12,689
Miscellaneous	89,500	89,500	199,056	109,556
Intergovernmental revenues:				
Commonwealth	2,751,652	2,751,652	2,913,744	162,092
Federal	-	-	189,216	189,216
Total revenues	$ 8,936,105	$ 8,936,105	$ 10,183,144	$ 1,247,039
EXPENDITURES				
Current:				
General government administration	$ 1,456,488	$ 1,579,352	$ 1,517,470	$ 61,882
Public safety	2,733,238	2,695,748	2,663,568	32,180
Public works	2,557,736	2,578,062	2,209,299	368,763
Health and welfare	79,861	79,861	98,159	(18,298)
Parks, recreation, and cultural	127,484	140,884	143,106	(2,222)
Community development	354,837	358,124	352,128	5,996
Capital projects	361,836	524,267	464,528	59,739
Total expenditures	$ 7,671,480	$ 7,956,298	$ 7,448,258	$ 508,040
Excess (deficiency) of revenues over (under) expenditures	$ 1,264,625	$ 979,807	$ 2,734,886	$ 1,755,079
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 60,000	$ 60,000	$ -
Transfers out	(936,208)	(936,208)	(936,208)	-
Total other financing sources and uses	$ (936,208)	$ (876,208)	$ (876,208)	$ -
Net change in fund balances	$ 328,417	$ 103,599	$ 1,858,678	$ 1,755,079
Fund balances - beginning, as restated	(328,417)	(103,599)	7,170,688	7,274,287
Fund balances - ending	$ -	$ -	$ 9,029,366	$ 9,029,366

Schedule of Pension Funding Progress
Last Three Fiscal Years

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11	$ 17,615,049	$ 22,562,786	$ 4,947,737	78.07%	$ 4,690,265	105.49%
06/30/10	17,286,198	21,077,019	3,790,821	82.01%	4,580,777	82.75%
06/30/09	17,415,294	18,138,154	722,860	96.01%	4,617,831	15.65%

Other Supplementary Information

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Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds		
	Agency Fund	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	$ 114,892	$ 9,612	$ 124,504
Total assets	$ 114,892	$ 9,612	$ 124,504
LIABILITIES			
Accounts payable	$ 97	$ -	$ 97
Amounts held for others	114,795	9,612	124,407
Total liabilities	$ 114,892	$ 9,612	$ 124,504

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	$ 121,052	$ 114,892	$ 121,052	$ 114,892
Other receivables	58	-	58	-
Total assets	$ 121,110	$ 114,892	$ 121,110	$ 114,892
LIABILITIES				
Accounts payable	$ 107	$ 97	$ 107	$ 97
Amounts held for others	121,003	114,795	121,003	114,795
Total liabilities	$ 121,110	$ 114,892	$ 121,110	$ 114,892
Retirement Fund:				
ASSETS				
Cash and cash equivalents	$ 9,597	$ 15	$ -	$ 9,612
Total assets	$ 9,597	$ 15	$ -	$ 9,612
LIABILITIES				
Amounts held for others	$ 9,597	$ 15	$ -	$ 9,612
Total liabilities	$ 9,597	$ 15	$ -	$ 9,612
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	$ 130,649	$ 114,907	$ 121,052	$ 124,504
Other receivables	58	-	58	-
Total assets	$ 130,707	$ 114,907	$ 121,110	$ 124,504
LIABILITIES				
Accounts payable	$ 107	$ 97	$ 107	$ 97
Amounts held for others	130,600	114,810	121,003	124,407
Total liabilities	$ 130,707	$ 114,907	$ 121,110	$ 124,504

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 210,000	$ 210,000	$ 211,199	$ 1,199
Real and personal public service corporation taxes	4,200	4,200	4,222	22
Personal property taxes	325,000	325,000	341,159	16,159
Penalties	7,800	7,800	8,347	547
Interest	4,000	4,000	2,767	(1,233)
Total general property taxes	$ 551,000	$ 551,000	$ 567,694	$ 16,694
Other local taxes:				
Local sales and use taxes	$ 480,000	$ 480,000	$ 508,741	$ 28,741
Consumers' utility tax	479,000	479,000	492,636	13,636
Utility license tax	-	-	18,792	18,792
Business license taxes	1,350,000	1,350,000	1,363,590	13,590
Consumption taxes	47,800	47,800	47,777	(23)
Motor vehicle licenses	99,000	99,000	102,358	3,358
Bank stock taxes	450,000	450,000	448,600	(1,400)
Hotel and motel room taxes	140,000	140,000	195,419	55,419
Restaurant food taxes	1,900,000	1,900,000	2,062,342	162,342
Cigarette tax	184,000	184,000	182,820	(1,180)
Total other local taxes	$ 5,129,800	$ 5,129,800	$ 5,423,075	$ 293,275
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	$ 117,331	$ 117,331	$ 423,787	$ 306,456
Total permits, privilege fees, and regulatory licenses	$ 117,331	$ 117,331	$ 423,787	$ 306,456
Fines and forfeitures:				
Court fines and forfeitures	$ 140,000	$ 140,000	$ 307,479	$ 167,479
Total fines and forfeitures	$ 140,000	$ 140,000	$ 307,479	$ 167,479
Revenue from use of money and property:				
Revenue from use of money	$ 25,000	$ 25,000	$ 16,763	$ (8,237)
Revenue from use of property	13,600	13,600	11,419	(2,181)
Total revenue from use of money and property	$ 38,600	$ 38,600	$ 28,182	$ (10,418)
Charges for services:				
Motor pool fees	$ 39,234	$ 39,234	$ 51,923	$ 12,689
Data processing fees	78,988	78,988	78,988	-
Total charges for services	$ 118,222	$ 118,222	$ 130,911	$ 12,689
Miscellaneous revenue:				
Proffers	$ -	$ -	$ 404	$ 404
Miscellaneous	89,500	89,500	198,652	109,152
Total miscellaneous revenue	$ 89,500	$ 89,500	$ 199,056	$ 109,556
Total revenue from local sources	$ 6,184,453	$ 6,184,453	$ 7,080,184	$ 895,731

