COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

TOWN OF WARRENTON, VIRGINIA

TOWN OF WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

Prepared By
JOAN JACKSON, FINANCE DIRECTOR

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

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Town of Warrenton, Virginia

Comprehensive Annual Financial Report
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Town of Warrenton, Virginia

Principal Town Officials

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

Town Manager
Kenneth L. McLawhon

Town Attorney
Whitson N. 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 20, 2010

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

We are pleased to present the Comprehensive Annual Financial Report of the Town of Warrenton (Town) for the fiscal year ended June 30, 2010. 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 but commercial projects were steady. A new shopping center with a major grocery store, bank, a large chain eating facility and several smaller stores are now open and doing well. Business Licenses increased by five percent which is lower than in more prosperous years but shows the determination of the business community. Market demands will determine community and business growth over the next several years.

MAJOR INITIATIVES

Current Initiatives:

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

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

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

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

MAJOR INITIATIVES: (CONTINUED)

The Warrenton Aquatic and Recreational Facility has now completed two full years in operation. Patronage continues to increase as well as revenues. A "Fun for All" playground was built on the facility grounds in FY2010 which was designed to create a park where all children, regardless of their cognitive and physical abilities, can come together and have fun. It is the second of its kind in the state.

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

Traffic calming measures were introduced such as speed bumps and speed indicators to test for effectiveness. This will be an ongoing process in response to citizens request through emails and at the Town Council meetings.

The nutrient removal upgrade was completed at the Waste Water Treatment Plant. In FY2010 federal funds were secured to place a Digester Cover at the Waste Water Treatment Plant. This should be completed in FY2011.

Future Initiatives:

Through the VDOT Revenue Sharing program there will be more intersection improvements and the extension of asphalt pavement shoulders.

Bids were received for the upgrade to the feed system for chlorine gas and soda ash at the Water Plant in May 2010. An award was made for work to begin and it will continue through FY2011.

An aging street sweeper will be replaced in FY2011. The current model (2001) has had many costly repairs in the last few years and has expended its useful life.

The vehicle maintenance shed will be replaced in FY2011. The multiple severe snow storms this past year challenged the integrity of the roof structure. The building had to be dismantled and removed. The majority of the funding will come from insurance reimbursement.

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

CERTIFICATE OF ACHIEVEMENT

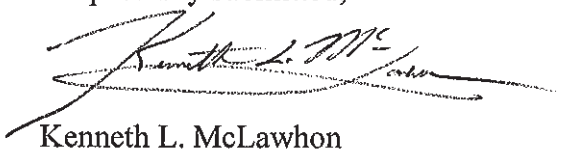
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Kenneth L. McLawhon
Town Manager

Joan M. Jackson
Director of Finance & Human Resources

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Warrenton Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

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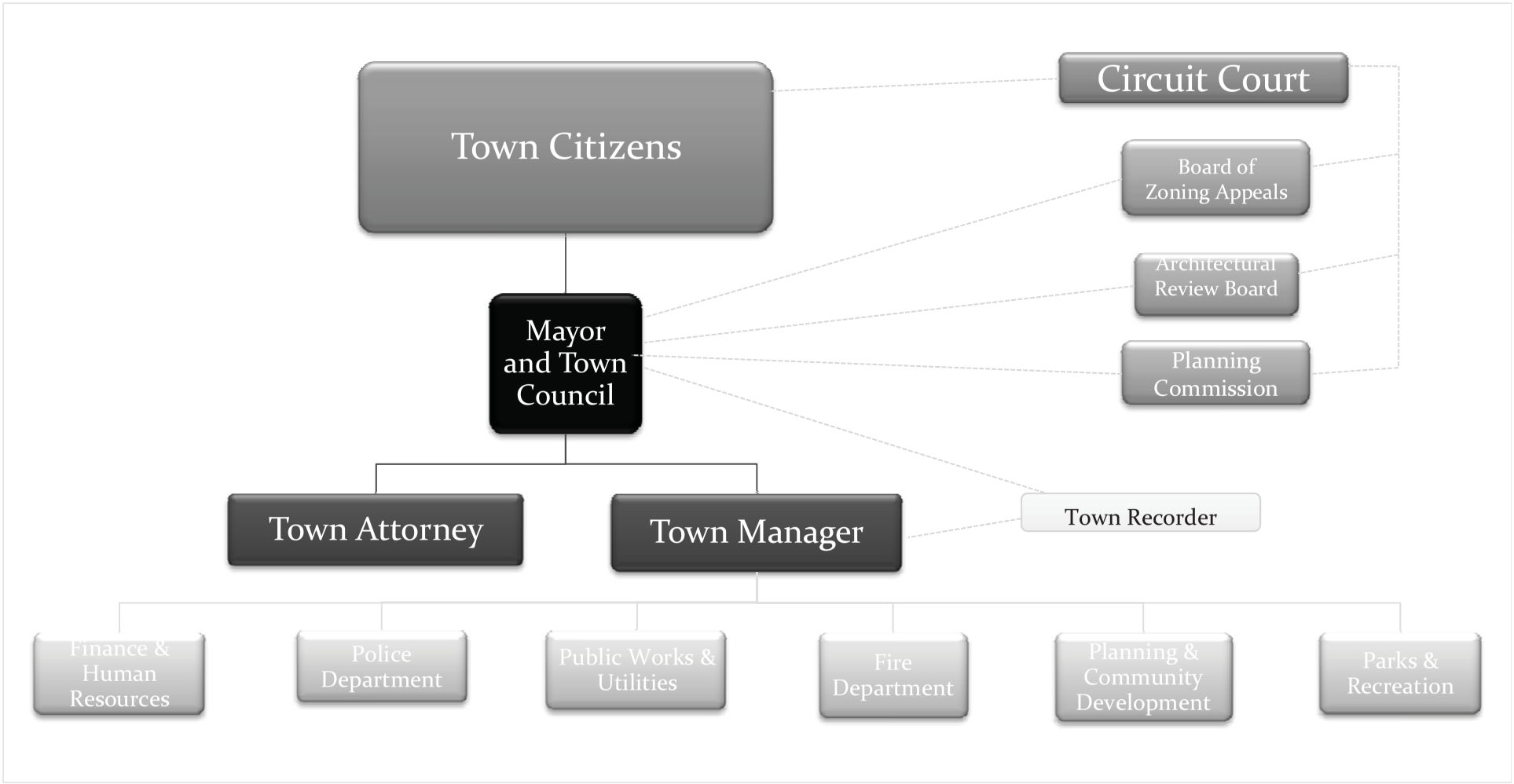
Town of Warrenton
FY2010
Organizational Chart



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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, 2010, 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, 2010, 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 November 27, 2010, 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.

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 27, 2010

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, 2010. 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, 2010	June 30, 2009
Net Assets	$ 89,178,217	$ 90,187,480
Unrestricted	11,252,382	8,869,817

The Town's total net assets decreased $1,009,263 in FY 2010. This decrease in net assets is due to a stagnant economy and depreciation of assets.

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

	June 30, 2010	June 30, 2009
Fund balance, ending	$ 7,479,205	$ 7,348,410
Increase from prior year	130,795	687,965
Unreserved fund balance	5,141,861	4,794,160
Percentage unreserved	69%	65%

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Warrenton, assets exceeded liabilities by $89,178,217 at June 30, 2010.

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, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Current and other assets	$ 7,797,101	$ 7,645,435	$ 13,296,746	$ 13,423,225	$ 21,093,847	$ 21,068,660
Capital assets	28,743,572	29,729,797	50,316,221	51,130,240	79,059,793	80,860,037
Total assets	$ 36,540,673	$ 37,375,232	$ 63,612,967	$ 64,553,465	$ 100,153,640	$ 101,928,697
Long-term liabilities	$ 297,144	$ 284,120	$ 9,545,819	$ 9,789,539	$ 9,842,963	$ 10,073,659
Other liabilities	290,437	255,586	842,023	1,411,972	1,132,460	1,667,558
Total liabilities	$ 587,581	$ 539,706	$ 10,387,842	$ 11,201,511	$ 10,975,423	$ 11,741,217
Net assets:						
Invested in capital assets net of related debt	$ 28,743,572	$ 29,729,797	$ 40,943,440	$ 41,495,789	$ 69,687,012	$ 71,225,586
Restricted	2,337,344	2,554,250	5,901,479	7,537,827	8,238,823	10,092,077
Unrestricted	4,872,176	4,551,479	6,380,206	4,318,338	11,252,382	8,869,817
Total net assets	$ 35,953,092	$ 36,835,526	$ 53,225,125	$ 53,351,954	$ 89,178,217	$ 90,187,480

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 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 9 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2010 is $11,252,382 or 13 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets decreased by $1,009,263 during the current fiscal year. This decrease is attributable to declining revenue in the Water & Sewer Fund coupled with increased expenses in the General Fund for snow removal due to a severe winter, legal costs for an appeal process and mandated changes to our website for the federal Red Flag rules and ADA requirements.

Governmental Activities

Governmental activities decreased the Town's net assets by $882,434, thereby accounting for 87 percent of the decline in net assets of the Town. Key elements of this decrease are as follows:

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenues:						
Program revenues:						
Charges for services	$ 309,833	$ 347,271	$ 4,757,923	$ 4,561,296	$ 5,067,756	$ 4,908,567
Operating grants & contributions	1,550,847	1,519,722	-	-	1,550,847	1,519,722
Capital grants & contributions		-	981,035	2,202,277	981,035	2,202,277
General revenues:						
General property taxes	562,348	620,168	-	-	562,348	620,168
Other local taxes	5,137,092	5,469,815	-	-	5,137,092	5,469,815
Use of money and property	50,696	254,939	15,701	76,032	66,397	330,971
Miscellaneous	148,285	27,047	130,113	125,187	278,398	152,234
Grants and contributions not restricted to specific programs	1,366,476	795,668	-	-	1,366,476	795,668
Total revenues	$ 9,125,577	$ 9,034,630	$ 5,884,772	$ 6,964,792	$ 15,010,349	$ 15,999,422
Expenses:						
General government	$ 1,161,655	$ 923,669	$ -	$ -	$ 1,161,655	$ 923,669
Public safety	2,894,544	2,731,817	-	-	2,894,544	2,731,817
Public works	3,927,356	1,741,929	-	-	3,927,356	1,741,929
Health and welfare	100,441	95,851	-	-	100,441	95,851
Parks, recreation and cultural	145,439	147,141	-	-	145,439	147,141
Community development	446,757	552,783	-	-	446,757	552,783
Parks & recreation	-	-	2,602,184	2,037,823	2,602,184	2,037,823
Water and sewer	-	-	4,741,236	4,910,354	4,741,236	4,910,354
Total expenses	$ 8,676,192	$ 6,193,190	$ 7,343,420	$ 6,948,177	$ 16,019,612	$ 13,141,367
Increase in net assets	$ 449,385	$ 2,841,440	$ (1,458,648)	$ 16,615	$ (1,009,263)	$ 2,858,055
Transfers	(1,331,819)	(1,159,887)	1,331,819	1,159,887	-	-
Net assets, beginning of year	36,835,526	35,153,973	53,351,954	52,175,452	90,187,480	87,329,425
Net assets, end of year	$ 35,953,092	$ 36,835,526	$ 53,225,125	$ 53,351,954	$ 89,178,217	$ 90,187,480

Governmental Activities: (Continued)

- Real estate and personal property tax payments decreased which is a direct reflection of the continued downturn in the economy. The Town's real estate tax rate of .015 per $100 of assessed value continues to be one of the lowest in the Commonwealth.

