

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015



TOWN OF WARRENTON, VIRGINIA

TOWN OF WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Prepared By
TOWN OF WARRENTON FINANCE DEPARTMENT

Town of Warrenton, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

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Town of Warrenton, Virginia

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2015

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Town of Warrenton, Virginia

Principal Town Officials

Town Council		
Jerry Wood		Yakir M. Lubowsky
	Powell Duggan, Mayor	
Joan R. Williams		Sean Polster
	Linda Reynolds, Vice Mayor	
Robert Kravetz		John S. Lewis
Town Manager		
Brannon Godfrey		
Town Attorney		
Whitson W. Robinson		
Officials		
Town Recorder Evelyn J. Weimer		
Finance/Personnel Director Stephanie Miller		
Director of Parks & Recreation.....Margaret Rice		
Planning/Zoning Director Sarah A. Sitterle		
Public Works/Utilities Director Edward B. Tucker, Jr.		
Chief of Police Louis Battle		



TOWN OF WARRENTON

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December 15, 2015

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of Warrenton for the fiscal year ended June 30, 2015. The *Code of Virginia* requires that localities have their accounts and records audited annually as of June 30 by an independent certified public accountant, and that a detailed written report be presented to the local governing body within six months of the close of the fiscal year.

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

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

The Town's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The audit was conducted in accordance with generally accepted auditing standards. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report expresses an unqualified opinion on the fair presentation of the financial statements and is presented as the first part of the Financial Section of this report.

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

PROFILE OF THE TOWN

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

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The Local Economy

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

citizens are impacted negatively in the real estate market, consumer confidence and discretionary spending are impacted. Some positive indicators of a recovering local economy include the following:

- The June 2015 unemployment rate for Fauquier County was 4.4 percent, a 0.3 percent improvement from June 2014. This compares favorably to Virginia's rate of 4.9 percent and the United States rate of 5.3 percent.
- Sales tax revenue has increased by 6.2 percent over Fiscal Year 2014, and continues to reflect this positive trend thus far in Fiscal Year 2016.
- Meals Tax Revenues increased by 3.4 percent over Fiscal Year 2014, but show an even more favorable trend in the first few months of the current fiscal year. Five new restaurants opened in the Town during 2015.
- The Town issued 114 new business licenses during 2015, compared to 67 new licenses in 2014. This is a 70 percent increase.
- Plans for two major developments were approved during fiscal year 2014 and are anticipated to begin construction in the near future. Additionally, in 2015 a large development was approved just outside of Town limits, with an agreement that the Town will supply water to those homes. This will generate substantial revenue for the Water and Sewer fund, as out-of-town availability fees are twice the in-town fees. The resurgence of new residential construction is certainly an indicator of an improving market.

Long-term Financial Planning

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

Relevant Financial Policies

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

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

Major Initiatives

In August of 2014, the Town Council held a retreat to update and prioritize the Town's goals. The three major goals identified by the current Council are:

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

In support of the first goal listed above, the Town hired an Economic Development Manager mid-way through Fiscal Year 2015. Great strides have been made in this area already, as demonstrated by the filling of previously empty storefronts throughout Town. Several tax incentive zones have recently been proposed that mirror those offered by Fauquier County. The approval of these incentive zones will hopefully encourage businesses locating in the area to choose the denser-populated area of the Town for their new business.

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

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

Public Safety is always a major focus of the Town government. The Town is in the process of recruiting for two full-time police officer positions that were approved in the Fiscal Year 2016 budget. A mid-year appropriation was recently made to hire a second full-time firefighter stationed at the Warrenton Volunteer Fire Company.

The Recreation Department has installed permanent restroom facilities at two Town parks in the past two years. Other major efforts by the Town Parks and Recreation department in the past fiscal year have included Warrenton Town Limits, a newly created event to celebrate Independence Day, and a "Movies in Park" program that is free to the public. An application was submitted in recent months for federal funding that would support construction of a much-desired trail connecting several neighborhoods on the western side of Town to the Warrenton Aquatic and Recreation Facility.

IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

During Fiscal Year 2015, the Town implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Further information regarding these statements can be found in Note 13 to the Financial Statements. During Fiscal Year 2016, the Town will be reviewing and planning the implementation of GASB Statements No. 72 through 77.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Brannon Godfrey
Town Manager



Stephanie E. Miller
Director of Finance & Human Resources

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Warrenton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

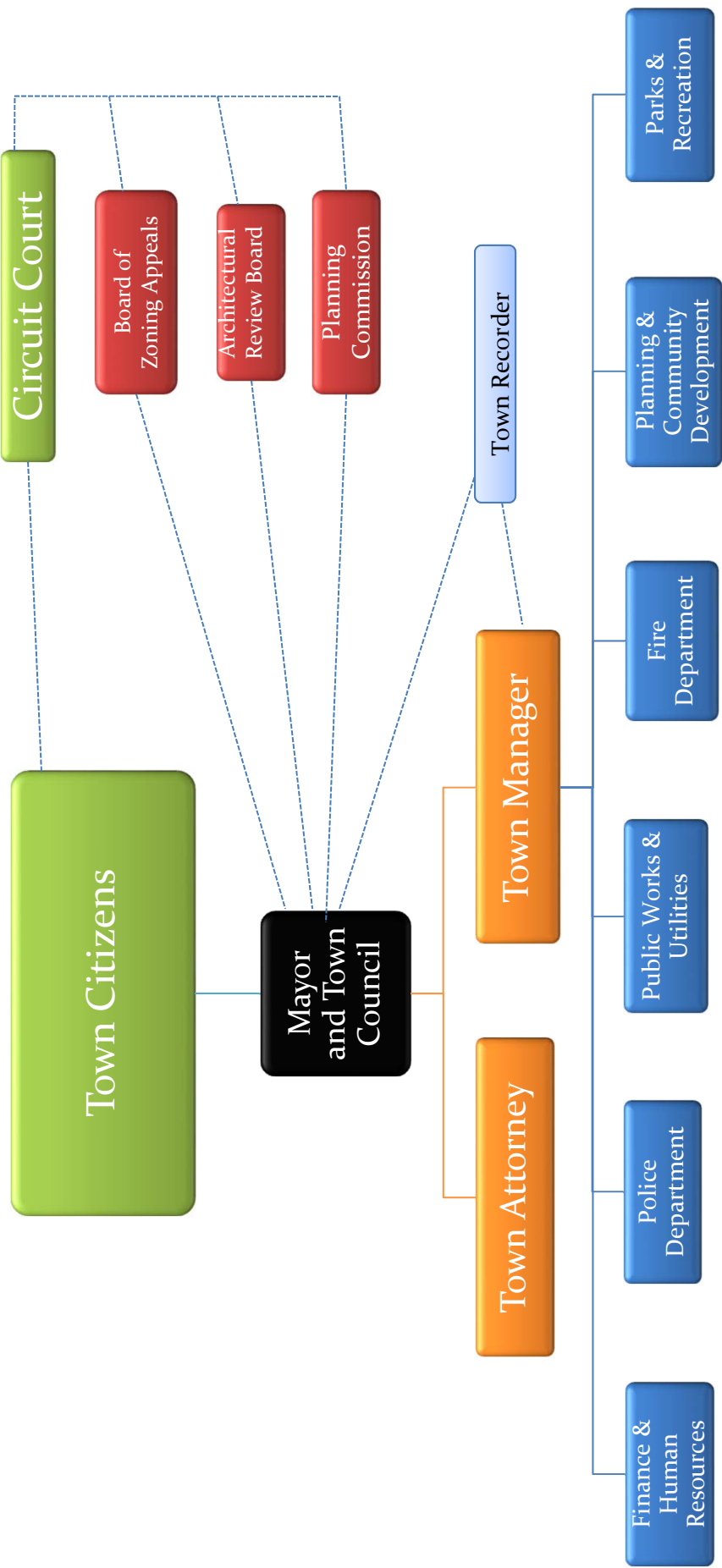
A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive, flowing style.

Executive Director/CEO

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Town of Warrenton

Organizational Chart



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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of June 30, 2015, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension funding on pages 17-25, 89 and 90-92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Matters (Continued)

Other Information (continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Warrenton, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Warrenton, Virginia presents the following discussion and analysis of the Town's financial activities for the fiscal year ended June 30, 2015. This discussion and analysis is intended to be read in conjunction with the Letter of Transmittal in the Introductory Section of this report and the Financial Statements, which follow this discussion and analysis.

FISCAL YEAR 2015 FINANCIAL HIGHLIGHTS

The Town implemented two Statements issued by the Governmental Accounting Standards Board (GASB) during Fiscal Year 2015 which required a restatement of Net Position at June 30, 2014 due to a change in accounting principle. The two statements are Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Further details regarding the change in accounting principle may be found in Note 1, Paragraph D.

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

	<u>June 30, 2015</u>	<u>As Restated June 30, 2014</u>
Net Position	\$ 76,598,242	\$ 78,608,049
Unrestricted	13,997,196	13,844,476

The Town's total net position decreased \$2,009,807 in Fiscal Year 2015. This decrease in net position is due primarily to depreciation of assets, which totaled \$3,591,335 for the reporting entity, coupled with the recognition of pension liability expense for the entity resulting from the implementation of GASB 68.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Fund balance, ending	\$ 13,210,358	\$ 12,140,168
Increase from prior year	1,070,190	1,233,129
Unassigned fund balance	11,431,690	10,593,545
Percentage unassigned	86.5%	87.2%

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Introductory Section includes a listing of Principal Town Officials, the Letter of Transmittal, a copy of the Fiscal Year 2014 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, and the Town's organizational chart.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

- The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplementary information, and supporting schedules.
- The Statistical Section provides selected financial and demographic data related to the Town presented on a multi-year basis.
- The Compliance Section includes the auditors' report on compliance and internal controls.

Financial Section Overview

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

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

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

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

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

Government-wide Financial Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Government-wide Financial Statements: (Continued)

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

Fund Financial Statements

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

- ***Governmental Funds*** - Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. There are two governmental funds for the Town: the General Fund and the Perpetual Care Fund, which is a permanent fund established for the maintenance of the Warrenton Cemetery. The Town of Warrenton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
- ***Proprietary Funds*** - There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use the accrual basis of accounting, similar to private sector business. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Town of Warrenton has two proprietary funds: the Water & Sewer Fund and the Recreation Fund. The Water & Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment. The Recreation Fund accounts for activities related to the development and maintenance of parks throughout the Town and the operation of the Warrenton Aquatic and Recreation Facility (WARF).
- ***Fiduciary Funds*** - Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the Town's own activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve as a useful indicator of a government's financial condition. For the Town of Warrenton, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$76,598,242 at June 30, 2015.

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

Table 1

Town of Warrenton Summary of Net Position						
	Governmental activities		Business-type activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Current and other assets	\$ 13,550,336	\$ 12,481,282	\$ 6,878,951	\$ 8,016,172	\$ 20,429,287	\$ 20,497,454
Capital assets	24,143,415	25,539,213	45,987,196	47,258,620	70,130,611	72,797,833
Total assets	<u>\$ 37,693,751</u>	<u>\$ 38,020,495</u>	<u>\$ 52,866,147</u>	<u>\$ 55,274,792</u>	<u>\$ 90,559,898</u>	<u>\$ 93,295,287</u>
Deferred outflows of resources	\$ 439,493	\$ -	\$ 1,055,447	\$ 957,207	\$ 1,494,940	\$ 957,207
Total assets and deferred outflows of resources	<u>\$ 38,133,244</u>	<u>\$ 38,020,495</u>	<u>\$ 53,921,594</u>	<u>\$ 56,231,999</u>	<u>\$ 92,054,838</u>	<u>\$ 94,252,494</u>
Long-term liabilities	\$ 2,866,889	\$ 725,867	\$ 10,459,521	\$ 9,819,716	\$ 13,326,410	\$ 10,545,583
Other liabilities	304,033	309,116	484,296	371,563	788,329	680,679
Total liabilities	<u>\$ 3,170,922</u>	<u>\$ 1,034,983</u>	<u>\$ 10,943,817</u>	<u>\$ 10,191,279</u>	<u>\$ 14,114,739</u>	<u>\$ 11,226,262</u>
Deferred inflows of resources	\$ 937,106	\$ 329	\$ 404,751	\$ -	\$ 1,341,857	\$ 329
Net position:						
Net investment in capital assets	\$ 24,053,257	\$ 25,272,376	\$ 37,954,794	\$ 38,898,827	\$ 62,008,051	\$ 64,171,203
Restricted	592,995	592,370	-	-	592,995	592,370
Unrestricted	9,378,964	11,120,437	4,618,232	7,141,893	13,997,196	18,262,330
Total net position	<u>\$ 34,025,216</u>	<u>\$ 36,985,183</u>	<u>\$ 42,573,026</u>	<u>\$ 46,040,720</u>	<u>\$ 76,598,242</u>	<u>\$ 83,025,903</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 38,133,244</u>	<u>\$ 38,020,495</u>	<u>\$ 53,921,594</u>	<u>\$ 56,231,999</u>	<u>\$ 92,054,838</u>	<u>\$ 94,252,494</u>

For the Town, the net investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) represents 81.0 percent of total net position. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents resources that are subject to external restrictions on how they may be used. The restricted net position represents amounts reserved for perpetual care of the Warrenton Cemetery, which the Town maintains. The Town's restricted net position accounts for 0.8 percent of total net position. The remaining balance of unrestricted net position at June 30, 2015 is \$13,997,196 or 18.3 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

During Fiscal Year 2015, the net position of the government decreased by \$2,009,807, primarily due to depreciation expense.

CHANGE IN NET POSITION

Table 2 outlines the key elements of the change in net position for the reporting entity for the year ended June 30, 2015.

