

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013



TOWN OF WARRENTON, VIRGINIA

TOWN OF WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

Prepared By
TOWN OF WARRENTON FINANCE DEPARTMENT

Town of Warrenton, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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Town of Warrenton, Virginia

Principal Town Officials

Town Council	
Powell L. Duggan	Yakir M. Lubowsky
Joan R. Williams	George B. Fitch, Mayor
Robert Kravetz	David A. Norden, Vice Mayor
	Roger R. Martella, Jr.
	John S. Lewis
Town Manager	
Kenneth L. McLawhon	
Town Attorney	
Whitson W. Robinson	
Officials	
Town Recorder	Evelyn J. Weimer
Finance/Personnel Director	Joan Jackson
Director of Parks & Recreation.....	vacant
Planning/Zoning Director	Sarah A. Sitterle
Public Works/Utilities Director	Edward B. Tucker, Jr.
Chief of Police	Louis Battle

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TOWN OF WARRENTON

POST OFFICE DRAWER 341
WARRENTON, VIRGINIA 20188-0341
<http://www.warrentonva.gov>
TELEPHONE (540) 347-1101
FAX (540) 349-2414
TDD 1-800-828-1120

December 13, 2013

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

We are pleased to submit the Comprehensive Annual Financial Report of the Town of Warrenton for the fiscal year ended June 30, 2013. The *Code of Virginia* requires that localities have their 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, 2013 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 the financial activities of the reporting entity are included within this report. The reporting entity is comprised solely of the primary government. The Town of Warrenton does not have any component units. Under GASB pronouncements, component units are legally separate entities for which the primary government is financially accountable.

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 9,803. 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 Council-Manager form of government with an elected mayor and a seven-member Council, with five (5) members elected by ward and two (2) elected at large. 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, and public works infrastructure, and the provision of water and wastewater services. In addition, the Town contributes to cultural events and recreational activities.

ECONOMIC CONDITION AND OUTLOOK

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

During the past year the region has experienced a stabilization and slight improvement in the housing market, which is reflected in Fauquier County's Real Estate General Reassessment figures. Preliminary data from these assessments, which will take effect January 1, 2014, reflect an increase in the valuation of residential properties. Commercial property valuations continue to lag, but are expected to follow the trend in residential property.

Several new restaurants have opened on Main Street in Warrenton during the past fiscal year, a sign of faith in the general economic outlook for downtown Warrenton.

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 and adopted 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.

MAJOR INITIATIVES

Current Initiatives:

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

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

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

The Police Department is close to completing full implementation of its Mobile Data Terminal Project. This project installed laptops in police cruisers that enable instant access to multiple law enforcement databases, thereby enhancing public safety within the Town.

During fiscal year 2013, the Town completed efforts to bring the remaining few properties in compliance with the Americans with Disabilities Act.

Future Initiatives:

Improving transportation safety and relieving traffic congestion have become primary focus areas for the Town. Improvements for Broadview Avenue will soon be moving into the construction phase. As part of the Fiscal Year 2014 budget process, the Town Council approved a study concerning the extension of Timber Fence Parkway. Other transportation issues relate to the use of roundabouts versus traffic signals at critical intersections throughout the Town, and the possible extension of Branch Drive. 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 water capacity by relining the Town’s aging underground system.

The Recreation Department is working to enhance several parks in Town by planning for the installation of permanent restroom facilities.

INTERNAL CONTROLS AND BUDGETARY ACCOUNTING

The management of the Town is responsible for establishing and maintaining an internal control structure to ensure the protection of Town assets. In developing and evaluating the Town’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls were designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with GAAP and maintaining accountability for assets.

Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

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

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

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

IMPLEMENTATION OF NEW ACCOUNTING REQUIREMENTS

During Fiscal Year 2013, the Town implemented GASB Statements No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 - *Items Previously Reported as Assets and Liabilities*. Further information regarding these statements can be found in Note 13 to the Financial Statements. During Fiscal Year 2014, the Town will be reviewing and planning the implementation of GASB Statements No. 66 through No. 71.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Kenneth L. McLawhon
Town Manager



Joan M. Jackson
Director of Finance & Human Resources

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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, 2012

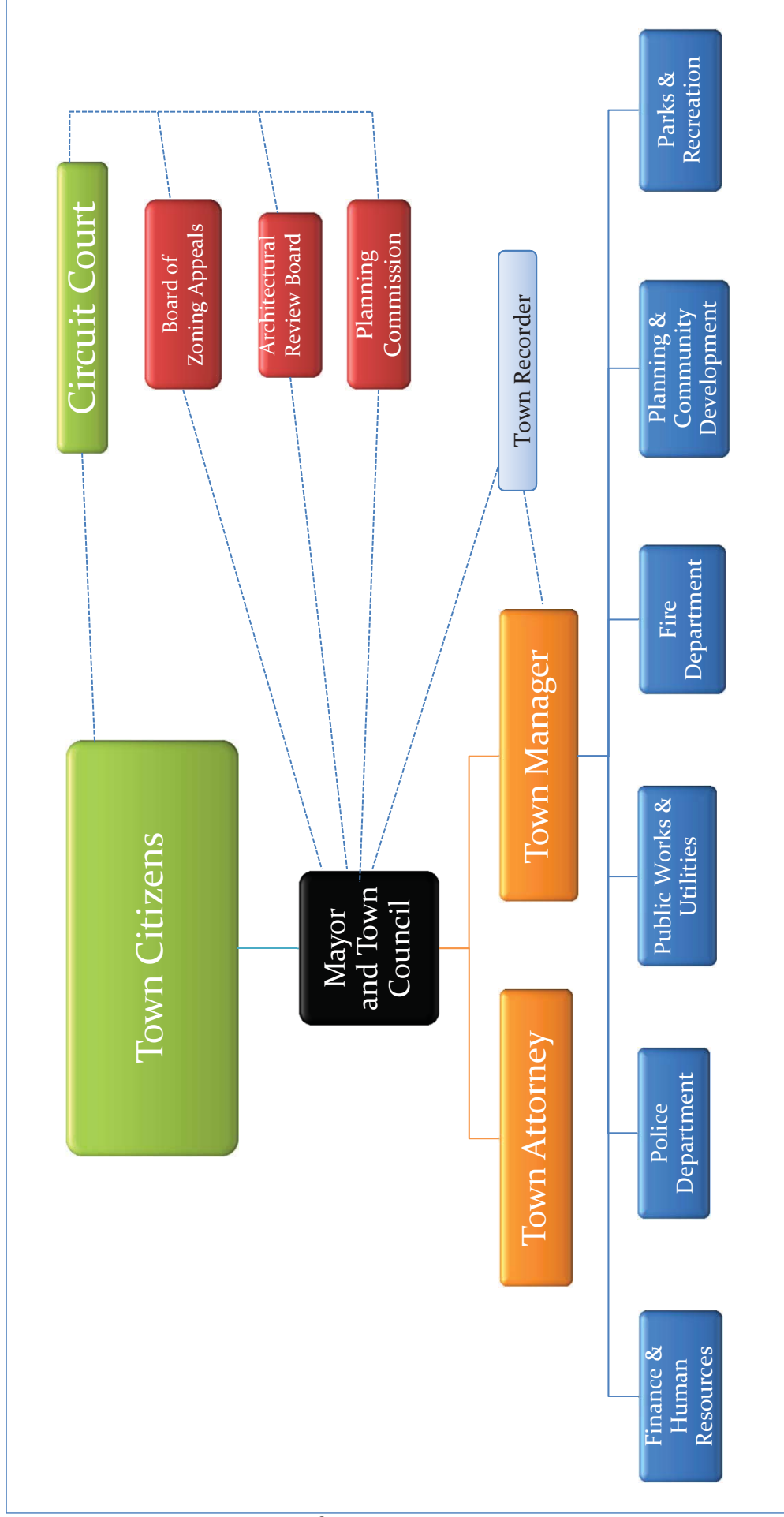
Executive Director/CEO

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Town of Warrenton

FY2013

Organizational Chart



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FINANCIAL SECTION

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, 2013, 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, 2013, 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.

Emphasis of Matter

As described in Note 13 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedule of pension funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedule of pension funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, combining fund financial statements, supporting schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (continued)

The combining fund financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining fund financial statements and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, 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
December 6, 2013

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, 2013. 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.

Financial Highlights

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

		<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net Position	\$	84,213,732	\$ 86,769,316
Unrestricted		18,570,396	17,769,442

The Town's total net position decreased \$2,555,584 in FY 2013. This decrease in net position is due to the issuance of debt and depreciation of assets.

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

		<u>June 30, 2013</u>	<u>June 30, 2012</u>
Fund balance, ending	\$	10,907,039	\$ 9,620,255
Increase from prior year		1,286,784	1,859,525
Unassigned fund balance		9,909,063	8,511,933
Percentage unassigned		91%	88%

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 2012 Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association, and the Town's organizational chart.
- The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplementary information, and supporting schedules.
- The Statistical Section provides selected financial and demographic data related to the Town presented on a multi-year basis.
- The Compliance Section includes the auditors' report on compliance and internal controls.

Overview of the Financial Statements: (Continued)

Financial Section

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

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

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

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

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

Government-wide Financial Statements

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

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

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

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

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, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

Proprietary Funds

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 Parks & Recreation Fund. The Water & Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment. The Parks & Recreation Fund accounts for all revenues and expenses related to the operation and maintenance of all Town parks and recreational facilities.

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements. The notes are considered an integral part of the financial statements.

Other Information

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

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 \$84,213,732 at June 30, 2013. The Town implemented Governmental Accounting Standards Board Statement Numbers 63 and 65 in fiscal year 2013 which requires the presentation of net position versus net assets. Prior year data reported in the following comparative table presents net assets and does not segregate deferred outflows and inflows of resources from other assets and liabilities.

The Town's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Table 1

Town of Warrenton Summary of Net Position

	Governmental activities		Business-type activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Current and other assets	\$ 11,185,263	\$ 9,923,402	\$ 8,687,698	\$ 9,895,100	\$ 19,872,961	\$ 19,818,502
Capital assets	<u>26,262,268</u>	<u>27,226,044</u>	<u>48,775,157</u>	<u>50,003,838</u>	<u>75,037,425</u>	<u>77,229,882</u>
Total assets	\$ <u>37,447,531</u>	\$ <u>37,149,446</u>	\$ <u>57,462,855</u>	\$ <u>59,898,938</u>	\$ <u>94,910,386</u>	\$ <u>97,048,384</u>
Deferred outflows of resources	\$ -	\$ -	\$ 1,049,137	\$ -	\$ 1,049,137	\$ -
Total assets and deferred outflows of resources	\$ <u>37,447,531</u>	\$ <u>37,149,446</u>	\$ <u>58,511,992</u>	\$ <u>59,898,938</u>	\$ <u>95,959,523</u>	\$ <u>97,048,384</u>
Long-term liabilities	\$ 882,282	\$ 317,725	\$ 10,202,025	\$ 9,010,513	\$ 11,084,307	\$ 9,328,238
Other liabilities	<u>262,744</u>	<u>261,767</u>	<u>398,340</u>	<u>689,063</u>	<u>661,084</u>	<u>950,830</u>
Total liabilities	\$ <u>1,145,026</u>	\$ <u>579,492</u>	\$ <u>10,600,365</u>	\$ <u>9,699,576</u>	\$ <u>11,745,391</u>	\$ <u>10,279,068</u>
Deferred inflows of resources:	\$ 400	\$ -	\$ -	\$ -	\$ 400	\$ -
Net position:						
Net investment in capital assets	\$ 25,993,382	\$ 27,226,044	\$ 39,058,157	\$ 41,182,941	\$ 65,051,539	\$ 68,408,985
Restricted	591,797	590,889	-	-	591,797	590,889
Unrestricted	<u>9,716,926</u>	<u>8,753,021</u>	<u>8,853,470</u>	<u>9,016,421</u>	<u>18,570,396</u>	<u>17,769,442</u>
Total net position	\$ <u>36,302,105</u>	\$ <u>36,569,954</u>	\$ <u>47,911,627</u>	\$ <u>50,199,362</u>	\$ <u>84,213,732</u>	\$ <u>86,769,316</u>

For the Town, the net investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure) represents 77.2 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 majority of these resources are to be used for public safety equipment replacement, general government renovations and utility projects. The Town's restricted net position accounts for 0.7 percent of total net position.