- Charges for service increased slightly due to commercial activity producing a need for new water and sewer service.

- Local taxes reflect a slight decrease totaling $332,723 (6 percent). Communications tax was moved from local taxes this year.

- Capital grants and contributions increased due to an increase in Street and Highway Maintenance, an increase in VDOT sharing reimbursements and disbursements by the Department of Criminal Justice.

Business-type Activities

Business-type activities decreased the Town's net assets by $126,829 accounting for 13 percent of the total decrease in the government's net assets. Key elements of this decrease are as follows:

- Charges for service were up by $196,627 but so too were expenses in Parks & Recreation by $564,361.

- Interest income continues to plummet, this fiscal year by $60,331.

- Capital Grants decreased by $1,221,242 due to the reimbursements of the completed Nutrient Removal Upgrade project.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of $7,479,205, an increase of $130,795 over the prior year. This increase is attributed to a continued vigilance in fiscal responsibility by the Town's staff. Poor economic conditions encountered during the year caused staff to be extremely cautious regarding their expenditures. Approximately 69 percent of total fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to various Town capital projects. Of the capital projects, the most prominent are public works projects and 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 and Sewer Fund and Recreation Fund at the end of the year amounted to $6,380,206 or 12 percent of the total net assets. Restricted net assets of $5,901,479 are funds committed to future utility and parks & recreation projects.

General Fund Budgetary Highlights

The difference between the original budgeted appropriation and the final amended budgeted appropriation was an increase of $228,325, which is 2 percent of the total original budget. While various line items were increased or decreased due to re-allocations, the major increase is attributable to legal fees incurred as the result of the permit appeal and data processing to meet ADA requirements and the federal Red Flag policy. Final actual expenditures were $779,119 less than final amended appropriations (8 percent of the total final amended budget). Most departments spent less than their legally appropriated budget with the exception of legal services, data processing and public works. Final actual revenue was $639,423 less than final amended budget amounts. This is primarily due to a shortfall in interest earned on money, general taxes, business license revenues and permits, privilege fees, and regulatory licenses.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2010 is $28,743,572 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is $40,943,440 (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 $986,225 for government activities and a total net decrease of $552,349 for business-type activities.

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

- Exercise equipment purchases - $33,188
- Traffic signal repair and upgrade – $60,039
- Purchase of police department vehicles - $30,544
- Waterline construction and replacement projects for $58,000
- Meter Department equipment upgrade - $42,400
- Sewer plant nutrient removal - $1,119,145
- Rental Property improvements - $2,516
- Paving –various streets - $318,482
- Upgrade/ replacement fuel island - $70,909
- Water/well improvements - $48,137
- Sidewalk, curb and gutter - $51,719
- Sewer line construction - $14,898

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, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	$ 1,129,257	$ 1,129,257	$ 4,185,476	$ 4,185,476	$ 5,314,733	$ 5,314,733
Utility plant in service	-	-	20,128,161	12,830,089	20,128,161	12,830,089
Buildings and improvements	2,909,825	2,963,278	24,116,887	24,728,323	27,026,712	27,691,601
Improvements other than buildings	-	-	346,279	365,687	346,279	365,687
Furniture, equipment, and vehicles	2,353,547	4,247,652	918,501	1,065,418	3,272,048	5,313,070
Infrastructure	22,350,943	21,389,610	-	-	22,350,943	21,389,610
Construction in progress	-	-	620,917	7,955,247	620,917	7,955,247
Total	$ 28,743,572	$ 29,729,797	$ 50,316,221	$ 51,130,240	$ 79,059,793	$ 80,860,037

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

Long-term debt

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

Town of Warrenton's Outstanding Debt For the Year Ended June 30, 2010

	Governmental activities		Business-type activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
General obligation bonds	$ -	$ -	$ 9,085,000	$ 9,325,000	$ 9,085,000	$ 9,325,000
Premium on bond issue	-	-	287,781	309,451	287,781	309,451
Compensated absences	297,144	284,120	173,038	155,088	470,182	439,208
Total	$ 297,144	$ 284,120	$ 9,545,819	$ 9,789,539	$ 9,842,963	$ 10,073,659

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 6.0 percent, which is an increase of .7 percent from the rate of 5.3 percent a year ago. This compares favorably to the state's average unemployment rate of 6.5 percent and the national average rate of 9.3 percent.

- Earnings on investments have decreased this past fiscal year due to lower yields generally found in the financial market and less idle funds available for investment. The Town Investment revenue was $48,905 for the fiscal year ending June 30, 2010, 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 significant positive impact on the Town's tax base.

All of these factors were considered in preparing the Town's budget for the 2010 fiscal year.

During fiscal year 2010, unreserved fund balance in the general fund increased $347,701 due to strict adherence to purchasing policies in effect that serve to guide expenditure considerations. The FY2012 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 7,133,952	$ 12,027,204	$ 19,161,156
Receivables (net of allowance for uncollectibles):			
Taxes receivable	33,135	-	33,135
Accounts receivable	283,403	408,175	691,578
Notes receivable	-	39,229	39,229
Due from other governmental units	177,318	115,264	292,582
Inventories	121,442	270,828	392,270
Prepaid expenses	47,851	24,214	72,065
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	300,879	300,879
Other assets:			
Unamortized bond issue costs	-	110,953	110,953
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	20,128,161	20,128,161
Buildings and improvements	2,909,825	24,116,887	27,026,712
Improvements other than buildings	-	346,279	346,279
Furniture, equipment, and vehicles	2,353,547	918,501	3,272,048
Infrastructure	22,350,943	-	22,350,943
Construction in progress	-	620,917	620,917
Total assets	$ 36,540,673	$ 63,612,967	$ 100,153,640
LIABILITIES			
Accounts payable	$ 289,872	$ 333,438	$ 623,310
Accrued liabilities	-	46,015	46,015
Customers' deposits	-	33,646	33,646
Accrued interest payable	-	179,706	179,706
Unearned revenue	565	249,218	249,783
Long-term liabilities:			
Due within one year	29,714	288,495	318,209
Due in more than one year	267,430	9,257,324	9,524,754
Total liabilities	$ 587,581	$ 10,387,842	$ 10,975,423
NET ASSETS			
Invested in capital assets, net of related debt	$ 28,743,572	$ 40,943,440	$ 69,687,012
Restricted for:			
Construction	1,748,454	5,901,479	7,649,933
Perpetual Care:			
Expendable	588,890	-	588,890
Unrestricted (deficit)	4,872,176	6,380,206	11,252,382
Total net assets	$ 35,953,092	$ 53,225,125	$ 89,178,217

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, 2010

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	$ 1,161,655	$ -	$ -	$ -
Public safety	2,894,544	167,156	424,952	-
Public works	3,927,356	142,677	1,120,895	-
Health and welfare	100,441	-	-	-
Parks, recreation, and cultural	145,439	-	5,000	-
Community development	446,757	-	-	-
Total governmental activities	$ 8,676,192	$ 309,833	$ 1,550,847	$ -
Business-type activities:				
Water and sewer	$ 4,741,236	$ 3,753,934	$ -	$ 981,035
Parks and recreation	2,602,184	1,003,989	-	-
Total business-type activities	$ 7,343,420	$ 4,757,923	$ -	$ 981,035
Total primary government	$ 16,019,612	$ 5,067,756	$ 1,550,847	$ 981,035

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
Change in net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,161,655)	$ -	$ (1,161,655)
(2,302,436)	-	(2,302,436)
(2,663,784)	-	(2,663,784)
(100,441)	-	(100,441)
(140,439)	-	(140,439)
(446,757)	-	(446,757)
$ (6,815,512)	$ -	$ (6,815,512)
$ -	$ (6,267)	$ (6,267)
-	(1,598,195)	(1,598,195)
$ -	$ (1,604,462)	$ (1,604,462)
$ (6,815,512)	$ (1,604,462)	$ (8,419,974)
$ 562,348	$ -	$ 562,348
448,227	-	448,227
511,347	-	511,347
1,405,894	-	1,405,894
1,767,095	-	1,767,095
457,211	-	457,211
547,318	-	547,318
50,696	15,701	66,397
148,285	130,113	278,398
1,366,476	-	1,366,476
(1,331,819)	1,331,819	-
$ 5,933,078	$ 1,477,633	$ 7,410,711
(882,434)	(126,829)	(1,009,263)
36,835,526	53,351,954	90,187,480
$ 35,953,092	$ 53,225,125	$ 89,178,217

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2010

	General	Permanent Fund Perpetual Care	Total
ASSETS			
Cash and cash equivalents	$ 6,545,062	$ 588,890	$ 7,133,952
Receivables (net of allowance for uncollectibles):			
Taxes receivable	33,135	-	33,135
Accounts receivable	283,403	-	283,403
Due from other governmental units	177,318	-	177,318
Inventories	121,442	-	121,442
Prepaid items	47,851	-	47,851
Total assets	$ 7,208,211	$ 588,890	$ 7,797,101
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 289,872	$ -	$ 289,872
Deferred revenue	28,024	-	28,024
Total liabilities	$ 317,896	$ -	$ 317,896
Fund balances:			
Reserved for:			
Construction	$ 1,748,454	$ -	$ 1,748,454
Perpetual care	-	588,890	588,890
Unreserved, reported in:			
General fund	5,141,861	-	5,141,861
Total fund balances	$ 6,890,315	$ 588,890	$ 7,479,205
Total liabilities and fund balances	$ 7,208,211	$ 588,890	$ 7,797,101

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, 2010

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$	7,479,205
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		28,743,572
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		27,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(297,144)
Net assets of governmental activities	$	35,953,092

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, 2010

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	$ 576,328	$ -	$ 576,328
Other local taxes	5,137,092	-	5,137,092
Permits, privilege fees, and regulatory licenses	142,677	-	142,677
Fines and forfeitures	167,156	-	167,156
Revenue from the use of money and property	49,032	1,664	50,696
Miscellaneous	148,285	-	148,285
Intergovernmental revenues:			
Commonwealth	2,914,059	-	2,914,059
Federal	3,264	-	3,264
Total revenues	$ 9,137,893	$ 1,664	$ 9,139,557
EXPENDITURES			
Current:			
General government administration	$ 1,128,769	$ -	$ 1,128,769
Public safety	2,777,763	-	2,777,763
Public works	2,868,026	-	2,868,026
Health and welfare	100,441	-	100,441
Parks, recreation, and cultural	144,807	-	144,807
Community development	426,009	-	426,009
Capital projects	231,128	-	231,128
Total expenditures	$ 7,676,943	$ -	$ 7,676,943
Excess (deficiency) of revenues over (under) expenditures	$ 1,460,950	$ 1,664	$ 1,462,614
OTHER FINANCING SOURCES (USES)			
Transfers out	$ (1,331,819)	$ -	$ (1,331,819)
Net change in fund balances	$ 129,131	$ 1,664	$ 130,795
Fund balances - beginning	6,761,184	587,226	7,348,410
Fund balances - ending	$ 6,890,315	$ 588,890	$ 7,479,205

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, 2010

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

Net change in fund balances - total governmental funds	$	130,795
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.		(986,225)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(13,980)
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.		(13,024)
Change in net assets of governmental activities	$	(882,434)