Table 2

Town of Warrenton Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues:						
Program revenues:						
Charges for services	\$ 539,511	\$ 558,247	\$ 4,779,793	\$ 4,841,656	\$ 5,319,304	\$ 5,399,903
Operating grants & contributions	1,585,610	1,531,049	-	-	1,585,610	1,531,049
Capital grants & contributions	51,617	199,425	175,350	123,914	226,967	323,339
General revenues:						
General property taxes	678,228	605,047	-	-	678,228	605,047
Other local taxes	6,133,479	6,213,306	-	-	6,133,479	6,213,306
Use of money and property	21,392	21,663	151,120	163,961	172,512	185,624
Miscellaneous	110,473	96,910	-	-	110,473	96,910
Grants and contributions not restricted to specific programs	1,407,566	1,310,350	-	-	1,407,566	1,310,350
Total revenues	\$ 10,527,876	\$ 10,535,997	\$ 5,106,263	\$ 5,129,531	\$ 15,634,139	\$ 15,665,528
Expenses:						
General government	\$ 1,670,785	\$ 1,741,519	\$ -	\$ -	\$ 1,670,785	\$ 1,741,519
Public safety	2,950,483	2,887,360	-	-	2,950,483	2,887,360
Public works	4,101,334	3,621,458	-	-	4,101,334	3,621,458
Health and welfare	89,291	88,400	-	-	89,291	88,400
Parks, recreation and cultural	120,509	124,834	-	-	120,509	124,834
Community development	447,025	408,615	-	-	447,025	408,615
Water and Sewer	-	-	5,514,237	5,300,755	5,514,237	5,300,755
Parks & recreation	-	-	2,746,627	2,675,844	2,746,627	2,675,844
Interest on long-term debt	3,656	4,572	-	-	3,656	4,572
Total expenses	\$ 9,383,082	\$ 8,876,758	\$ 8,260,864	\$ 7,976,599	\$ 17,643,946	\$ 16,853,357
Increase (decrease) in net position before transfers	\$ 1,144,794	\$ 1,659,239	\$ (3,154,601)	\$ (2,847,068)	\$ (2,009,807)	\$ (1,187,829)
Transfers	(1,048,747)	(976,161)	1,048,747	976,161	-	-
Change in net position	\$ 96,047	\$ 683,078	\$ (2,105,854)	\$ (1,870,907)	\$ (2,009,807)	\$ (1,187,829)
Net position, beginning of year, as restated	\$ 33,929,169	\$ 36,302,105	\$ 44,678,880	\$ 47,911,627	\$ 78,608,049	\$ 84,213,732
Net position, end of year	\$ 34,025,216	\$ 36,985,183	\$ 42,573,026	\$ 46,040,720	\$ 76,598,242	\$ 83,025,903

Governmental Activities: For the year ended June 30, 2015, Governmental activities increased net position by \$96,047. The increase in net position is lower than the amount reported for the year ended June 30, 2014. Revenues remained level in Fiscal Year 2015, while expenditures increased by approximately \$0.5 million. A significant portion of this increase (\$309,199) can be attributed to the recognition of pension liability expense related to the implementation of new accounting standards. The largest functional area of increase was public works, and results from costs associated with maintaining roads in Town.

Business-type Activities: Compared to Fiscal Year 2014, expenses for both Business-type activities increased, and charges for services remained level. Largely owing to depreciation expense of \$1,982,643 and the recognition of pension liability expense in the amount of \$101,593, Business-type activities decreased net position by \$2,105,854. Capital grants and contributions for the Water and Sewer Fund increased by 41.5 percent. This category represents Water and Sewer connection fees, and reflects the fact that several housing developments approved in recent years are entering the construction phase.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$13,210,358 an increase of \$1,070,190 over the prior year. This increase is attributed to a continued vigilance in fiscal responsibility by the Town's staff. Approximately 87 percent, or \$11,431,690, of total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is classified as nonspendable or committed to indicate that it is not available for new spending.

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

For the Water & Sewer Fund, the net investment in capital assets as of June 30, 2015 is \$19,807,462. The Water & Sewer Fund issued bonds in 1993, which were paid in full in 2004. Unrestricted net position of the Water & Sewer Fund at the end of the year was \$4,262,278, or 17.7 percent, of the fund's net position.

The net investment in capital assets for the Recreation Fund was \$18,147,332 as of June 30, 2015. The outstanding balance of bonds payable for this fund is \$8,899,000. The unrestricted net position for the Recreation Fund at June 30, 2015 was \$355,954, which represents 1.9 percent of the fund's net position.

The greatest impact year after year for both of the proprietary funds is depreciation expense. Depreciation expense for the fiscal year ended June 30, 2015 was \$1,280,787 for the Water and Sewer Fund and \$701,856 for the Recreation Fund. The activities of each of these funds are capital intensive, requiring extensive ongoing annual maintenance expenses and a proactive capital improvement program.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budgeted appropriation and the final amended budgeted appropriation for the general fund was an increase of \$475,383, or 5.0 percent, of the total original budget. Final actual expenditures were \$1,571,514, or 15.8 percent, less than final amended appropriations. The two functional areas that realized the greatest variation with the budget were public works and capital projects. This is mostly due to delays related to paving schedules that pushed the projects into the next fiscal year.

Final actual revenue was \$611,600 higher than final amended budget amounts. This is primarily due to actual revenue received exceeding the budgeted amount for Business license and Restaurant food taxes.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets

The Town's capital asset classes include land, utility plant in service, buildings, infrastructure, machinery and equipment, and construction in progress. Capital assets for the Town's governmental activities as of June 30, 2015 total \$24,143,415 (net of accumulated depreciation). As noted in Table 3, the largest class of assets for governmental activities is infrastructure. This asset class includes Town streets, intersections, and sidewalks. The total net decrease in governmental activities capital assets for the current fiscal year was \$1,395,798. Depreciation expense charged for governmental activities for the period ended June 30, 2015 was \$1,608,692.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS: (CONTINUED)

Capital asset additions during fiscal year 2015 for governmental activities totaled \$215,674. The following are some of the major additions in this category:

- Police Department squad room improvements - \$33,724
- Purchase of Police Department vehicles - \$92,163
- Replacement of Large Format Printer/Plotter for Department of Community Development - \$25,566

The Town's business-type activity capital assets total \$45,987,196 (net of accumulated depreciation) which reflects a net decrease of \$1,271,424 from the prior year. The largest classes of assets for business-type activities are Utility plant in service (for the Water & Sewer Fund) and Buildings and improvements. Assets reported for the Recreation Fund include the Warrenton Aquatic and Recreation Facility (WARF), a 59,738 square foot facility that houses a competition pool, a leisure pool with a water slide and a lazy river, and a 3,200 square foot fitness room. The facility opened its doors in 2007. Depreciation expense for business-type activities for the period ended June 30, 2015 was \$1,982,643.

For the business-type activities, capital asset additions totaled \$637,553, including the following:

Recreation Fund:

- Restroom Facility for WARF fields - \$164,051

Water & Sewer Fund:

- Shirley Avenue Sanitary Sewer Force Main - \$166,171
- Lee Street Sewer Line Rehabilitation - \$164,523
- 2015 Ford F350 - \$28,386

Table 3

Town of Warrenton Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Land	\$ 1,129,257	\$ 1,129,257	\$ 4,185,476	\$ 4,185,476	\$ 5,314,733	\$ 5,314,733
Utility plant in service	-	-	18,093,498	18,883,761	18,093,498	18,883,761
Buildings and improvements	2,427,379	2,500,987	21,235,879	21,720,867	23,663,258	24,221,854
Improvements other than buildings	-	-	1,234,327	1,230,230	1,234,327	1,230,230
Machinery and equipment	2,694,609	2,899,836	1,001,176	1,075,112	3,695,785	3,974,948
Infrastructure	17,877,405	18,996,823	-	-	17,877,405	18,996,823
Construction in progress	14,765	12,310	236,840	163,174	251,605	175,484
Total	<u>\$ 24,143,415</u>	<u>\$ 25,539,213</u>	<u>\$ 45,987,196</u>	<u>\$ 47,258,620</u>	<u>\$ 70,130,611</u>	<u>\$ 72,797,833</u>

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

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS: (CONTINUED)

Long-term Obligations

At the end of the fiscal year, the Town had \$13.1 million in outstanding obligations. This represents an increase of \$2.8 million from the prior year. This increase reflects \$3.4 million related to the implementation of GASB Statements No. 68 and No. 71, offset by decreases in outstanding amounts for capital leases and General obligation bonds. Table 4 summarizes the outstanding obligations of the Town:

Town of Warrenton Long-term Obligations						
	Governmental activities		Business-type activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
General obligation bonds \$	-	\$ -	\$ 8,899,000	\$ 9,317,000	\$ 8,899,000	\$ 9,317,000
Capital leases	90,158	266,837	-	-	90,158	266,837
Net pension liability	2,326,933	-	1,058,682	-	3,385,615	-
Compensated absences	449,798	459,030	315,397	315,987	765,195	775,017
Total	<u>\$ 2,866,889</u>	<u>\$ 725,867</u>	<u>\$ 10,273,079</u>	<u>\$ 9,632,987</u>	<u>\$ 13,139,968</u>	<u>\$ 10,358,854</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

The following economic factors were considered in the preparation of the budget for Fiscal Year 2016:

- The unemployment rate for Fauquier County has decreased by 0.1 percent to 4.4 percent compared to the same period in the prior year. This compares favorably to the state's average unemployment rate of 5.0 percent and the national average rate of 5.5 percent, both of which have also decreased compared to June 2014.
- Several large housing developments have been approved within Town limits within the past few years. While they have been slow to start, availability fees and permit revenues indicate that these are underway. Additionally, there has been increased activity in Warrenton's commercial real estate market, with several new buildings either already constructed or in the planning stages.
- Sales tax and Meals tax revenues have continued modest but steady increases over the past few years and this trend is anticipated to continue. The Town hired an Economic Development Manager midway through Fiscal Year 2015. With promising leads developing and several new businesses already locating within the Town, it is anticipated that expansion will continue in these revenue categories, in addition to Business license revenue. The Town is contemplating tax incentive programs that may not help with revenue growth in the near-term but should favorably impact the long-term economic growth of the Town.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES: (CONTINUED)

Fiscal Year 2016 Budget and Rates

- As part of the Fiscal Year 2016 budget process, a decision was made to dissolve the Recreation fund as of July 1, 2015. The parks and recreation function will be moved into the General Fund.
- The adopted General Fund budget for fiscal year 2016 is \$12,179,532, an increase of \$2,580,591, or 26.9 percent, from the adopted budget for fiscal year 2015. A large portion of this increase is due to the dissolution of the Recreation Enterprise fund and its inclusion in the General Fund. Parks and Recreation expenditures account for \$1,987,382 of the general fund adopted budget for fiscal year 2016. Debt service for the recreation fund has also been included in the general fund, accounting for another \$600,000 variation with the fiscal year 2015 budget. This is offset by a reduction of \$832,934 in the appropriated amount for transfers out of the general fund. Other increases in expenditures for the general fund are Public Safety and Community Development, both of which reflect the impact of newly funded full-time positions. The two largest functional areas for expenditures are Public Safety and Public Works.
- The largest revenue categories for the general fund are the Other local taxes category at 49.4 percent, which includes Business license taxes and Meals taxes; State revenue at 23.3 percent, which consists primarily of funding in support of the maintenance of Town streets and roads; and Charges for services at 12.1 percent, which consists primarily of user fees for the Warrenton Aquatic and Recreation Facility (WARF).
- The fiscal year 2016 budget general fund deficit is covered by the use of fund balance in the amount of \$713,430, or 5.9 percent of total revenue.
- There were no changes in tax rates or user fees for the Fiscal Year 2016 Adopted Budget; however, an increase to Water and Sewer rates is currently proposed that would increase rates effective January 1, 2016.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,481,080	\$ 5,974,726	\$ 18,455,806
Cash and cash equivalents - restricted	-	303,208	303,208
Receivables (net of allowance for uncollectibles):			
Taxes receivable	39,883	-	39,883
Accounts receivable	610,136	344,331	954,467
Due from other governmental units	209,176	-	209,176
Inventories	119,357	231,627	350,984
Prepaid items	90,704	25,059	115,763
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	18,093,498	18,093,498
Buildings and improvements	2,427,379	21,235,879	23,663,258
Improvements other than buildings	-	1,234,327	1,234,327
Furniture, equipment, and vehicles	2,694,609	1,001,176	3,695,785
Infrastructure	17,877,405	-	17,877,405
Construction in progress	14,765	236,840	251,605
Total assets	<u>\$ 37,693,751</u>	<u>\$ 52,866,147</u>	<u>\$ 90,559,898</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution subsequent to measurement date	\$ 439,493	\$ 188,849	\$ 628,342
Deferred amount on refunding	-	866,598	866,598
Total Deferred Outflows of Resources	<u>\$ 439,493</u>	<u>\$ 1,055,447</u>	<u>\$ 1,494,940</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 38,133,244</u>	<u>\$ 53,921,594</u>	<u>\$ 92,054,838</u>
LIABILITIES			
Accounts payable	\$ 304,033	\$ 354,302	\$ 658,335
Customers' deposits	-	42,009	42,009
Accrued interest payable	-	87,985	87,985
Long-term liabilities:			
Due within one year	135,138	475,017	610,155
Due in more than one year	2,731,751	9,984,504	12,716,255
Total liabilities	<u>\$ 3,170,922</u>	<u>\$ 10,943,817</u>	<u>\$ 14,114,739</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	\$ 419	\$ -	\$ 419
Items related to measurement of net pension liability	936,687	404,751	1,341,438
Total Deferred Inflows of Resources	<u>\$ 937,106</u>	<u>\$ 404,751</u>	<u>\$ 1,341,857</u>
NET POSITION			
Net investment in capital assets	\$ 24,053,257	\$ 37,954,794	\$ 62,008,051
Restricted for:			
Perpetual Care:			
Nonexpendable	592,995	-	592,995
Unrestricted (deficit)	9,378,964	4,618,232	13,997,196
Total net position	<u>\$ 34,025,216</u>	<u>\$ 42,573,026</u>	<u>\$ 76,598,242</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 38,133,244</u>	<u>\$ 53,921,594</u>	<u>\$ 92,054,838</u>