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	$ 85,000	$ 85,000	$ 105,400	$ 20,400
Rolling stock tax	30	30	153	123
Communications tax	550,000	550,000	549,808	(192)
Personal property tax relief funds	718,492	718,492	718,492	-
Total noncategorical aid	$ 1,353,522	$ 1,353,522	$ 1,373,853	$ 20,331
Other categorical aid:				
Litter control grant	$ 3,000	$ 3,000	$ 2,875	$ (125)
DJCP law enforcement grant	204,700	204,700	206,216	1,516
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,169,430	1,169,430	1,212,850	43,420
State Forfeiture Proceeds	-	-	165	165
Other	-	-	87,093	87,093
Fire program	16,000	16,000	25,692	9,692
Total other categorical aid	$ 1,398,130	$ 1,398,130	$ 1,539,891	$ 141,761
Total categorical aid	$ 1,398,130	$ 1,398,130	$ 1,539,891	$ 141,761
Total revenue from the Commonwealth	$ 2,751,652	$ 2,751,652	$ 2,913,744	$ 162,092
Revenue from the federal government:				
Categorical aid:				
Emergency services grant	$ -	$ -	$ 51,875	$ 51,875
Transportation safety grant	-	-	137,341	137,341
Total categorical aid	$ -	$ -	$ 189,216	$ 189,216
Total revenue from the federal government	$ -	$ -	$ 189,216	$ 189,216
Total General Fund	$ 8,936,105	$ 8,936,105	$ 10,183,144	$ 1,247,039

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Personnel services	$ 58,246	$ 58,246	$ 58,410	$ (164)
Fringe benefits	46,645	46,645	40,246	6,399
Contractual services	15,100	44,438	38,368	6,070
Other charges	25,311	22,111	23,390	(1,279)
Total legislative department	$ 145,302	$ 171,440	$ 160,414	$ 11,026
Executive Department:				
Personnel services	$ 126,077	$ 126,077	$ 128,264	$ (2,187)
Fringe benefits	37,070	37,070	37,845	(775)
Contractual services	700	700	40	660
Other charges	11,218	10,823	12,916	(2,093)
Total executive department	$ 175,065	$ 174,670	$ 179,065	$ (4,395)
Legal Services:				
Personnel services	$ 2,400	$ 2,400	$ 2,400	$ -
Fringe benefits	9,686	9,686	13,828	(4,142)
Contractual services	99,519	106,723	106,722	1
Other charges	7,818	7,818	4,866	2,952
Total legal services	$ 119,423	$ 126,627	$ 127,816	$ (1,189)
Finance Department:				
Personnel services	$ 262,596	$ 262,596	$ 259,894	$ 2,702
Fringe benefits	86,510	86,510	91,542	(5,032)
Contractual services	30,000	48,780	29,864	18,916
Other charges	45,221	45,221	43,470	1,751
Capital outlay	500	500	453	47
Total finance department	$ 424,827	$ 443,607	$ 425,223	$ 18,384
Memberships and Dues:				
Other charges	$ 6,762	$ 6,762	$ 12,927	$ (6,165)
Total memberships and dues	$ 6,762	$ 6,762	$ 12,927	$ (6,165)
Data Processing Department:				
Contractual services	$ 141,567	$ 186,232	$ 146,017	$ 40,215
Other charges	25,928	25,928	19,960	5,968
Capital outlay	35,500	57,901	41,752	16,149
Total data processing department	$ 202,995	$ 270,061	$ 207,729	$ 62,332
Motor Pool:				
Personnel services	$ 148,339	$ 147,442	$ 152,418	$ (4,976)
Fringe benefits	43,594	42,221	49,409	(7,188)
Contractual services	63,550	63,550	84,448	(20,898)
Other charges	116,776	121,046	106,152	14,894
Capital outlay	2,000	2,000	1,943	57
Total motor pool	$ 374,259	$ 376,259	$ 394,370	$ (18,111)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
General government administration: (Continued)				
Electoral Board and Officials				
Personnel services	$ 3,500	3,500	3,320	$ 180
Contractual services	100	109	109	-
Other charges	4,255	6,317	6,497	(180)
Total electoral board and officials	$ 7,855	$ 9,926	$ 9,926	$ -
Total general government administration	$ 1,456,488	$ 1,579,352	$ 1,517,470	$ 61,882
Public safety:				
Department of Police				
Personnel services	$ 1,620,564	$ 1,557,942	$ 1,534,346	$ 23,596
Fringe benefits	491,930	491,930	466,099	25,831
Contractual services	33,636	33,636	23,628	10,008
Other charges	202,826	201,220	210,824	(9,604)
Capital outlay	3,000	19,303	22,129	(2,826)
Total department of police	$ 2,351,956	$ 2,304,031	$ 2,257,026	$ 47,005
Fire and Rescue Services:				
Personnel services	$ 73,416	$ 73,416	$ 73,502	$ (86)
Fringe benefits	16,057	16,057	19,383	(3,326)
Other charges	70,194	77,664	83,882	(6,218)
Total fire and rescue services	$ 159,667	$ 167,137	$ 176,767	$ (9,630)
Bureau of Building Inspections:				
Personnel services	$ 163,626	$ 163,626	$ 162,041	$ 1,585
Fringe benefits	44,009	44,009	51,516	(7,507)
Contractual services	2,550	4,915	2,626	2,289
Other charges	11,230	11,930	13,592	(1,662)
Capital outlay	200	100	-	100
Total bureau of building inspections	$ 221,615	$ 224,580	$ 229,775	$ (5,195)
Total public safety	$ 2,733,238	$ 2,695,748	$ 2,663,568	$ 32,180
Public works:				
Public Works Administration:				
Personnel services	$ 286,068	$ 286,068	$ 283,429	$ 2,639
Fringe benefits	90,887	90,887	90,762	125
Contractual services	13,500	13,825	2,438	11,387
Other charges	22,365	22,365	20,859	1,506
Capital outlay	250	250	93	157
Total public works administration	$ 413,070	$ 413,395	$ 397,581	$ 15,814
Bureau of Street Maintenance:				
Personnel services	$ 399,295	$ 397,295	$ 335,980	$ 61,315
Fringe benefits	261,915	261,915	268,104	(6,189)
Contractual services	2,000	2,000	1,943	57
Other charges	78,774	78,774	88,817	(10,043)
Capital outlay	7,500	9,500	7,470	2,030
Total bureau of street maintenance	$ 749,484	$ 749,484	$ 702,314	$ 47,170