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

Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 9,209,091	$ 2,818,113	$ 12,027,204
Accounts receivable	389,215	18,960	408,175
Notes receivable	39,229	-	39,229
Due from other governmental units	115,264	-	115,264
Inventories	270,824	4	270,828
Prepaid expenses	21,950	2,264	24,214
Restricted current assets:			
Cash and cash equivalents	300,879	-	300,879
Total current assets	$ 10,346,452	$ 2,839,341	$ 13,185,793
Other assets:			
Unamortized bond issue costs	$ -	$ 110,953	$ 110,953
Capital assets:			
Land	$ 665,660	$ 3,519,816	$ 4,185,476
Utility plant in service	37,801,724	-	37,801,724
Buildings and systems	-	24,781,229	24,781,229
Improvements other than buildings	-	396,505	396,505
Furniture, equipment, and vehicles	2,060,044	539,518	2,599,562
Construction in progress	620,919	-	620,919
Less accumulated depreciation	(19,212,771)	(856,423)	(20,069,194)
Total capital assets	$ 21,935,576	$ 28,380,645	$ 50,316,221
Total noncurrent assets	$ 21,935,576	$ 28,491,598	$ 50,427,174
Total assets	$ 32,282,028	$ 31,330,939	$ 63,612,967
LIABILITIES			
Current liabilities:			
Accounts payable	$ 275,127	$ 58,311	$ 333,438
Accrued liabilities	-	46,015	46,015
Customers' deposits	33,646	-	33,646
Compensated absences - current portion	16,471	833	17,304
Interest payable	-	179,706	179,706
Unearned revenue	249,218	-	249,218
Bonds payable - current portion	-	271,191	271,191
Total current liabilities	$ 574,462	$ 556,056	$ 1,130,518
Noncurrent liabilities:			
Prepaid connection fees			
Bonds payable - net of current portion, unamortized premium	$ -	$ 9,101,590	$ 9,101,590
Compensated absences - net of current portion	148,242	7,492	155,734
Total noncurrent liabilities	$ 148,242	$ 9,109,082	$ 9,257,324
Total liabilities	$ 722,704	$ 9,665,138	$ 10,387,842
NET ASSETS			
Invested in capital assets, net of related debt	$ 21,935,576	$ 19,007,864	$ 40,943,440
Restricted for capital projects	3,623,904	2,277,575	5,901,479
Unrestricted	5,999,844	380,362	6,380,206
Total net assets	$ 31,559,324	$ 21,665,801	$ 53,225,125

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, 2010

	Enterprise Funds		
	Water & Sewer	Recreation	Total
OPERATING REVENUES			
Charges for services:			
Sale of water	$ 1,261,498	$ -	$ 1,261,498
Aquatic facility revenues	-	1,003,989	1,003,989
Sewer service charges	2,398,827	-	2,398,827
Late payment charges	41,623	-	41,623
Transfer fees	8,206	-	8,206
Other fees	19,093	-	19,093
Miscellaneous	24,687	-	24,687
Total operating revenues	$ 3,753,934	$ 1,003,989	$ 4,757,923
OPERATING EXPENSES			
Source of supply of water	$ 835,445	$ -	$ 835,445
Maintenance of water and sewer lines	427,787	-	427,787
Meter reading, billing, and servicing	168,355	-	168,355
Operation of sewage treatment plant	1,439,484	-	1,439,484
Administration	723,034	-	723,034
Recreation	-	1,481,046	1,481,046
Capital Outlay	61,852	317	62,169
Depreciation	1,085,279	697,197	1,782,476
Total operating expenses	$ 4,741,236	$ 2,178,560	$ 6,919,796
Operating income (loss)	$ (987,302)	$ (1,174,571)	$ (2,161,873)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	$ 15,701	$ -	$ 15,701
Rental revenue	130,113	-	130,113
Interest expense	-	(423,624)	(208,420)
Federal grant revenue	215,204	-	-
Total nonoperating revenues (expenses)	$ 361,018	$ (423,624)	$ (62,606)
Income before contributions and transfers	$ (626,284)	$ (1,598,195)	$ (2,224,479)
Capital contributions	$ 765,831	$ -	$ 765,831
Transfers in	-	1,331,819	1,331,819
Change in net assets	$ 139,547	$ (266,376)	$ (126,829)
Total net assets - beginning	$ 31,419,777	$ 21,932,177	$ 53,351,954
Total net assets - ending	$ 31,559,324	$ 21,665,801	$ 53,225,125

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, 2010

	Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 3,694,759	$ 1,003,989	$ 4,698,748
Payments to suppliers	(2,047,156)	(587,708)	(2,634,864)
Payments to employees	(2,227,156)	(863,024)	(3,090,180)
Net cash provided (used by) operating activities	$ (579,553)	$ (446,743)	$ (1,026,296)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	$ (931,503)	$ (36,954)	$ (968,457)
Principal payments on bonds	-	(261,670)	(261,670)
Interest payments	-	(422,365)	(422,365)
Capital contributions	1,150,268	-	1,150,268
Net cash provided (used) by capital and related financing activities	$ 218,765	$ 610,830	$ 829,595
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	$ 15,701	$ -	$ 15,701
Other - rental income	130,113	-	130,113
Net cash provided (used) by investing activities	$ 145,814	$ -	$ 145,814
Net increase (decrease) in cash and cash equivalents	$ (214,974)	$ 164,087	(50,887)
Cash and cash equivalents - beginning - (including restricted $299,935)	9,724,944	2,654,026	12,378,970
Cash and cash equivalents - ending - (including restricted $300,879)	$ 9,509,970	$ 2,818,113	$ 12,328,083
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (987,302)	$ (1,174,571)	$ (2,161,873)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	$ 1,085,279	$ 697,197	$ 1,782,476
(Increase) decrease in accounts receivable	(54,636)	-	(54,636)
(Increase) decrease in notes receivable	10,826	-	10,826
(Increase) decrease in inventories	(30,695)	35	(30,660)
(Increase) decrease in prepaid expenses	(21,950)	(2,264)	(24,214)
Increase (decrease) in customer deposits	(1,179)	-	(1,179)
Increase (decrease) in accounts payable and accrued expenses	(578,756)	27,956	(550,800)
Increase (decrease) in deferred revenue	(14,186)	-	(14,186)
Increase (decrease) in accrued leave	13,046	4,904	17,950
Total adjustments	$ 407,749	$ 727,828	$ 1,135,577
Net cash provided (used) by operating activities	$ (579,553)	$ (446,743)	$ (1,026,296)

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 135,822
Receivables:	
Other receivables	58
Total assets	$ 135,880
LIABILITIES	
Accounts payable	$ 3,779
Amounts held for others	132,101
Total liabilities	$ 135,880

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 government 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, 2010.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2010.

Cost Sharing Agreement

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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.

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $74,374 at June 30, 2010 and is comprised solely of property taxes and water and sewer receivables.

6. Use of Estimates

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

7. Capital assets

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

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

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

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

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

8. *Compensated Absences*

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

9. *Long-term obligations*

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

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

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

11. Net assets

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

12. Restricted assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds and net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this ($297,144) difference for the primary government are as follows:

	Primary Government
Compensated absences	$ (297,144)
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$ (297,144)

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this ($986,225) difference for the primary government are as follows:

	Primary Government
Capital outlay	$ 437,681
Depreciation expense	(1,423,906)
Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (986,225)

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this ($13,024) difference for the primary government are as follows:

	Primary Government
Compensated absences	$ (13,024)
Net adjustment to decrease *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (13,024)

NOTE 3 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. There is no legally adopted budget for the perpetual care fund.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to May 1, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within departments.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all Town funds, unless they are carried forward by a resolution of Town Council. Several supplemental appropriations were necessary during this fiscal year.

8. All budget data presented in the accompanying financial statements is the amended budget as of June 30.

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, the general fund expenditures exceed appropriations in the amount of $42,074.

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

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

Custodial Credit Risk (Investments)

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

Credit Risk of Debt Securities

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

1. Obligations of the Commonwealth of Virginia. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth of Virginia.

2. Obligations of the United States. Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporation. These securities can be held directly or in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.

3. Certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia.

4. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.

5. "Prime Quality" commercial paper, with a maturity of 270 days or less, issued by corporations organized under the laws of the United States, with a rating no lower than P-1 by Moody's Investor and A-1 by Standard and Poor's Corporation.

NOTE 4—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities: (Continued)

6. Commonwealth of Virginia Local Government Investment Pool (LGIP). Convenience and cost effectiveness are primary advantages in using the LGIP as an investment vehicle. The LGIP offers the Town of Warrenton diversification, daily liquidity and professional management which, over time, should provide higher yields and more liquidity than would be obtained through individual investments.

The Town's rated debt investments as of June 30, 2010 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAA
Local Government Investment Pool	$ 17,014,346

Concentration of Credit Risk

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

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

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

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

Interest Rate Risk

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

External Investment Pools

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

NOTE 5—RECEIVABLES:

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

	General	Water and Sewer	Recreation	Total
Receivables:				
Property taxes	$ 77,266	$ -	$ -	$ 77,266
Other local taxes	38,396	-	-	38,396
Accounts	245,007	419,458	18,960	683,425
Gross receivables	$ 360,669	$ 419,458	$ 18,960	$ 799,087
Less: allowance for uncollectibles	(44,131)	(30,243)	-	(74,374)
Net total receivables	$ 316,538	$ 389,215	$ 18,960	$ 724,713

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government
Commonwealth of Virginia:	
Sales tax	$ 82,119
Communications tax	95,199
Federal Government:	
Revolving Fund grant	115,264
Total	$ 292,582

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2010 consisted of the following:

Fund	Transfers In	Trasnfers Out
General Fund	$ -	$ 1,331,819
Recreation Fund	1,331,819	-
Total	$ 1,331,819	$ 1,331,819

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 8—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2010.

Governmental Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 1,129,257	$ -	$ -	$ 1,129,257
Other capital assets:				
Buildings and improvements	$ 4,383,363	$ 70,909	$ -	$ 4,454,272
Infrastructure	38,205,680	153,088	-	38,358,768
Furniture, equipment and vehicles	4,791,774	213,684	(89,934)	4,915,524
Total other capital assets	$ 47,380,817	$ 437,681	$ (89,934)	$ 47,728,564
Less: Accumulated depreciation for:				
Buildings and improvements	$ (1,420,085)	$ (124,362)	$ -	$ (1,544,447)
Infrastructure	(14,920,464)	(1,087,361)	-	(16,007,825)
Furniture, equipment and vehicles	(2,439,728)	(212,183)	89,934	(2,561,977)
Total accumulated depreciation	$ (18,780,277)	$ (1,423,906)	$ 89,934	$ (20,114,249)
Other capital assets, net	$ 28,600,540	$ (986,225)	$ -	$ 27,614,315
Net capital assets	$ 29,729,797	$ (986,225)	$ -	$ 28,743,572

Depreciation expense was allocated as follows:

General government administration	$ 33,739
Public safety	111,976
Public works	1,250,253
Parks, recreation and cultural	1,728
Community development	26,210
Total depreciation expense	$ 1,423,906