The remaining balance of unrestricted net position at June 30, 2013 is \$18,570,396 or 22.1 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis: (Continued)

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

The government's net position decreased by \$2,555,584 during the current fiscal year. This decrease is attributable to declining revenue from charges for services and operating grants and contributions for governmental activities combined with necessary increases in Public Works expenditures. Depreciation for capital-intensive business-type activities also contributes significantly to this decrease.

Governmental Activities

Governmental activities decreased net position by \$267,849, which is largely attributed to increases in Public Works expenditures. Table 2 outlines the key elements of the net change.

Table 2

Town of Warrenton Change in Net Position

	Governmental activities		Business-type activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Revenues:						
Program revenues:						
Charges for services	\$ 600,185	\$ 862,177	\$ 4,843,484	\$ 4,805,930	\$ 5,443,669	\$ 5,668,107
Operating grants & contributions	1,485,397	1,729,107	-	-	1,485,397	1,729,107
Capital grants & contributions	-	-	345,066	271,973	345,066	271,973
General revenues:						
General property taxes	513,896	558,907	-	-	513,896	558,907
Other local taxes	5,551,297	5,423,075	-	-	5,551,297	5,423,075
Use of money and property	30,021	29,029	144,451	141,838	174,472	170,867
Miscellaneous	128,931	199,056	-	-	128,931	199,056
Grants and contributions not restricted to specific programs	1,358,220	1,373,853	-	-	1,358,220	1,373,853
Total revenues	\$ 9,667,947	\$ 10,175,204	\$ 5,333,001	\$ 5,219,741	\$ 15,000,948	\$ 15,394,945
Expenses:						
General government	\$ 1,591,497	\$ 1,581,007	\$ -	\$ -	\$ 1,591,497	\$ 1,581,007
Public safety	2,760,751	2,761,692	-	-	2,760,751	2,761,692
Public works	4,253,156	3,319,070	-	-	4,253,156	3,319,070
Health and welfare	88,278	98,159	-	-	88,278	98,159
Parks, recreation and cultural	134,279	142,429	-	-	134,279	142,429
Community development	432,674	403,217	-	-	432,674	403,217
Water and sewer	-	-	5,479,541	5,194,404	5,479,541	5,194,404
Parks & recreation	-	-	2,811,590	2,694,855	2,811,590	2,694,855
Interest on long-term debt	4,766	-	-	-	4,766	-
Total expenses	\$ 9,265,401	\$ 8,305,574	\$ 8,291,131	\$ 7,889,259	\$ 17,556,532	\$ 16,194,833
Increase (decrease) in net position before transfers	\$ 402,546	\$ 1,869,630	\$ (2,958,130)	\$ (2,669,518)	\$ (2,555,584)	\$ (799,888)
Transfers	(670,395)	(876,208)	670,395	876,208	-	-
Change in net position	(267,849)	993,422	(2,287,735)	(1,793,310)	(2,555,584)	(799,888)
Net position, beginning of year	36,569,954	35,576,532	50,199,362	51,992,672	86,769,316	87,569,204
Net position, end of year	\$ 36,302,105	\$ 36,569,954	\$ 47,911,627	\$ 50,199,362	\$ 84,213,732	\$ 86,769,316

Governmental Activities: (Continued)

- Real estate and personal property tax payments decreased slightly because of lower collections of previous year taxes. The Town's real estate tax rate of \$0.015 per \$100 of assessed value continues to be one of the lowest in the Commonwealth.
- In the other local taxes category, Meals and Lodging Tax and Sales Tax reflect an increase; a sign of an economy that is slowly recovering.
- Operating grants and contributions decreased as a result of reductions in aid from the Commonwealth.

Business-type Activities

Business-type activities decreased the Town's net position by \$2,287,735. Key elements of this decrease are as follows:

- Expenses in Water and Sewer increased due to the continuing efforts to bring two wells back into production and other capital outlay.
- Expenses in Parks and Recreation increased due to increases in the cost of chemicals and other supplies related to the maintenance of the Warrenton Aquatic and Recreation Facility, and expenses related to the improvement of other parks throughout the Town.

Financial Analysis of the Government's Funds

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

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 \$10,907,039 an increase of \$1,286,784 over the prior year. This increase is attributed to a continued vigilance in fiscal responsibility by the Town's staff. Poor economic conditions continue to cause staff to be extremely cautious regarding their expenditures. Approximately 91 percent of total fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is classified as nonspendable or committed to indicate that it is not available for new spending.

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

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water & Sewer Fund at the end of the year was \$6,939,206 or 24.4 percent of the fund's net position. The Parks & Recreation Fund reported unrestricted net position of \$1,914,264 or 9.8 percent of its net position. The greatest impact year after year for the proprietary funds is depreciation expense.

General Fund Budgetary Highlights

The difference between the original budgeted appropriation and the final amended budgeted appropriation was an increase of \$332,776, which is 3.92 percent of the total original budget. Final actual expenditures were \$564,995 less than final amended appropriations (6.4 percent of the total final amended budget). Most departments spent less than their legally appropriated budget. Final actual revenue was \$547,246 greater than final amended budget amounts. This is primarily due to increased collection of Meals and Lodging Tax.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2013 is \$26,262,268 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$48,775,157 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and systems, machinery and equipment, and construction in progress. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$963,776 for government activities and a total net decrease of \$1,228,681 for business-type activities.

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

- Sidewalk upgrade from concrete to brick - \$29,618
- Purchase of police department vehicles - \$65,116
- Mobile radio replacement for public works - \$45,000
- Purchase of sludge dewatering equipment - \$284,400
- Water/well improvements - \$22,000
- New mobile office for Meter Department - \$24,169
- Public Utility Narrow Band Radio Upgrade - \$23,755

Capital Asset and Debt Administration: (Continued)

Capital assets: (Continued)

Town of Warrenton, Virginia Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Land	\$ 1,129,257	\$ 1,129,257	\$ 4,185,476	\$ 4,185,476	\$ 5,314,733	\$ 5,314,733
Utility plant in service	-	-	19,819,880	20,236,587	19,819,880	20,236,587
Buildings and improvements	2,620,997	2,729,937	22,278,484	22,891,286	24,899,481	25,621,223
Improvements other than buildings	-	-	1,254,328	1,278,426	1,254,328	1,278,426
Furniture, equipment, and vehicles	2,411,089	2,543,656	686,695	796,671	3,097,784	3,340,327
Infrastructure	19,736,464	20,813,964	-	-	19,736,464	20,813,964
Construction in progress	364,461	9,230	550,294	615,392	914,755	624,622
Total	\$ <u>26,262,268</u>	\$ <u>27,226,044</u>	\$ <u>48,775,157</u>	\$ <u>50,003,838</u>	\$ <u>75,037,425</u>	\$ <u>77,229,882</u>

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

Long-term debt

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

Town of Warrenton's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
General obligation bonds	\$ -	\$ -	\$ 9,717,000	\$ 8,575,000	\$ 9,717,000	\$ 8,575,000
Premium on bond issue	-	-	-	245,897	-	245,897
Capital leases	441,717	-	-	-	441,717	-
Compensated absences	440,565	317,725	300,344	189,616	740,909	507,341
Total	\$ <u>882,282</u>	\$ <u>317,725</u>	\$ <u>10,017,344</u>	\$ <u>9,010,513</u>	\$ <u>10,899,626</u>	\$ <u>9,328,238</u>

During the fiscal year, the Town entered into a capital lease to fund the acquisition of Mobile Data Terminals for the Police Department. The Town also opted during the year to advance refund a portion of its 2006 General Obligation Bond to realize debt service savings. Additional information on the Town's long-term debt can be found in Note 8 to the financial statements. Details regarding the defeasance of debt are addressed in Note 8.

Capital Asset and Debt Administration: (Continued)

Long-term debt: (Continued)

Also during the fiscal year, the Town amended its policy concerning employee leave payouts. Prior to this change, employees who terminated their employment with the Town were entitled to a payout of only their accrued annual leave balance, subject to certain limitations. The change in policy now entitles employees to also receive a lump-sum payout equivalent to 25 percent of their accrued sick leave balance. This change in policy increased the liabilities of governmental activities by \$131,112 and of business-type activities by \$67,362.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Fauquier County has remained at 4.8 percent compared to the same period in the prior year. This compares favorably to the state's average unemployment rate of 5.5 percent and the national average rate of 7.6 percent.
- Earnings on investments have increased slightly this past fiscal year, but continue to reflect the lower yields generally found in the financial market. The Town Investment revenue was \$27,067 for the fiscal year ending June 30, 2013, reflective of the economic atmosphere.
- The residential real estate market shows promise as several developers have announced plans for new housing projects. With one of the lowest real estate tax rates in Virginia, the Town does not realize significant revenue from increased housing, apart from revenue related to zoning and building permits and general related increases in sales and meals tax revenue. In general, revenue from residential development does not offset increased expenses related to providing services to new homes.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

During fiscal year 2013, unassigned fund balance in the general fund increased \$1,397,130 due to strict adherence to purchasing policies in effect that serve to guide expenditure considerations. The FY2014 budget will be scrutinized to find ways to reduce expenditures even further than has already been done. This will be necessary because Virginia continues to announce cutbacks of its contribution to localities.

Requests for Information

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

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,243,071	\$ 7,761,080	\$ 18,004,151
Cash and cash equivalents - restricted	172,831	316,528	489,359
Receivables (net of allowance for uncollectibles):			
Taxes receivable	21,748	-	21,748
Accounts receivable	451,035	362,830	813,865
Notes receivable	-	1,180	1,180
Due from other governmental units	193,061	-	193,061
Inventories	103,517	246,080	349,597
Capital assets (net of accumulated depreciation):			
Land	1,129,257	4,185,476	5,314,733
Utility plant in service	-	19,819,880	19,819,880
Buildings and improvements	2,620,997	22,278,484	24,899,481
Improvements other than buildings	-	1,254,328	1,254,328
Furniture, equipment, and vehicles	2,411,089	686,695	3,097,784
Infrastructure	19,736,464	-	19,736,464
Construction in progress	364,461	550,294	914,755
Total assets	<u>\$ 37,447,531</u>	<u>\$ 57,462,855</u>	<u>\$ 94,910,386</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ -	\$ 1,049,137	\$ 1,049,137
Total Assets and Deferred Outflows of Resources	<u>\$ 37,447,531</u>	<u>\$ 58,511,992</u>	<u>\$ 95,959,523</u>
LIABILITIES			
Accounts payable	\$ 261,861	\$ 229,635	\$ 491,496
Accrued liabilities	-	-	-
Customers' deposits	-	41,259	41,259
Accrued interest payable	883	99,847	100,730
Unearned revenue	-	27,599	27,599
Long-term liabilities:			
Due within one year	218,937	430,034	648,971
Due in more than one year	663,345	9,771,991	10,435,336
Total liabilities	<u>\$ 1,145,026</u>	<u>\$ 10,600,365</u>	<u>\$ 11,745,391</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 400	\$ -	\$ 400
NET POSITION			
Net investment in capital assets	\$ 25,993,382	\$ 39,058,157	\$ 65,051,539
Restricted for:			
Perpetual Care:			
Nonspendable	591,797	-	591,797
Unrestricted (deficit)	9,716,926	8,853,470	18,570,396
Total net position	<u>\$ 36,302,105</u>	<u>\$ 47,911,627</u>	<u>\$ 84,213,732</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 37,447,531</u>	<u>\$ 58,511,992</u>	<u>\$ 95,959,523</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, 2013