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Arterial Street Maintenance:				
Personnel services	$ 79,000	$ 74,000	$ 78,262	$ (4,262)
Fringe benefits	6,044	6,044	5,946	98
Contractual services	40,000	21,957	26,323	(4,366)
Other charges	88,255	88,405	40,239	48,166
Capital outlay	134,600	175,600	53,062	122,538
Total arterial street maintenance	$ 347,899	$ 366,006	$ 203,832	$ 162,174
Collector Street Maintenance:				
Personnel services	$ 69,000	$ 64,000	$ 66,440	$ (2,440)
Fringe benefits	5,279	5,279	4,707	572
Contractual services	10,000	2,000	10,415	(8,415)
Other charges	111,515	111,515	98,745	12,770
Capital outlay	149,650	172,124	36,804	135,320
Total collector street maintenance	$ 345,444	$ 354,918	$ 217,111	$ 137,807
Bureau of Refuse Collection:				
Personnel services	$ 193,934	$ 193,934	$ 199,414	$ (5,480)
Fringe benefits	103,441	97,825	95,273	2,552
Contractual services	5,850	2,850	2,785	65
Other charges	38,834	38,834	47,172	(8,338)
Total bureau of refuse collection	$ 342,059	$ 333,443	$ 344,644	$ (11,201)
Recycling Program:				
Personnel services	$ 67,960	$ 67,960	$ 67,096	$ 864
Fringe benefits	27,722	27,722	25,108	2,614
Contractual services	200	200	-	200
Other charges	19,191	19,191	18,545	646
Total recycling program	$ 115,073	$ 115,073	$ 110,749	$ 4,324
Maintenance, Buildings and Grounds:				
Personnel services	$ 35,547	$ 35,547	$ 37,133	$ (1,586)
Fringe benefits	15,200	15,200	9,345	5,855
Contractual services	78,212	78,248	72,106	6,142
Other charges	115,248	116,248	112,812	3,436
Capital outlay	500	500	1,672	(1,172)
Total maintenance, buildings and grounds	$ 244,707	$ 245,743	$ 233,068	$ 12,675
Total public works	$ 2,557,736	$ 2,578,062	$ 2,209,299	$ 368,763
Health and welfare:				
Welfare/Social Services:				
Other charges	$ 79,861	$ 79,861	$ 98,159	$ (18,298)
Total welfare/social service contributions	79,861	79,861	98,159	(18,298)
Total health and welfare	$ 79,861	$ 79,861	$ 98,159	$ (18,298)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Maintenance, cemetery:				
Personnel services	$ 56,324	$ 56,324	$ 61,657	$ (5,333)
Fringe benefits	28,257	28,257	31,274	(3,017)
Contractual services	1,850	1,850	273	1,577
Other charges	8,553	8,553	8,887	(334)
Capital outlay	5,000	13,400	8,515	4,885
Total maintenance, cemetery	$ 99,984	$ 108,384	$ 110,606	$ (2,222)
Cultural enrichment:				
Other charges	$ 27,500	$ 32,500	$ 32,500	$ -
Total cultural enrichment	$ 27,500	$ 32,500	$ 32,500	$ -
Total parks, recreation, and cultural	$ 127,484	$ 140,884	$ 143,106	$ (2,222)
Community development:				
Planning and Zoning Department				
Personnel services	$ 207,374	$ 207,374	$ 204,168	$ 3,206
Fringe benefits	48,985	48,985	52,478	(3,493)
Contractual services	18,650	20,130	17,714	2,416
Other charges	78,248	80,055	75,575	4,480
Capital outlay	450	450	118	332
Total planning and zoning department	$ 353,707	$ 356,994	$ 350,053	$ 6,941
Zoning Appeals Board:				
Contractual services	$ 500	$ 500	$ 837	$ (337)
Total zoning appeals board	$ 500	$ 500	$ 837	$ (337)
Architectural Review Board:				
Contractual services	$ 500	$ 500	$ 1,105	$ (605)
Other charges	130	130	133	(3)
Total architectural review board	$ 630	$ 630	$ 1,238	$ (608)
Total community development	$ 354,837	$ 358,124	$ 352,128	$ 5,996
Capital projects:				
Capital outlay	$ 361,836	$ 524,267	$ 464,528	$ 59,739
Total capital projects	$ 361,836	$ 524,267	$ 464,528	$ 59,739
Total General Fund	$ 7,671,480	$ 7,956,298	$ 7,448,258	$ 508,040

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Water and Sewer Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	$ 2,500,000	$ 2,500,000	$ 2,369,392	$ (130,608)
Sale of water	1,300,000	1,300,000	1,218,019	(81,981)
Late payment charges	41,000	41,000	39,777	(1,223)
Installation fees	14,000	14,000	10,654	(3,346)
Transfer fees	8,500	8,500	8,520	20
Reconnection fees	5,600	5,600	6,920	1,320
Total sale of services, commodities and properties	$ 3,869,100	$ 3,869,100	$ 3,653,282	$ (215,818)
Miscellaneous revenue:				
Miscellaneous receipts	$ 20,800	$ 20,800	$ 23,152	$ 2,352
Total miscellaneous revenue	$ 20,800	$ 20,800	$ 23,152	$ 2,352
Total operating revenue	$ 3,889,900	$ 3,889,900	$ 3,676,434	$ (213,466)
Operating Expenses:				
Source of supply:				
Personnel services	$ 344,948	$ 332,948	$ 296,442	$ 36,506
Fringe benefits	101,539	101,539	109,251	(7,712)
Contractual services	103,996	109,926	88,985	20,941
Other charges	343,313	357,019	309,743	47,276
Capital outlays	-	-	12,431	(12,431)
Total source of supply	$ 893,796	$ 901,432	$ 816,852	$ 84,580
Transmission and distribution:				
Personnel services	$ 306,897	$ 306,897	$ 315,220	$ (8,323)
Fringe benefits	143,843	143,843	136,263	7,580
Contractual services	15,400	15,400	3,634	11,766
Other charges	101,612	101,612	117,385	(15,773)
Capital outlays	4,700	4,700	-	4,700
Total transmission and distribution	$ 572,452	$ 572,452	$ 572,502	$ (50)
Meter reading:				
Personnel services	$ 98,447	$ 98,447	$ 95,940	$ 2,507
Fringe benefits	50,334	47,303	43,682	3,621
Contractual services	8,050	8,050	4,761	3,289
Other charges	52,232	67,263	66,966	297
Capital outlays	250	250	93	157
Total meter reading	$ 209,313	$ 221,313	$ 211,442	$ 9,871
Wastewater Treatment Operation:				
Personnel services	$ 487,990	$ 455,990	$ 457,480	$ (1,490)
Fringe benefits	158,142	155,092	160,287	(5,195)
Contractual services	188,001	205,701	223,748	(18,047)
Other charges	686,463	713,528	741,354	(27,826)
Capital outlays	-	5,285	-	5,285
Total wastewater treatment operation	$ 1,520,596	$ 1,535,596	$ 1,582,869	$ (47,273)