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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,670,785	\$ 354,325	\$ -	\$ -
Public safety	2,950,483	185,186	261,342	-
Public works	4,101,334	-	1,319,268	51,617
Health and welfare	89,291	-	-	-
Parks, recreation, and cultural	120,509	-	-	-
Community development	447,025	-	5,000	-
Interest on long-term debt	3,656	-	-	-
Total governmental activities	<u>\$ 9,383,082</u>	<u>\$ 539,511</u>	<u>\$ 1,585,610</u>	<u>\$ 51,617</u>
Business-type activities:				
Water and sewer	\$ 5,514,237	\$ 3,588,448	\$ -	\$ 175,350
Recreation	2,746,627	1,191,345	-	-
Total business-type activities	<u>\$ 8,260,864</u>	<u>\$ 4,779,793</u>	<u>\$ -</u>	<u>\$ 175,350</u>
Total primary government	<u>\$ 17,643,946</u>	<u>\$ 5,319,304</u>	<u>\$ 1,585,610</u>	<u>\$ 226,967</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Business license tax

Restaurant food tax

Bank stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,316,460)	\$ -	\$ (1,316,460)
(2,503,955)	-	(2,503,955)
(2,730,449)	-	(2,730,449)
(89,291)	-	(89,291)
(120,509)	-	(120,509)
(442,025)	-	(442,025)
(3,656)	-	(3,656)
<u>\$ (7,206,344)</u>	<u>\$ -</u>	<u>\$ (7,206,344)</u>
\$ -	\$ (1,750,439)	\$ (1,750,439)
-	(1,555,282)	(1,555,282)
<u>\$ -</u>	<u>\$ (3,305,721)</u>	<u>\$ (3,305,721)</u>
<u>\$ (7,206,344)</u>	<u>\$ (3,305,721)</u>	<u>\$ (10,512,065)</u>
\$ 678,228	\$ -	\$ 678,228
595,653	-	595,653
498,312	-	498,312
1,656,923	-	1,656,923
2,265,639	-	2,265,639
581,150	-	581,150
535,802	-	535,802
21,392	151,120	172,512
110,473	-	110,473
1,407,566	-	1,407,566
(1,048,747)	1,048,747	-
<u>\$ 7,302,391</u>	<u>\$ 1,199,867</u>	<u>\$ 8,502,258</u>
\$ 96,047	\$ (2,105,854)	\$ (2,009,807)
33,929,169	44,678,880	78,608,049
<u>\$ 34,025,216</u>	<u>\$ 42,573,026</u>	<u>\$ 76,598,242</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Permanent Perpetual Care Fund	Total
ASSETS			
Cash and cash equivalents	\$ 11,888,085	\$ 592,995	\$ 12,481,080
Receivables (net of allowance for uncollectibles):			
Taxes receivable	39,883	-	39,883
Accounts receivable	610,136	-	610,136
Due from other governmental units	209,176	-	209,176
Inventories	119,357	-	119,357
Prepaid items	90,704	-	90,704
Total assets	<u>\$ 12,957,341</u>	<u>\$ 592,995</u>	<u>\$ 13,550,336</u>
LIABILITIES			
Accounts payable	\$ 304,033	\$ -	\$ 304,033
Total liabilities	<u>\$ 304,033</u>	<u>\$ -</u>	<u>\$ 304,033</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>\$ 35,945</u>	<u>\$ -</u>	<u>\$ 35,945</u>
FUND BALANCES			
Nonspendable:			
Inventory and prepaids	\$ 210,061	\$ -	\$ 210,061
Permanent fund principal	-	592,995	592,995
Committed:			
General government	40,595	-	40,595
Data processing	254,272	-	254,272
Public works	195,788	-	195,788
Parks and recreation	1,100	-	1,100
Capital projects	483,857	-	483,857
Unassigned	11,431,690	-	11,431,690
Total fund balances	<u>\$ 12,617,363</u>	<u>\$ 592,995</u>	<u>\$ 13,210,358</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,957,341</u>	<u>\$ 592,995</u>	<u>\$ 13,550,336</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 13,210,358
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,143,415
Some of the Town's property taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore, are not reported in the funds.	35,526
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	
Items related to measurement of net pension liability	(936,687)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not included in the funds	439,493
Long-term liabilities, including capital lease obligations, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,866,889)</u>
Net position of governmental activities	<u>\$ 34,025,216</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Permanent Perpetual Care Fund	Total
REVENUES			
General property taxes	\$ 674,372	\$ -	\$ 674,372
Other local taxes	6,133,479	-	6,133,479
Permits, privilege fees, and regulatory licenses	203,476	-	203,476
Fines and forfeitures	185,186	-	185,186
Revenue from the use of money and property	20,767	625	21,392
Charges for services	150,849	-	150,849
Miscellaneous	110,473	-	110,473
Intergovernmental:			
Commonwealth	3,042,804	-	3,042,804
Federal	1,989	-	1,989
Total revenues	<u>\$ 10,523,395</u>	<u>\$ 625</u>	<u>\$ 10,524,020</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,625,564	\$ -	\$ 1,625,564
Public safety	2,915,874	-	2,915,874
Public works	2,765,710	-	2,765,710
Health and welfare	89,291	-	89,291
Parks, recreation, and cultural	137,533	-	137,533
Community development	451,940	-	451,940
Capital projects	238,836	-	238,836
Debt service:			
Principal retirement	176,679	-	176,679
Interest and other fiscal charges	3,656	-	3,656
Total expenditures	<u>\$ 8,405,083</u>	<u>\$ -</u>	<u>\$ 8,405,083</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,118,312</u>	<u>\$ 625</u>	<u>\$ 2,118,937</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>\$ (1,048,747)</u>	<u>\$ -</u>	<u>\$ (1,048,747)</u>
Total other financing sources (uses)	<u>\$ (1,048,747)</u>	<u>\$ -</u>	<u>\$ (1,048,747)</u>
Net change in fund balances	\$ 1,069,565	\$ 625	\$ 1,070,190
Fund balances - beginning	11,547,798	592,370	12,140,168
Fund balances - ending	<u>\$ 12,617,363</u>	<u>\$ 592,995</u>	<u>\$ 13,210,358</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$ 1,070,190
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 218,129	
Depreciation expense	<u>(1,608,692)</u>	(1,390,563)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(5,235)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:

Change in deferred taxes	\$ 3,857	
Change in deferred inflows related to the measurement of net pension liability	<u>(936,687)</u>	(932,830)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on capital leases	176,679
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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. This adjustment combines the net changes of the following:

Change in compensated absences	\$ 9,232	
Change in pension liability	1,150,765	
Change in deferred outflows related to pension payments subsequent to measurement date	<u>17,809</u>	<u>1,177,806</u>

Change in net position of governmental activities	\$ <u>96,047</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,430,375	\$ 544,351	\$ 5,974,726
Cash and cash equivalents - restricted	303,208	-	303,208
Accounts receivable (net of allowance for uncollectibles)	344,331	-	344,331
Inventories	231,497	130	231,627
Prepaid items	25,059	-	25,059
Total current assets	<u>\$ 6,334,470</u>	<u>\$ 544,481</u>	<u>\$ 6,878,951</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 665,660	\$ 3,519,816	\$ 4,185,476
Utility plant in service	41,155,844	-	41,155,844
Buildings and improvements	-	24,975,493	24,975,493
Improvements other than buildings	-	1,404,700	1,404,700
Furniture, equipment, and vehicles	2,992,587	638,742	3,631,329
Construction in progress	224,166	12,674	236,840
Accumulated depreciation	(25,230,795)	(4,371,691)	(29,602,486)
Total net capital assets	<u>\$ 19,807,462</u>	<u>\$ 26,179,734</u>	<u>\$ 45,987,196</u>
Total noncurrent assets	<u>\$ 19,807,462</u>	<u>\$ 26,179,734</u>	<u>\$ 45,987,196</u>
Total assets	<u>\$ 26,141,932</u>	<u>\$ 26,724,215</u>	<u>\$ 52,866,147</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution subsequent to measurement date	\$ 188,849	\$ -	188,849
Deferred amount on refunding	-	866,598	866,598
Total deferred outflows of resources	<u>\$ 188,849</u>	<u>\$ 866,598</u>	<u>\$ 1,055,447</u>
Total assets and deferred outflows of resources	<u>\$ 26,330,781</u>	<u>\$ 27,590,813</u>	<u>\$ 53,921,594</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 292,390	\$ 61,912	\$ 354,302
Customer deposits	42,009	-	42,009
Compensated absences - current portion	27,677	3,863	31,540
Interest payable	-	87,985	87,985
Unearned revenue - current portion	12,477	-	12,477
Bonds payable - current portion	-	431,000	431,000
Total current liabilities	<u>\$ 374,553</u>	<u>\$ 584,760</u>	<u>\$ 959,313</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ -	\$ 8,468,000	\$ 8,468,000
Compensated absences - net of current portion	249,090	34,767	283,857
Net pension liability	1,058,682	-	1,058,682
Unearned revenue - net of current portion	173,965	-	173,965
Total noncurrent liabilities	<u>\$ 1,481,737</u>	<u>\$ 8,502,767</u>	<u>\$ 9,984,504</u>
Total liabilities	<u>\$ 1,856,290</u>	<u>\$ 9,087,527</u>	<u>\$ 10,943,817</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	<u>\$ 404,751</u>	<u>\$ -</u>	<u>\$ 404,751</u>
NET POSITION			
Net investment in capital assets	\$ 19,807,462	\$ 18,147,332	\$ 37,954,794
Unrestricted	4,262,278	355,954	4,618,232
Total net position	<u>\$ 24,069,740</u>	<u>\$ 18,503,286</u>	<u>\$ 42,573,026</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 26,330,781</u>	<u>\$ 27,590,813</u>	<u>\$ 53,921,594</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2015

	Enterprise Funds		
	Water & Sewer	Recreation	Total
OPERATING REVENUES			
Charges for services:			
Sale of water	\$ 1,188,554	\$ -	\$ 1,188,554
Aquatic facility revenues	-	1,191,345	1,191,345
Sewer service charges	2,308,647	-	2,308,647
Late payment charges	40,974	-	40,974
Transfer fees	8,094	-	8,094
Other fees	24,537	-	24,537
Miscellaneous	17,642	-	17,642
Total operating revenues	<u>\$ 3,588,448</u>	<u>\$ 1,191,345</u>	<u>\$ 4,779,793</u>
OPERATING EXPENSES			
Source of supply	\$ 916,433	\$ -	\$ 916,433
Transmission and distribution	609,803	-	609,803
Meter reading	182,028	-	182,028
Wastewater treatment operation	1,775,764	-	1,775,764
Public utilities administration	737,521	-	737,521
Recreation	-	1,714,143	1,714,143
Capital Outlay	11,901	27,355	39,256
Depreciation	1,280,787	701,856	1,982,643
Total operating expenses	<u>\$ 5,514,237</u>	<u>\$ 2,443,354</u>	<u>\$ 7,957,591</u>
Operating income (loss)	<u>\$ (1,925,789)</u>	<u>\$ (1,252,009)</u>	<u>\$ (3,177,798)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 4,407	\$ -	\$ 4,407
Rental revenue	146,713	-	146,713
Interest expense	-	(303,273)	(303,273)
Total nonoperating revenues (expenses)	<u>\$ 151,120</u>	<u>\$ (303,273)</u>	<u>\$ (152,153)</u>
Income before contributions and transfers	<u>\$ (1,774,669)</u>	<u>\$ (1,555,282)</u>	<u>\$ (3,329,951)</u>
Capital contributions	175,350	-	175,350
Transfers in	-	1,048,747	1,048,747
Change in net position	<u>\$ (1,599,319)</u>	<u>\$ (506,535)</u>	<u>\$ (2,105,854)</u>
Total net position - beginning, as restated	<u>25,669,059</u>	<u>19,009,821</u>	<u>44,678,880</u>
Total net position - ending	<u>\$ 24,069,740</u>	<u>\$ 18,503,286</u>	<u>\$ 42,573,026</u>