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Enterprise Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 4,185,476	$ -	$ -	$ 4,185,476
Construction in progress	7,955,247	307,230	(7,641,560)	620,917
Total capital assets not being depreciated	$ 12,140,723	$ 307,230	$ (7,641,560)	$ 4,806,393
Other capital assets:				
Buildings and improvements	$ 24,779,865	$ 1,368	$ -	$ 24,781,233
Utility plant in service	29,535,934	8,265,832	-	37,801,766
Improvements other than buildings	394,106	2,399	-	396,505
Furniture, equipment, and vehicles	2,603,903	33,188	(37,569)	2,599,522
Total other capital assets	$ 57,313,808	$ 8,302,787	$ (37,569)	$ 65,579,026
Less: Accumulated depreciation for:				
Buildings and improvements	$ (51,542)	$ (612,804)	$ -	$ (664,346)
Utility plant in service	(16,705,845)	(967,760)	-	(17,673,605)
Improvements other than buildings	(28,419)	(21,807)	-	(50,226)
Furniture, equipment, and vehicles	(1,538,485)	(180,105)	37,569	(1,681,021)
Total accumulated depreciation	$ (18,324,291)	$ (1,782,476)	$ 37,569	$ (20,069,198)
Other capital assets, net	$ 38,989,517	$ 6,520,311	$ -	$ 45,509,828
Net capital assets	$ 51,130,240	$ 6,827,541	$ (7,641,560)	$ 50,316,221

NOTE 9—LONG-TERM DEBT:

The following is a summary of long-term debt transactions for the Town for the year ended June 30, 2010:

	Amounts Payable July 1, 2009	Increases	Decreases	Amounts Payable June 30, 2010
Primary Government:				
Governmental Activities				
Compensated Absences	$ 284,120	$ 218,053	$ (205,029)	$ 297,144
Total governmental activities	$ 284,120	$ 218,053	$ (205,029)	$ 297,144
Business-type Activities				
General obligation bonds	$ 9,325,000	-	(240,000)	9,085,000
Premium on bond issue	309,451	-	(21,670)	287,781
Compensated Absences	155,088	142,538	(124,588)	173,038
Total business-type activities	$ 9,789,539	$ 142,538	$ (386,258)	$ 9,545,819
Total primary government	$ 10,073,659	$ 360,591	$ (591,287)	$ 9,842,963

	Total Amount Outstanding	Amount Due Within One Year
Details of Long-Term Indebtedness:		
Governmental Activities:		
Compensated absences	$ 297,144	$ 29,714
Total governmental activities debt	$ 297,144	29,714
Business-type Activities:		
General obligation bonds	$ 9,085,000	$ 250,000
Premium on bond issue	287,781	21,191
Compensated absences	173,038	17,304
Total business-type activities debt	$ 9,545,819	$ 288,495

NOTE 9—LONG-TERM DEBT: (CONTINUED)

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

Business-type activities - long-term indebtedness

Fiscal Year	Principal	Interest
2011	$ 250,000	$ 434,012
2012	260,000	423,812
2013	270,000	413,212
2014	280,000	402,212
2015	295,000	390,712
2016-2020	1,655,000	1,755,831
2021-2025	2,100,000	1,303,500
2026-2030	2,690,000	702,294
2031-2032	1,285,000	68,381
Total	$ 9,085,000	$ 5,893,966

Primary Government - Business - type Activities:

General obligation bonds:

Series 2006, $9,775,000, issued June 28, 2006 for construction of a recreation facility, payable in varying annual installments, through June 28, 2032, with interest at 4.0%	$ 9,085,000
Unamortized premium on general obligation bonds	287,781
Compensated absences payable	173,038
Total business-type activity long-term debt	$ 9,545,819

NOTE 10—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 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 June 30, 2010 was 6.78% of annual covered payroll.

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

Primary Government

For the fiscal year ended June 30, 2010, the Town's annual pension cost of $314,436 (does not include employee share of $231,885 which was assumed by the Town for VRS) was equal to the 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, 2008	$ 334,917	100%	-
June 30, 2009	315,051	100%	-
June 30, 2010	314,436	100%	-

(1) Employer Portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 96.01% funded. The actuarial accrued liability for benefits was $18,138,154, and the actuarial value of assets was $17,415,294, resulting in an unfunded actuarial accrued liability (UAAL) of $722,860. The covered payroll (annual payroll of active employees covered by the plan) was $4,617,831, and ratio of the UAAL to the covered payroll was 15.65%.

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

NOTE 11—DEFERRED 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 $249,783 consists of the following:

A. Prepaid property taxes—Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled $565 at June 30, 2010.

B. Prepaid utility payments— The Town received $249,218 in deferred revenue to maintain the Warrenton Training Center.

NOTE 12—SURETY BONDS:

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

NOTE 13—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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.

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Required Supplementary Information

Note to Required Supplementary Information

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

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General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	$ 620,700	$ 620,700	$ 576,328	$ (44,372)
Other local taxes	5,115,636	5,115,636	5,137,092	21,456
Permits, privilege fees, and regulatory licenses	344,810	344,810	142,677	(202,133)
Fines and forfeitures	139,100	139,100	167,156	28,056
Revenue from the use of money and property	258,909	258,909	49,032	(209,877)
Miscellaneous	79,224	79,224	148,285	69,061
Intergovernmental revenues:				
Commonwealth	2,858,932	2,858,932	2,914,059	55,127
Federal	121,500	121,500	3,264	(118,236)
Total revenues	$ 9,538,811	$ 9,538,811	$ 9,137,893	$ (400,918)
EXPENDITURES				
Current:				
General government administration	$ 1,013,672	$ 1,170,155	$ 1,128,769	$ 41,386
Public safety	2,771,193	2,783,047	2,777,763	5,284
Public works	2,690,538	2,717,538	2,868,026	(150,488)
Health and welfare	89,861	89,861	100,441	(10,580)
Parks, recreation, and cultural	154,824	154,824	144,807	10,017
Community development	449,759	447,167	426,009	21,158
Capital projects	199,000	277,277	231,128	46,149
Total expenditures	$ 7,368,847	$ 7,639,869	$ 7,676,943	$ (37,074)
Excess (deficiency) of revenues over (under) expenditures	$ 2,169,964	$ 1,898,942	$ 1,460,950	$ (437,992)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 10,000	$ 10,000	$ -	$ (10,000)
Transfers out	(2,184,964)	(2,356,377)	(1,331,819)	1,024,558
Total other financing sources and uses	$ (2,174,964)	$ (2,346,377)	$ (1,331,819)	$ 1,014,558
Net change in fund balances	$ (5,000)	$ (447,435)	$ 129,131	$ 576,566
Fund balances - beginning	5,000	447,435	6,761,184	6,313,749
Fund balances - ending	$ -	$ -	$ 6,890,315	$ 6,890,315

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)
06/30/09	$ 17,415,294	$ 18,138,154	$ 722,860	96.01%	$ 4,617,831	15.65%
06/30/08	17,043,074	17,220,027	176,953	98.97%	4,521,513	3.91%
06/30/07	15,367,895	15,958,378	590,483	96.30%	4,226,977	13.97%

Other Supplementary Information

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Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds		
	Agency	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	$ 126,245	$ 9,577	$ 135,822
Receivables	58	-	58
Total assets	$ 126,303	$ 9,577	$ 135,880
LIABILITIES			
Accounts payable	$ 3,779	$ -	$ 3,779
Amounts held for others	122,524	9,577	132,101
Total liabilities	$ 126,303	$ 9,577	$ 135,880

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	$ 98,295	$ 126,245	$ 98,295	$ 126,245
Other receivables	84	58	84	58
Total assets	$ 98,379	$ 126,303	$ 98,379	$ 126,303
LIABILITIES				
Accounts payable	$ 161	$ 3,779	$ 161	$ 3,779
Amounts held for others	98,218	122,524	98,218	122,524
Total liabilities	$ 98,379	$ 126,303	$ 98,379	$ 126,303
Retirement Fund:				
ASSETS				
Cash and cash equivalents	$ 9,548	$ 29	$ -	$ 9,577
Total assets	$ 9,548	$ 29	$ -	$ 9,577
LIABILITIES				
Amounts held for others	$ 9,548	$ 29	$ -	$ 9,577
Total liabilities	$ 9,548	$ 29	$ -	$ 9,577
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	$ 107,843	$ 126,274	$ 98,295	$ 135,822
Other receivables	84	58	84	58
Total assets	$ 107,927	$ 126,332	$ 98,379	$ 135,880
LIABILITIES				
Accounts payable	$ 161	$ 3,779	$ 161	$ 3,779
Amounts held for others	107,766	122,553	98,218	132,101
Total liabilities	$ 107,927	$ 126,332	$ 98,379	$ 135,880

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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	$ 254,600	$ 254,600	$ 234,915	$ (19,685)
Real and personal public service corporation taxes	4,100	4,100	4,828	728
Personal property taxes	350,000	350,000	323,407	(26,593)
Penalties	8,000	8,000	7,713	(287)
Interest	4,000	4,000	5,465	1,465
Total general property taxes	$ 620,700	$ 620,700	$ 576,328	$ (44,372)
Other local taxes:				
Local sales and use taxes	$ 456,000	$ 456,000	$ 448,227	$ (7,773)
Consumers' utility tax	463,110	463,110	511,347	48,237
Utility license tax	-	-	37,040	37,040
Business license taxes	1,500,000	1,500,000	1,405,894	(94,106)
Consumption taxes	46,367	46,367	51,456	5,089
Motor vehicle licenses	91,500	91,500	99,051	7,551
Bank stock taxes	362,414	362,414	457,211	94,797
Hotel and motel room taxes	196,245	196,245	159,647	(36,598)
Restaurant food taxes	1,800,000	1,800,000	1,767,095	(32,905)
Cigarette tax	200,000	200,000	200,124	124
Total other local taxes	$ 5,115,636	$ 5,115,636	$ 5,137,092	$ 21,456
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	$ 344,810	$ 344,810	$ 142,677	$ (202,133)
Total permits, privilege fees, and regulatory licenses	$ 344,810	$ 344,810	$ 142,677	$ (202,133)
Fines and forfeitures:				
Court fines and forfeitures	$ 139,100	$ 139,100	$ 167,156	$ 28,056
Total fines and forfeitures	$ 139,100	$ 139,100	$ 167,156	$ 28,056
Revenue from use of money and property:				
Revenue from use of money	$ 250,000	$ 250,000	$ 37,192	$ (212,808)
Revenue from use of property	8,909	8,909	11,840	2,931
Total revenue from use of money and property	$ 258,909	$ 258,909	$ 49,032	$ (209,877)
Miscellaneous revenue:				
Proffers	$ -	$ -	$ 404	$ 404
Miscellaneous	79,224	79,224	147,881	68,657
Total miscellaneous revenue	$ 79,224	$ 79,224	$ 148,285	$ 69,061
Total revenue from local sources	$ 6,558,379	$ 6,558,379	$ 6,220,570	$ (337,809)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	$ 64,000	$ 64,000	$ 83,871	$ 19,871
Rolling stock tax	30	30	112	82
Communications tax	590,400	590,400	564,001	(26,399)
Personal property tax relief funds	718,492	718,492	718,492	-
Total noncategorical aid	$ 1,372,922	$ 1,372,922	$ 1,366,476	$ (6,446)
Other categorical aid:				
Litter control grant	$ 4,000	$ 4,000	$ 2,931	$ (1,069)
DJCP law enforcement grant	218,000	218,000	215,709	(2,291)
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,149,310	1,149,310	1,120,895	(28,415)
State Forfeiture Proceeds	-	-	6,918	6,918
Other	93,500	93,500	159,577	66,077
Fire program	16,200	16,200	36,553	20,353
Total other categorical aid	$ 1,486,010	$ 1,486,010	$ 1,547,583	$ 61,573
Total categorical aid	$ 1,486,010	$ 1,486,010	$ 1,547,583	$ 61,573
Total revenue from the Commonwealth	$ 2,858,932	$ 2,858,932	$ 2,914,059	$ 55,127
Revenue from the federal government:				
Transportation safety grant	$ 121,500	$ 121,500	$ 3,264	$ (118,236)
Total categorical aid	$ 121,500	$ 121,500	$ 3,264	$ (118,236)
Total revenue from the federal government	$ 121,500	$ 121,500	$ 3,264	$ (118,236)
Total General Fund	$ 9,538,811	$ 9,538,811	$ 9,137,893	$ (400,918)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Personal services	$ 77,903	$ 77,903	$ 73,208	$ 4,695
Fringe benefits	54,867	54,867	51,750	3,117
Contractual services	23,250	15,700	9,196	6,504
Other charges	29,290	29,290	24,123	5,167
Capital outlay	2,000	2,000	-	2,000
Total legislative department	$ 187,310	$ 179,760	$ 158,277	$ 21,483
Executive Department:				
Personal services	$ 133,659	$ 133,659	$ 130,120	$ 3,539
Fringe benefits	44,528	44,528	44,105	423
Contractual services	700	700	88	612
Other charges	17,398	17,398	15,580	1,818
Capital outlay	250	250	-	250
Total executive department	$ 196,535	$ 196,535	$ 189,893	$ 6,642
Legal Services:				
Personal services	$ 2,400	$ 2,400	$ 2,400	$ -
Fringe benefits	12,885	12,885	12,329	556
Contractual services	151,125	248,445	252,252	(3,807)
Other charges	7,818	7,818	4,661	3,157
Total legal services	$ 174,228	$ 271,548	$ 271,642	$ (94)
Finance Department:				
Personal services	$ 247,980	$ 247,980	$ 243,492	$ 4,488
Fringe benefits	98,316	98,316	93,083	5,233
Contractual services	33,600	29,543	36,414	(6,871)
Other charges	62,136	130,895	121,391	9,504
Capital outlay	1,000	1,000	-	1,000
Total finance department	$ 443,032	$ 507,734	$ 494,380	$ 13,354
Memberships and Dues:				
Other charges	$ 6,762	$ 6,762	$ 6,762	$ -
Total memberships and dues	$ 6,762	$ 6,762	$ 6,762	$ -
Electoral Board and Officials				
Personnel services	$ 3,050	3,464	3,464	$ -
Contractual services	125	125	105	20
Other charges	2,630	4,227	4,246	(19)
Total electoral board and officials	$ 5,805	$ 7,816	$ 7,815	$ 1
Total general government administration	$ 1,013,672	$ 1,170,155	$ 1,128,769	$ 41,386