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Water and Sewer Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personnel services	$ 421,738	$ 421,738	$ 415,537	$ 6,201
Fringe benefits	132,707	132,707	146,538	(13,831)
Contractual services	83,175	94,095	56,798	37,297
Other charges	88,370	88,370	85,401	2,969
Capital outlays	500	1,200	1,215	(15)
Total public utilities administration	$ 726,490	$ 738,110	$ 705,489	$ 32,621
Capital Outlay:				
Machinery & equipment	$ 75,000	$ 88,500	$ 16,699	$ 71,801
Water plant improvements	-	34,000	29,654	4,346
Sewer plant improvements	235,000	334,500	1,694	332,806
Sewer line rehabilitation	225,000	623,968	-	623,968
Water line replacement	240,000	90,402	72,659	17,743
Total capital outlay	$ 775,000	$ 1,171,370	$ 120,706	$ 1,050,664
Depreciation	$ -	$ -	$ 1,184,544	$ (1,184,544)
Total operating expenses	$ 4,697,647	$ 5,140,273	$ 5,194,404	$ (54,131)
Net operating income (loss)	$ (807,747)	$ (1,250,373)	$ (1,517,970)	$ 267,597
Non-operating revenues (expenses):				
Interest revenue	$ 10,000	$ 10,000	$ 7,477	$ 2,523
Rental revenue	136,000	136,000	134,361	1,639
Connection fees	325,000	325,000	271,973	53,027
Net non-operating revenues (expenses)	$ 471,000	$ 471,000	$ 413,811	$ 57,189
Net income (loss) before operating transfers	$ (336,747)	$ (779,373)	$ (1,104,159)	$ 324,786
Operating transfers out	$ -	$ (60,000)	$ (60,000)	$ -
Net income (loss)	$ (336,747)	$ (839,373)	$ (1,164,159)	$ (324,786)
Net assets, beginning of year	336,747	839,373	30,932,318	30,092,945
Net assets, end of year	$ -	$ -	$ 29,768,159	$ 29,768,159

TOWN OF WARRENTON, VIRGINIA

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

	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	$ 17,346,179	$ 24,142,662	$ 27,888,659
Restricted	6,758,066	6,001,061	2,046,436
Unrestricted	6,556,011	8,589,416	12,794,906
Total governmental activities net assets	$ 30,660,256	$ 38,733,139	$ 42,730,001
Business-type activities			
Invested in capital assets, net of related debt	$ 16,786,204	$ 16,811,434	$ 17,155,045
Restricted	2,607,984	2,870,352	11,713,744
Unrestricted	6,509,702	8,844,331	7,738,868
Total business-type activities net assets	$ 25,903,890	$ 28,526,117	$ 36,607,657
Primary government			
Invested in capital assets, net of related debt	$ 34,132,383	$ 40,954,096	$ 45,043,704
Restricted	9,366,050	8,871,413	13,760,180
Unrestricted	13,065,713	17,433,747	20,533,774
Total primary government net assets	$ 56,564,146	$ 67,259,256	$ 79,337,658

Table 1

2007	2008	2009	2010	2011	2012
$ 27,860,169	$ 28,706,827	$ 29,729,797	$ 28,743,572	$ 28,082,545	$ 27,226,044
1,917,160	2,091,437	1,979,763	588,890	590,042	590,889
2,449,220	4,355,709	6,279,976	6,896,905	8,216,674	8,753,021
$ 32,226,549	$ 35,153,973	$ 37,989,536	$ 36,229,367	$ 36,889,261	$ 36,569,954
$ 33,900,479	$ 37,819,911	$ 41,495,789	$ 40,943,440	$ 41,761,645	$ 41,182,941
4,646,949	6,313,531	4,824,596	-	-	-
12,431,093	8,042,010	5,872,394	12,281,685	9,234,096	9,016,421
$ 50,978,521	$ 52,175,452	$ 52,192,779	$ 53,225,125	$ 50,995,741	$ 50,199,362
$ 61,760,648	$ 66,526,738	$ 71,225,586	$ 69,687,012	$ 69,844,190	$ 68,408,985
6,564,109	8,404,968	6,804,359	588,890	590,042	590,889
14,880,313	12,397,719	12,152,370	19,178,590	17,450,770	17,769,442
$ 83,205,070	$ 87,329,425	$ 90,182,315	$ 89,454,492	$ 87,885,002	$ 86,769,316