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, 2015

	Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,574,651	\$ 1,191,345	\$ 4,765,996
Payments to employees	(2,274,258)	(982,176)	(3,256,434)
Payments to suppliers	(1,968,903)	(728,494)	(2,697,397)
Net cash provided by (used for) operating activities	\$ (668,510)	\$ (519,325)	\$ (1,187,835)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	\$ (504,751)	(206,468)	\$ (711,219)
Principal payments on bonds	-	(418,000)	(418,000)
Interest expense	-	(218,734)	(218,734)
Capital contributions	175,350	-	175,350
Transfers from other funds	-	1,048,747	1,048,747
Net cash provided by (used for) capital and related financing activities	\$ (329,401)	\$ 205,545	\$ (123,856)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	\$ 4,407	\$ -	\$ 4,407
Other - rental income	146,713	-	146,713
Net cash provided by (used for) investing activities	\$ 151,120	\$ -	\$ 151,120
Net increase (decrease) in cash and cash equivalents	\$ (846,791)	\$ (313,780)	\$ (1,160,571)
Cash and cash equivalents - beginning - (including restricted \$302,853)	6,580,374	858,131	7,438,505
Cash and cash equivalents - ending - (including restricted \$303,208)	\$ 5,733,583	\$ 544,351	\$ 6,277,934
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,925,789)	\$ (1,252,009)	\$ (3,177,798)
Adjustments to reconcile operating income (loss) to net cash provided by (used) for operating activities:			
Depreciation	\$ 1,280,787	\$ 701,856	\$ 1,982,643
(Increase) decrease in accounts receivable	(1,171)	-	(1,171)
(Increase) decrease in inventories	2,754	(4)	2,750
(Increase) decrease in prepaid items	(24,929)	-	(24,929)
(Increase) decrease in pension deferred outflows of resources	3,004	-	3,004
Increase (decrease) in pension deferred inflows of resources	404,751	-	404,751
Increase (decrease) in net pension liability	(495,011)	-	(495,011)
Increase (decrease) in customer deposits	321	-	321
Increase (decrease) in accounts payable and accrued expenses	105,292	25,850	131,142
Increase (decrease) in deferred revenue	(12,947)	-	(12,947)
Increase (decrease) in compensated absences	(5,572)	4,982	(590)
Total adjustments	\$ 1,257,279	\$ 732,684	\$ 1,989,963
Net cash provided (used) by operating activities	\$ (668,510)	\$ (519,325)	\$ (1,187,835)

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 247,510
Total assets	<u>\$ 247,510</u>
LIABILITIES	
Accounts payable	\$ 55
Amounts held for others	<u>247,455</u>
Total liabilities	<u>\$ 247,510</u>

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

Town of Warrenton, Virginia

Notes to Financial Statements As of June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity:

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

Blended Component Units - There were no blended component units for the Town for the year ended June 30, 2015.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2015.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major enterprise funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

1. *Cash and Cash equivalents*

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

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

2. *Receivables and Payables*

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

Advances between funds, as reported in the fund financial statements, are also designated as nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Inventory*

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

4. *Property Taxes*

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

5. *Allowance for Uncollectible Accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$44,397 at June 30, 2015 and is comprised of property taxes, which total \$15,000, and water and sewer receivables which total \$29,397.

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

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

6. Use of Estimates

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

7. Capital Assets

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

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

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. One item is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Amortization expense for the year ended June 30, 2015 totals \$90,609. The other is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

10. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general and water & sewer funds have been used to liquidate this liability in the past.

11. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Construction Encumbrances

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

13. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

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

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

13. Fund Equity: (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

14. Net Position

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

15. Net Position Flow Assumption

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

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

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

16. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	<u>Governmental Activities</u>	<u>Business-type Activities Water & Sewer</u>
Net Position as reported at June 30, 2014	\$ 36,985,183	\$ 27,030,899
Implementation of GASB 68	<u>(3,056,014)</u>	<u>(1,361,840)</u>
Net Position as restated at June 30, 2014	<u>\$ 33,929,169</u>	<u>\$ 25,669,059</u>

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. There is no legally adopted budget for the perpetual care fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to July 1, the budget is legally enacted through passage of an Appropriations Resolution.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

A. Budgetary information

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, 2015, there were no funds in which expenditures exceeded appropriations.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Restricted Cash

The water and sewer fund has restricted cash in the amount of \$303,208 to maintain lines for the Warrenton Training Center.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS:

Credit Risk of Debt Securities:

The Town's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Town's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ <u>16,134,899</u>

Interest Rate Risk

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

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 4—RECEIVABLES:

Receivables as of June 30, 2015 for the Town's individual major funds including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 54,883	\$ -	\$ 54,883
Other local taxes	596,804	-	596,804
Accounts	<u>13,332</u>	<u>373,728</u>	<u>387,060</u>
Gross receivables	\$ 665,019	\$ 373,728	\$ 1,038,747
Less: allowance for uncollectibles	<u>(15,000)</u>	<u>(29,397)</u>	<u>(44,397)</u>
Net total receivables	<u>\$ 650,019</u>	<u>\$ 344,331</u>	<u>\$ 994,350</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2015 the Town has receivables from other governments as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Motor vehicle rental tax	\$ 16,440
Sales tax	104,564
Communications tax	<u>88,172</u>
Total	\$ <u>209,176</u>

NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2015 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,048,747
Recreation Fund	<u>1,048,747</u>	<u>-</u>
Total	\$ <u>1,048,747</u>	\$ <u>1,048,747</u>

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

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2015.

Governmental Activities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,129,257	\$ -	\$ -	\$ 1,129,257
Construction in progress	12,310	2,455	-	14,765
Total capital assets not being depreciated	<u>\$ 1,141,567</u>	<u>\$ 2,455</u>	<u>\$ -</u>	<u>\$ 1,144,022</u>
Other capital assets:				
Buildings and improvements	\$ 4,559,779	\$ 52,698	\$ -	\$ 4,612,477
Infrastructure	39,434,394	-	-	39,434,394
Furniture, equipment and vehicles	6,528,697	162,976	94,435	6,597,238
Total other capital assets	<u>\$ 50,522,870</u>	<u>\$ 215,674</u>	<u>\$ 94,435</u>	<u>\$ 50,644,109</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,058,792	\$ 126,306	\$ -	\$ 2,185,098
Infrastructure	20,437,571	1,119,418	-	21,556,989
Furniture, equipment and vehicles	3,628,861	362,968	89,200	3,902,629
Total accumulated depreciation	<u>\$ 26,125,224</u>	<u>\$ 1,608,692</u>	<u>\$ 89,200</u>	<u>\$ 27,644,716</u>
Other capital assets, net	<u>\$ 24,397,646</u>	<u>\$ (1,393,018)</u>	<u>\$ 5,235</u>	<u>\$ 22,999,393</u>
Net capital assets	<u><u>\$ 25,539,213</u></u>	<u><u>\$ (1,390,563)</u></u>	<u><u>\$ 5,235</u></u>	<u><u>\$ 24,143,415</u></u>

Depreciation expense was allocated as follows:

General government administration	\$ 96,448
Public safety	222,183
Public works	1,280,621
Parks, recreation, and cultural	987
Community development	8,453
Total depreciation expense	<u><u>\$ 1,608,692</u></u>

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

Water & Sewer Fund:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	154,800	69,366	-	224,166
Total capital assets not being depreciated	<u>\$ 820,460</u>	<u>\$ 69,366</u>	<u>\$ -</u>	<u>\$ 889,826</u>
Other capital assets:				
Utility plant in service	\$ 40,785,420	\$ 370,424	\$ -	\$ 41,155,844
Furniture, equipment, and vehicles	2,927,626	64,961	-	2,992,587
Total other capital assets	<u>\$ 43,713,046</u>	<u>\$ 435,385</u>	<u>\$ -</u>	<u>\$ 44,148,431</u>
Accumulated depreciation:				
Utility plant in service	\$ 21,901,659	\$ 1,160,687	\$ -	\$ 23,062,346
Furniture, equipment, and vehicles	2,048,349	120,100	-	2,168,449
Total accumulated depreciation	<u>\$ 23,950,008</u>	<u>\$ 1,280,787</u>	<u>\$ -</u>	<u>\$ 25,230,795</u>
Other capital assets, net	<u>\$ 19,763,038</u>	<u>\$ (845,402)</u>	<u>\$ -</u>	<u>\$ 18,917,636</u>
Net capital assets	<u>\$ 20,583,498</u>	<u>\$ (776,036)</u>	<u>\$ -</u>	<u>\$ 19,807,462</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities: (Continued)

Recreation Fund:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 3,519,816	\$ -	\$ -	\$ 3,519,816
Construction in progress	8,374	5,818	1,518	12,674
Total capital assets not being depreciated	<u>\$ 3,528,190</u>	<u>\$ 5,818</u>	<u>\$ 1,518</u>	<u>\$ 3,532,490</u>
Other capital assets:				
Buildings and improvements	\$ 24,840,359	\$ 135,134	\$ -	\$ 24,975,493
Improvements other than buildings	1,375,782	28,918	-	1,404,700
Furniture, equipment, and vehicles	600,626	38,116	-	638,742
Total other capital assets	<u>\$ 26,816,767</u>	<u>\$ 202,168</u>	<u>\$ -</u>	<u>\$ 27,018,935</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,119,492	\$ 620,122	\$ -	\$ 3,739,614
Improvements other than buildings	145,552	24,821	-	170,373
Furniture, equipment, and vehicles	404,791	56,913	-	461,704
Total accumulated depreciation	<u>\$ 3,669,835</u>	<u>\$ 701,856</u>	<u>\$ -</u>	<u>\$ 4,371,691</u>
Other capital assets, net	<u>\$ 23,146,932</u>	<u>\$ (499,688)</u>	<u>\$ -</u>	<u>\$ 22,647,244</u>
Net capital assets	<u>\$ 26,675,122</u>	<u>\$ (493,870)</u>	<u>\$ 1,518</u>	<u>\$ 26,179,734</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities: (Continued)

Total Business-type Activities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 4,185,476	\$ -	\$ -	\$ 4,185,476
Construction in progress	163,174	75,184	1,518	236,840
Total capital assets not being depreciated	<u>\$ 4,348,650</u>	<u>\$ 75,184</u>	<u>\$ 1,518</u>	<u>\$ 4,422,316</u>
Other capital assets:				
Buildings and improvements	\$ 24,840,359	\$ 135,134	\$ -	\$ 24,975,493
Utility plant in service	40,785,420	370,424	-	41,155,844
Improvements other than buildings	1,375,782	28,918	-	1,404,700
Furniture, equipment, and vehicles	3,528,252	103,077	-	3,631,329
Total other capital assets	<u>\$ 70,529,813</u>	<u>\$ 637,553</u>	<u>\$ -</u>	<u>\$ 71,167,366</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,119,492	\$ 620,122	\$ -	\$ 3,739,614
Utility plant in service	21,901,659	1,160,687	-	23,062,346
Improvements other than buildings	145,552	24,821	-	170,373
Furniture, equipment, and vehicles	2,453,140	177,013	-	2,630,153
Total accumulated depreciation	<u>\$ 27,619,843</u>	<u>\$ 1,982,643</u>	<u>\$ -</u>	<u>\$ 29,602,486</u>
Other capital assets, net	<u>\$ 42,909,970</u>	<u>\$ (1,345,090)</u>	<u>\$ -</u>	<u>\$ 41,564,880</u>
Net capital assets	<u>\$ 47,258,620</u>	<u>\$ (1,269,906)</u>	<u>\$ 1,518</u>	<u>\$ 45,987,196</u>

Depreciation expense was allocated as follows:

Water and sewer	\$ 1,280,787
Recreation	701,856
Total depreciation expense	<u>\$ 1,982,643</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Reconciliation of net position net investment in capital assets:

	Governmental Activities	Business-type Activities		
		Water & Sewer	Recreation	Total
Net capital assets	\$ 24,143,415	\$ 19,807,462	\$ 26,179,734	\$ 45,987,196
Less long-term debt applicable to capital assets at June 30, 2015:				
Capital lease obligations	(90,158)	-	-	-
General obligation bonds	-	-	(8,899,000)	(8,899,000)
Deferred amount on refunding	-	-	866,598	866,598
Net investment in capital assets	<u>\$ 24,053,257</u>	<u>\$ 19,807,462</u>	<u>\$ 18,147,332</u>	<u>\$ 37,954,794</u>

NOTE 8—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the Town for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Capital leases	\$ 266,837	\$ -	\$ 176,679	\$ 90,158	\$ 90,158
Net pension liability	3,477,698	1,524,936	2,675,701	2,326,933	-
Compensated absences	459,030	84,538	93,770	449,798	44,980
Total governmental activities	<u>\$ 4,203,565</u>	<u>\$ 1,609,474</u>	<u>\$ 2,946,150</u>	<u>\$ 2,866,889</u>	<u>\$ 135,138</u>
Business-type Activities					
General obligation bonds	\$ 9,317,000	\$ -	\$ 418,000	\$ 8,899,000	\$ 431,000
Net pension liability	1,553,693	713,421	1,208,432	1,058,682	-
Compensated absences	315,987	61,748	62,338	315,397	31,540
Total business-type activities	<u>\$ 11,186,680</u>	<u>\$ 775,169</u>	<u>\$ 1,688,770</u>	<u>\$ 10,273,079</u>	<u>\$ 462,540</u>
Total primary government	<u>\$ 15,390,245</u>	<u>\$ 2,384,643</u>	<u>\$ 4,634,920</u>	<u>\$ 13,139,968</u>	<u>\$ 597,678</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Fiscal Year	Governmental Obligations		Business-Type Obligations	
	Capital Lease		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 90,158	613	\$ 431,000	\$ 203,647
2017	-	-	448,000	188,290
2018	-	-	458,000	175,298
2019	-	-	463,000	164,936
2020	-	-	476,000	154,373
2021-2025	-	-	2,552,000	603,900
2026-2030	-	-	2,844,000	300,825
2031-2032	-	-	1,227,000	27,776
Total	\$ <u>90,158</u>	\$ <u>613</u>	\$ <u>8,899,000</u>	\$ <u>1,819,045</u>

Details of Long-Term Obligations:

Governmental Activities Obligations:

Capital Leases:

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

\$528,525 obligation for the purchase of police equipment, payable in semi-annual installments of \$90,167 through September 15, 2015, interest at 1.37%	\$ 90,158
Net pension liability	2,326,933
Compensated absences	<u>449,798</u>
Total governmental activities obligations	\$ <u>2,866,889</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations: (Continued)

Business-type Activities Obligations:

General obligation bonds:

Series 2012, \$8,517,000 Refunding Bond, issued October 3, 2012, payable in varying annual installments, through August 1, 2031, with interest payable semi-annually at 2.25%	\$ 8,274,000
Series 2006, \$9,775,000, issued June 28, 2006 for construction of a recreation facility, payable in varying annual installments, through August 1, 2016, with interest payable semi-annually at 4.0%	<u>625,000</u>
Total general obligation bonds	\$ 8,899,000
Net pension liability	1,058,682
Compensated absences	<u>315,397</u>
Total business-type activities obligations	<u><u>\$ 10,273,079</u></u>

NOTE 9—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table on the following pages:

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service (Cont.) benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service (Cont.)</p>	<p>Creditable Service (Cont.) <u>Defined Benefit Component:</u> factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier (Cont.)</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier (Cont.)</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier (Cont.)</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTE 9—PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	67
Inactive members:	
Vested inactive members	11
Non-vested inactive members	32
Inactive members active elsewhere in VRS	40
Total inactive members	<u>83</u>
Active members	<u>89</u>
Total covered employees	<u><u>239</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 12.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$628,342 and \$613,537 for the years ended June 30, 2015 and June 30, 2014, respectively.