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: Continued)				
General government administration: (Continued)				
Public safety:				
Department of Police				
Personal services	$ 1,459,708	$ 1,459,708	$ 1,540,331	$ (80,623)
Fringe benefits	467,172	467,172	456,089	11,083
Contractual services	40,755	41,250	23,324	17,926
Other charges	403,768	406,203	330,950	75,253
Capital outlay	3,000	3,955	8,182	(4,227)
Total department of police	$ 2,374,403	$ 2,378,288	$ 2,358,876	$ 19,412
Fire and Rescue Services:				
Personal services	$ 73,434	$ 73,434	$ 74,389	$ (955)
Fringe benefits	17,609	17,609	17,730	(121)
Other charges	68,620	76,589	99,392	(22,803)
Total fire and rescue services	$ 159,663	$ 167,632	$ 191,511	$ (23,879)
Bureau of Building Inspections:				
Personal services	$ 156,866	$ 156,866	$ 150,269	$ 6,597
Fringe benefits	47,120	47,120	47,771	(651)
Contractual services	3,400	4,442	3,470	972
Other charges	29,241	28,199	25,866	2,333
Capital outlay	500	500	-	500
Total bureau of building inspections	$ 237,127	$ 237,127	$ 227,376	$ 9,751
Total public safety	$ 2,771,193	$ 2,783,047	$ 2,777,763	$ 5,284
Public Works Administration:				
Personal services	$ 269,682	$ 269,682	$ 271,204	$ (1,522)
Fringe benefits	94,511	94,511	90,577	3,934
Contractual services	17,944	17,944	16,147	1,797
Other charges	49,253	49,253	36,207	13,046
Capital outlay	250	250	-	250
Total public works administration	$ 431,640	$ 431,640	$ 414,135	$ 17,505
Bureau of Street Maintenance:				
Personal services	$ 343,872	$ 343,872	$ 334,035	$ 9,837
Fringe benefits	235,951	235,951	222,858	13,093
Contractual services	2,500	2,500	1,945	555
Other charges	230,515	230,515	289,781	(59,266)
Capital outlay	6,500	6,500	5,039	1,461
Total bureau of street maintenance	$ 819,338	$ 819,338	$ 853,658	$ (34,320)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Arterial Street Maintenance:				
Personal services	$ 79,000	$ 79,000	$ 98,601	$ (19,601)
Fringe benefits	6,637	6,637	6,811	(174)
Contractual services	42,000	42,000	14,954	27,046
Other charges	91,755	92,155	109,780	(17,625)
Capital outlay	168,650	168,250	216,589	(48,339)
Total arterial street maintenance	$ 388,042	$ 388,042	$ 446,735	$ (58,693)
Collector Street Maintenance:				
Personal services	$ 60,000	$ 60,000	$ 80,196	$ (20,196)
Fringe benefits	4,055	4,055	5,563	(1,508)
Contractual services	10,000	10,000	15,800	(5,800)
Other charges	104,030	104,030	131,845	(27,815)
Capital outlay	145,013	172,013	168,206	3,807
Total collector street maintenance	$ 323,098	$ 350,098	$ 401,610	$ (51,512)
Bureau of Refuse Collection:				
Personal services	$ 191,373	$ 191,373	$ 208,680	$ (17,307)
Fringe benefits	107,716	107,716	100,754	6,962
Contractual services	5,950	5,950	1,147	4,803
Other charges	67,114	67,114	84,908	(17,794)
Total bureau of refuse collection	$ 372,153	$ 372,153	$ 395,489	$ (23,336)
Recycling Program:				
Personal services	$ 61,320	$ 61,320	$ 64,127	$ (2,807)
Fringe benefits	32,819	32,819	26,754	6,065
Contractual services	200	200	431	(231)
Other charges	24,277	24,277	24,370	(93)
Total recycling program	$ 118,616	$ 118,616	$ 115,682	$ 2,934
Maintenance, Buildings and Grounds:				
Personal services	$ 42,884	$ 42,884	$ 42,932	$ (48)
Fringe benefits	11,015	11,015	16,747	(5,732)
Contractual services	70,212	78,312	68,832	9,480
Other charges	112,540	104,440	111,238	(6,798)
Capital outlay	1,000	1,000	968	32
Total maintenance, buildings and grounds	$ 237,651	$ 237,651	$ 240,717	$ (3,066)
Total public works	$ 2,690,538	$ 2,717,538	$ 2,868,026	$ (150,488)
Health and welfare:				
Welfare/Social Services:				
Other charges	$ 89,861	$ 89,861	$ 100,441	$ (10,580)
Total welfare/social service contributions	89,861	89,861	100,441	(10,580)
Total health and welfare	$ 89,861	$ 89,861	$ 100,441	$ (10,580)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and culture:				
Maintenance, cemetery:				
Personal services	$ 69,780	$ 69,780	$ 73,907	$ (4,127)
Fringe benefits	30,543	30,543	26,808	3,735
Contractual services	2,100	3,103	3,094	9
Other charges	19,901	18,898	11,965	6,933
Total maintenance, cemetery	$ 127,324	$ 127,324	$ 115,774	$ 11,550
Cultural enrichment:				
Other charges	$ 27,500	$ 27,500	$ 29,033	$ (1,533)
Total cultural enrichment	$ 27,500	$ 27,500	$ 29,033	$ (1,533)
Total parks, recreation, and cultural	$ 154,824	$ 154,824	$ 144,807	$ 10,017
Community development:				
Planning and Zoning Department				
Personal services	$ 228,589	$ 228,915	$ 231,094	$ (2,179)
Fringe benefits	64,575	64,575	63,170	1,405
Contractual services	34,700	33,200	37,242	(4,042)
Other charges	112,055	110,591	87,629	22,962
Capital outlay	3,100	3,146	1,051	2,095
Total planning and zoning department	$ 443,019	$ 440,427	$ 420,186	$ 20,241
Zoning Appeals Board:				
Personal services	$ 500	$ 500	$ -	$ 500
Fringe benefits	38	38	-	38
Contractual services	1,000	1,000	1,810	(810)
Other charges	775	775	37	738
Total zoning appeals board	$ 2,313	$ 2,313	$ 1,847	$ 466
Architectural Review Board:				
Personal services	$ 1,000	$ 1,000	$ 550	$ 450
Fringe benefits	77	77	42	35
Contractual services	1,800	1,800	2,260	(460)
Other charges	1,550	1,550	1,124	426
Total architectural review board	$ 4,427	$ 4,427	$ 3,976	$ 451
Total community development	$ 449,759	$ 447,167	$ 426,009	$ 21,158
Capital projects:				
Capital outlay	$ 199,000	$ 277,277	$ 231,128	$ 46,149
Total capital projects	$ 199,000	$ 277,277	$ 231,128	$ 46,149
Total General Fund	$ 7,368,847	$ 7,639,869	$ 7,676,943	$ (37,074)

Schedule of Revenues, Expenses and Changes in Net Assets
Water and Sewer Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	$ 2,456,396	$ 2,456,396	$ 2,398,827	$ (57,569)
Sale of water	1,278,316	1,278,316	1,261,498	(16,818)
Late payment charges	39,344	39,344	41,623	2,279
Installation fees	12,000	12,000	14,693	2,693
Transfer fees	11,000	11,000	8,206	(2,794)
Reconnection fees	10,942	10,942	4,400	(6,542)
Total sale of services, commodities and properties	$ 3,807,998	$ 3,807,998	$ 3,729,247	$ (78,751)
Miscellaneous revenue:				
Miscellaneous receipts	$ 24,300	$ 24,300	$ 24,687	$ 387
Total miscellaneous revenue	$ 24,300	$ 24,300	$ 24,687	$ 387
Total operating revenue	$ 3,832,298	$ 3,832,298	$ 3,753,934	$ (78,364)
Operating Expenses:				
Source of supply:				
Personal services	$ 335,999	$ 335,999	$ 331,782	$ 4,217
Fringe benefits	120,173	120,173	129,413	(9,240)
Contractual services	103,365	103,365	93,156	10,209
Other charges	343,724	343,724	281,094	62,630
Total source of supply	$ 903,261	$ 903,261	$ 835,445	$ 67,816
Transmission and distribution:				
Personal services	$ 310,781	$ 310,781	$ 279,589	$ 31,192
Fringe benefits	143,881	143,881	130,571	13,310
Contractual services	15,823	15,823	2,151	13,672
Other charges	115,536	115,536	15,476	100,060
Total transmission and distribution	$ 586,021	$ 586,021	$ 427,787	$ 158,234
Meter reading:				
Personal services	$ 89,223	$ 89,223	$ 94,423	$ (5,200)
Fringe benefits	50,945	50,945	48,287	2,658
Contractual services	8,162	12,662	2,349	10,313
Other charges	68,110	68,110	23,296	44,814
Total meter reading	$ 216,440	$ 220,940	$ 168,355	$ 52,585
Wastewater Treatment Operation:				
Personal services	$ 492,099	$ 492,099	$ 490,745	$ 1,354
Fringe benefits	166,661	166,661	164,595	2,066
Contractual services	150,555	174,555	195,856	(21,301)
Other charges	674,579	670,579	588,288	82,291
Total wastewater treatment operation	$ 1,483,894	$ 1,503,894	$ 1,439,484	$ 64,410