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	$ 865,020	$ 841,326	$ 937,279	$ 1,060,596	$ 853,933	$ 926,615	$ 1,794,610	$ 1,545,922	$ 1,581,008
Public safety	2,044,514	2,162,210	2,444,376	2,504,495	2,856,414	2,731,817	2,894,544	2,848,144	2,761,692
Public works	2,425,711	2,900,194	3,111,121	3,196,533	1,813,751	1,742,009	3,927,356	4,188,005	3,319,070
Health and welfare	60,986	72,096	96,765	94,945	101,427	95,851	100,441	100,391	98,159
Parks, recreation and cultural	165,968	52,562	149,936	135,169	380,447	147,141	145,439	123,954	142,429
Community development	407,819	445,378	508,498	455,345	561,837	552,783	446,757	422,623	403,217
Interest on long-term debt	94	-	-	-	-	-	-	-	-
Total governmental activities expenses	$ 5,970,112	$ 6,473,766	$ 7,247,975	$ 7,447,083	$ 6,567,809	$ 6,196,216	$ 9,309,147	$ 9,229,039	$ 8,305,575
Business-type activities:									
Water and sewer	$ 3,842,061	$ 3,757,536	$ 4,058,266	$ 4,364,123	$ 4,570,230	$ 4,912,376	$ 4,741,236	$ 5,020,796	$ 5,194,404
Parks and recreation	-	-	4,623	589,436	1,772,884	2,034,786	2,602,184	2,648,084	2,694,855
Total business-type activities expenses	$ 3,842,061	$ 3,757,536	$ 4,062,889	$ 4,953,559	$ 6,343,114	$ 6,947,162	$ 7,343,420	$ 7,668,880	$ 7,889,259
Total primary government expenses	$ 9,812,173	$ 10,231,302	$ 11,310,864	$ 12,400,642	$ 12,910,923	$ 13,143,378	$ 16,652,567	$ 16,897,919	$ 16,194,834
Program Revenues									
Governmental activities:									
Charges for services:									
General government	$ -	$ -	$ -	$ -	$ -	$ -	$ 635,896	$ 548,591	$ 130,911
Public safety	206,823	134,871	128,732	139,433	119,517	196,490	167,156	257,075	307,479
Public works	-	-	-	-	-	-	142,677	139,576	423,787
Community development	253,742	375,753	390,132	321,791	153,220	150,781	-	-	-
Operating grants and contributions	2,405,588	1,119,543	1,291,284	1,361,666	1,476,243	1,516,783	1,550,847	1,436,300	1,729,107
Capital grants and contributions	2,221,275	5,731,845	7,227,348	1,666,057	-	-	-	-	-
Total governmental activities program revenues	$ 5,087,428	$ 7,362,012	$ 9,037,496	$ 3,488,947	$ 1,748,980	$ 1,864,054	$ 2,496,576	$ 2,381,542	$ 2,591,284
Business-type activities:									
Charges for services:									
Water and sewer	$ 3,643,950	$ 3,695,420	$ 3,916,771	$ 4,091,748	$ 3,928,840	$ 3,683,359	$ 3,753,934	$ 3,740,589	$ 3,676,434
Parks and recreation	-	-	-	-	623,608	877,634	1,003,989	1,057,900	1,129,496
Capital grants and contributions	1,791,625	2,127,048	1,735,377	792,065	1,250,165	2,202,277	981,035	501,921	271,973
Total business-type activities program revenues	$ 5,435,575	$ 5,822,468	$ 5,652,148	$ 4,883,813	$ 5,802,613	$ 6,763,270	$ 5,738,958	$ 5,300,410	$ 5,077,903
Total primary government program revenues	$ 10,523,003	$ 13,184,480	$ 14,689,644	$ 8,372,760	$ 7,551,593	$ 8,627,324	$ 8,235,534	$ 7,681,952	$ 7,669,187
Net (expense) / revenue									
Governmental activities	$ (882,684)	$ 888,246	$ 1,789,521	$ (3,958,136)	$ (4,818,829)	$ (4,332,162)	$ (6,812,571)	$ (6,847,497)	$ (5,714,291)
Business-type activities	1,593,514	-	1,589,259	(69,746)	(540,501)	(183,892)	(1,604,462)	(2,368,470)	(2,811,356)
Total primary government net expense	$ 710,830	$ 888,246	$ 3,378,780	$ (4,027,882)	$ (5,359,330)	$ (4,516,054)	$ (8,417,033)	$ (9,215,967)	$ (8,525,647)

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

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	$ 631,535	$ 727,907	$ 713,802	$ 554,281	$ 663,543	$ 620,168	$ 562,348	$ 577,941	$ 558,908
Other local taxes	-	-	-	-	-	-	-	-	-
Local sales and use tax	390,691	458,976	519,031	542,586	509,630	461,030	448,227	484,640	508,741
Consumer's utility tax	896,993	1,010,520	952,708	994,325	462,750	458,357	511,347	488,018	492,636
Business license tax	1,023,571	1,123,373	1,400,230	1,653,232	1,338,059	1,248,770	1,405,894	1,528,085	1,363,590
Restaurant food tax	1,494,046	1,561,380	1,632,434	1,775,493	1,749,075	1,816,416	1,767,095	1,901,261	2,062,342
Transient occupancy tax	132,663	185,405	-	-	-	-	-	-	-
Motor vehicle license tax	91,278	91,990	-	-	-	-	-	-	-
Communications tax	-	-	-	-	618,169	561,660	-	-	-
Bank stock tax	798,720	381,368	-	-	354,680	355,391	457,211	437,022	448,600
Tobacco tax	231,192	225,417	-	-	-	-	-	-	-
Other local taxes	123,546	45,556	1,088,358	1,013,222	536,333	568,191	547,318	525,748	547,166
Permits, privilege fees, and regulatory licenses	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	748,819	805,549	835,666	-	-	-	-	-	-
Unrestricted revenues from use of money and property	105,694	314,013	625,169	778,520	432,507	255,025	50,696	37,421	29,029
Miscellaneous	142,685	253,183	265,957	22,532	109,047	27,049	148,285	120,425	199,056
Gain/loss on disposal of capital assets	(2,977)	-	-	-	-	-	-	-	-
Unrestricted grants and contributions				814,922	786,652	795,668	1,366,476	1,406,830	1,373,853
Transfers	-	-	(5,826,014)	-	-	-	(1,331,819)	-	-
Total governmental activities	$ 6,808,456	$ 7,184,637	$ 2,207,341	$ 8,149,113	$ 7,560,445	$ 7,167,725	$ 5,933,078	$ 7,507,391	$ 7,583,921
Business-type activities:									
Unrestricted grants and contributions	$ 299,000	$ 2,064,932	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted revenues from use of money and property	240,345	363,492	533,634	746,081	497,567	76,032	15,701	13,907	141,838
Miscellaneous	10,723	193,803	132,633	228,613	128,891	125,187	130,113	125,179	-
Transfers	-	-	5,826,014	-	-	-	1,331,819	-	-
Total business-type activities	$ 550,068	$ 2,622,227	$ 6,492,281	$ 974,694	$ 626,458	$ 201,219	$ 1,477,633	$ 139,086	$ 141,838
Total primary government	$ 7,358,524	$ 9,806,864	$ 8,699,622	$ 9,123,807	$ 8,186,903	$ 7,368,944	$ 7,410,711	$ 7,646,477	$ 7,725,759
Change in Net Assets									
Governmental activities	$ 5,925,772	$ 8,072,883	$ 3,996,862	$ 4,190,977	$ 2,741,616	$ 2,835,563	$ (879,493)	$ 659,894	$ 1,869,630
Business-type activities	2,143,582	2,622,227	8,081,540	904,948	85,957	17,327	(126,829)	(2,229,384)	(2,669,518)
Total primary government	$ 8,069,354	$ 10,695,110	$ 12,078,402	$ 5,095,925	$ 2,827,573	$ 2,852,890	$ (1,006,322)	$ (1,569,490)	$ (799,888)