NOTE 9—PENSION PLAN: (CONTINUED)

Net Pension Liability

The Town's net pension liability were measured as of June 30, 2014. The total pension liability used to calculate the net pension liability were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's and Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS: (Continued)

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

NOTE 9—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 9—PENSION PLAN: (CONTINUED)*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 9—PENSION PLAN: (CONTINUED)*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 24,138,087	\$ 19,106,696	\$ 5,031,391
Changes for the year:			
Service cost	\$ 547,287	\$ -	\$ 547,287
Interest	1,655,265	-	1,655,265
Contributions - employer	-	613,537	(613,537)
Contributions - employee	-	241,581	(241,581)
Net investment income	-	3,009,233	(3,009,233)
Benefit payments, including refunds of employee contributions	(982,889)	(982,889)	-
Administrative expenses	-	(16,182)	16,182
Other changes	-	159	(159)
Net changes	\$ 1,219,663	\$ 2,865,439	\$ (1,645,776)
Balances at June 30, 2014	\$ 25,357,750	\$ 21,972,135	\$ 3,385,615

NOTE 9—PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate		
		(6.00%)	(7.00%)	(8.00%)
Town				
Net Pension Liability	\$	6,641,339	\$ 3,385,615	\$ 666,728

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$309,199, respectively. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$	-	\$	1,341,438
Employer contributions subsequent to the measurement date		628,342		-
Total	\$	628,342	\$	1,341,438

\$628,342 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	\$ 335,359
2017	335,359
2018	335,359
2019	335,361
Thereafter	-

NOTE 10—UNEARNED DEFERRED AND UNAVAILABLE REVENUE:

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

- A. Prepaid utility payments—The Town received \$186,442 in unearned revenue to maintain the Warrenton Training Center.
- B. Unavailable property tax revenue—Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$35,526 at June 30, 2015.
- C. Prepaid property taxes—Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$419 at June 30, 2015.

NOTE 11—SURETY BONDS:

	<u>Amount</u>
VACORP - Surety	
Public Employees Blanket Bond	\$ 1,000,000

NOTE 12—RISK MANAGEMENT:

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

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

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

NOTE 13—LITIGATION:

At June 30, 2015 there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 14—CONSTRUCTION COMMITMENT:

The Town has no material construction commitments outstanding at June 30, 2015.

NOTE 15—UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

NOTE 15—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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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, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 722,200	\$ 722,200	\$ 674,372	\$ (47,828)
Other local taxes	5,574,000	5,574,000	6,133,479	559,479
Permits, privilege fees, and regulatory licenses	146,232	146,232	203,476	57,244
Fines and forfeitures	190,000	190,000	185,186	(4,814)
Revenue from the use of money and property	30,500	30,500	20,767	(9,733)
Charges for services	160,814	160,814	150,849	(9,965)
Miscellaneous	96,350	104,843	110,473	5,630
Intergovernmental:				
Commonwealth	2,977,901	2,977,901	3,042,804	64,903
Federal	2,500	5,305	1,989	(3,316)
Total revenues	<u>\$ 9,900,497</u>	<u>\$ 9,911,795</u>	<u>\$ 10,523,395</u>	<u>\$ 611,600</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,710,912	\$ 1,837,665	\$ 1,625,564	\$ 212,101
Public safety	3,134,752	3,161,723	2,915,874	245,849
Public works	3,182,216	3,432,660	2,765,710	666,950
Health and welfare	77,111	77,111	89,291	(12,180)
Parks, recreation, and cultural	160,881	165,381	137,533	27,848
Community development	445,309	509,569	451,940	57,629
Capital projects	609,698	612,153	238,836	373,317
Debt service:				
Principal retirement	177,284	177,284	176,679	605
Interest and other fiscal charges	3,051	3,051	3,656	(605)
Total expenditures	<u>\$ 9,501,214</u>	<u>\$ 9,976,597</u>	<u>\$ 8,405,083</u>	<u>\$ 1,571,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 399,283</u>	<u>\$ (64,802)</u>	<u>\$ 2,118,312</u>	<u>\$ 2,183,114</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (1,047,847)</u>	<u>\$ (1,048,747)</u>	<u>\$ (1,048,747)</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ (1,047,847)</u>	<u>\$ (1,048,747)</u>	<u>\$ (1,048,747)</u>	<u>\$ -</u>
Net change in fund balances	\$ (648,564)	\$ (1,113,549)	\$ 1,069,565	\$ 2,183,114
Fund balances - beginning	648,564	1,113,549	11,547,798	10,434,249
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,617,363</u>	<u>\$ 12,617,363</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 547,287
Interest	1,655,265
Benefit payments, including refunds of employee contributions	(982,889)
Net change in total pension liability	<u>\$ 1,219,663</u>
Total pension liability - beginning	<u>24,138,087</u>
Total pension liability - ending (a)	<u><u>\$ 25,357,750</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 613,537
Contributions - employee	241,581
Net investment income	3,009,233
Benefit payments, including refunds of employee contributions	(982,889)
Administrative expense	(16,182)
Other	159
Net change in plan fiduciary net position	<u>\$ 2,865,439</u>
Plan fiduciary net position - beginning	<u>19,106,696</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 21,972,135</u></u>
 Town's net pension liability - ending (a) - (b)	 <u>\$ 3,385,615</u>
Plan fiduciary net position as a percentage of the total pension liability	 86.65%
Covered-employee payroll	 <u>\$ 4,785,081</u>
Town's net pension liability as a percentage of covered-employee payroll	 70.75%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 628,342	\$ 628,342	\$ -	\$ 4,878,431	12.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Other Supplementary Information

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Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Agency Funds		
	Agency Fund	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 237,861	\$ 9,649	\$ 247,510
Total assets	<u>\$ 237,861</u>	<u>\$ 9,649</u>	<u>\$ 247,510</u>
LIABILITIES			
Accounts payable	\$ 55	\$ -	\$ 55
Amounts held for others	237,806	9,649	247,455
Total liabilities	<u>\$ 237,861</u>	<u>\$ 9,649</u>	<u>\$ 247,510</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 183,690	\$ 59,785	\$ 5,614	\$ 237,861
Total assets	<u>\$ 183,690</u>	<u>\$ 59,785</u>	<u>\$ 5,614</u>	<u>\$ 237,861</u>
LIABILITIES				
Accounts payable	\$ 55	\$ -	\$ -	\$ 55
Amounts held for others	183,635	59,785	5,614	237,806
Total liabilities	<u>\$ 183,690</u>	<u>\$ 59,785</u>	<u>\$ 5,614</u>	<u>\$ 237,861</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 9,638	\$ 11	\$ -	\$ 9,649
Total assets	<u>\$ 9,638</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 9,649</u>
LIABILITIES				
Amounts held for others	\$ 9,638	\$ 11	\$ -	\$ 9,649
Total liabilities	<u>\$ 9,638</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 9,649</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 193,328	\$ 59,796	\$ 5,614	\$ 247,510
Total assets	<u>\$ 193,328</u>	<u>\$ 59,796</u>	<u>\$ 5,614</u>	<u>\$ 247,510</u>
LIABILITIES				
Accounts payable	\$ 55	\$ -	\$ -	\$ 55
Amounts held for others	193,273	59,796	5,614	247,455
Total liabilities	<u>\$ 193,328</u>	<u>\$ 59,796</u>	<u>\$ 5,614</u>	<u>\$ 247,510</u>

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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	\$ 220,000	\$ 220,000	\$ 228,460	\$ 8,460
Real and personal public service corporation taxes	4,200	4,200	1,960	(2,240)
Personal property taxes	490,000	490,000	433,186	(56,814)
Penalties	6,000	6,000	7,102	1,102
Interest	2,000	2,000	3,664	1,664
Total general property taxes	\$ 722,200	\$ 722,200	\$ 674,372	\$ (47,828)
Other local taxes:				
Local sales and use taxes	\$ 530,000	\$ 530,000	\$ 595,653	\$ 65,653
Consumers' utility tax	470,000	470,000	498,312	28,312
Utility license tax	14,000	14,000	21,626	7,626
Business license taxes	1,595,000	1,595,000	1,656,923	61,923
Consumption taxes	47,000	47,000	50,526	3,526
Motor vehicle licenses	101,000	101,000	102,855	1,855
Bank stock taxes	440,000	440,000	581,150	141,150
Hotel and motel room taxes	187,000	187,000	190,005	3,005
Restaurant food taxes	2,000,000	2,000,000	2,265,639	265,639
Cigarette tax	190,000	190,000	170,790	(19,210)
Total other local taxes	\$ 5,574,000	\$ 5,574,000	\$ 6,133,479	\$ 559,479
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 146,232	\$ 146,232	\$ 203,476	\$ 57,244
Total permits, privilege fees, and regulatory licenses	\$ 146,232	\$ 146,232	\$ 203,476	\$ 57,244
Fines and forfeitures:				
Court fines and forfeitures	\$ 190,000	\$ 190,000	\$ 185,186	\$ (4,814)
Total fines and forfeitures	\$ 190,000	\$ 190,000	\$ 185,186	\$ (4,814)
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 12,837	\$ (7,163)
Revenue from use of property	10,500	10,500	7,930	(2,570)
Total revenue from use of money and property	\$ 30,500	\$ 30,500	\$ 20,767	\$ (9,733)
Charges for services:				
Motor pool fees	\$ 61,156	\$ 61,156	\$ 67,769	\$ 6,613
Data processing fees	99,658	99,658	83,080	(16,578)
Total charges for services	\$ 160,814	\$ 160,814	\$ 150,849	\$ (9,965)
Miscellaneous revenue:				
Miscellaneous	\$ 96,350	\$ 104,843	\$ 110,473	\$ 5,630
Total miscellaneous revenue	\$ 96,350	\$ 104,843	\$ 110,473	\$ 5,630
Total revenue from local sources	\$ 6,920,096	\$ 6,928,589	\$ 7,478,602	\$ 550,013

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2015

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 100,000	\$ 100,000	\$ 106,003	\$ 6,003
Rolling stock tax	75	75	50	(25)
Communications tax	540,000	540,000	583,021	43,021
Personal property tax relief funds	718,492	718,492	718,492	-
Total noncategorical aid	<u>\$ 1,358,567</u>	<u>\$ 1,358,567</u>	<u>\$ 1,407,566</u>	<u>\$ 48,999</u>
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 3,000	\$ 3,000	\$ 3,654	\$ 654
DCJS law enforcement grant	195,000	195,000	200,837	5,837
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,275,092	1,275,092	1,313,625	38,533
State forfeiture proceeds	500	500	1,191	691
VDOT revenue sharing	140,742	140,742	51,617	(89,125)
Fire program	-	-	59,314	59,314
Total other categorical aid	<u>\$ 1,619,334</u>	<u>\$ 1,619,334</u>	<u>\$ 1,635,238</u>	<u>\$ 15,904</u>
Total categorical aid	<u>\$ 1,619,334</u>	<u>\$ 1,619,334</u>	<u>\$ 1,635,238</u>	<u>\$ 15,904</u>
Total revenue from the Commonwealth	<u>\$ 2,977,901</u>	<u>\$ 2,977,901</u>	<u>\$ 3,042,804</u>	<u>\$ 64,903</u>
Revenue from the federal government:				
Department of justice grant	\$ -	\$ 2,805	\$ -	\$ (2,805)
Transportation safety grant	2,500	2,500	1,989	(511)
Total categorical aid	<u>\$ 2,500</u>	<u>\$ 5,305</u>	<u>\$ 1,989</u>	<u>\$ (3,316)</u>
Total revenue from the federal government	<u>\$ 2,500</u>	<u>\$ 5,305</u>	<u>\$ 1,989</u>	<u>\$ (3,316)</u>
Total General Fund	<u>\$ 9,900,497</u>	<u>\$ 9,911,795</u>	<u>\$ 10,523,395</u>	<u>\$ 611,600</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative	\$ 199,414	\$ 254,001	\$ 164,267	\$ 89,734
Executive	213,495	213,495	193,194	20,301
Legal services	143,042	143,042	154,318	(11,276)
Finance	467,701	496,216	430,018	66,198
Memberships and dues	7,549	7,549	7,549	-
Data processing	250,076	288,727	208,481	80,246
Motor Pool	429,635	434,635	467,737	(33,102)
Total general government administration	\$ 1,710,912	\$ 1,837,665	\$ 1,625,564	\$ 212,101
Public safety:				
Department of police	\$ 2,733,144	\$ 2,755,115	\$ 2,460,989	\$ 294,126
Fire and rescue services	137,730	142,730	208,000	(65,270)
Bureau of building inspections	263,878	263,878	246,885	16,993
Total public safety	\$ 3,134,752	\$ 3,161,723	\$ 2,915,874	\$ 245,849
Public works:				
Public works administration	\$ 505,276	\$ 505,276	\$ 481,225	\$ 24,051
Bureau of street maintenance	1,000,568	1,019,168	770,039	249,129
Arterial street maintenance	379,636	590,439	503,452	86,987
Collector street maintenance	366,246	405,345	276,483	128,862
Refuse collection	499,565	475,965	370,107	105,858
Recycling Program	158,011	158,011	123,232	34,779
Maintenance, buildings and grounds	272,914	278,456	241,172	37,284
Total public works	\$ 3,182,216	\$ 3,432,660	\$ 2,765,710	\$ 666,950
Health and welfare:				
Welfare/social services	\$ 77,111	\$ 77,111	\$ 89,291	\$ (12,180)
Total health and welfare	\$ 77,111	\$ 77,111	\$ 89,291	\$ (12,180)
Parks, recreation, and cultural:				
Maintenance, cemetery	\$ 132,381	\$ 136,881	\$ 109,033	\$ 27,848
Cultural enrichment	28,500	28,500	28,500	-
Total parks, recreation, and cultural	\$ 160,881	\$ 165,381	\$ 137,533	\$ 27,848
Community development:				
Planning and zoning	\$ 363,206	\$ 363,206	\$ 338,511	\$ 24,695
Visitor's center	81,103	81,103	71,097	10,006
Zoning appeals board	500	500	2,840	(2,340)
Economic development	-	64,260	39,249	25,011
Architectural review board	500	500	243	257
Total community development	\$ 445,309	\$ 509,569	\$ 451,940	\$ 57,629
Capital projects:				
Capital outlay	\$ 609,698	\$ 612,153	\$ 238,836	\$ 373,317
Total capital projects	\$ 609,698	\$ 612,153	\$ 238,836	\$ 373,317
Debt service:				
Principal	\$ 177,284	\$ 177,284	\$ 176,679	\$ 605
Interest	3,051	3,051	3,656	(605)
Total debt service	\$ 180,335	\$ 180,335	\$ 180,335	\$ -
Total General Fund	\$ 9,501,214	\$ 9,976,597	\$ 8,405,083	\$ 1,571,514