<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	\$ 1,591,497	\$ 136,496	\$ -	\$ -
Public safety	2,760,751	280,842	244,441	-
Public works	4,253,156	182,847	1,235,956	-
Health and welfare	88,278	-	-	-
Parks, recreation, and cultural	134,279	-	5,000	-
Community development	432,674	-	-	-
Interest on long-term debt	4,766	-	-	-
Total governmental activities	<u>\$ 9,265,401</u>	<u>\$ 600,185</u>	<u>\$ 1,485,397</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	\$ 5,479,541	\$ 3,627,141	\$ -	\$ 345,066
Recreation	2,811,590	1,216,343	-	-
Total business-type activities	<u>\$ 8,291,131</u>	<u>\$ 4,843,484</u>	<u>\$ -</u>	<u>\$ 345,066</u>
Total primary government	<u>\$ 17,556,532</u>	<u>\$ 5,443,669</u>	<u>\$ 1,485,397</u>	<u>\$ 345,066</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

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
\$ (1,455,001)	\$ -	\$ (1,455,001)
(2,235,468)	-	(2,235,468)
(2,834,353)	-	(2,834,353)
(88,278)	-	(88,278)
(129,279)	-	(129,279)
(432,674)	-	(432,674)
(4,766)	-	(4,766)
<u>\$ (7,179,819)</u>	<u>\$ -</u>	<u>\$ (7,179,819)</u>
\$ -	\$ (1,507,334)	\$ (1,507,334)
-	(1,595,247)	(1,595,247)
<u>\$ -</u>	<u>\$ (3,102,581)</u>	<u>\$ (3,102,581)</u>
<u>\$ (7,179,819)</u>	<u>\$ (3,102,581)</u>	<u>\$ (10,282,400)</u>
\$ 513,896	\$ -	\$ 513,896
530,836	-	530,836
493,720	-	493,720
1,366,360	-	1,366,360
2,152,237	-	2,152,237
463,135	-	463,135
545,009	-	545,009
30,021	144,451	174,472
128,931	-	128,931
1,358,220	-	1,358,220
(670,395)	670,395	-
<u>\$ 6,911,970</u>	<u>\$ 814,846</u>	<u>\$ 7,726,816</u>
(267,849)	(2,287,735)	(2,555,584)
36,569,954	50,199,362	86,769,316
<u>\$ 36,302,105</u>	<u>\$ 47,911,627</u>	<u>\$ 84,213,732</u>

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Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2013

	General	Permanent Fund Perpetual Care	Total
ASSETS			
Cash and cash equivalents	\$ 9,651,274	\$ 591,797	\$ 10,243,071
Cash and cash equivalents - restricted	172,831	-	172,831
Receivables (net of allowance for uncollectibles):			
Taxes receivable	21,748	-	21,748
Accounts receivable	451,035	-	451,035
Due from other governmental units	193,061	-	193,061
Inventories	103,517	-	103,517
Total assets	<u>\$ 10,593,466</u>	<u>\$ 591,797</u>	<u>\$ 11,185,263</u>
LIABILITIES			
Accounts payable	<u>\$ 261,861</u>	<u>\$ -</u>	<u>\$ 261,861</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	<u>\$ 16,363</u>	<u>\$ -</u>	<u>\$ 16,363</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ 103,517	\$ -	\$ 103,517
Permanent fund principal	-	591,797	591,797
Committed to:			
Legislative	19,144	-	19,144
Data processing	58,773	-	58,773
Police	1,378	-	1,378
Street maintenance	54,752	-	54,752
Maintenance, buildings, and grounds	32,661	-	32,661
Capital projects	135,954	-	135,954
Unassigned fund balance	9,909,063	-	9,909,063
Total fund balances	<u>\$ 10,315,242</u>	<u>\$ 591,797</u>	<u>\$ 10,907,039</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,593,466</u>	<u>\$ 591,797</u>	<u>\$ 11,185,263</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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,907,039
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,262,268
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	15,963
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(883)
Long-term liabilities, including capital lease obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(882,282)</u>
Net position of governmental activities	\$ <u><u>36,302,105</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	\$ 539,313	\$ -	\$ 539,313
Other local taxes	5,551,297	-	5,551,297
Permits, privilege fees, and regulatory licenses	182,847	-	182,847
Fines and forfeitures	280,842	-	280,842
Revenue from the use of money and property	29,113	908	30,021
Charges for services	136,496	-	136,496
Miscellaneous	128,931	-	128,931
Intergovernmental revenues:			
Commonwealth	2,829,793	-	2,829,793
Federal	13,824	-	13,824
Total revenues	<u>\$ 9,692,456</u>	<u>\$ 908</u>	<u>\$ 9,693,364</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,528,394	\$ -	\$ 1,528,394
Public safety	2,666,012	-	2,666,012
Public works	2,754,566	-	2,754,566
Health and welfare	88,278	-	88,278
Parks, recreation, and cultural	133,755	-	133,755
Community development	411,295	-	411,295
Capital projects	591,719	-	591,719
Debt service:			
Principal retirement	86,808	-	86,808
Interest and other fiscal charges	3,883	-	3,883
Total expenditures	<u>\$ 8,264,710</u>	<u>\$ -</u>	<u>\$ 8,264,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,427,746</u>	<u>\$ 908</u>	<u>\$ 1,428,654</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (670,395)	\$ -	\$ (670,395)
Issuance of capital lease	528,525	-	528,525
Total other financing sources (uses)	<u>\$ (141,870)</u>	<u>\$ -</u>	<u>\$ (141,870)</u>
Net change in fund balances	\$ 1,285,876	\$ 908	\$ 1,286,784
Fund balances - beginning	9,029,366	590,889	9,620,255
Fund balances - ending	<u>\$ 10,315,242</u>	<u>\$ 591,797</u>	<u>\$ 10,907,039</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, 2013

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

Net change in fund balances - total governmental funds	\$	1,286,784
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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	\$	544,606	
Depreciation expense		<u>(1,508,382)</u>	(963,776)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(25,417)
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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:

Issuance of capital lease	\$	(528,525)	
Principal retired on capital leases		<u>86,808</u>	(441,717)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	(122,840)
Change in accrued interest payable	<u>(883)</u>

Change in net position of governmental activities	\$	<u><u>(267,849)</u></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, 2013

	Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,706,167	\$ 1,054,913	\$ 7,761,080
Cash and cash equivalents - restricted	316,528	-	316,528
Accounts receivable (net of allowance for uncollectibles)	362,830	-	362,830
Notes receivable	1,180	-	1,180
Inventories	245,834	246	246,080
Total current assets	<u>\$ 7,632,539</u>	<u>\$ 1,055,159</u>	<u>\$ 8,687,698</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 665,660	\$ 3,519,816	\$ 4,185,476
Utility plant in service	40,629,577	-	40,629,577
Buildings and improvements	-	24,781,233	24,781,233
Improvements other than buildings	-	1,375,782	1,375,782
Furniture, equipment, and vehicles	2,349,846	592,416	2,942,262
Construction in progress	543,438	6,856	550,294
Less accumulated depreciation	(22,722,451)	(2,967,016)	(25,689,467)
Total capital assets	<u>\$ 21,466,070</u>	<u>\$ 27,309,087</u>	<u>\$ 48,775,157</u>
Total noncurrent assets	<u>\$ 21,466,070</u>	<u>\$ 27,309,087</u>	<u>\$ 48,775,157</u>
Total assets	<u>\$ 29,098,609</u>	<u>\$ 28,364,246</u>	<u>\$ 57,462,855</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	<u>\$ -</u>	<u>\$ 1,049,137</u>	<u>\$ 1,049,137</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 163,612	\$ 66,023	\$ 229,635
Customers' deposits	41,259	-	41,259
Compensated absences - current portion	27,618	2,416	30,034
Interest payable	-	99,847	99,847
Unearned revenue - current portion	27,599	-	27,599
Bonds payable - current portion	-	400,000	400,000
Total current liabilities	<u>\$ 260,088</u>	<u>\$ 568,286</u>	<u>\$ 828,374</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ -	\$ 9,317,000	\$ 9,317,000
Compensated absences - net of current portion	248,564	21,746	270,310
Unearned revenue - net of current portion	184,681	-	184,681
Total noncurrent liabilities	<u>\$ 433,245</u>	<u>\$ 9,338,746</u>	<u>\$ 9,771,991</u>
Total liabilities	<u>\$ 693,333</u>	<u>\$ 9,907,032</u>	<u>\$ 10,600,365</u>
NET POSITION			
Net investment in capital assets	\$ 21,466,070	\$ 17,592,087	\$ 39,058,157
Unrestricted	6,939,206	1,914,264	8,853,470
Total net position	<u>\$ 28,405,276</u>	<u>\$ 19,506,351</u>	<u>\$ 47,911,627</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Enterprise Funds		
	Water & Sewer	Recreation	Total
OPERATING REVENUES			
Charges for services:			
Sale of water	\$ 1,200,209	\$ -	\$ 1,200,209
Aquatic facility revenues	-	1,216,343	1,216,343
Sewer service charges	2,325,668	-	2,325,668
Late payment charges	40,569	-	40,569
Transfer fees	8,480	-	8,480
Other fees	24,129	-	24,129
Miscellaneous	28,086	-	28,086
Total operating revenues	<u>\$ 3,627,141</u>	<u>\$ 1,216,343</u>	<u>\$ 4,843,484</u>
OPERATING EXPENSES			
Source of supply of water	\$ 909,637	\$ -	\$ 909,637
Maintenance of water and sewer lines	635,214	-	635,214
Meter reading, billing, and servicing	202,408	-	202,408
Operation of sewage treatment plant	1,698,879	-	1,698,879
Administration	793,931	-	793,931
Recreation	-	1,655,488	1,655,488
Capital Outlay	18,152	8,506	26,658
Depreciation	1,221,320	705,296	1,926,616
Total operating expenses	<u>\$ 5,479,541</u>	<u>\$ 2,369,290</u>	<u>\$ 7,848,831</u>
Operating income (loss)	<u>\$ (1,852,400)</u>	<u>\$ (1,152,947)</u>	<u>\$ (3,005,347)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	\$ 6,910	\$ -	\$ 6,910
Rental revenue	137,541	-	137,541
Interest expense	-	(258,531)	(258,531)
Bond issuance costs	-	(183,769)	(183,769)
Total nonoperating revenues (expenses)	<u>\$ 144,451</u>	<u>\$ (442,300)</u>	<u>\$ (297,849)</u>
Income before contributions and transfers	<u>\$ (1,707,949)</u>	<u>\$ (1,595,247)</u>	<u>\$ (3,303,196)</u>
Capital contributions	345,066	-	345,066
Transfers in	-	670,395	670,395
Change in net position	<u>\$ (1,362,883)</u>	<u>\$ (924,852)</u>	<u>\$ (2,287,735)</u>
Total net position - beginning	<u>\$ 29,768,159</u>	<u>\$ 20,431,203</u>	<u>\$ 50,199,362</u>
Total net position - ending	<u>\$ 28,405,276</u>	<u>\$ 19,506,351</u>	<u>\$ 47,911,627</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, 2013

	Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,636,522	\$ 1,235,303	\$ 4,871,825
Payments to suppliers	(1,896,111)	(702,084)	(2,598,195)
Payments to employees	(2,293,823)	(931,090)	(3,224,913)
Net cash provided (used) by operating activities	<u>\$ (553,412)</u>	<u>\$ (397,871)</u>	<u>\$ (951,283)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (679,493)	(18,442)	\$ (697,935)
Principal payments on bonds	-	(8,700,380)	(8,700,380)
Proceeds from indebtedness	-	8,517,000	8,517,000
Interest payments	-	(198,826)	(198,826)
Bond issuance costs	-	(183,769)	(183,769)
Capital contributions	345,066	-	345,066
Transfers from other funds	-	670,395	670,395
Net cash provided (used) by capital and related financing activities	<u>\$ (334,427)</u>	<u>\$ 85,978</u>	<u>\$ (248,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 6,910	-	\$ 6,910
Other - rental income	137,541	-	137,541
Net cash provided (used) by investing activities	<u>\$ 144,451</u>	<u>\$ -</u>	<u>\$ 144,451</u>
Net increase (decrease) in cash and cash equivalents	\$ (743,388)	\$ (311,893)	\$ (1,055,281)
Cash and cash equivalents - beginning - (including restricted \$302,013)	7,766,083	1,366,806	9,132,889
Cash and cash equivalents - ending - (including restricted \$316,528)	<u>\$ 7,022,695</u>	<u>\$ 1,054,913</u>	<u>\$ 8,077,608</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,852,400)	\$ (1,152,947)	\$ (3,005,347)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$ 1,221,320	\$ 705,296	\$ 1,926,616
(Increase) decrease in accounts receivable	5,750	18,960	24,710
(Increase) decrease in notes receivable	14,015	-	14,015
(Increase) decrease in inventories	12,449	80	12,529
Increase (decrease) in customer deposits	1,419	-	1,419
Increase (decrease) in accounts payable and accrued expenses	(44,739)	20,589	(24,150)
Increase (decrease) in deferred revenue	(11,803)	-	(11,803)
Increase (decrease) in accrued leave	100,577	10,151	110,728
Total adjustments	<u>\$ 1,298,988</u>	<u>\$ 755,076</u>	<u>\$ 2,054,064</u>
Net cash provided (used) by operating activities	<u>\$ (553,412)</u>	<u>\$ (397,871)</u>	<u>\$ (951,283)</u>

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 207,396
Total assets	\$ <u>207,396</u>
LIABILITIES	
Accounts payable	\$ 464
Amounts held for others	206,932
Total liabilities	\$ <u>207,396</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, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity:

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

Blended Component Units - There were no blended component units for the Town for the year ended June 30, 2013.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2013.

Cost Sharing Agreement

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major enterprise funds:

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

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

Additionally, the government reports the following fund types:

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.

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

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

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

3. Inventory

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$70,290 at June 30, 2013 and is comprised of property taxes, which total \$28,946, and water and sewer receivables which total \$41,344.

6. Use of Estimates

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

7. Capital Assets

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

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

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

7. Capital Assets: (Continued)

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

<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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred amount on refunding. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Amortization expense for the year ended June 30, 2013 is \$30,346.

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

9. Compensated Absences

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

10. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

11. Construction Encumbrances

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

12. Fund Equity

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

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

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

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

13. Net Position

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

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

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (Continued)

14. Net Position Flow Assumption

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

NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2013, there were no funds in which expenditures exceeded appropriations.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Credit Risk of Debt Securities:

The Town’s rated debt investments as of June 30, 2013 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>16,600,070</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.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 4—RECEIVABLES:

Receivables as of June 30, 2013 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	\$ 50,694	\$ -	\$ 50,694
Other local taxes	405,890	-	405,890
Accounts	45,145	404,174	449,319
Gross receivables	\$ 501,729	\$ 404,174	\$ 905,903
Less: allowance for uncollectibles	(28,946)	(41,344)	(70,290)
Net total receivables	<u>\$ 472,783</u>	<u>\$ 362,830</u>	<u>\$ 835,613</u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2013 the Town has receivables from other governments as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Rental tax	\$ 5,879
Sales tax	96,310
Communications tax	87,158
DCJS law enforcement grant	<u>3,714</u>
Total	<u>\$ 193,061</u>

NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 670,395
Recreation Fund	<u>670,395</u>	<u>-</u>
Total	<u>\$ 670,395</u>	<u>\$ 670,395</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, 2013 (Continued)

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2013.

Governmental Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,129,257	\$ -	\$ -	\$ 1,129,257
Construction in progress	9,230	355,231	-	364,461
Total capital assets not being depreciated	<u>\$ 1,138,487</u>	<u>\$ 355,231</u>	<u>\$ -</u>	<u>\$ 1,493,718</u>
Other capital assets:				
Buildings and improvements	\$ 4,533,698	\$ 22,196	\$ -	\$ 4,555,894
Infrastructure	39,024,309	29,618	-	39,053,927
Furniture, equipment and vehicles	5,564,727	137,561	(31,970)	5,670,318
Total other capital assets	<u>\$ 49,122,734</u>	<u>\$ 189,375</u>	<u>\$ (31,970)</u>	<u>\$ 49,280,139</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,803,761)	\$ (131,136)	\$ -	\$ (1,934,897)
Infrastructure	(18,210,345)	(1,107,118)	-	(19,317,463)
Furniture, equipment and vehicles	(3,021,071)	(270,128)	31,970	(3,259,229)
Total accumulated depreciation	<u>\$ (23,035,177)</u>	<u>\$ (1,508,382)</u>	<u>\$ 31,970</u>	<u>\$ (24,511,589)</u>
Other capital assets, net	<u>\$ 26,087,557</u>	<u>\$ (1,319,007)</u>	<u>\$ -</u>	<u>\$ 24,768,550</u>
Net capital assets	<u>\$ 27,226,044</u>	<u>\$ (963,776)</u>	<u>\$ -</u>	<u>\$ 26,262,268</u>

Depreciation expense was allocated as follows:

General government administration	\$ 66,071
Public safety	123,082
Public works	1,270,780
Parks, recreation, and cultural	986
Community development	47,463
Total depreciation expense	<u>\$ 1,508,382</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities:

Water & Sewer Fund:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	615,392	306,400	(378,354)	543,438
Total capital assets not being depreciated	<u>\$ 1,281,052</u>	<u>\$ 306,400</u>	<u>\$ (378,354)</u>	<u>\$ 1,209,098</u>
Other capital assets:				
Utility plant in service	\$ 39,957,390	\$ 677,436	\$ (5,249)	\$ 40,629,577
Furniture, equipment, and vehicles	2,275,835	74,011	-	2,349,846
Total other capital assets	<u>\$ 42,233,225</u>	<u>\$ 751,447</u>	<u>\$ (5,249)</u>	<u>\$ 42,979,423</u>
Less: Accumulated depreciation for:				
Utility plant in service	\$ (19,720,803)	\$ (1,094,143)	\$ 5,249	\$ (20,809,697)
Furniture, equipment, and vehicles	(1,785,577)	(127,177)	-	(1,912,754)
Total accumulated depreciation	<u>\$ (21,506,380)</u>	<u>\$ (1,221,320)</u>	<u>\$ 5,249</u>	<u>\$ (22,722,451)</u>
Other capital assets, net	<u>\$ 20,726,845</u>	<u>\$ (469,873)</u>	<u>\$ -</u>	<u>\$ 20,256,972</u>
Net capital assets	<u>\$ 22,007,897</u>	<u>\$ (163,473)</u>	<u>\$ (378,354)</u>	<u>\$ 21,466,070</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities: (Continued)

Recreation Fund:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 3,519,816	\$ -	\$ -	\$ 3,519,816
Construction in progress	-	6,856	-	6,856
Total capital assets not being depreciated	\$ 3,519,816	\$ 6,856	\$ -	\$ 3,526,672
Other capital assets:				
Buildings and improvements	\$ 24,781,233	\$ -	\$ -	\$ 24,781,233
Improvements other than buildings	1,375,782	-	-	1,375,782
Furniture, equipment, and vehicles	580,830	11,586	-	592,416
Total other capital assets	\$ 26,737,845	\$ 11,586	\$ -	\$ 26,749,431
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,889,947)	\$ (612,802)	\$ -	\$ (2,502,749)
Improvements other than buildings	(97,356)	(24,098)	-	(121,454)
Furniture, equipment, and vehicles	(274,417)	(68,396)	-	(342,813)
Total accumulated depreciation	\$ (2,261,720)	\$ (705,296)	\$ -	\$ (2,967,016)
Other capital assets, net	\$ 24,476,125	\$ (693,710)	\$ -	\$ 23,782,415
Net capital assets	\$ 27,995,941	\$ (686,854)	\$ -	\$ 27,309,087

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities: (Continued)

Total Business-Type Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 4,185,476	\$ -	\$ -	\$ 4,185,476
Construction in progress	615,392	313,256	(378,354)	550,294
Total capital assets not being depreciated	<u>\$ 4,800,868</u>	<u>\$ 313,256</u>	<u>\$ (378,354)</u>	<u>\$ 4,735,770</u>
Other capital assets:				
Buildings and improvements	\$ 24,781,233	\$ -	\$ -	\$ 24,781,233
Utility plant in service	39,957,390	677,436	(5,249)	40,629,577
Improvements other than buildings	1,375,782	-	-	1,375,782
Furniture, equipment, and vehicles	2,856,665	85,597	-	2,942,262
Total other capital assets	<u>\$ 68,971,070</u>	<u>\$ 763,033</u>	<u>\$ (5,249)</u>	<u>\$ 69,728,854</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,889,947)	\$ (612,802)	\$ -	\$ (2,502,749)
Utility plant in service	(19,720,803)	(1,094,143)	5,249	(20,809,697)
Improvements other than buildings	(97,356)	(24,098)	-	(121,454)
Furniture, equipment, and vehicles	(2,059,994)	(195,573)	-	(2,255,567)
Total accumulated depreciation	<u>\$ (23,768,100)</u>	<u>\$ (1,926,616)</u>	<u>\$ 5,249</u>	<u>\$ (25,689,467)</u>
Other capital assets, net	<u>\$ 45,202,970</u>	<u>\$ (1,163,583)</u>	<u>\$ -</u>	<u>\$ 44,039,387</u>
Net capital assets	<u>\$ 50,003,838</u>	<u>\$ (850,327)</u>	<u>\$ (378,354)</u>	<u>\$ 48,775,157</u>

Depreciation expense was allocated as follows:

Water and sewer	\$ 1,221,320
Recreation	705,296
Total depreciation expense	<u>\$ 1,926,616</u>

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the Town for the year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Capital lease obligations	\$ -	\$ 528,525	\$ (86,808)	\$ 441,717	\$ 174,880
Compensated absences	317,725	345,248	(222,408)	440,565	44,057
Total governmental activities	<u>\$ 317,725</u>	<u>\$ 873,773</u>	<u>\$ (309,216)</u>	<u>\$ 882,282</u>	<u>\$ 218,937</u>
Business-type Activities					
General obligation bonds	\$ 8,575,000	\$ 8,517,000	\$ (7,375,000)	\$ 9,717,000	\$ 400,000
Premium on bond issue	245,897	-	(245,897)	-	-
Compensated absences	189,616	243,459	(132,731)	300,344	30,034
Total business-type activities	<u>\$ 9,010,513</u>	<u>\$ 8,760,459</u>	<u>\$ (7,753,628)</u>	<u>\$ 10,017,344</u>	<u>\$ 430,034</u>
Total primary government	<u>\$ 9,328,238</u>	<u>\$ 9,634,232</u>	<u>\$ (8,062,844)</u>	<u>\$ 10,899,626</u>	<u>\$ 648,971</u>

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
2014	\$ 174,880	\$ 5,455	\$ 400,000	\$ 232,683
2015	177,284	3,051	418,000	218,449
2016	89,553	613	431,000	203,647
2017	-	-	448,000	188,290
2018	-	-	458,000	175,298
2019-2023	-	-	2,439,000	716,231
2024-2028	-	-	2,720,000	425,993
2029-2033	-	-	2,403,000	109,586
Total	<u>\$ 441,717</u>	<u>\$ 9,119</u>	<u>\$ 9,717,000</u>	<u>\$ 2,270,177</u>

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations:

Governmental Obligations:

Capital Lease:

The Town has entered into a lease agreement for financing the purchase of police equipment. The police equipment is currently in progress and total cost through June 30, 2013 is \$355,231. 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%	\$ 441,717
Compensated absences	<u>440,565</u>
Total governmental obligations	<u><u>\$ 882,282</u></u>

Business-Type 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%	\$ 8,517,000
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>1,200,000</u>
Total general obligation bonds	\$ 9,717,000
Compensated absences	<u>300,344</u>
Total business-type obligations	<u><u>\$ 10,017,344</u></u>

Advance Refunding of Debt:

The Town issued \$8,517,000 in general obligation refunding bonds with an interest rate of 2.25%. The proceeds were used to advance refund \$7,105,000 of outstanding Series 2006 general obligation bonds which had an interest rate of 4.0%. The net proceeds of \$8,436,080 were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on refunded bonds. As a result, the Series 2006 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Advance Refunding of Debt: (Continued)

The reacquisition price exceeded the net carrying value of the old debt by \$1,079,483. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The Town advance refunded the Series 2006 general obligation bonds to reduce its total debt service payments over 6 years by \$1,057,848 and to provide an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$871,828.