TOWN OF WARRENTON, VIRGINIA

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

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

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

Table 3

2007	2008	2009	2010	2011	2012
$ 1,361,700	$ 1,361,700	$ 1,392,537	$ 1,748,454	$ -	$ -
2,677,795	4,720,859	6,522,659	5,141,861	-	-
-	-	-	-	183,407	148,259
-	-	-	-	1,301,762	369,174
-	-	-	-	6,756,426	8,511,933
$ 4,039,495	$ 6,082,559	$ 7,915,196	$ 6,890,315	$ 8,241,595	$ 9,029,366
$ -	$ -	$ -	$ -	$ -	$ -
555,460	577,886	587,226	588,890	-	-
-	-	-	-	590,042	590,889
$ 555,460	$ 577,886	$ 587,226	$ 588,890	$ 590,042	$ 590,889

TOWN OF WARRENTON, VIRGINIA

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

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

Table 4

2006	2007	2008	2009	2010	2011	2012
$ 722,808	$ 627,637	$ 624,841	$ 628,812	$ 576,328	$ 555,233	$ 567,694
5,592,761	5,978,858	5,568,696	5,469,815	5,137,092	5,294,029	5,423,075
390,132	321,791	153,220	196,490	142,677	139,576	423,787
128,732	139,433	119,517	150,781	167,156	257,075	307,479
625,169	778,520	432,507	255,025	50,696	37,421	29,029
-	-	-	-	-	-	130,911
266,831	40,698	109,047	27,049	148,285	120,425	199,056
23,151	13,487	108,530	-	-	-	-
-	-	-	-	-	-	-
2,110,717	2,162,466	2,220,020	2,309,451	2,914,059	2,825,505	2,913,744
613,581	42,179	42,875	3,000	3,264	17,625	189,216
$ 10,473,882	$ 10,105,069	$ 9,379,253	$ 9,040,423	$ 9,139,557	$ 9,246,889	$ 10,183,991
$ 835,842	$ 973,880	$ 918,002	$ 946,907	$ 1,128,769	$ 936,694	$ 1,517,470
2,365,107	2,398,000	2,722,646	2,620,108	2,777,763	2,749,926	2,663,568
2,191,932	2,263,115	2,378,910	2,668,694	2,868,026	2,993,992	2,209,299
96,765	94,945	101,427	95,851	100,441	100,391	98,159
206,123	135,640	382,002	142,506	144,807	121,616	143,106
504,741	508,735	539,165	524,919	426,009	392,305	352,128
-	-	-	-	-	-	-
986,852	680,800	457,419	199,461	231,128	670,278	464,528
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 7,187,362	$ 7,055,115	$ 7,499,571	$ 7,198,446	$ 7,676,943	$ 7,965,202	$ 7,448,258
$ 3,286,520	$ 3,049,954	$ 1,879,682	$ 1,841,977	$ 1,462,614	$ 1,352,432	$ 2,735,733
$ 3,000,000	$ -	$ -	$ -	$ -	$ -	$ 60,000
(8,826,014)	(13,465,916)	-	-	(1,331,819)	(984,737)	(936,208)
$ (5,826,014)	$ (13,465,916)	$ -	$ -	$ (1,331,819)	$ (984,737)	$ (876,208)
$ (2,539,494)	$ (10,415,962)	$ 1,879,682	$ 1,841,977	$ 130,795	$ 296,950	$ 1,859,525
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Machinery and Tools	Public Service	Total Taxable Assessed Value
2012	$ 1,380,231,600	$ **0.015**	$ 91,617,748	$ **1.00**	$ 364,903	$ 27,948,051	$ 1,500,162,302
2011	1,376,203,000	0.015	88,261,390	1.00	407,578	28,221,981	1,493,093,949
2010	1,376,237,100	0.015	85,698,058	1.00	630,921	28,612,897	1,491,178,976
2009	1,767,638,600	0.015	93,472,804	1.00	587,884	28,291,208	1,889,990,496
2008	1,758,591,700	0.150	94,289,760	1.00	625,632	27,784,639	1,881,291,731
2007	1,726,834,100	0.015	94,049,306	1.00	251,503	26,702,670	1,847,837,579
2006	1,702,213,900	0.015	87,009,001	1.00	301,061	15,115,823	1,804,639,785
2005	803,093,350	0.030	75,359,990	1.00	389,476	18,765,767	897,608,583
2004	754,879,500	0.030	72,564,642	1.00	405,195	33,632,102	861,481,439
2003	701,853,350	0.030	64,202,242	1.00	560,712	24,056,439	790,672,743

Source: Commissioner of Revenue

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

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

	Direct Rates			Overlapping Rates County of Fauquier	
Fiscal Years	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property
2012	$ 0.015	$ 1.00	$ 1.00	$ 0.97	$ 4.65
2011	0.015	1.00	1.00	0.97	4.65
2010	0.015	1.00	1.00	0.97	4.65
2009	0.015	1.00	1.00	0.765	4.65
2008	0.015	1.00	1.00	0.645	4.65
2007	0.015	1.00	1.00	0.645	4.65
2006	0.015	1.00	1.00	0.645	4.65
2005	0.03	1.00	1.00	0.99	4.65
2004	0.03	1.00	1.00	0.99	4.65
2003	0.03	1.00	1.00	0.99	4.65

(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
2012	$ 567,694	$ 508,741	$ 540,413	$ 467,392	$ -	$ 2,062,342
2011	555,233	484,640	538,512	464,428	-	1,901,261
2010	576,328	448,227	562,803	494,251	-	1,767,095
2009	628,812	461,030	504,906	417,266	561,660	1,816,416
2008	624,841	509,630	519,509	369,113	618,169	1,749,075
2007	627,637	542,586	1,042,580	473,713	-	1,775,493
2006	722,808	519,031	998,881	522,854	-	1,632,434
2005	744,748	458,976	1,056,076	381,368	-	1,561,380
2004	649,312	390,691	938,384	880,875	-	1,494,046
2003	570,204	332,040	907,930	783,908	-	1,366,248