Schedule of Revenues, Expenses and Changes in Net Assets
Water and Sewer Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personal services	$ 429,251	$ 429,251	$ 407,756	$ 21,495
Fringe benefits	159,588	159,588	141,091	18,497
Contractual services	84,575	113,300	68,516	44,784
Other charges	92,782	119,633	105,274	14,359
Capital outlays	500	500	397	103
Total public utilities administration	$ 766,696	$ 822,272	$ 723,034	$ 99,238
Wastewater Treatment Operation: (continued)				
Capital Outlay:				
Machinery & equipment	$ 75,000	$ 42,400	$ 43,275	$ (875)
Water plant improvements	185,000	1,526,526	-	1,526,526
Sewer plant improvements	150,000	1,060,557	3,679	1,056,878
Sewer line rehabilitation	-	112,000	14,898	97,102
Cedar Run pump station	-	5,194	-	5,194
Total capital outlay	$ 410,000	$ 2,746,677	$ 61,852	$ 2,684,825
Depreciation	$ -	$ -	$ 1,085,279	$ (1,085,279)
Total operating expenses	$ 4,366,312	$ 6,783,065	$ 4,741,236	$ 2,041,829
Net operating income (loss)	$ (534,014)	$ (2,950,767)	$ (987,302)	$ (1,963,465)
Non-operating revenues (expenses):				
Interest revenue	$ 95,000	$ 95,000	$ 15,701	$ 79,299
Rental revenue	132,000	132,000	130,113	1,887
Capital contributions	496,063	496,063	765,831	(269,768)
Federal grant revenue	-	-	215,204	(215,204)
Net non-operating revenues (expenses)	$ 723,063	$ 723,063	$ 1,126,849	$ (403,786)
Net income (loss) before operating transfers	$ 189,049	$ (2,227,704)	$ 139,547	$ (2,367,251)
Net income (loss)	$ 189,049	$ (2,227,704)	$ 139,547	$ (2,367,251)
Net income (loss)	$ 189,049	$ (2,227,704)	$ 139,547	$ (2,367,251)
Net assets, beginning of year	(189,049)	2,227,704	31,419,777	(29,192,073)
Net assets, end of year	$ -	$ -	$ 31,559,324	$ (31,559,324)

Schedule of Changes in Reserved for Construction Fund Balances
General Fund
For the Year Ended June 30, 2010

	Balances July 1, 2009	Transfers In	Transfers Out	Balances June 30, 2010
ARB Printing	$ 1,800	$ -	$ -	$ 1,800
Adelphia	41,000	-	-	41,000
Business directional sign	3,100	-	-	3,100
Cemetery street improvement	5,000	-	-	5,000
Cemetery Pmts on Contract	8,600	-	-	8,600
Comprehensive Plan	42,070	-	12,730	29,340
Data processing equipment	29,087	-	29,087	-
Drainage projects	62,936	-	62,936	-
Driveway culvert Evans	5,400	-	-	5,400
Driveway culverts	8,642	-	-	8,642
Elections	5,550	-	2,011	3,539
Fire/Rescue	50,890	-	7,969	42,921
Finance special project help	13,705	-	-	13,705
Haiti St. sidewalk	23,400	-	-	23,400
Highland Proffers	94,952	286	-	95,238
Legal Fees	71,859	-	71,859	-
Light installation	21,701	-	-	21,701
Microfilm records	17,077	1,050	-	18,127
Old Town Signage	5,000	-	-	5,000
P&CD travel and training	-	2,592	-	2,592
Park site improvements	9,000	-	-	9,000
Parking lot improvements	3,760	-	-	3,760
Parking Project	350,000	-	-	350,000
Parks Maint. Contr. Repair	47,489	-	-	47,489
Planning department printing	9,738	-	-	9,738
Playground equipment	5,500	-	-	5,500
Printing handbooks	4,548	3,558	-	8,106
Professional services - data processing	49,672	-	39,672	10,000
Professional services - planning	40,152	-	18,732	21,420
Public safety day funds	-	2,692	-	2,692
Repairs municipal building	7,695	47,187	-	54,882
Repairs to other buildings	58,293	-	41,909	16,384
Shirley avenue drainage	53,431	-	53,431	-
Sidewalk construction	45,381	-	-	45,381
Sidewalk curb and gutter	54,634	-	-	54,634
Storm sewers	190,200	-	10,000	180,200
State asset forfeiture proceeds	1,005	6,251	-	7,256
Street improvements/painting	272,817	-	27,000	245,817
SWMM upgrade	15,000	-	-	15,000
Town 2010 Birthday	7,500	5,000	-	12,500
Traffic Signal	65,000	-	65,000	-
VDO Bike Pedistrian Safety program	135,000	155,000	-	290,000
VDOT Urban Project	8,234	-	-	8,234
Visitor Center	16,824	-	-	16,824
Warrenton Heritage Day Mosby	1,500	1,500	-	3,000
Wharehouse improvements	2,882	-	1,350	1,532
Totals	$ 1,967,024	$ 225,116	$ 443,686	$ 1,748,454

Schedule of Changes in Restricted Net Assets
Water and Sewer Fund
For the Year Ended June 30, 2010

	Balances July 1, 2009	Transfers In	Transfers Out	Balances June 30, 2010
Caustic feed system	$ 51,834	$ -	$ -	$ 51,834
Culpeper Street water line	19,748	-	-	19,748
Data processing equipment	25,558	-	25,558	-
Furniture and fixtures	1,315	-	-	1,315
I & I	199,800	-	-	199,800
Lift station upgrade	60,720	-	20,000	40,720
Lines and services	722,067	-	164,896	557,171
Machinery and equipment meters	-	32,600	-	32,600
Professional services - data processing	1,293	-	1,293	-
Professional services - administrative	5,400	-	-	5,400
Sewer plant improvements	1,544,095	-	142,510	1,401,585
Sewer plant improvements-ammonia	151,179	-	151,179	-
Sewer rehabilitation	567,816	-	111,999	455,817
Rady Park Pump Station Upgrade	557,035	-	-	557,035
Warrenton Training Center	299,935	944	-	300,879
Water plant improvements	1,004,723	-	1,004,723	-
Totals	$ 5,212,518	$ 33,544	$ 1,622,158	$ 3,623,904

Schedule of Changes in Restricted Net Assets
Recreation Fund
For the Year Ended June 30, 2010

	Balances July 1, 2009	Transfers In	Transfers Out	Balances June 30, 2010
Academy Hill Park	$ 65,000	$ -	$ -	$ 65,000
Park site improvement	10,069	-	2,398	7,671
Gay Road Park	35,000	-	-	35,000
Recreation proffers	201,180	-	-	201,180
Academy recreation proffers	59,500	-	-	59,500
Steam mitigation	380,420	-	-	380,420
F&F aquatic center	380,173	-	46,500	333,673
Rady Park	-	1,164	-	1,164
Rt. 211 access/parking	209,093	-	-	209,093
Signage Waterloo & Rt. 211	45,000	-	-	45,000
Playground equipment	1,000	-	-	1,000
Warrenton Greenway depot park	25,795	-	-	25,795
Warf Construction	533,079	-	-	533,079
Recreation center concession/restroom	380,000	-	-	380,000
Totals	$ 2,325,309	$ 1,164	$ 48,898	$ 2,277,575

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Statistical Section

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the the Town's financial performance and well-being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	5-9
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.	10-13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	14-15
Operating Information These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.	16-18

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

TOWN OF WARRENTON, VIRGINIA

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

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

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

Table 1

2006	2007	2008	2009	2010
$ 27,888,659	$ 27,860,169	$ 28,706,827	$ 29,729,797	$ 28,743,572
2,046,436	1,917,160	2,091,437	1,979,763	2,337,344
12,794,906	2,449,220	4,355,709	6,279,976	4,872,176
$ 42,730,001	$ 32,226,549	$ 35,153,973	$ 37,989,536	$ 35,953,092
$ 17,155,045	$ 33,900,479	$ 37,819,911	$ 41,495,789	$ 40,943,440
11,713,744	4,646,949	6,313,531	4,824,596	5,901,479
7,738,868	12,431,093	8,042,010	5,872,394	6,380,206
$ 36,607,657	$ 50,978,521	$ 52,175,452	$ 52,192,779	$ 53,225,125
$ 45,043,704	$ 61,760,648	$ 66,526,738	$ 71,225,586	$ 69,687,012
13,760,180	6,564,109	8,404,968	6,804,359	8,238,823
20,533,774	14,880,313	12,397,719	12,152,370	11,252,382
$ 79,337,658	$ 83,205,070	$ 87,329,425	$ 90,182,315	$ 89,178,217

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

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	$ 801,322	$ 865,020	$ 841,326	$ 937,279	$ 1,060,596	$ 853,933	$ 926,615	$ 1,161,655
Public safety	2,010,689	2,044,514	2,162,210	2,444,376	2,504,495	2,856,414	2,731,817	2,894,544
Public works	2,872,899	2,425,711	2,900,194	3,111,121	3,196,533	1,813,751	1,742,009	3,927,356
Health and welfare	58,350	60,986	72,096	96,765	94,945	101,427	95,851	100,441
Parks, recreation and cultural	251,035	165,968	52,562	149,936	135,169	380,447	147,141	145,439
Community development	429,669	407,819	445,378	508,498	455,345	561,837	552,783	446,757
Interest on long-term debt	2,492	94	-	-	-	-	-	-
Total governmental activities expenses	$ 6,426,456	$ 5,970,112	$ 6,473,766	$ 7,247,975	$ 7,447,083	$ 6,567,809	$ 6,196,216	$ 8,676,192
Business-type activities:								
Water and sewer	$ 3,832,591	$ 3,842,061	$ 3,757,536	$ 4,058,266	$ 4,364,123	$ 4,570,230	$ 4,912,376	$ 4,741,236
Parks and recreation	-	-	-	4,623	589,436	1,772,884	2,034,786	2,602,184
Total business-type activities expenses	$ 3,832,591	$ 3,842,061	$ 3,757,536	$ 4,062,889	$ 4,953,559	$ 6,343,114	$ 6,947,162	$ 7,343,420
Total primary government expenses	$ 10,259,047	$ 9,812,173	$ 10,231,302	$ 11,310,864	$ 12,400,642	$ 12,910,923	$ 13,143,378	$ 16,019,612
Program Revenues								
Governmental activities:								
Charges for services:								
Public safety	$ 155,070	$ 206,823	$ 134,871	$ 128,732	$ 139,433	$ 119,517	$ 196,490	$ 167,156
Public works	-	-	-	-	-	-	-	142,677
Community development	-	253,742	375,753	390,132	321,791	153,220	150,781	-
Operating grants and contributions	1,014,166	2,405,588	1,119,543	1,291,284	1,361,666	1,476,243	1,516,783	1,550,847
Capital grants and contributions	-	2,221,275	5,731,845	7,227,348	1,666,057	-	-	-
Total governmental activities program revenues	$ 1,169,236	$ 5,087,428	$ 7,362,012	$ 9,037,496	$ 3,488,947	$ 1,748,980	$ 1,864,054	$ 1,860,680
Business-type activities:								
Charges for services:								
Water and sewer	$ 3,518,907	$ 3,643,950	$ 3,695,420	$ 3,916,771	$ 4,091,748	$ 3,928,840	$ 3,683,359	$ 3,753,934
Parks and recreation	-	-	-	-	-	623,608	877,634	1,003,989
Capital grants and contributions	5,320,575	1,791,625	2,127,048	1,735,377	792,065	1,250,165	2,202,277	981,035
Total business-type activities program revenues	$ 8,839,482	$ 5,435,575	$ 5,822,468	$ 5,652,148	$ 4,883,813	$ 5,802,613	$ 6,763,270	$ 5,738,958
Total primary government program revenues	$ 10,008,718	$ 10,523,003	$ 13,184,480	$ 14,689,644	$ 8,372,760	$ 7,551,593	$ 8,627,324	$ 7,599,638
Net (expense) / revenue								
Governmental activities	$ (5,257,220)	$ (882,684)	$ 888,246	$ 1,789,521	$ (3,958,136)	$ (4,818,829)	$ (4,332,162)	$ (6,815,512)
Business-type activities	5,006,891	1,593,514	-	1,589,259	(69,746)	(540,501)	(183,892)	(1,604,462)
Total primary government net expense	$ (250,329)	$ 710,830	$ 888,246	$ 3,378,780	$ (4,027,882)	$ (5,359,330)	$ (4,516,054)	$ (8,419,974)