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation.

Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 12.81% of annual covered payroll.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2013, Town's annual pension cost of \$604,996 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 315,764	100%	-
June 30, 2012	315,580	100%	-
June 30, 2013	604,996	100%	-

(1) Employer Portion only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Town's plan was 72.97% funded. The actuarial accrued liability for benefits was \$24,002,854, and the actuarial value of assets was \$17,515,834, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,487,020. The covered payroll (annual payroll of active employees covered by the plan) was \$4,574,091, and ratio of the UAAL to the covered payroll was 141.82%.

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

NOTE 10—UNEARNED 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 \$212,280 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 \$15,963 at June 30, 2013.
- C. Prepaid property taxes—Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$400 at June 30, 2013.

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—ADOPTION OF ACCOUNTING POLICIES:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NOTE 14—UPCOMING PRONOUNCEMENTS:

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

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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.

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 543,200	\$ 543,200	\$ 539,313	\$ (3,887)
Other local taxes	5,306,874	5,306,874	5,551,297	244,423
Permits, privilege fees, and regulatory licenses	126,250	126,250	182,847	56,597
Fines and forfeitures	175,000	175,000	280,842	105,842
Revenue from the use of money and property	34,980	34,980	29,113	(5,867)
Charges for services	163,699	163,699	136,496	(27,203)
Miscellaneous	108,100	108,100	128,931	20,831
Intergovernmental revenues:				
Commonwealth	2,684,904	2,687,107	2,829,793	142,686
Federal	-	-	13,824	13,824
Total revenues	<u>\$ 9,143,007</u>	<u>\$ 9,145,210</u>	<u>\$ 9,692,456</u>	<u>\$ 547,246</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,624,396	\$ 1,676,778	\$ 1,528,394	\$ 148,384
Public safety	2,755,749	2,798,091	2,666,012	132,079
Public works	2,694,043	2,914,307	2,754,566	159,741
Health and welfare	79,861	79,861	88,278	(8,417)
Parks, recreation, and cultural	142,168	142,168	133,755	8,413
Community development	368,263	370,618	411,295	(40,677)
Capital projects	726,850	742,283	591,719	150,564
Debt service:				
Principal retirement	96,528	96,528	86,808	9,720
Interest and other fiscal charges	9,071	9,071	3,883	5,188
Total expenditures	<u>\$ 8,496,929</u>	<u>\$ 8,829,705</u>	<u>\$ 8,264,710</u>	<u>\$ 564,995</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 646,078</u>	<u>\$ 315,505</u>	<u>\$ 1,427,746</u>	<u>\$ 1,112,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (670,395)	\$ (670,395)	\$ (670,395)	\$ -
Issuance of capital lease	500,000	500,000	528,525	28,525
Total other financing sources (uses)	<u>\$ (170,395)</u>	<u>\$ (170,395)</u>	<u>\$ (141,870)</u>	<u>\$ 28,525</u>
Net change in fund balances	\$ 475,683	\$ 145,110	\$ 1,285,876	\$ 1,140,766
Fund balances - beginning	(475,683)	(145,110)	9,029,366	9,174,476
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,315,242</u>	<u>\$ 10,315,242</u>

Schedule of Pension Funding Progress
Last Three Fiscal Years

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ 17,515,834	\$ 24,002,854	\$ 6,487,020	72.97%	\$ 4,574,091	141.82%
06/30/11	17,615,049	22,562,786	4,947,737	78.07%	4,690,265	105.49%
06/30/10	17,286,198	21,077,019	3,790,821	82.01%	4,580,777	82.75%

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Other Supplementary Information

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	Agency Funds		
	Agency Fund	Retirement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 197,768	\$ 9,628	\$ 207,396
Total assets	<u>\$ 197,768</u>	<u>\$ 9,628</u>	<u>\$ 207,396</u>
LIABILITIES			
Accounts payable	\$ 464	\$ -	\$ 464
Amounts held for others	197,304	9,628	206,932
Total liabilities	<u>\$ 197,768</u>	<u>\$ 9,628</u>	<u>\$ 207,396</u>

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 114,892	\$ 197,768	\$ 114,892	\$ 197,768
Total assets	<u>\$ 114,892</u>	<u>\$ 197,768</u>	<u>\$ 114,892</u>	<u>\$ 197,768</u>
LIABILITIES				
Accounts payable	\$ 97	\$ 464	\$ 97	\$ 464
Amounts held for others	114,795	197,304	114,795	197,304
Total liabilities	<u>\$ 114,892</u>	<u>\$ 197,768</u>	<u>\$ 114,892</u>	<u>\$ 197,768</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 9,612	\$ 16	\$ -	\$ 9,628
Total assets	<u>\$ 9,612</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 9,628</u>
LIABILITIES				
Amounts held for others	\$ 9,612	\$ 16	\$ -	\$ 9,628
Total liabilities	<u>\$ 9,612</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 9,628</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 124,504	\$ 197,784	\$ 114,892	\$ 207,396
Total assets	<u>\$ 124,504</u>	<u>\$ 197,784</u>	<u>\$ 114,892</u>	<u>\$ 207,396</u>
LIABILITIES				
Accounts payable	\$ 97	\$ 464	\$ 97	\$ 464
Amounts held for others	124,407	197,320	114,795	206,932
Total liabilities	<u>\$ 124,504</u>	<u>\$ 197,784</u>	<u>\$ 114,892</u>	<u>\$ 207,396</u>

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Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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	\$ 205,000	\$ 205,000	\$ 207,775	\$ 2,775
Real and personal public service corporation taxes	4,200	4,200	4,104	(96)
Personal property taxes	325,000	325,000	317,699	(7,301)
Penalties	6,000	6,000	5,642	(358)
Interest	3,000	3,000	4,093	1,093
Total general property taxes	\$ 543,200	\$ 543,200	\$ 539,313	\$ (3,887)
Other local taxes:				
Local sales and use taxes	\$ 500,000	\$ 500,000	\$ 530,836	\$ 30,836
Consumers' utility tax	475,000	475,000	493,720	18,720
Utility license tax	-	-	16,455	16,455
Business license taxes	1,400,000	1,400,000	1,366,360	(33,640)
Consumption taxes	49,500	49,500	47,376	(2,124)
Motor vehicle licenses	99,500	99,500	104,047	4,547
Bank stock taxes	435,000	435,000	463,135	28,135
Hotel and motel room taxes	170,000	170,000	187,263	17,263
Restaurant food taxes	1,988,874	1,988,874	2,152,237	163,363
Cigarette tax	189,000	189,000	189,868	868
Total other local taxes	\$ 5,306,874	\$ 5,306,874	\$ 5,551,297	\$ 244,423
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 126,250	\$ 126,250	\$ 182,847	\$ 56,597
Total permits, privilege fees, and regulatory licenses	\$ 126,250	\$ 126,250	\$ 182,847	\$ 56,597
Fines and forfeitures:				
Court fines and forfeitures	\$ 175,000	\$ 175,000	\$ 280,842	\$ 105,842
Total fines and forfeitures	\$ 175,000	\$ 175,000	\$ 280,842	\$ 105,842
Revenue from use of money and property:				
Revenue from use of money	\$ 25,000	\$ 25,000	\$ 19,443	\$ (5,557)
Revenue from use of property	9,980	9,980	9,670	(310)
Total revenue from use of money and property	\$ 34,980	\$ 34,980	\$ 29,113	\$ (5,867)
Charges for services:				
Motor pool fees	\$ 60,482	\$ 60,482	\$ 59,084	\$ (1,398)
Data processing fees	103,217	103,217	77,412	(25,805)
Total charges for services	\$ 163,699	\$ 163,699	\$ 136,496	\$ (27,203)
Miscellaneous revenue:				
Proffers	\$ -	\$ -	\$ 1,211	\$ 1,211
Miscellaneous	108,100	108,100	127,720	19,620
Total miscellaneous revenue	\$ 108,100	\$ 108,100	\$ 128,931	\$ 20,831
Total revenue from local sources	\$ 6,458,103	\$ 6,458,103	\$ 6,848,839	\$ 390,736