(1) Includes General Fund and Special Revenue Funds

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

Table 7

Transient Occupancy Tax	Business Licenses	Motor Vehicle Licenses	Motor Vehicle Rental Tax	Cigarette Tax	Total
$ 195,419	$ 1,363,590	$ 102,358	$ -	$ 182,820	$ 5,990,769
169,364	1,528,085	100,710	-	177,774	5,920,007
159,647	1,405,894	99,051	-	200,124	5,713,420
174,398	1,248,770	96,245	-	189,124	6,098,627
151,272	1,338,059	91,454	-	222,415	6,193,537
197,870	1,653,232	96,189	-	197,195	6,606,495
206,274	1,400,230	100,905	-	212,152	6,315,569
185,405	1,123,373	91,990	113,742	225,417	5,942,475
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

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2012 2011 Assessed Valuation	Fiscal Year 2012 % of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	$ 29,666,400	2.11%
Saul Holdings	Shopping Center	19,582,100	1.39%
Warrenton Development	Developer	18,774,000	1.33%
Walmart	Retail Store	16,389,800	1.16%
Warrenton Village	Shopping Center	14,379,700	1.02%
Jefferson Associates	Shopping Center	14,317,200	1.02%
Warrenton Professional	Health Care Provider	11,724,400	0.83%
Virginia Electric and Power	Utility	10,899,547	0.77%
Kalis Holdings	Shopping Center	10,713,700	0.76%
Sears	Retail Store	10,298,500	0.73%
		$ 156,745,347	11.12%

Source: Commissioner of Revenue

Table 8

Taxpayer	Type Business	Fiscal Year 2003 2002 Assessed Valuation	Fiscal Year 2003 % of Total Assessed Valuation
Jefferson Associates	Shopping Center	$ 29,338,200	5.10%
Verizon Virginia	Utility	12,383,002	2.15%
Warrenton Development Co	Developer	10,099,500	1.76%
Wal-Mart Real Estate	Retail Store	8,991,800	1.56%
Highland Commons LP	Developer	8,279,100	1.44%
Oak Springs Nursing Home	Health Care Provider	7,055,000	1.23%
Troy CMBS Property, LLC	Shopping Center	6,872,000	1.20%
Warrenton Professional Center	Health Care Provider	6,080,000	1.06%
Dominion Virginia Power	Utility	5,793,833	1.01%
Warrenton Towne Centre Association	Shopping Center	5,109,400	0.89%
		$ 100,001,835	17.40%

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
2012	$ 1,069,488	$ 1,058,965	99.01%	$ -	$ 1,058,965	99.02%
2011	1,049,477	1,037,948	98.90%	8,351	1,046,299	99.90%
2010	1,283,322	1,250,045	97.41%	9,455	1,259,500	98.14%
2009	1,346,551	1,305,936	96.98%	15,576	1,321,512	98.14%
2008	1,330,126	1,298,822	97.65%	15,484	1,314,306	98.81%
2007	1,313,459	1,284,836	97.82%	16,684	1,301,520	99.09%
2006	1,471,680	1,394,045	94.72%	58,766	1,452,811	98.72%
2005	1,300,387	1,240,510	95.40%	30,182	1,270,692	97.72%
2004	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%
2003	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%

Source: Department of Finance & Human Resources

TOWN OF WARRENTON, VIRGINIA **Table 10**

Meals Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates	Overlapping Rates County of Fauquier (1)
Fiscal Years	**Meals Tax Percent of Gross**	**Meals Tax Percent of Gross**
2012	4.00%	0.00%
2011	4.00%	0.00%
2010	4.00%	0.00%
2009	4.00%	0.00%
2008	4.00%	0.00%
2007	4.00%	0.00%
2006	4.00%	0.00%
2005	4.00%	0.00%
2004	4.00%	0.00%
2003	4.00%	0.00%

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

TOWN OF WARRENTON, VIRGINIA **Table 11**

Principal Meals Taxpayers
Current Year and the Period Nine Years Prior

	Fiscal Year 2012			Fiscal Year 2003	
Taxpayer	**Assessed Valuation**	**% of Total Assessed Valuation**	**Taxpayer**	**Assessed Valuation**	**% of Total Assessed Valuation**
Chick Fil A	3,697,070	6.78%	McDonalds	2,580,799	7.41%
McDonalds	3,486,672	6.39%	Applebees	2,487,094	7.14%
Longhorn Steakhouse	2,495,377	4.57%	Wendy's	1,589,637	4.56%
Applebees	2,409,847	4.42%	Burger King	1,357,641	3.90%
Panera Bread	2,130,707	3.91%	Kentucky Fried Chicken	1,355,656	3.89%
Ruby Tuesday	1,952,852	3.58%	Red Hot & Blue	1,309,809	3.76%
Chipotle	1,868,410	3.43%	Ruby Tuesday	1,067,039	3.06%
Iron Bridge Restaurant	1,859,466	3.41%	Country Cookin' Restaurant	991,698	2.85%
Wendy's	1,748,615	3.21%	Pizza Hut	965,933	2.77%
Burger King	1,483,139	2.72%	Taco Bell	867,534	2.49%
	23,132,155	42.40%		14,572,840	41.82%

Source: Town of Warrenton Finance Department

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			
2012	$ -	$ 8,575,000	$ -	$ 8,575,000	2.37%	881
2011	-	8,835,000	-	8,835,000	2.36%	919
2010	-	9,085,000	-	9,085,000	2.83%	1,003
2009	-	9,325,000	-	9,325,000	2.07%	1,050
2008	-	9,555,000	-	9,555,000	2.27%	1,110
2007	-	9,775,000	-	9,775,000	3.30%	1,131
2006	-	9,775,000	-	9,775,000	3.30%	1,131
2005	-	-	-	-	0.00%	-
2004	-	-	-	-	0.00%	-
2003	5,010	3,375,000	3,323	3,383,333	1.94%	456