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

Water and Sewer Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,430,000	\$ 2,430,000	\$ 2,308,647	\$ (121,353)
Sale of water	1,240,000	1,240,000	1,188,554	(51,446)
Late payment charges	40,000	40,000	40,974	974
Installation fees	16,500	16,500	23,177	6,677
Impact fees	10,000	10,000	-	(10,000)
Transfer fees	8,500	8,500	8,094	(406)
Reconnection fees	5,000	5,000	1,360	(3,640)
Total sale of services, commodities and properties	\$ 3,750,000	\$ 3,750,000	\$ 3,570,806	\$ (179,194)
Miscellaneous revenue:				
Miscellaneous	33,912	33,912	17,642	(16,270)
Total operating revenue	\$ 3,783,912	\$ 3,783,912	\$ 3,588,448	\$ (195,464)
Operating Expenses:				
Source of supply:				
Personnel services	\$ 340,275	\$ 340,275	\$ 340,411	\$ (136)
Fringe benefits	110,885	110,885	104,736	6,149
Contractual services	123,024	118,759	133,302	(14,543)
Other charges	362,741	362,741	337,984	24,757
Total source of supply	\$ 936,925	\$ 932,660	\$ 916,433	\$ 16,227
Transmission and distribution:				
Personnel services	\$ 352,568	\$ 352,568	\$ 358,725	\$ (6,157)
Fringe benefits	144,780	144,780	121,220	23,560
Contractual services	18,050	7,550	3,742	3,808
Other charges	124,639	135,139	126,116	9,023
Capital outlays	3,500	3,500	-	3,500
Total transmission and distribution	\$ 643,537	\$ 643,537	\$ 609,803	\$ 33,734
Meter reading:				
Personnel services	\$ 87,045	\$ 87,045	\$ 87,186	\$ (141)
Fringe benefits	40,054	40,054	33,774	6,280
Contractual services	6,915	6,465	3,328	3,137
Other charges	67,362	68,062	57,740	10,322
Capital outlays	250	-	-	-
Total meter reading	\$ 201,626	\$ 201,626	\$ 182,028	\$ 19,598
Wastewater Treatment Operation:				
Personnel services	\$ 532,348	\$ 532,348	\$ 494,298	\$ 38,050
Fringe benefits	161,371	161,371	131,783	29,588
Contractual services	214,980	376,836	392,828	(15,992)
Other charges	759,386	757,788	756,855	933
Capital outlays	4,500	4,500	-	4,500
Total wastewater treatment operation	\$ 1,672,585	\$ 1,832,843	\$ 1,775,764	\$ 57,079

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

Water and Sewer Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personnel services	\$ 454,041	\$ 454,041	\$ 414,987	\$ 39,054
Fringe benefits	154,141	154,141	94,310	59,831
Contractual services	102,572	164,612	141,981	22,631
Other charges	87,079	87,079	83,631	3,448
Capital outlays	20,500	20,500	2,612	17,888
Total public utilities administration	<u>\$ 818,333</u>	<u>\$ 880,373</u>	<u>\$ 737,521</u>	<u>\$ 142,852</u>
Capital Outlay:				
Machinery & equipment	\$ 100,500	\$ 118,500	\$ 1	\$ 118,499
Sewer plant improvements	-	7,969	-	7,969
Sewer line rehabilitation	298,640	597,046	11,900	585,146
Water line replacement	78,000	26,884	-	26,884
Total capital outlay	<u>\$ 477,140</u>	<u>\$ 750,399</u>	<u>\$ 11,901</u>	<u>\$ 738,498</u>
Depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,280,787</u>	<u>\$ (1,280,787)</u>
Total operating expenses	<u>\$ 4,750,146</u>	<u>\$ 5,241,438</u>	<u>\$ 5,514,237</u>	<u>\$ (272,799)</u>
Net operating income (loss)	<u>\$ (966,234)</u>	<u>\$ (1,457,526)</u>	<u>\$ (1,925,789)</u>	<u>\$ (468,263)</u>
Nonoperating revenues (expenses):				
Interest revenue	\$ 6,000	\$ 6,000	\$ 4,407	\$ (1,593)
Rental revenue	150,000	150,000	146,713	(3,287)
Net nonoperating revenues (expenses)	<u>\$ 156,000</u>	<u>\$ 156,000</u>	<u>\$ 151,120</u>	<u>\$ (4,880)</u>
Net income (loss) before contributions	<u>\$ (810,234)</u>	<u>\$ (1,301,526)</u>	<u>\$ (1,774,669)</u>	<u>\$ (473,143)</u>
Capital contributions	<u>759,500</u>	<u>759,500</u>	<u>175,350</u>	<u>(584,150)</u>
Net income (loss)	<u>\$ (50,734)</u>	<u>\$ (542,026)</u>	<u>\$ (1,599,319)</u>	<u>\$ (1,057,293)</u>
Net position, beginning of year, as restated	<u>50,734</u>	<u>542,026</u>	<u>25,669,059</u>	<u>25,127,033</u>
Net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,069,740</u></u>	<u><u>\$ 24,069,740</u></u>

Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the Town's financial performance and well-being have changed over time.

1 - 4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

5-12

Debt Capacity

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

13-16

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

17-18

Operating Information

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

19-21

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

TOWN OF WARRENTON, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 27,888,659	\$ 27,860,169	\$ 28,706,827	\$ 29,729,797
Restricted	2,046,436	1,917,160	2,091,437	1,979,763
Unrestricted	12,794,906	2,449,220	4,355,709	6,279,976
Total governmental activities net position	<u>\$ 42,730,001</u>	<u>\$ 32,226,549</u>	<u>\$ 35,153,973</u>	<u>\$ 37,989,536</u>
Business-type activities				
Net investment in capital assets	\$ 17,155,045	\$ 33,900,479	\$ 37,819,911	\$ 41,495,789
Restricted	11,713,744	4,646,949	6,313,531	4,824,596
Unrestricted	7,738,868	12,431,093	8,042,010	5,872,394
Total business-type activities net position	<u>\$ 36,607,657</u>	<u>\$ 50,978,521</u>	<u>\$ 52,175,452</u>	<u>\$ 52,192,779</u>
Primary government				
Net investment in capital assets	\$ 45,043,704	\$ 61,760,648	\$ 66,526,738	\$ 71,225,586
Restricted	13,760,180	6,564,109	8,404,968	6,804,359
Unrestricted	20,533,774	14,880,313	12,397,719	12,152,370
Total primary government net position	<u>\$ 79,337,658</u>	<u>\$ 83,205,070</u>	<u>\$ 87,329,425</u>	<u>\$ 90,182,315</u>