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 100,000	\$ 100,000	\$ 80,195	\$ (19,805)
Rolling stock tax	50	50	85	35
Communications tax	532,000	532,000	551,266	19,266
Personal property tax relief funds	718,492	718,492	718,492	-
Total noncategorical aid	<u>\$ 1,350,542</u>	<u>\$ 1,350,542</u>	<u>\$ 1,350,038</u>	<u>\$ (504)</u>
Categorical aid:				
Other categorical aid:				
Litter control grant	\$ 3,000	\$ 3,000	\$ 4,148	\$ 1,148
DCJS law enforcement grant	197,512	197,512	205,037	7,525
Performing arts grant	5,000	5,000	5,000	-
Street & highway maintenance	1,112,850	1,112,850	1,235,956	123,106
State Forfeiture Proceeds	-	2,203	2,203	-
Fire program	16,000	16,000	27,411	11,411
Total other categorical aid	<u>\$ 1,334,362</u>	<u>\$ 1,336,565</u>	<u>\$ 1,479,755</u>	<u>\$ 143,190</u>
Total categorical aid	<u>\$ 1,334,362</u>	<u>\$ 1,336,565</u>	<u>\$ 1,479,755</u>	<u>\$ 143,190</u>
Total revenue from the Commonwealth	<u>\$ 2,684,904</u>	<u>\$ 2,687,107</u>	<u>\$ 2,829,793</u>	<u>\$ 142,686</u>
Revenue from the federal government:				
Categorical aid:				
Emergency services grant	\$ -	\$ -	\$ 10,097	\$ 10,097
Transportation safety grant	-	-	3,727	3,727
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,824</u>	<u>\$ 13,824</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,824</u>	<u>\$ 13,824</u>
Total General Fund	<u>\$ 9,143,007</u>	<u>\$ 9,145,210</u>	<u>\$ 9,692,456</u>	<u>\$ 547,246</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Personnel services	\$ 58,265	\$ 58,265	\$ 60,762	\$ (2,497)
Fringe benefits	37,956	37,956	56,879	(18,923)
Contractual services	59,100	47,198	47,400	(202)
Other charges	25,341	25,938	17,235	8,703
Total legislative department	<u>\$ 180,662</u>	<u>\$ 169,357</u>	<u>\$ 182,276</u>	<u>\$ (12,919)</u>
Executive Department:				
Personnel services	\$ 136,363	\$ 136,363	\$ 138,793	\$ (2,430)
Fringe benefits	41,140	41,140	41,703	(563)
Contractual services	100	100	37	63
Other charges	10,996	10,996	12,148	(1,152)
Total executive department	<u>\$ 188,599</u>	<u>\$ 188,599</u>	<u>\$ 192,681</u>	<u>\$ (4,082)</u>
Legal Services:				
Personnel services	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Fringe benefits	9,948	9,948	12,085	(2,137)
Contractual services	108,177	108,177	124,885	(16,708)
Other charges	7,662	7,662	5,779	1,883
Total legal services	<u>\$ 128,187</u>	<u>\$ 128,187</u>	<u>\$ 145,149</u>	<u>\$ (16,962)</u>
Finance Department:				
Personnel services	\$ 278,211	\$ 278,211	\$ 276,473	\$ 1,738
Fringe benefits	100,650	100,650	100,124	526
Contractual services	31,500	47,160	26,592	20,568
Other charges	45,654	45,654	40,867	4,787
Capital outlay	500	500	-	500
Total finance department	<u>\$ 456,515</u>	<u>\$ 472,175</u>	<u>\$ 444,056</u>	<u>\$ 28,119</u>
Memberships and Dues:				
Other charges	\$ 7,604	\$ 7,604	\$ 1,525	\$ 6,079
Total memberships and dues	<u>\$ 7,604</u>	<u>\$ 7,604</u>	<u>\$ 1,525</u>	<u>\$ 6,079</u>
Data Processing Department:				
Contractual services	\$ 159,922	\$ 183,587	\$ 107,793	\$ 75,794
Other charges	21,260	21,260	18,416	2,844
Capital outlay	85,500	108,362	31,622	76,740
Total data processing department	<u>\$ 266,682</u>	<u>\$ 313,209</u>	<u>\$ 157,831</u>	<u>\$ 155,378</u>
Motor Pool:				
Personnel services	\$ 155,985	\$ 155,985	\$ 148,049	\$ 7,936
Fringe benefits	52,412	52,412	52,786	(374)
Contractual services	66,550	68,050	88,185	(20,135)
Other charges	121,200	121,200	115,856	5,344
Total motor pool	<u>\$ 396,147</u>	<u>\$ 397,647</u>	<u>\$ 404,876</u>	<u>\$ (7,229)</u>
Total general government administration	<u>\$ 1,624,396</u>	<u>\$ 1,676,778</u>	<u>\$ 1,528,394</u>	<u>\$ 148,384</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Department of Police				
Personnel services	\$ 1,618,627	\$ 1,605,834	\$ 1,497,440	\$ 108,394
Fringe benefits	469,805	482,598	496,215	(13,617)
Contractual services	36,986	39,486	28,206	11,280
Other charges	218,234	223,298	210,510	12,788
Capital outlay	2,000	36,778	26,910	9,868
Total department of police	\$ 2,345,652	\$ 2,387,994	\$ 2,259,281	\$ 128,713
Fire and Rescue Services:				
Personnel services	\$ 77,193	\$ 77,193	\$ 77,151	\$ 42
Fringe benefits	20,650	20,650	20,268	382
Other charges	69,155	69,155	76,115	(6,960)
Capital outlay	-	-	200	(200)
Total fire and rescue services	\$ 166,998	\$ 166,998	\$ 173,734	\$ (6,736)
Bureau of Building Inspections:				
Personnel services	\$ 173,003	\$ 173,003	\$ 166,869	\$ 6,134
Fringe benefits	52,800	52,800	53,109	(309)
Contractual services	2,450	3,950	2,750	1,200
Other charges	14,646	13,146	10,269	2,877
Capital outlay	200	200	-	200
Total bureau of building inspections	\$ 243,099	\$ 243,099	\$ 232,997	\$ 10,102
Total public safety	\$ 2,755,749	\$ 2,798,091	\$ 2,666,012	\$ 132,079
Public works:				
Public Works Administration:				
Personnel services	\$ 303,236	\$ 303,236	\$ 301,815	\$ 1,421
Fringe benefits	108,944	108,944	102,522	6,422
Contractual services	13,500	13,500	3,162	10,338
Other charges	20,005	20,005	23,336	(3,331)
Capital outlay	250	250	3,737	(3,487)
Total public works administration	\$ 445,935	\$ 445,935	\$ 434,572	\$ 11,363
Bureau of Street Maintenance:				
Personnel services	\$ 426,897	\$ 426,897	\$ 386,718	\$ 40,179
Fringe benefits	272,911	272,911	259,410	13,501
Contractual services	2,000	2,000	1,927	73
Other charges	81,938	81,938	136,108	(54,170)
Capital outlay	7,500	1,140	630	510
Total bureau of street maintenance	\$ 791,246	\$ 784,886	\$ 784,793	\$ 93

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Arterial Street Maintenance:				
Personnel services	\$ 79,000	\$ 79,000	\$ 83,168	\$ (4,168)
Fringe benefits	6,044	6,044	6,003	41
Contractual services	40,000	40,000	28,712	11,288
Other charges	90,300	90,300	41,398	48,902
Capital outlay	166,000	256,999	247,242	9,757
Total arterial street maintenance	\$ 381,344	\$ 472,343	\$ 406,523	\$ 65,820
Collector Street Maintenance:				
Personnel services	\$ 69,000	\$ 69,000	\$ 58,542	\$ 10,458
Fringe benefits	5,279	5,279	4,196	1,083
Contractual services	12,000	12,000	7,870	4,130
Other charges	117,300	120,300	99,913	20,387
Capital outlay	144,675	268,547	251,152	17,395
Total collector street maintenance	\$ 348,254	\$ 475,126	\$ 421,673	\$ 53,453
Bureau of Refuse Collection:				
Personnel services	\$ 203,457	\$ 203,457	\$ 204,070	\$ (613)
Fringe benefits	101,543	101,543	102,501	(958)
Contractual services	4,850	4,850	2,302	2,548
Other charges	44,153	44,153	45,771	(1,618)
Total bureau of refuse collection	\$ 354,003	\$ 354,003	\$ 354,644	\$ (641)
Recycling Program:				
Personnel services	\$ 70,407	\$ 70,407	\$ 68,933	\$ 1,474
Fringe benefits	26,340	26,340	24,836	1,504
Contractual services	350	350	170	180
Other charges	17,026	17,026	20,251	(3,225)
Total recycling program	\$ 114,123	\$ 114,123	\$ 114,190	\$ (67)
Maintenance, Buildings and Grounds:				
Personnel services	\$ 37,355	\$ 37,355	\$ 38,747	\$ (1,392)
Fringe benefits	10,879	10,879	9,957	922
Contractual services	89,212	97,965	75,799	22,166
Other charges	121,192	121,192	97,379	23,813
Capital outlay	500	500	16,289	(15,789)
Total maintenance, buildings and grounds	\$ 259,138	\$ 267,891	\$ 238,171	\$ 29,720
Total public works	\$ 2,694,043	\$ 2,914,307	\$ 2,754,566	\$ 159,741
Health and welfare:				
Welfare/Social Services:				
Other charges	\$ 79,861	\$ 79,861	\$ 88,278	\$ (8,417)
Total welfare/social service contributions	\$ 79,861	\$ 79,861	\$ 88,278	\$ (8,417)
Total health and welfare	\$ 79,861	\$ 79,861	\$ 88,278	\$ (8,417)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Maintenance, cemetery:				
Personnel services	\$ 60,120	\$ 60,120	\$ 61,821	\$ (1,701)
Fringe benefits	35,039	35,039	27,989	7,050
Contractual services	1,350	1,350	387	963
Other charges	13,159	15,659	16,058	(399)
Capital outlay	5,000	2,500	-	2,500
Total maintenance, cemetery	<u>\$ 114,668</u>	<u>\$ 114,668</u>	<u>\$ 106,255</u>	<u>\$ 8,413</u>
Cultural enrichment:				
Other charges	\$ 27,500	\$ 27,500	\$ 27,500	\$ -
Total cultural enrichment	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ 27,500</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 142,168</u>	<u>\$ 142,168</u>	<u>\$ 133,755</u>	<u>\$ 8,413</u>
Community development:				
Planning and Zoning Department				
Personnel services	\$ 214,801	\$ 214,801	\$ 224,679	\$ (9,878)
Fringe benefits	60,723	60,723	66,455	(5,732)
Contractual services	16,700	18,305	51,036	(32,731)
Other charges	74,569	74,120	64,580	9,540
Capital outlay	400	1,599	1,359	240
Total planning and zoning department	<u>\$ 367,193</u>	<u>\$ 369,548</u>	<u>\$ 408,109</u>	<u>\$ (38,561)</u>
Zoning Appeals Board:				
Contractual services	\$ 500	\$ 500	\$ 2,686	\$ (2,186)
Total zoning appeals board	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 2,686</u>	<u>\$ (2,186)</u>
Architectural Review Board:				
Contractual services	\$ 500	\$ 500	\$ 488	\$ 12
Other charges	70	70	12	58
Total architectural review board	<u>\$ 570</u>	<u>\$ 570</u>	<u>\$ 500</u>	<u>\$ 70</u>
Total community development	<u>\$ 368,263</u>	<u>\$ 370,618</u>	<u>\$ 411,295</u>	<u>\$ (40,677)</u>
Capital projects:				
Capital outlay	\$ 726,850	\$ 742,283	\$ 591,719	\$ 150,564
Total capital projects	<u>\$ 726,850</u>	<u>\$ 742,283</u>	<u>\$ 591,719</u>	<u>\$ 150,564</u>
Debt service:				
Principal	\$ 96,528	\$ 96,528	\$ 86,808	\$ 9,720
Interest	9,071	9,071	3,883	5,188
Total debt service	<u>\$ 105,599</u>	<u>\$ 105,599</u>	<u>\$ 90,691</u>	<u>\$ 14,908</u>
Total General Fund	<u>\$ 8,496,929</u>	<u>\$ 8,829,705</u>	<u>\$ 8,264,710</u>	<u>\$ 564,995</u>

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

Water and Sewer Fund

For the Year Ended June 30, 2013

	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	\$ 2,325,668	\$ (104,332)
Sale of water	1,260,000	1,260,000	1,200,209	(59,791)
Late payment charges	43,000	43,000	40,569	(2,431)
Installation fees	14,000	14,000	19,969	5,969
Transfer fees	8,500	8,500	8,480	(20)
Reconnection fees	6,000	6,000	4,160	(1,840)
Impact fees	3,192	3,192	-	(3,192)
Total sale of services, commodities and properties	\$ 3,764,692	\$ 3,764,692	\$ 3,599,055	\$ (165,637)
Miscellaneous revenue:				
Miscellaneous receipts	\$ 22,300	\$ 22,300	\$ 28,086	\$ 5,786
Total miscellaneous revenue	\$ 22,300	\$ 22,300	\$ 28,086	\$ 5,786
Total operating revenue	\$ 3,786,992	\$ 3,786,992	\$ 3,627,141	\$ (159,851)
Operating Expenses:				
Source of supply:				
Personnel services	\$ 309,770	\$ 309,770	\$ 322,113	\$ (12,343)
Fringe benefits	110,644	110,644	104,875	5,769
Contractual services	104,201	136,477	132,030	4,447
Other charges	351,413	368,407	348,139	20,268
Capital outlays	-	-	2,480	(2,480)
Total source of supply	\$ 876,028	\$ 925,298	\$ 909,637	\$ 15,661
Transmission and distribution:				
Personnel services	\$ 325,695	\$ 325,695	\$ 338,562	\$ (12,867)
Fringe benefits	153,846	153,846	168,842	(14,996)
Contractual services	18,200	6,745	5,640	1,105
Other charges	111,487	141,298	122,170	19,128
Capital outlays	4,100	4,100	-	4,100
Total transmission and distribution	\$ 613,328	\$ 631,684	\$ 635,214	\$ (3,530)
Meter reading:				
Personnel services	\$ 106,340	\$ 106,340	\$ 99,770	\$ 6,570
Fringe benefits	53,346	53,346	63,278	(9,932)
Contractual services	7,250	7,250	718	6,532
Other charges	52,393	52,393	38,402	13,991
Capital outlays	250	250	240	10
Total meter reading	\$ 219,579	\$ 219,579	\$ 202,408	\$ 17,171
Wastewater Treatment Operation:				
Personnel services	\$ 461,779	\$ 461,779	\$ 488,627	\$ (26,848)
Fringe benefits	160,853	160,853	187,874	(27,021)
Contractual services	204,980	265,285	243,869	21,416
Other charges	691,974	733,805	778,509	(44,704)
Capital outlays	4,500	-	-	-
Total wastewater treatment operation	\$ 1,524,086	\$ 1,621,722	\$ 1,698,879	\$ (77,157)