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	$ 595,516	$ 631,535	$ 727,907	$ 713,802	$ 554,281	$ 663,543	$ 620,168	$ 562,348
Other local taxes	4,884,107	-	-	-	-	-	-	-
Local sales and use tax	-	390,691	458,976	519,031	542,586	509,630	461,030	448,227
Consumer's utility tax	-	896,993	1,010,520	952,708	994,325	462,750	458,357	511,347
Business license tax	-	1,023,571	1,123,373	1,400,230	1,653,232	1,338,059	1,248,770	1,405,894
Restaurant food tax	-	1,494,046	1,561,380	1,632,434	1,775,493	1,749,075	1,816,416	1,767,095
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
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
Permits, privilege fees, and regulatory licenses	255,724	-	-	-	-	-	-	-
Unrestricted grants and contributions	641,418	748,819	805,549	835,666	-	-	-	-
Unrestricted revenues from use of money and property	259,302	105,694	314,013	625,169	778,520	432,507	255,025	50,696
Miscellaneous	112,894	142,685	253,183	265,957	22,532	109,047	27,049	148,285
Gain/loss on disposal of capital assets	-	(2,977)	-	-	-	-	-	-
Unrestricted grants and contributions					814,922	786,652	795,668	1,366,476
Transfers	-	-	-	(5,826,014)	-	-	-	(1,331,819)
Total governmental activities	$ 6,748,961	$ 6,808,456	$ 7,184,637	$ 2,207,341	$ 8,149,113	$ 7,560,445	$ 7,167,725	$ 5,933,078
Business-type activities:								
Unrestricted grants and contributions	$ -	$ 299,000	$ 2,064,932	$ -	$ -	$ -	$ -	$ -
Unrestricted revenues from use of money and property	229,401	240,345	363,492	533,634	746,081	497,567	76,032	15,701
Miscellaneous	33,635	10,723	193,803	132,633	228,613	128,891	125,187	130,113
Transfers	-	-	-	5,826,014	-	-	-	1,331,819
Total business-type activities	$ 263,036	$ 550,068	$ 2,622,227	$ 6,492,281	$ 974,694	$ 626,458	$ 201,219	$ 1,477,633
Total primary government	$ 7,011,997	$ 7,358,524	$ 9,806,864	$ 8,699,622	$ 9,123,807	$ 8,186,903	$ 7,368,944	$ 7,410,711
Change in Net Assets								
Governmental activities	$ 1,491,741	$ 5,925,772	$ 8,072,883	$ 3,996,862	$ 4,190,977	$ 2,741,616	$ 2,835,563	$ (882,434)
Business-type activities	5,269,927	2,143,582	2,622,227	8,081,540	904,948	85,957	17,327	(126,829)
Total primary government	$ 6,761,668	$ 8,069,354	$ 10,695,110	$ 12,078,402	$ 5,095,925	$ 2,827,573	$ 2,852,890	$ (1,009,263)

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

TOWN OF WARRENTON, VIRGINIA

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

	2001	2002	2003	2004	2005
General fund					
Reserved	$ 3,016,433	$ 2,560,828	$ 1,442,840	$ 6,259,158	$ 5,492,318
Unreserved	5,678,717	5,898,956	8,213,270	6,558,977	8,749,616
Total general fund	$ 8,695,150	$ 8,459,784	$ 9,656,110	$ 12,818,135	$ 14,241,934
All other governmental funds					
Reserved					
Unreserved, reported in:					
Capital projects funds	$ -	$ -	$ -	$ 125,470	$ -
Permanent funds	-	494,443	498,896	498,908	508,743
Total all other governmental funds	$ -	$ 494,443	$ 498,896	$ 624,378	$ 508,743

Table 3

2006	2007	2008	2009	2010
$ 596,659	$ 1,361,700	$ 1,361,700	$ 1,392,537	$ 1,748,454
13,885,546	2,677,795	4,720,859	6,522,659	5,141,861
$ 14,482,205	$ 4,039,495	$ 6,082,559	$ 7,915,196	$ 6,890,315
$ -	$ -	$ -	$ -	$ -
528,712	555,460	577,886	587,226	588,890
$ 528,712	$ 555,460	$ 577,886	$ 587,226	$ 588,890

TOWN OF WARRENTON, VIRGINIA

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

	2001	2002	2003	2004
Revenues				
General property taxes	$ 1,211,312	$ 605,363	$ 570,204	$ 649,312
Other local taxes	4,191,058	4,695,289	4,884,107	5,182,700
Permits, privilege fees and regulatory licenses	214,220	273,780	255,724	323,960
Fines and forfeitures	73,808	88,950	155,070	136,605
Revenue from use of money and property	458,405	229,157	259,302	105,694
Miscellaneous	942,784	379,256	40,596	85,460
Recovered costs	24,285	22,377	72,298	57,225
Intergovernmental:				
Local government	-	-	-	1,357,540
Commonwealth	1,271,559	1,527,205	1,623,410	1,785,002
Federal	4,770	11,749	32,174	11,865
Total revenues	$ 8,392,201	$ 7,833,126	$ 7,892,885	$ 9,695,363
Expenditures				
General government administration	$ 788,901	$ 831,332	$ 765,865	$ 837,312
Public safety	1,938,025	1,839,211	1,973,466	1,956,619
Public works	1,968,878	2,151,562	2,005,221	1,836,982
Contributions	153,911	191,664	207,671	204,369
Parks, recreation and cultural	19,989	-	-	-
Community development	494,974	436,114	438,994	403,547
Non-departmental	-	-	19,900	12,500
Capital projects	476,872	2,127,027	1,322,262	1,151,423
Debt service:				
Principal	48,159	59,864	68,225	5,004
Interest and other fiscal charges	7,804	6,055	2,492	100
Total expenditures	$ 5,897,513	$ 7,642,829	$ 6,804,096	$ 6,407,856
Excess of revenues over (under) expenditures	$ 2,494,688	$ 190,297	$ 1,088,789	$ 3,287,507
Other financing sources (uses)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	(425,663)	-	-
Proceeds from indebtedness	181,259	-	-	-
Total other financing sources (uses)	$ 181,259	$ (425,663)	$ -	$ -
Net change in fund balances	$ 2,675,947	$ (235,366)	$ 1,088,789	$ 3,287,507
Debt service as a percentage of noncapital expenditures	1.04%	1.21%	1.31%	0.10%

2005	2006	2007	2008	2009	2010
$ 744,748	$ 722,808	$ 627,637	$ 624,841	$ 628,812	$ 576,328
5,083,985	5,592,761	5,978,858	5,568,696	5,469,815	5,137,092
375,753	390,132	321,791	153,220	196,490	142,677
134,871	128,732	139,433	119,517	150,781	167,156
314,013	625,169	778,520	432,507	255,025	50,696
219,696	266,831	40,698	109,047	27,049	148,285
33,489	23,151	13,487	108,530	-	-
-	-	-	-	-	-
1,924,592	2,110,717	2,162,466	2,220,020	2,309,451	2,914,059
500	613,581	42,179	42,875	3,000	3,264
$ 8,831,647	$ 10,473,882	$ 10,105,069	$ 9,379,253	$ 9,040,423	$ 9,139,557
$ 837,721	$ 835,842	$ 973,880	$ 918,002	$ 946,907	$ 1,128,769
2,063,730	2,365,107	2,398,000	2,722,646	2,620,108	2,777,763
2,217,748	2,191,932	2,263,115	2,378,910	2,668,694	2,868,026
72,096	96,765	94,945	101,427	95,851	100,441
148,550	206,123	135,640	382,002	142,506	144,807
433,713	504,741	508,735	539,165	524,919	426,009
675	-	-	-	-	-
1,749,250	986,852	680,800	457,419	199,461	231,128
-	-	-	-	-	-
-	-	-	-	-	-
$ 7,523,483	$ 7,187,362	$ 7,055,115	$ 7,499,571	$ 7,198,446	$ 7,676,943
$ 1,308,164	$ 3,286,520	$ 3,049,954	$ 1,879,682	$ 1,841,977	$ 1,462,614
$ -	$ 3,000,000	$ -	$ -	$ -	$ -
-	(8,826,014)	(13,465,916)	-	-	(1,331,819)
-		-	-	-	-
$ -	$ (5,826,014)	$ (13,465,916)	$ -	$ -	$ (1,331,819)
$ 1,308,164	$ (2,539,494)	$ (10,415,962)	$ 1,879,682	$ 1,841,977	$ 130,795
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year	Real Estate	Direct Tax Rate	Personal Property	Direct Tax Rate	Mobile Homes	Machinery and Tools	Public Service	Total Taxable Assessed Value
2010	$ 1,376,237,100	$ 0.015	$ 88,172,640	$ 1.00	$ -	$ 407,578	$ 28,221,981	$ 1,493,039,299
2009	1,767,638,600	0.015	93,472,804	1.00	-	587,884	28,291,208	1,889,990,496
2008	1,758,591,700	0.150	94,289,760	1.00	-	625,632	27,784,639	1,881,291,731
2007	1,726,834,100	0.015	94,049,306	1.00	-	251,503	26,702,670	1,847,837,579
2006	1,702,213,900	0.015	87,009,001	1.00	-	301,061	15,115,823	1,804,639,785
2005	803,093,350	0.030	75,359,990	1.00	-	389,476	18,765,767	897,608,583
2004	754,879,500	0.030	72,564,642	1.00	-	405,195	33,632,102	861,481,439
2003	701,853,350	0.030	64,202,242	1.00	-	560,712	24,056,439	790,672,743
2002	591,875,900	0.050	57,788,410	1.00	1,111	360,911	22,395,310	672,421,642
2001	502,120,502	0.120	50,952,693	2.25	4,300	400,064	21,730,034	575,207,593

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	Mobile Homes	Machinery and Tools	Real Estate	Personal Property
2010	$ 0.015	$ 1.00	$ N/A	$ 1.00	$ 0.97	$ 4.65
2009	0.015	1.00	N/A	1.00	0.765	4.65
2008	0.015	1.00	N/A	1.00	0.645	4.65
2007	0.015	1.00	N/A	1.00	0.645	4.65
2006	0.015	1.00	N/A	1.00	0.645	4.65
2005	0.03	1.00	N/A	1.00	0.99	4.65
2004	0.03	1.00	N/A	1.00	0.99	4.65
2003	0.03	1.00	N/A	1.00	0.99	4.65
2002	0.05	1.00	N/A	1.00	1.06	4.65
2001	0.12	2.25	0.18	2.25	1.06	4.65

(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
2010	$ 576,328	$ 448,227	$ 562,803	$ 494,251	$ -	$ 1,767,095
2009	628,812	461,030	504,906	417,266	561,660	1,816,416
2008	624,841	509,630	519,509	369,113	618,169	1,749,075
2007	627,637	542,586	1,042,580	473,713	-	1,775,493
2006	722,808	519,031	998,881	522,854	-	1,632,434
2005	744,748	458,976	1,056,076	381,368	-	1,561,380
2004	649,312	390,691	938,384	880,875	-	1,494,046
2003	570,204	332,040	907,930	783,908	-	1,366,248
2002	605,363	293,596	964,261	669,381	-	1,289,265
2001	1,211,312	275,335	912,010	529,008	-	1,082,000

(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.