Table 1

2010	2011	2012	2013	2014	2015
\$ 28,743,572	\$ 28,082,545	\$ 27,226,044	\$ 25,993,382	\$ 25,272,376	\$ 24,053,257
588,890	590,042	590,889	591,797	592,370	592,995
6,896,905	8,216,674	8,753,021	9,716,926	11,120,437	9,378,964
<u>\$ 36,229,367</u>	<u>\$ 36,889,261</u>	<u>\$ 36,569,954</u>	<u>\$ 36,302,105</u>	<u>\$ 36,985,183</u>	<u>\$ 34,025,216</u>
\$ 40,943,440	\$ 41,761,645	\$ 41,182,941	\$ 39,058,157	\$ 38,898,827	\$ 37,954,794
-	-	-	-	-	-
12,281,685	9,234,096	9,016,421	8,853,470	7,141,893	4,618,232
<u>\$ 53,225,125</u>	<u>\$ 50,995,741</u>	<u>\$ 50,199,362</u>	<u>\$ 47,911,627</u>	<u>\$ 46,040,720</u>	<u>\$ 42,573,026</u>
\$ 69,687,012	\$ 69,844,190	\$ 68,408,985	\$ 65,320,425	\$ 64,171,203	\$ 62,008,051
588,890	590,042	590,889	591,797	592,370	592,995
19,178,590	17,450,770	17,769,442	18,301,510	18,262,330	13,997,196
<u>\$ 89,454,492</u>	<u>\$ 87,885,002</u>	<u>\$ 86,769,316</u>	<u>\$ 84,213,732</u>	<u>\$ 83,025,903</u>	<u>\$ 76,598,242</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 937,279	\$ 1,060,596	\$ 853,933	\$ 926,615	\$ 1,794,610	\$ 1,545,922	\$ 1,581,008	\$ 1,591,497	\$ 1,741,519	\$ 1,670,785
Public safety	2,444,376	2,504,495	2,856,414	2,731,817	2,894,544	2,848,144	2,761,692	2,760,751	2,887,360	2,950,483
Public works	3,111,121	3,196,533	1,813,751	1,742,009	3,927,356	4,188,005	3,319,070	4,253,156	3,621,458	4,101,334
Health and welfare	96,765	94,945	101,427	95,851	100,441	100,391	98,159	88,278	88,400	89,291
Parks, recreation and cultural	149,936	135,169	380,447	147,141	145,439	123,954	142,429	134,279	124,834	120,509
Community development	508,498	455,345	561,837	552,783	446,757	422,623	403,217	432,674	408,615	447,025
Interest on long-term debt	-	-	-	-	-	-	-	4,766	4,572	3,656
Total governmental activities expenses	\$ 7,247,975	\$ 7,447,083	\$ 6,567,809	\$ 6,196,216	\$ 9,309,147	\$ 9,229,039	\$ 8,305,575	\$ 9,265,401	\$ 8,876,758	\$ 9,383,083
Business-type activities:										
Water and sewer	\$ 4,058,266	\$ 4,364,123	\$ 4,570,230	\$ 4,912,376	\$ 4,741,236	\$ 5,020,796	\$ 5,194,404	\$ 5,479,541	\$ 5,300,755	\$ 5,514,237
Parks and recreation	4,623	589,436	1,772,884	2,034,786	2,602,184	2,648,084	2,694,855	2,811,590	2,675,844	2,746,627
Total business-type activities expenses	\$ 4,062,889	\$ 4,953,559	\$ 6,343,114	\$ 6,947,162	\$ 7,343,420	\$ 7,668,880	\$ 7,889,259	\$ 8,291,131	\$ 7,976,599	\$ 8,260,864
Total primary government expenses	\$ 11,310,864	\$ 12,400,642	\$ 12,910,923	\$ 13,143,378	\$ 16,652,567	\$ 16,897,919	\$ 16,194,834	\$ 17,556,532	\$ 16,853,357	\$ 17,643,947
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ -	\$ -	\$ -	\$ -	\$ 635,896	\$ 548,591	\$ 130,911	\$ 136,496	\$ 170,563	\$ 354,325
Public safety	128,732	139,433	119,517	196,490	167,156	257,075	307,479	280,842	387,684	185,186
Public works	-	-	-	-	142,677	139,576	423,787	182,847	-	-
Community development	390,132	321,791	153,220	150,781	-	-	-	-	-	-
Operating grants and contributions	1,291,284	1,361,666	1,476,243	1,516,783	1,550,847	1,436,300	1,729,107	1,485,397	1,531,049	1,585,610
Capital grants and contributions	7,227,348	1,666,057	-	-	-	-	-	-	199,425	51,617
Total governmental activities program revenues	\$ 9,037,496	\$ 3,488,947	\$ 1,748,980	\$ 1,864,054	\$ 2,496,576	\$ 2,381,542	\$ 2,591,284	\$ 2,085,582	\$ 2,288,721	\$ 2,176,738
Business-type activities:										
Charges for services:										
Water and sewer	\$ 3,916,771	\$ 4,091,748	\$ 3,928,840	\$ 3,683,359	\$ 3,753,934	\$ 3,740,589	\$ 3,676,434	\$ 3,627,141	\$ 3,638,503	\$ 3,588,448
Parks and recreation	-	-	623,608	877,634	1,003,989	1,057,900	1,129,496	1,216,343	1,203,153	1,191,345
Capital grants and contributions	1,735,377	792,065	1,250,165	2,202,277	981,035	501,921	271,973	345,066	123,914	175,350
Total business-type activities program revenues	\$ 5,652,148	\$ 4,883,813	\$ 5,802,613	\$ 6,763,270	\$ 5,738,958	\$ 5,300,410	\$ 5,077,903	\$ 5,188,550	\$ 4,965,570	\$ 4,955,143
Total primary government program revenues	\$ 14,689,644	\$ 8,372,760	\$ 7,551,593	\$ 8,627,324	\$ 8,235,534	\$ 7,681,952	\$ 7,669,187	\$ 7,274,132	\$ 7,254,291	\$ 7,131,881
Net (expense) / revenue										
Governmental activities	\$ 1,789,521	\$ (3,958,136)	\$ (4,818,829)	\$ (4,332,162)	\$ (6,812,571)	\$ (6,847,497)	\$ (5,714,291)	\$ (7,179,819)	\$ (6,588,037)	\$ (7,206,344)
Business-type activities	1,589,259	(69,746)	(540,501)	(183,892)	(1,604,462)	(2,368,470)	(2,811,356)	(3,102,581)	(3,011,029)	(3,305,721)
Total primary government net expense	\$ 3,378,780	\$ (4,027,882)	\$ (5,359,330)	\$ (4,516,054)	\$ (8,417,033)	\$ (9,215,967)	\$ (8,525,647)	\$ (10,282,400)	\$ (9,599,066)	\$ (10,512,065)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 713,802	\$ 554,281	\$ 663,543	\$ 620,168	\$ 562,348	\$ 577,941	\$ 558,908	\$ 513,896	\$ 605,047	\$ 678,228
Other local taxes										
Local sales and use tax	519,031	542,586	509,630	461,030	448,227	484,640	508,741	530,836	561,084	595,653
Consumer's utility tax	952,708	994,325	462,750	458,357	511,347	488,018	492,636	493,720	500,111	498,312
Business license tax	1,400,230	1,653,232	1,338,059	1,248,770	1,405,894	1,528,085	1,363,590	1,366,360	1,914,525	1,656,923
Restaurant food tax	1,632,434	1,775,493	1,749,075	1,816,416	1,767,095	1,901,261	2,062,342	2,152,237	2,191,572	2,265,639
Communications tax	-	-	618,169	561,660	-	-	-	-	-	-
Bank stock tax	-	-	354,680	355,391	457,211	437,022	448,600	463,135	496,445	581,150
Other local taxes	1,088,358	1,013,222	536,333	568,191	547,318	525,748	547,166	545,009	549,569	535,802
Unrestricted revenues from use of money and property	625,169	778,520	432,507	255,025	50,696	37,421	29,029	30,021	21,663	21,392
Miscellaneous	265,957	22,532	109,047	27,049	148,285	120,425	199,056	128,931	96,910	110,473
Unrestricted grants and contributions	835,666	814,922	786,652	795,668	1,366,476	1,406,830	1,373,853	1,358,220	1,310,350	1,407,566
Transfers	(5,826,014)	-	-	-	(1,331,819)	-	-	(670,395)	(976,161)	(1,048,747)
Total governmental activities	\$ 2,207,341	\$ 8,149,113	\$ 7,560,445	\$ 7,167,725	\$ 5,933,078	\$ 7,507,391	\$ 7,583,921	\$ 6,911,970	\$ 7,271,115	\$ 7,302,391
Business-type activities:										
of money and property	\$ 533,634	\$ 746,081	\$ 497,567	\$ 76,032	\$ 15,701	\$ 13,907	\$ 141,838	\$ 144,451	\$ 163,961	\$ 151,120
Miscellaneous	132,633	228,613	128,891	125,187	130,113	125,179	-	-	-	-
Transfers	5,826,014	-	-	-	1,331,819	-	-	670,395	976,161	1,048,747
Total business-type activities	\$ 6,492,281	\$ 974,694	\$ 626,458	\$ 201,219	\$ 1,477,633	\$ 139,086	\$ 141,838	\$ 814,846	\$ 1,140,122	\$ 1,199,867
Total primary government	\$ 8,699,622	\$ 9,123,807	\$ 8,186,903	\$ 7,368,944	\$ 7,410,711	\$ 7,646,477	\$ 7,725,759	\$ 7,726,816	\$ 8,411,237	\$ 8,502,258
Change in Net Position										
Governmental activities	\$ 3,996,862	\$ 4,190,977	\$ 2,741,616	\$ 2,835,563	\$ (879,493)	\$ 659,894	\$ 1,869,630	\$ (267,849)	\$ 683,078	\$ 96,047
Business-type activities	8,081,540	904,948	85,957	17,327	(126,829)	(2,229,384)	(2,669,518)	(2,287,735)	(1,870,907)	(2,105,854)
Total primary government	\$ 12,078,402	\$ 5,095,925	\$ 2,827,573	\$ 2,852,890	\$ (1,006,322)	\$ (1,569,490)	\$ (799,888)	\$ (2,555,584)	\$ (1,187,829)	\$ (2,009,807)

TOWN OF WARRENTON, VIRGINIA

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

	2006	2007	2008	2009
General fund				
Reserved	\$ 596,659	\$ 1,361,700	\$ 1,361,700	\$ 1,392,537
Unreserved	13,885,546	2,677,795	4,720,859	6,522,659
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 14,482,205</u>	<u>\$ 4,039,495</u>	<u>\$ 6,082,559</u>	<u>\$ 7,915,196</u>
All other governmental funds				
Reserved				
Unreserved, reported in:				
Capital projects funds	\$ -	\$ -	\$ -	\$ -
Permanent funds	528,712	555,460	577,886	587,226
Nonspendable, reported in:				
Permanent funds	-	-	-	-
Total all other governmental funds	<u>\$ 528,712</u>	<u>\$ 555,460</u>	<u>\$ 577,886</u>	<u>\$ 587,226</u>

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

Table 3

2010	2011	2012	2013	2014	2015
\$ 1,748,454	\$ -	\$ -	\$ -	\$ -	\$ -
5,141,861	-	-	-	-	-
-	183,407	148,259	103,517	125,799	210,061
-	1,301,762	369,174	302,662	828,454	975,612
-	6,756,426	8,511,933	9,909,063	10,593,545	11,431,690
<u>\$ 6,890,315</u>	<u>\$ 8,241,595</u>	<u>\$ 9,029,366</u>	<u>\$ 10,315,242</u>	<u>\$ 11,547,798</u>	<u>\$ 12,617,363</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
588,890	-	-	-	-	-
-	590,042	590,889	591,797	592,370	592,995
<u>\$ 588,890</u>	<u>\$ 590,042</u>	<u>\$ 590,889</u>	<u>\$ 591,797</u>	<u>\$ 592,370</u>	<u>\$ 592,995</u>

TOWN OF WARRENTON, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009
Revenues				
General property taxes	\$ 722,808	\$ 627,637	\$ 624,841	\$ 628,812
Other local taxes	5,592,761	5,978,858	5,568,696	5,469,815
Permits, privilege fees and regulatory licenses	390,132	321,791	153,220	196,490
Fines and forfeitures	128,732	139,433	119,517	150,781
Revenue from use of money and property	625,169	778,520	432,507	255,025
Charges for services	-	-	-	-
Miscellaneous	266,831	40,698	109,047	27,049
Recovered costs	23,151	13,487	108,530	-
Intergovernmental:				
Commonwealth	2,110,717	2,162,466	2,220,020	2,309,451
Federal	613,581	42,179	42,875	3,000
Total revenues	\$ 10,473,882	\$ 10,105,069	\$ 9,379,253	\$ 9,040,423
Expenditures				
General government administration	\$ 835,842	\$ 973,880	\$ 918,002	\$ 946,907
Public safety	2,365,107	2,398,000	2,722,646	2,620,108
Public works	2,191,932	2,263,115	2,378,910	2,668,694
Contributions	96,765	94,945	101,427	95,851
Parks, recreation and cultural	206,123	135,640	382,002	142,506
Community development	504,741	508,735	539,165	524,919
Capital projects	986,852	680,800	457,419	199,461
Debt service:				
Principal	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	\$ 7,187,362	\$ 7,055,115	\$ 7,499,571	\$ 7,198,446
Excess of revenues over (under) expenditures	\$ 3,286,520	\$ 3,049,954	\$ 1,879,682	\$ 1,841,977
Other financing sources (uses)				
Transfers in	\$ 3,000,000	\$ -	\$ -	\$ -
Transfers out	(8,826,014)	(13,465,916)	-	-
Proceeds from indebtedness	-	-	-	-
Total other financing sources (uses)	\$ (5,826,014)	\$ (13,465,916)	\$ -	\$ -
Net change in fund balances	\$ (2,539,494)	\$ (10,415,962)	\$ 1,879,682	\$ 1,841,977
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%

Table 4

2010	2011	2012	2013	2014	2015
\$ 576,328	\$ 555,233	\$ 567,694	\$ 539,313	\$ 589,341	\$ 674,372
5,137,092	5,294,029	5,423,075	5,551,297	6,213,306	6,133,479
142,677	139,576	423,787	182,847	128,220	203,476
167,156	257,075	307,479	280,842	259,464	185,186
50,696	37,421	29,029	30,021	21,663	21,392
-	-	130,911	136,496	170,563	150,849
148,285	120,425	199,056	128,931	96,910	110,473
-	-	-	-	-	-
2,914,059	2,825,505	2,913,744	2,829,793	2,991,893	3,042,804
3,264	17,625	189,216	13,824	48,931	1,989
\$ 9,139,557	\$ 9,246,889	\$ 10,183,991	\$ 9,693,364	\$ 10,520,291	\$ 10,524,020
\$ 1,128,769	\$ 936,694	\$ 1,517,470	\$ 1,528,394	\$ 1,724,504	\$ 1,625,564
2,777,763	2,749,926	2,663,568	2,666,012	2,586,897	2,915,874
2,868,026	2,993,992	2,209,299	2,754,566	2,387,155	2,765,710
100,441	100,391	98,159	88,278	88,400	89,291
144,807	121,616	143,106	133,755	120,826	137,533
426,009	392,305	352,128	411,295	401,399	451,940
231,128	670,278	464,528	591,719	821,485	238,836
-	-	-	86,808	174,880	176,679
-	-	-	3,883	5,455	3,656
\$ 7,676,943	\$ 7,965,202	\$ 7,448,258	\$ 8,264,710	\$ 8,311,001	\$ 8,405,083
\$ 1,462,614	\$ 1,281,687	\$ 2,735,733	\$ 1,428,654	\$ 2,209,290	\$ 2,118,937
\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ -
(1,331,819)	(984,737)	(936,208)	(670,395)	(976,161)	(1,048,747)
-	-	-	528,525	-	-
\$ (1,331,819)	\$ (984,737)	\$ (876,208)	\$ (141,870)	\$ (976,161)	\$ (1,048,747)
\$ 130,795	\$ 296,950	\$ 1,859,525	\$ 1,286,784	\$ 1,233,129	\$ 1,070,190
0.00%	0.00%	0.00%	1.20%	2.47%	2.20%

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate ⁽¹⁾
2015	\$ 1,548,458,500	\$ 110,060,306	\$ -	\$ 379,240	\$ 26,169,523	\$ 1,685,067,569	\$ 0.080
2014	1,554,110,600	99,076,256	-	362,438	26,004,347	1,679,553,641	0.073
2013	1,388,763,400	93,279,002	-	366,978	26,002,462	1,508,411,842	0.076
2012	1,380,231,600	91,617,748	-	364,903	27,948,051	1,500,162,302	0.075
2011	1,376,203,000	88,172,640	-	407,578	28,221,981	1,493,005,199	0.073
2010	1,376,237,100	85,698,058	-	630,921	28,612,897	1,491,178,976	0.072
2009	1,767,638,600	93,472,804	-	587,884	28,291,208	1,889,990,496	0.064
2008	1,758,591,700	94,289,760	-	625,632	27,784,639	1,881,291,731	0.065
2007	1,726,834,100	94,049,306	-	251,503	26,702,670	1,847,837,579	0.065
2006	1,702,213,900	87,009,001	-	301,061	15,115,823	1,804,639,785	0.063

Source: Commissioner of Revenue

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

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

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

Fiscal Years	Direct Rates			Total Direct Tax Rate	Overlapping Rates County of Fauquier	
	Real Estate	Personal Property	Machinery and Tools		Real Estate	Personal Property
2015	\$ 0.015	\$ 1.00	\$ 1.00	\$ 0.080	\$ 0.999	\$ 4.65
2014	0.015	1.00	1.00	0.073	0.992	4.65
2013	0.015	1.00	1.00	0.076	0.98	4.65
2012	0.015	1.00	1.00	0.075	0.97	4.65
2011	0.015	1.00	1.00	0.073	0.97	4.65
2010	0.015	1.00	1.00	0.072	0.97	4.65
2009	0.015	1.00	1.00	0.064	0.765	4.65
2008	0.015	1.00	1.00	0.065	0.645	4.65
2007	0.015	1.00	1.00	0.065	0.645	4.65
2006	0.015	1.00	1.00	0.063	0.645	4.65