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

Water and Sewer Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personnel services	\$ 444,412	\$ 439,412	\$ 427,275	\$ 12,137
Fringe benefits	152,001	152,001	193,184	(41,183)
Contractual services	84,492	117,932	94,763	23,169
Other charges	87,687	87,688	78,509	9,179
Capital outlays	500	500	200	300
Total public utilities administration	<u>\$ 769,092</u>	<u>\$ 797,533</u>	<u>\$ 793,931</u>	<u>\$ 3,602</u>
Capital Outlay:				
Machinery & equipment	\$ 70,000	\$ 40,525	\$ 13,952	\$ 26,573
Sewer plant improvements	123,000	485,899	4,200	481,699
Sewer line rehabilitation	125,000	426,797	-	426,797
Water line replacement	18,500	(17,449)	-	(17,449)
Total capital outlay	<u>\$ 336,500</u>	<u>\$ 935,772</u>	<u>\$ 18,152</u>	<u>\$ 917,620</u>
Depreciation	\$ -	\$ -	\$ 1,221,320	\$ (1,221,320)
Total operating expenses	<u>\$ 4,338,613</u>	<u>\$ 5,131,588</u>	<u>\$ 5,479,541</u>	<u>\$ (347,953)</u>
Net operating income (loss)	<u>\$ (551,621)</u>	<u>\$ (1,344,596)</u>	<u>\$ (1,852,400)</u>	<u>\$ 507,804</u>
Nonoperating revenues (expenses):				
Interest revenue	\$ 6,500	\$ 6,500	\$ 6,910	\$ (410)
Rental revenue	138,000	138,000	137,541	459
Net nonoperating revenues (expenses)	<u>\$ 144,500</u>	<u>\$ 144,500</u>	<u>\$ 144,451</u>	<u>\$ 49</u>
Net income (loss) before contributions	<u>\$ (407,121)</u>	<u>\$ (1,200,096)</u>	<u>\$ (1,707,949)</u>	<u>\$ 507,853</u>
Capital contributions	<u>\$ 261,841</u>	<u>\$ 261,841</u>	<u>\$ 345,066</u>	<u>\$ (83,225)</u>
Net income (loss)	<u>\$ (145,280)</u>	<u>\$ (938,255)</u>	<u>\$ (1,362,883)</u>	<u>\$ (424,628)</u>
Net position, beginning of year	<u>145,280</u>	<u>938,255</u>	<u>29,768,159</u>	<u>28,829,904</u>
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,405,276</u>	<u>\$ 28,405,276</u>

STATISTICAL SECTION

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Statistical Section

Contents

Tables

Financial Trends

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

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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.

5-11

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.

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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.

16-17

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.

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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 Nine Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010
Governmental activities						
Net investment in capital assets	\$ 24,142,662	\$ 27,888,659	\$ 27,860,169	\$ 28,706,827	\$ 29,729,797	\$ 28,743,572
Restricted	6,001,061	2,046,436	1,917,160	2,091,437	1,979,763	588,890
Unrestricted	8,589,416	12,794,906	2,449,220	4,355,709	6,279,976	6,896,905
Total governmental activities net position	<u>\$ 38,733,139</u>	<u>\$ 42,730,001</u>	<u>\$ 32,226,549</u>	<u>\$ 35,153,973</u>	<u>\$ 37,989,536</u>	<u>\$ 36,229,367</u>
Business-type activities						
Net investment in capital assets	\$ 16,811,434	\$ 17,155,045	\$ 33,900,479	\$ 37,819,911	\$ 41,495,789	\$ 40,943,440
Restricted	2,870,352	11,713,744	4,646,949	6,313,531	4,824,596	-
Unrestricted	8,844,331	7,738,868	12,431,093	8,042,010	5,872,394	12,281,685
Total business-type activities net position	<u>\$ 28,526,117</u>	<u>\$ 36,607,657</u>	<u>\$ 50,978,521</u>	<u>\$ 52,175,452</u>	<u>\$ 52,192,779</u>	<u>\$ 53,225,125</u>
Primary government						
Net investment in capital assets	\$ 40,954,096	\$ 45,043,704	\$ 61,760,648	\$ 66,526,738	\$ 71,225,586	\$ 69,687,012
Restricted	8,871,413	13,760,180	6,564,109	8,404,968	6,804,359	588,890
Unrestricted	17,433,747	20,533,774	14,880,313	12,397,719	12,152,370	19,178,590
Total primary government net position	<u>\$ 67,259,256</u>	<u>\$ 79,337,658</u>	<u>\$ 83,205,070</u>	<u>\$ 87,329,425</u>	<u>\$ 90,182,315</u>	<u>\$ 89,454,492</u>

Table 1

	2011	2012	2013
\$	28,082,545	\$ 27,226,044	\$ 26,262,268
	590,042	590,889	591,797
	8,216,674	8,753,021	9,448,040
\$	<u>36,889,261</u>	<u>36,569,954</u>	<u>36,302,105</u>
\$	41,761,645	\$ 41,182,941	\$ 39,058,157
	-	-	-
	9,234,096	9,016,421	8,853,470
\$	<u>50,995,741</u>	<u>50,199,362</u>	<u>47,911,627</u>
\$	69,844,190	\$ 68,408,985	\$ 65,320,425
	590,042	590,889	591,797
	17,450,770	17,769,442	18,301,510
\$	<u>87,885,002</u>	<u>86,769,316</u>	<u>84,213,732</u>

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

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

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

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

TOWN OF WARRENTON, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008
General fund					
Reserved	\$ 6,259,158	\$ 5,492,318	\$ 596,659	\$ 1,361,700	\$ 1,361,700
Unreserved	6,558,977	8,749,616	13,885,546	2,677,795	4,720,859
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 12,818,135</u>	<u>\$ 14,241,934</u>	<u>\$ 14,482,205</u>	<u>\$ 4,039,495</u>	<u>\$ 6,082,559</u>
All other governmental funds					
Reserved					
Unreserved, reported in:					
Capital projects funds	\$ 125,470	\$ -	\$ -	\$ -	\$ -
Permanent funds	498,908	508,743	528,712	555,460	577,886
Nonspendable, reported in:					
Permanent funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 624,378</u>	<u>\$ 508,743</u>	<u>\$ 528,712</u>	<u>\$ 555,460</u>	<u>\$ 577,886</u>

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

Table 3

	2009	2010	2011	2012	2013
\$	1,392,537	\$ 1,748,454	\$ -	\$ -	\$ -
	6,522,659	5,141,861	-	-	-
	-	-	183,407	148,259	103,517
	-	-	1,301,762	369,174	302,662
	-	-	6,756,426	8,511,933	9,909,063
\$	<u>7,915,196</u>	<u>6,890,315</u>	<u>8,241,595</u>	<u>9,029,366</u>	<u>10,315,242</u>
\$	-	\$ -	\$ -	\$ -	\$ -
	587,226	588,890	-	-	-
	-	-	590,042	590,889	591,797
\$	<u>587,226</u>	<u>588,890</u>	<u>590,042</u>	<u>590,889</u>	<u>591,797</u>

TOWN OF WARRENTON, VIRGINIA

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

	2004	2005	2006	2007	2008	2009
Revenues						
General property taxes	\$ 649,312	\$ 744,748	\$ 722,808	\$ 627,637	\$ 624,841	\$ 628,812
Other local taxes	5,182,700	5,083,985	5,592,761	5,978,858	5,568,696	5,469,815
Permits, privilege fees and regulatory licenses	323,960	375,753	390,132	321,791	153,220	196,490
Fines and forfeitures	136,605	134,871	128,732	139,433	119,517	150,781
Revenue from use of money and property	105,694	314,013	625,169	778,520	432,507	255,025
Miscellaneous	85,460	219,696	266,831	40,698	109,047	27,049
Recovered costs	57,225	33,489	23,151	13,487	108,530	-
Intergovernmental:						
Local government	1,357,540	-	-	-	-	-
Commonwealth	1,785,002	1,924,592	2,110,717	2,162,466	2,220,020	2,309,451
Federal	11,865	500	613,581	42,179	42,875	3,000
Total revenues	\$ 9,695,363	\$ 8,831,647	\$ 10,473,882	\$ 10,105,069	\$ 9,379,253	\$ 9,040,423
Expenditures						
General government administration	\$ 837,312	\$ 837,721	\$ 835,842	\$ 973,880	\$ 918,002	\$ 946,907
Public safety	1,956,619	2,063,730	2,365,107	2,398,000	2,722,646	2,620,108
Public works	1,836,982	2,217,748	2,191,932	2,263,115	2,378,910	2,668,694
Contributions	204,369	72,096	96,765	94,945	101,427	95,851
Parks, recreation and cultural	-	148,550	206,123	135,640	382,002	142,506
Community development	403,547	433,713	504,741	508,735	539,165	524,919
Non-departmental	12,500	675	-	-	-	-
Capital projects	1,151,423	1,749,250	986,852	680,800	457,419	199,461
Debt service:						
Principal	5,004	-	-	-	-	-
Interest and other fiscal charges	100	-	-	-	-	-
Total expenditures	\$ 6,407,856	\$ 7,523,483	\$ 7,187,362	\$ 7,055,115	\$ 7,499,571	\$ 7,198,446
Excess of revenues over (under) expenditures	\$ 3,287,507	\$ 1,308,164	\$ 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	\$ 3,287,507	\$ 1,308,164	\$ (2,539,494)	\$ (10,415,962)	\$ 1,879,682	\$ 1,841,977

Table 4

	2010	2011	2012	2013
\$	576,328	\$ 555,233	\$ 567,694	\$ 539,313
	5,137,092	5,294,029	5,423,075	5,551,297
	142,677	139,576	423,787	182,847
	167,156	257,075	307,479	280,842
	50,696	37,421	29,029	30,021
	148,285	120,425	130,911	136,496
	-	-	199,056	128,931
	-	-	-	-
	2,914,059	2,825,505	2,913,744	2,829,793
	3,264	17,625	189,216	13,824
\$	<u>9,139,557</u>	<u>\$ 9,246,889</u>	<u>\$ 10,183,991</u>	<u>\$ 9,693,364</u>
\$	1,128,769	\$ 936,694	\$ 1,517,470	\$ 1,528,394
	2,777,763	2,749,926	2,663,568	2,666,012
	2,868,026	2,993,992	2,209,299	2,754,566
	100,441	100,391	98,159	88,278
	144,807	121,616	143,106	133,755
	426,009	392,305	352,128	411,295
	-	-	-	-
	231,128	670,278	464,528	591,719
	-	-	-	86,808
	-	-	-	3,883
\$	<u>7,676,943</u>	<u>\$ 7,965,202</u>	<u>\$ 7,448,258</u>	<u>\$ 8,264,710</u>
\$	<u>1,462,614</u>	<u>\$ 1,281,687</u>	<u>\$ 2,735,733</u>	<u>\$ 1,428,654</u>
\$	-	\$ -	\$ 60,000	\$ -
	(1,331,819)	(984,737)	(936,208)	(670,395)
	-	-	-	528,525
\$	<u>(1,331,819)</u>	<u>(984,737)</u>	<u>(876,208)</u>	<u>(141,870)</u>
\$	<u>130,795</u>	<u>\$ 296,950</u>	<u>\$ 1,859,525</u>	<u>\$ 1,286,784</u>