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 16

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)
2012	$ 8,575,000	$ -	$ 8,575,000	0.57%	880
2011	8,835,000	-	8,835,000	0.59%	919
2010	9,085,000	-	9,085,000	0.61%	1,003
2009	9,325,000	-	9,325,000	0.49%	1,050
2008	9,555,000	-	9,555,000	0.51%	1,110
2007	9,775,000	-	9,775,000	0.53%	1,131
2006	9,775,000	-	9,775,000	0.54%	1,131
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2003	3,375,000	-	3,375,000	0.43%	455

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16
(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, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Town of Warrenton	107,750,000	14%	$ 15,085,000
Subtotal, overlapping debt			
Town of Warrenton, direct debt			-
Total direct and overlapping debt			$ 15,085,000

Source: County of Fauquier June 30, 2012 Comprehensive Annual Financial Report

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

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

TOWN OF WARRENTON, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	2003	2004	2005	2006	2007
Debt limit	$ 70,185,335	$ 75,487,950	$ 89,760,858	$ 180,463,979	$ 184,783,758
Total net debt applicable to limit	3,375,000	-	9,775,000	9,775,000	9,775,000
Legal debt margin	$ 66,810,335	$ 75,487,950	$ 79,985,858	$ 170,688,979	$ 175,008,758
Total net debt applicable to the limit as a percentage of debt limit	4.81%	0.00%	10.89%	5.42%	5.29%

Table 15

2008	2009	2010	2011	2012
$ 188,129,173	$ 188,999,050	$ 149,303,930	$ 149,300,520	$ 1,500,162,302
9,555,000	9,325,000	9,085,000	8,835,000	8,575,000
$ 178,574,173	$ 179,674,050	$ 140,218,930	$ 140,465,520	$ 1,491,587,302
5.08%	4.93%	6.08%	5.92%	5.72%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	$ 1,500,162,302
Add back: exempt real property	-
Total assessed value	$ 1,500,162,302
Debt limit (10% of total assessed value)	$ 150,016,230
Net debt applicable to limit	8,575,000
Legal debt margin	$ 141,441,230

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy-ment Rate
2012	9,735	$ 362,297,760	$ 37,216	40	1,572	4.80%
2011	9,611	375,126,941	39,031	39	1,584	5.20%
2010	9,059	321,223,081	35,459	40	1,581	5.60%
2009	8,877	451,430,958	50,854	38	1,535	5.40%
2008	8,606	421,169,034	48,939	38	1,501	3.50%
2007	8,639	296,447,285	34,315	39	1,496	2.50%
2006	8,639	296,447,285	34,315	38	1,515	2.50%
2005	8,269	283,750,735	34,315	38	1,418	2.80%
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%

Source: Weldon Cooper Center, www.fedstats.gov

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2012			Fiscal Year 2003		
Employer	**Employees**	**Rank**	**% of Total County Employment**	**Employees**	**Rank**	**% of Total Town Employment**
Fauquier County School Board	1,831	1	9.12%	-		0.00%
Fauquier Hospital	1,265	2	6.30%	-		0.00%
County of Fauquier	646	3	3.22%	-		0.00%
Wal Mart	304	4	1.51%	-		0.00%
Town of Warrenton	206	5	1.03%	-		0.00%
Oak Springs Nursing Home	173	6	0.86%	-		0.00%
Fauquier Bank	156	7	0.78%	-		0.00%
Country Chevrolet	120	8	0.60%	-		0.00%
Home Depot	114	9	0.57%	-		0.00%
Blue Ridge Orthopaedic	100	10	0.50%	-		0.00%
Totals	4,915		24.47%	-		0.00%

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

Note: The information for 2003 was not available.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General and Financial Administration	6	6	5	6	6	6	6	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	24	25	24	25	25	27	25	27	27	27
Fire & rescue	1	1	1	1	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	21	21	22	22	22	22	21	21	22	22
Administration	4	4	5	5	5	5	5	5	4	4
Culture and recreation										
Parks - cemetery maintenance	2	1	1	1	1	1	2	2	2	2
Planning & Community development	5	5	5	5	5	5	5	4	3	3
Water and Sewer										
Water	15	15	15	16	16	16	16	15	14	14
Wastewater	9	9	9	9	9	9	8	8	7	7
Administration	6	6	6	7	7	7	4	7	6	6
Motor Pool	3	3	2	2	2	2	2	2	3	3
Parks & Recreation	0	0	0	0	3	3	3	3	3	3
Totals	97	97	97	101	104	106	101	104	101	101

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police department: (Calendar Year)										
Physical arrests	503	513	539	703	397	172	358	430	397	371
Traffic violations	1,154	906	1,078	1,567	1,615	1,848	2,696	5,360	6,243	3,989
Fire and rescue:										
Number of calls answered	-	-	-	-	1,628	1,840	3,972	2,435	2,416	2,643
Building inspections:										
Permits issued	552	578	611	521	573	607	676	382	333	700
Public works										
Refuse collected (tons/year)	3,598	3,879	4,187	4,085	4,289	4,138	3,930	3,825	3,920	3,844
Recycling (tons/year)	1,456	2,990	1,632	1,664	1,747	728	880	783	881	919
Community development										
Planning:										
Zoning permits issued	-	156	183	186	189	267	168	155	166	159

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	16	16	16	16	18	18	18	18	17	
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	2	2
Highway and Streets										
Streets (miles)	85.16	85.16	85.16	85.5	87.16	86.76	86.37	86.49	86.49	86.49
Streetlights	645	645	695	758	770	770	770	770	772	772
Traffic Signals	4	4	6	7	8	8	8	10	10	10
Culture and Recreation										
Parks acreage	18.44	23.69	23.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69
Parks	3	4	4	5	5	5	5	5	5	5
Water										
Water mains (miles)	76.24	69.7	69.7	72.5	73.24	82.4	82.4	84	84	84
Fire Hydrants	578	578	578	623	635	681	681	690	716	717
Sewer										
Sanitary sewers	58.56	58.56	58.56	58.56	58.56	63.2	63.2	63.2	66	66
Storm sewers (miles)	15.31	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44

Source: Individual town departments

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters:

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

We noted certain matters that we reported to management of the Town of Warrenton, Virginia in a separate letter dated December 14, 2012.

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

Charlottesville, Virginia
December 14, 2012