(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
2015	\$ 678,228	\$ 595,653	\$ 498,312	\$ 581,150	\$ -	\$ 2,265,639
2014	605,047	561,084	500,111	496,445	-	2,191,572
2013	539,313	530,836	541,096	479,590	-	2,152,237
2012	567,694	508,741	540,413	467,392	-	2,062,342
2011	555,233	484,640	538,512	464,428	-	1,901,261
2010	576,328	448,227	562,803	494,251	-	1,767,095
2009	628,812	461,030	504,906	417,266	561,660	1,816,416
2008	624,841	509,630	519,509	369,113	618,169	1,749,075
2007	627,637	542,586	1,042,580	473,713	-	1,775,493
2006	722,808	519,031	998,881	522,854	-	1,632,434

(1) Includes General Fund and Special Revenue Funds

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

Table 7

Transient Occupancy Tax	Business Licenses	Motor Vehicle Licenses	Other Taxes	Cigarette Tax	Total
\$ 190,005	\$ 1,656,923	\$ 102,855	\$ 72,152	\$ 170,790	\$ 6,811,707
190,233	1,914,525	101,969	75,647	181,720	6,818,353
187,263	1,366,360	104,047	-	189,868	6,090,610
195,419	1,363,590	102,358	-	182,820	5,990,769
169,364	1,528,085	100,710	-	177,774	5,920,007
159,647	1,405,894	99,051	-	200,124	5,713,420
174,398	1,248,770	96,245	-	189,124	6,098,627
151,272	1,338,059	91,454	-	222,415	6,193,537
197,870	1,653,232	96,189	-	197,195	6,606,495
206,274	1,400,230	100,905	-	212,152	6,315,569

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Meals Tax Revenues
Last Ten Fiscal Years

Fiscal Year		Tax Rate	Gross Receipts	Meals Tax Revenue
2015	\$	0.04	\$ 56,640,975	\$ 2,265,639
2014		0.04	54,789,300	2,191,572
2013		0.04	53,805,925	2,152,237
2012		0.04	51,558,550	2,062,342
2011		0.04	47,531,525	1,901,261
2010		0.04	44,177,375	1,767,095
2009		0.04	45,410,400	1,816,416
2008		0.04	43,726,875	1,749,075
2007		0.04	44,387,325	1,775,493
2006		0.04	40,810,850	1,632,434

Source: Town of Warrenton Department of Finance & Human Resources

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2015	
		2014 Assessed Valuation	% of Total Assessed Valuation
Fauquier Medical Center LLC	Medical Center	\$ 54,075,000	3.48%
Warrenton Center LLC	Shopping Center	34,170,600	2.20%
Walmart	Retail Store	15,379,300	0.99%
Northrock Center LLC	Office Center Complex	15,202,200	0.98%
Warrenton Development Company	Developer	14,789,100	0.95%
Warrenton Village LLC	Shopping Center	10,891,600	0.70%
Sears Roebuck and Co.	Retail Store	10,421,400	0.67%
Fauquier Long Term Care	Health Care Provider	9,834,500	0.63%
Warrenton Professional Center	Professional Center	9,744,000	0.63%
HD Development of Maryland (Home Depot)	Retail Store	8,942,700	0.58%
		<u>\$ 183,450,400</u>	<u>11.12%</u>

Source: Fauquier County Commissioner of the Revenue

Table 9

Taxpayer	Type Business	Fiscal Year 2006	
		2005 Assessed Valuation	% of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	\$ 16,598,900	1.96%
Warrenton Development Company	Developer	10,099,500	1.19%
Warrenton Village	Shopping Center	9,445,000	1.12%
Verizon Virginia	Utility	9,284,736	1.10%
Walmart	Retail Store	8,991,800	1.06%
Highland Commons, LP	Developer	7,619,000	0.90%
Oak Springs Nursing Home	Health Care Provider	7,055,000	0.84%
Sears Roebuck and Co.	Retail Store	6,872,000	0.81%
Warrenton Professional Center	Shopping Center	6,080,000	0.72%
Kalis Holdings Inc.	Shopping Center	5,109,400	0.60%
		<u>\$ 87,155,336</u>	<u>10.30%</u>

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$	1,267,260	\$ 1,246,135	98.33%	\$ -	\$ 1,246,135	98.33%
2014		1,145,346	1,139,748	99.51%	5,854	1,139,748	99.51%
2013		1,080,357	1,074,859	99.49%	3,526	1,078,385	99.49%
2012		1,069,488	1,058,965	99.01%	7,961	1,066,926	99.76%
2011		1,049,477	1,037,948	98.90%	9,760	1,047,708	99.83%
2010		1,283,322	1,250,045	97.41%	10,215	1,260,260	98.20%
2009		1,346,551	1,305,936	96.98%	16,183	1,322,119	98.19%
2008		1,330,126	1,298,822	97.65%	15,903	1,314,725	98.84%
2007		1,313,459	1,284,836	97.82%	16,784	1,301,620	99.10%
2006		1,471,680	1,394,045	94.72%	58,831	1,452,876	98.72%
2005		1,300,387	1,240,510	95.40%	30,232	1,270,742	97.72%

Source: Town of Warrenton Department of Finance & Human Resources

Meal Tax Rates
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates		Overlapping Rates County of Fauquier ⁽¹⁾	
	Meals Tax Percent of Gross		Meals Tax Percent of Gross	
2015	%	4.00	%	0.00
2014		4.00		0.00
2013		4.00		0.00
2012		4.00		0.00
2011		4.00		0.00
2010		4.00		0.00
2009		4.00		0.00
2008		4.00		0.00
2007		4.00		0.00
2006		4.00		0.00

Source: Town of Warrenton Department of Finance & Human Resources

(1) Fauquier County does not have a meals tax

Principal Meals Taxpayers
Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2015		Taxpayer	Fiscal Year 2006	
	Assessed Valuation	% of Total Assessed Valuation		Assessed Valuation	% of Total Assessed Valuation
Chick Fil A	\$ 4,736,038	8.03%	McDonalds	\$ 3,371,098	8.39%
Longhorn Steakhouse	2,941,460	4.99%	Ruby Tuesday	2,830,131	7.05%
McDonalds	2,688,879	4.56%	Applebees	2,688,048	6.69%
Chipotle	2,412,313	4.09%	Panera Bread	1,934,878	4.82%
Applebees	2,346,176	3.98%	Wendy's	1,820,268	4.53%
Panera Bread	2,304,595	3.91%	Burger King	1,634,998	4.07%
Taco Bell	2,087,392	3.54%	KFC	1,604,709	3.99%
Clairs at the Depot	1,764,459	2.99%	Red Hot & Blue	1,522,769	3.79%
Wendy's	1,701,822	2.89%	Taco Bell	1,138,311	2.83%
Starbucks	1,539,529	2.61%	Country Cookin	1,138,159	2.83%
	<u>\$ 24,522,663</u>	<u>41.60%</u>		<u>\$ 19,683,369</u>	<u>49.00%</u>

Source: Town of Warrenton 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	Premium on Bond Issue				
2015	\$ 90,158	\$ 8,899,000	\$ -	\$	8,989,158	*	907
2014	266,837	9,317,000	-		9,583,837	2.77%	980
2013	441,717	9,717,000	-		10,158,717	2.68%	1,036
2012	-	8,575,000	245,897		8,820,897	2.43%	906
2011	-	8,835,000	266,590		9,101,590	2.36%	947
2010	-	9,085,000	287,781		9,372,781	2.83%	1,003
2009	-	9,325,000	309,451		9,634,451	2.07%	1,050
2008	-	9,555,000	331,580		9,886,580	2.27%	1,110
2007	-	9,775,000	354,148		10,129,148	3.30%	1,131
2006	-	9,775,000	354,148		10,129,148	3.30%	1,131

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

(1) See the Schedule of Demographic and Economic Statistics - Table 17

* data not available

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

Fiscal Year		Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2015	\$	8,899,000	\$ -	\$ 8,899,000	0.53%	898
2014		9,317,000	-	9,317,000	0.55%	953
2013		9,717,000	-	9,717,000	0.64%	991
2012		8,820,897	-	8,820,897	0.59%	908
2011		9,101,590	-	8,835,000	0.61%	880
2010		9,372,781	-	9,085,000	0.59%	919
2009		9,634,451	-	9,325,000	0.61%	1,003
2008		9,886,580	-	9,555,000	0.49%	1,050
2007		10,129,148	-	9,775,000	0.51%	1,110
2006		10,129,148	-	9,775,000	0.53%	1,131

(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, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: Town of Warrenton	\$ 99,912,627	14.52%	\$ 14,507,846
Subtotal, overlapping debt			
Town of Warrenton, direct debt			90,158
Total direct and overlapping debt			\$ 14,598,004

Source: County of Fauquier June 30, 2015 Comprehensive Annual Financial Report

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

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

TOWN OF WARRENTON, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

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

Table 16

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2015</u>
\$ 149,303,930	\$ 149,300,520	\$ 141,441,230	\$ 151,876,864	169,555,067
9,085,000	8,835,000	8,820,897	9,717,000	8,899,000
<u>\$ 140,218,930</u>	<u>\$ 140,465,520</u>	<u>\$ 132,620,333</u>	<u>\$ 142,159,864</u>	<u>160,656,067</u>
6.08%	5.92%	6.24%	6.40%	5.25%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 1,685,067,569
Add back: exempt real property	<u>10,483,100</u>
Total assessed value	\$ 1,695,550,669
Debt limit (10% of total assessed value)	\$ 169,555,067
Net debt applicable to limit	<u>8,899,000</u>
Legal debt margin	<u><u>\$ 160,656,067</u></u>

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2015	9,907	\$ *	\$ *	*	2,138	4.40%
2014	9,775	346,044,775	35,401	41	2,008	4.70%
2013	9,803	379,474,130	38,710	38	2,008	4.80%
2012	9,735	362,297,760	37,216	40	1,572	4.80%
2011	9,611	375,126,941	39,031	39	1,584	5.20%
2010	9,059	321,223,081	35,459	40	1,581	5.60%
2009	8,877	451,430,958	50,854	38	1,535	5.40%
2008	8,606	421,169,034	48,939	38	1,501	3.50%
2007	8,639	296,447,285	34,315	39	1,496	2.50%
2006	8,639	296,447,285	34,315	38	1,515	2.50%

* data not available

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

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2015		Fiscal Year 2006	
	Rank	Employees	Rank	Employees
Fauquier County School Board	1	1,000 and over	1	1,000 and over
Fauquier Health System	2	1,000 and over	2	500 to 999
County of Fauquier	3	500 to 999	3	500 to 999
Wal Mart	4	250 to 499	4	250 to 499
Town of Warrenton	5	100 to 249	10	100 to 249
The Fauquier Bank	6	100 to 249	6	100 to 249
Oak Springs Nursing Home	7	100 to 249	8	100 to 249
The Home Depot	8	100 to 249	7	100 to 249
Food Lion	9	under 100		
McDonald's	10	under 100		
Giant Food			5	100 to 249
Warrenton Overlook Health Center			9	100 to 249

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

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General and Financial Administration	6	6	6	6	6	6	6	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	25	25	27	25	27	27	27	25	23	24
Fire & rescue	1	1	1	1	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	22	22	22	21	21	22	22	21	19	21
Administration	5	5	5	5	5	4	4	5	4	5
Culture and recreation										
Parks - cemetery maintenance	1	1	1	2	2	2	2	2	2	3
Planning & Community development	5	5	5	5	4	3	3	3	3	4
Water and Sewer										
Water	16	16	16	16	15	14	14	13	13	14
Wastewater	9	9	9	8	8	7	7	7	6	7
Administration	7	7	7	4	7	6	6	7	7	6
Motor Pool	2	2	2	2	2	3	3	3	3	3
Parks & Recreation	0	3	3	3	3	3	3	3	3	3
Totals	<u>101</u>	<u>104</u>	<u>106</u>	<u>101</u>	<u>104</u>	<u>101</u>	<u>101</u>	<u>99</u>	<u>99</u>	<u>100</u>

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police department: (Calendar Year)										
Physical arrests	703	397	172	358	430	397	371	390	248	295
Traffic violations	1,567	1,615	1,848	2,696	5,360	6,243	3,989	6,557	5,355	3,317
Fire and rescue:										
Number of calls answered	-	1,628	1,840	3,972	2,435	2,416	2,643	2,100	2,601	2,819
Building inspections:										
Permits issued	521	573	607	676	382	333	700	671	585	649
Public works										
Refuse collected (tons/year)	4,085	4,289	4,138	3,930	3,825	3,920	3,844	3,746	3,761	3,822
Recycling (tons/year)	1,664	1,747	728	880	783	881	919	1,539	1,244	1,253
Community development										
Planning:										
Zoning permits issued	186	189	267	168	155	166	159	150	170	180

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	18	18	18	18	17		21	21	21
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	3	3
Highway and Streets										
Streets (miles)	85.5	87.16	86.76	86.37	86.49	86.49	86.49	94.52	94.52	94.52
Streetlights	758	770	770	770	770	772	772	795	810	810
Traffic Signals	7	8	8	8	10	10	10	11	12	12
Culture and Recreation										
Parks acreage	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69
Parks	5	5	5	5	5	5	5	5	5	5
Water										
Water mains (miles)	72.5	73.24	82.4	82.4	84	84	84	86	86	86
Fire Hydrants	623	635	681	681	690	716	717	725	725	725
Sewer										
Sanitary sewers	58.56	58.56	63.2	63.2	63.2	66	66	66	66	66
Storm sewers (miles)	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44	15.44

Source: Individual town departments

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Warrenton, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Warrenton, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 30, 2015