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

Transient Occupancy Tax	Business Licenses	Motor Vehicle Licenses	Motor Vehicle Rental Tax (3)	Cigarette Tax	Total
$ 159,647	$ 1,405,894	$ 99,051	$ -	$ 200,124	$ 5,713,420
174,398	1,248,770	96,245	-	189,124	6,098,627
151,272	1,338,059	91,454	-	222,415	6,193,537
197,870	1,653,232	96,189	-	197,195	6,606,495
206,274	1,400,230	100,905	-	212,152	6,315,569
185,405	1,123,373	91,990	113,742	225,417	5,942,475
132,663	1,023,571	91,278	87,384	231,192	5,919,396
105,536	1,017,011	139,315	76,742	232,119	5,531,053
112,318	987,283	132,298	73,334	246,887	5,373,986
121,620	923,169	129,051	66,588	218,865	5,468,958

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2010 2009 Assessed Valuation	Fiscal Year 2010 % of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	$ 29,666,400	2.11%
Warrenton Development Co	Developer	18,774,000	1.34%
Saul Holdings	N/A	18,530,400	1.32%
Walmart	Retail Store	16,389,800	1.17%
Warrenton Village	Shopping Center	14,379,700	1.02%
Warrenton Professional Center	Health Care Provider	11,724,400	0.83%
Verizon	Utility	11,097,473	0.79%
Virginia Electric	Utility	10,605,267	0.75%
Kalis Holdings	Shopping Center	10,372,800	0.74%
Sears	Retail Store	10,298,500	0.73%
		$ 151,838,740	10.80%

Source: Commissioner of Revenue

N/A - Not Available

Taxpayer	Type Business	Fiscal Year 2001 2000 Assessed Valuation	Fiscal Year 2001 % of Total Assessed Valuation
Jefferson Associates	Shopping Center	$ 23,107,100	4.50%
Bell Atlantic-Virginia Inc	Utility	12,682,890	2.52%
Warrenton Development Co	Developer	9,613,500	1.91%
Troy CMBS Property LLC	Shopping Center	6,590,700	1.30%
Highland Commons LP	Developer	6,021,000	1.19%
Dominion Power	Utility	5,701,116	1.13%
Warrenton Town Centre Assoc	Shopping Center	5,539,900	1.10%
Warrenton Professional Center	Health Care Provider	5,098,600	1.01%
Mildred M. Fletcher	Rental Properties	4,494,200	0.89%
The Fauquier Bank	Financial Institution	4,227,400	0.84%
		$ 83,076,406	16.39%

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
2010	$ 1,283,322	$ 1,250,045	97.41%	$ -	$ 1,250,045	97.41%
2009	1,346,551	1,305,936	96.98%	15,576	1,321,512	98.14%
2008	1,330,126	1,298,822	97.65%	15,484	1,314,306	98.81%
2007	1,313,459	1,284,836	97.82%	16,684	1,301,520	99.09%
2006	1,471,680	1,394,045	94.72%	58,766	1,452,811	98.72%
2005	1,300,387	1,240,510	95.40%	30,182	1,270,692	97.72%
2004	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%
2003	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%
2002	1,051,396	1,005,877	95.67%	36,813	1,042,690	99.17%
2001	1,470,335	1,403,690	95.47%	45,866	1,449,556	98.59%

Source: Department of Finance & Human Resources

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases	General Obligation Bonds	Capital Leases			
2010	$ -	$ 9,085,000	$ -	$ 9,085,000	*	1,003
2009	-	9,325,000	-	9,325,000	2.07%	1,050
2008	-	9,555,000	-	9,555,000	2.27%	1,110
2007	-	9,775,000	-	9,775,000	3.30%	1,131
2006	-	9,775,000	-	9,775,000	3.30%	1,131
2005	-	-	-	-	0.00%	-
2004	-	-	-	-	0.00%	-
2003	5,010	3,375,000	3,323	3,383,333	1.94%	456
2002	73,235	3,990,000	8,122	4,071,357	2.15%	542
2001	133,099	4,600,000	-	4,733,099	2.82%	710

* Unavailable

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

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

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

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)
2010	$ 9,085,000	$ -	$ 9,085,000	0.61%	1,003
2009	9,325,000	-	9,325,000	0.49%	1,050
2008	9,555,000	-	9,555,000	0.51%	1,110
2007	9,775,000	-	9,775,000	0.53%	1,131
2006	9,775,000	-	9,775,000	0.54%	1,131
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2003	3,375,000	-	3,375,000	0.43%	455
2002	3,990,000	-	3,990,000	0.59%	531
2001	4,600,000	-	4,600,000	0.80%	690

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

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Town of Warrenton	102,255,000	14%	$ 14,315,700
Subtotal, overlapping debt			
Town of Warrenton, direct debt			-
Total direct and overlapping debt			$ 14,315,700

Source: County of Fauquier June 30, 2010 Comprehensive Annual Finanacial 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

	2001	2002	2003	2004	2005
Debt limit	$ 52,385,054	$ 59,187,590	$ 70,185,335	$ 75,487,950	$ 89,760,858
Total net debt applicable to limit	4,600,000	3,990,000	3,375,000	-	9,775,000
Legal debt margin	$ 47,785,054	$ 55,197,590	$ 66,810,335	$ 75,487,950	$ 79,985,858
Total net debt applicable to the limit as a percentage of debt limit	8.78%	6.74%	4.81%	0.00%	10.89%

2006	2007	2008	2009	2010
$ 180,463,979	$ 184,783,758	$ 188,129,173	$ 188,999,050	$ 149,303,930
9,775,000	9,775,000	9,555,000	9,325,000	9,085,000
$ 170,688,979	$ 175,008,758	$ 178,574,173	$ 179,674,050	$ 140,218,930
5.42%	5.29%	5.08%	4.93%	6.08%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	$ 1,493,039,299
Add back: exempt real property	-
Total assessed value	$ 1,493,039,299
Debt limit (10% of total assessed value)	$ 149,303,930
Net debt applicable to limit	9,085,000
Legal debt margin	$ 140,218,930

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy-ment Rate
2010	9,059	$ *	$ *	40	1,581	5.60%
2009	8,877	451,430,958	50,854	38	1,535	5.40%
2008	8,606	421,169,034	48,939	38	1,501	3.50%
2007	8,639	296,447,285	34,315	39	1,496	2.50%
2006	8,639	296,447,285	34,315	38	1,515	2.50%
2005	8,269	283,750,735	34,315	38	1,418	2.80%
2004	8,174	192,514,048	23,552	38	1,297	2.10%
2003	7,413	174,590,976	23,552	38	1,220	2.90%
2002	7,517	189,435,917	25,201	38	1,090	2.80%
2001	6,670	168,090,670	25,201	38	1,051	1.30%

* Unavailable

Souce: Weldon Cooper Center, www.fedstats.gov

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2010			Fiscal Year 2001		
Employer	Employees	Rank	% of Total Town Employment	Employees	Rank	% of Total Town Employment
Fauquier County School Board	1,922	1	5.00%	-		0.00%
Fauquier Hospital	1,100	2	2.86%	-		0.00%
County of Fauquier	653	3	1.70%	-		0.00%
Wal Mart	250	4	0.65%	-		0.00%
Town of Warrenton	203	5	0.53%	-		0.00%
Fauquier Bank	175	6	0.45%	-		0.00%
Warrenton Overlook Health	150	7	0.39%	-		0.00%
Giant	120	8	0.31%	-		0.00%
Home Depot	105	9	0.27%	-		0.00%
Safeway	100	10	0.26%	-		0.00%
Totals	4,778		12.42%	-		0.00%

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

Note: The information for 2001 was not available.

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General and Financial Administration	6	6	6	6	5	6	6	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	24	24	24	25	24	25	25	27	25	27
Fire & rescue	1	1	1	1	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	21	21	21	21	22	22	22	22	21	21
Administration	4	4	4	4	5	5	5	5	5	5
Culture and recreation										
Parks - cemetery maintenance	2	2	2	1	1	1	1	1	2	2
Planning & Community development	5	5	5	5	5	5	5	5	5	4
Water and Sewer										
Water	15	15	15	15	15	16	16	16	16	15
Wastewater	9	9	9	9	9	9	9	9	8	8
Administration	6	6	6	6	6	7	7	7	4	7
Motor Pool	3	3	3	3	2	2	2	2	2	2
Parks & Recreation	0	0	0	0	0	0	3	3	3	3
Totals	97	97	97	97	97	101	104	106	101	104

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police department: (Calendar Year)										
Physical arrests	471	475	503	513	539	703	397	172	358	430
Traffic violations	1,172	1,786	1,154	906	1,078	1,567	1,615	1,848	2,696	5,360
Fire and rescue:										
Number of calls answered	-	-	-	-	-	-	1,628	1,840	3,972	2,435
Building inspections:										
Permits issued	-	-	552	578	611	521	573	607	676	382
Public works										
Refuse collected (tons/year)	3,303	3,453	3,598	3,879	4,187	4,085	4,289	4,138	3,930	3,825
Recycling (tons/year)	2,386	2,293	1,456	2,990	1,632	1,664	1,747	728	880	783
Community development										
Planning:										
Zoning permits issued	-	-	-	156	183	186	189	267	168	155

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	16	16	16	16	16	16	18	18	18	18
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	2	2
Highway and Streets										
Streets (miles)	80	82.8	85.16	85.16	85.16	85.5	87.16	86.76	86.37	86.49
Streetlights	634	645	645	645	695	758	770	770	770	770
Traffic Signals	4	4	4	4	6	7	8	8	8	10
Culture and Recreation										
Parks acreage	18.44	18.44	18.44	23.69	23.69	88.69	88.69	88.69	88.69	88.69
Parks	3	3	3	4	4	5	5	5	5	5
Water										
Water mains (miles)	73	74	76.24	69.7	69.7	72.5	73.24	82.4	82.4	84
Fire Hydrants	549	560	578	578	578	623	635	681	681	690
Sewer										
Sanitary sewers	55	56	58.56	58.56	58.56	58.56	58.56	63.2	63.2	63.2
Storm sewers (miles)	11.62	14.62	15.31	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, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting:

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

A 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

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

We noted certain other matters that we reported to management of the Town of Warrenton, Virginia in a separate letter dated November 27, 2010.

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 27, 2010