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⁾
2013	\$ 1,388,763,400	\$ 93,279,002	\$ -	\$ 366,978	\$ 26,002,462	\$ 1,508,411,842	\$ 0.076
2012	1,380,231,600	91,617,748	-	364,903	27,948,051	1,500,162,302	0.075
2011	1,376,203,000	88,172,640	-	407,578	28,221,981	1,493,005,199	0.073
2010	1,376,237,100	85,698,058	-	630,921	28,612,897	1,491,178,976	0.072
2009	1,767,638,600	93,472,804	-	587,884	28,291,208	1,889,990,496	0.064
2008	1,758,591,700	94,289,760	-	625,632	27,784,639	1,881,291,731	0.065
2007	1,726,834,100	94,049,306	-	251,503	26,702,670	1,847,837,579	0.065
2006	1,702,213,900	87,009,001	-	301,061	15,115,823	1,804,639,785	0.063
2005	803,093,350	75,359,990	-	389,476	18,765,767	897,608,583	0.112
2004	754,879,500	72,564,642	-	405,195	33,632,102	861,481,439	0.112

Source: Commissioner of Revenue

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

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

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

Fiscal Years	Direct Rates			Total Direct Tax Rate	Overlapping Rates County of Fauquier	
	Real Estate	Personal Property	Machinery and Tools		Real Estate	Personal Property
2013	\$ 0.015	\$ 1.00	\$ 1.00	\$ 0.076	\$ 0.98	\$ 4.65
2012	0.015	1.00	1.00	0.075	0.97	4.65
2011	0.015	1.00	1.00	0.073	0.97	4.65
2010	0.015	1.00	1.00	0.072	0.97	4.65
2009	0.015	1.00	1.00	0.064	0.765	4.65
2008	0.015	1.00	1.00	0.065	0.645	4.65
2007	0.015	1.00	1.00	0.065	0.645	4.65
2006	0.015	1.00	1.00	0.063	0.645	4.65
2005	0.03	1.00	1.00	0.112	0.99	4.65
2004	0.03	1.00	1.00	0.112	0.99	4.65

(1) Per \$100 of assessed value

TOWN OF WARRENTON, VIRGINIA

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

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Franchise Tax	Commun- ications Tax (2)	Meals Tax
2013	\$ 539,313	\$ 530,836	\$ 541,096	\$ 479,590	\$	\$ 2,152,237
2012	567,694	508,741	540,413	467,392	-	2,062,342
2011	555,233	484,640	538,512	464,428	-	1,901,261
2010	576,328	448,227	562,803	494,251	-	1,767,095
2009	628,812	461,030	504,906	417,266	561,660	1,816,416
2008	624,841	509,630	519,509	369,113	618,169	1,749,075
2007	627,637	542,586	1,042,580	473,713	-	1,775,493
2006	722,808	519,031	998,881	522,854	-	1,632,434
2005	744,748	458,976	1,056,076	381,368	-	1,561,380
2004	649,312	390,691	938,384	880,875	-	1,494,046

(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	Motor Vehicle Rental Tax	Cigarette Tax	Total
\$ 187,263	\$ 1,366,360	\$ 104,047	\$ -	\$ 189,868	\$ 6,090,610
195,419	1,363,590	102,358	-	182,820	5,990,769
169,364	1,528,085	100,710	-	177,774	5,920,007
159,647	1,405,894	99,051	-	200,124	5,713,420
174,398	1,248,770	96,245	-	189,124	6,098,627
151,272	1,338,059	91,454	-	222,415	6,193,537
197,870	1,653,232	96,189	-	197,195	6,606,495
206,274	1,400,230	100,905	-	212,152	6,315,569
185,405	1,123,373	91,990	113,742	225,417	5,942,475
132,663	1,023,571	91,278	87,384	231,192	5,919,396

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2013	
		2012 Assessed Valuation	% of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	\$ 29,666,400	2.11%
Saul Holdings	Shopping Center	19,582,100	1.39%
Walmart	Retail Store	17,309,400	1.33%
Warrenton Development Company	Developer	16,802,500	1.16%
Jefferson Associates	Shopping Center	14,439,100	1.02%
Warrenton Village	Shopping Center	14,379,700	1.02%
Warrenton Professional	Health Care Provider	11,127,500	0.83%
Virginia Electric and Power	Utility	11,074,981	0.77%
Kalis Holdings	Shopping Center	10,713,700	0.76%
Sears	Retail Store	10,298,500	0.73%
		<u>\$ 155,393,881</u>	<u>11.12%</u>

Source: Commissioner of Revenue

Table 8

Taxpayer	Type Business	Fiscal Year 2004	
		2003 Assessed Valuation	% of Total Assessed Valuation
Jefferson Associates	Shopping Center	\$ 20,190,600	3.74%
Verizon Virginia	Utility	11,298,178	1.44%
Warrenton Development Company	Developer	10,099,500	1.29%
Warrenton Village	Shopping Center	9,445,000	1.20%
Wal-Mart	Retail Store	8,991,800	1.14%
Highland Commons, LP	Developer	7,619,000	0.97%
Kmart Corporation	Retail Store	6,872,000	0.87%
Oak Springs Nursing Home	Health Care Provider	6,807,500	0.86%
Kalis Holdings, Inc	Shopping Center	6,175,000	0.78%
Virginia Electric Power	Utility	5,932,332	0.75%
		<u>\$ 93,430,910</u>	<u>13.04%</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
2013	\$	1,080,357	\$ 1,074,859	99.49%	\$ -	\$ 1,074,859	99.49%
2012		1,069,488	1,058,965	99.01%	6,801	1,065,766	99.65%
2011		1,049,477	1,037,948	98.90%	9,006	1,046,954	99.76%
2010		1,283,322	1,250,045	97.41%	9,852	1,259,897	98.17%
2009		1,346,551	1,305,936	96.98%	16,032	1,321,968	98.17%
2008		1,330,126	1,298,822	97.65%	15,847	1,314,669	98.84%
2007		1,313,459	1,284,836	97.82%	16,749	1,301,585	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%
2004		1,240,467	1,210,246	97.56%	23,523	1,233,769	99.46%

Source: Department of Finance & Human Resources

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

Fiscal Years	Direct Rates		Overlapping Rates County of Fauquier *	
	Meals Tax Percent of Gross		Meals Tax Percent of Gross	
2013	%	4.00	%	0.00
2012		4.00		0.00
2011		4.00		0.00
2010		4.00		0.00
2009		4.00		0.00
2008		4.00		0.00
2007		4.00		0.00
2006		4.00		0.00
2005		4.00		0.00
2004		4.00		0.00

* Fauquier County does not have a meals tax

Principal Meals Taxpayers
Current Year and Nine Years Prior

Taxpayer	Fiscal Year 2013		Taxpayer	Fiscal Year 2004	
	Assessed Valuation	% of Total Assessed Valuation		Assessed Valuation	% of Total Assessed Valuation
Chick Fil A	\$ 3,984,239	6.93%	McDonalds	\$ 3,002,038	7.82%
McDonalds	3,535,872	6.15%	Ruby Tuesday	2,791,103	7.27%
Longhorn Steakhouse	2,596,058	4.51%	Applebees	2,558,553	6.66%
Panera Bread	2,374,098	4.13%	Wendy's	1,875,754	4.88%
Applebees	2,220,500	3.86%	Burger King	1,475,332	3.84%
Chipotle	1,991,969	3.46%	Red Hot & Blue	1,429,322	3.72%
Ruby Tuesday's	1,815,160	3.16%	Pizza Hut	1,315,274	3.42%
Iron Bridge Restaurant	1,766,476	3.07%	Country Cookin	1,080,556	2.81%
Wendy's	1,676,116	2.91%	Taco Bell	959,606	2.50%
Burger King	1,441,926	2.51%	Friendlys	940,445	2.45%
	<u>\$ 23,402,414</u>	<u>40.69%</u>		<u>\$ 17,427,983</u>	<u>45.37%</u>

Source: Town of Warrenton Finance Department

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases		General Obligation Bonds	Premium on Bond Issue			
2013	\$ 441,717	\$	9,717,000	\$ -	\$ 10,158,717	*	1,036
2012	-		8,575,000	245,897	8,820,897	2.43%	906
2011	-		8,835,000	266,590	9,101,590	2.36%	947
2010	-		9,085,000	287,781	9,372,781	2.83%	1,003
2009	-		9,325,000	309,451	9,634,451	2.07%	1,050
2008	-		9,555,000	331,580	9,886,580	2.27%	1,110
2007	-		9,775,000	354,148	10,129,148	3.30%	1,131
2006	-		9,775,000	354,148	10,129,148	3.30%	1,131
2005	-		-	-	-	0.00%	-
2004	-		-	-	-	0.00%	-

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

(1) See the Schedule of Demographic and Economic Statistics - Table 16

* 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)
2013	\$ 9,717,000	\$ -	\$ 9,717,000	0.64%	991
2012	8,820,897	-	8,820,897	0.59%	880
2011	9,101,590	-	8,835,000	0.59%	919
2010	9,372,781	-	9,085,000	0.61%	1,003
2009	9,634,451	-	9,325,000	0.49%	1,050
2008	9,886,580	-	9,555,000	0.51%	1,110
2007	10,129,148	-	9,775,000	0.53%	1,131
2006	10,129,148	-	9,775,000	0.54%	1,131
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-

(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, 2013

<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	\$ 103,560,000	13.54%	\$ 14,315,700
Subtotal, overlapping debt			
Town of Warrenton, direct debt			441,717
Total direct and overlapping debt			\$ 14,757,417

Source: County of Fauquier June 30, 2013 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 75,487,950	\$ 89,760,858	\$ 180,463,979	\$ 184,783,758	\$ 188,129,173	\$ 188,999,050
Total net debt applicable to limit	-	9,775,000	9,775,000	9,775,000	9,555,000	9,325,000
Legal debt margin	<u>\$ 75,487,950</u>	<u>\$ 79,985,858</u>	<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	0.00%	10.89%	5.42%	5.29%	5.08%	4.93%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value
Add back: exempt real property
Total assessed value

Debt limit (10% of total assessed value)
Net debt applicable to limit
Legal debt margin

Table 15

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

\$ 1,508,411,842
10,356,800
<u>\$ 1,518,768,642</u>
\$ 151,876,864
9,717,000
<u>\$ 142,159,864</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
2013	9,803	\$ *	\$ *	*	2,008	4.80%
2012	9,735	362,297,760	37,216	42	1,572	4.80%
2011	9,611	375,126,941	39,031	39	1,584	5.20%
2010	9,059	321,223,081	35,459	40	1,581	5.60%
2009	8,877	451,430,958	50,854	38	1,535	5.40%
2008	8,606	421,169,034	48,939	38	1,501	3.50%
2007	8,639	296,447,285	34,315	39	1,496	2.50%
2006	8,639	296,447,285	34,315	38	1,515	2.50%
2005	8,269	283,750,735	34,315	38	1,418	2.80%
2004	8,174	192,514,048	23,552	38	1,297	2.10%

* data not available

Source: Weldon Cooper Center, US Census Bureau, Virginia Employment Commission

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2013			Fiscal Year 2004 *		
	Employees	Rank	% of Total Town Employment	Employees	Rank	% of Total Town Employment
Fauquier County School Board	1,827	1	9.10%	-		0.00%
Fauquier Hospital	1,100	2	5.48%	-		0.00%
County of Fauquier	650	3	3.24%	-		0.00%
Wal Mart	291	4	1.45%	-		0.00%
Town of Warrenton	229	5	1.14%	-		0.00%
Fauquier Health	173	6	0.86%	-		0.00%
Fauquier Bank	150	7	0.75%	-		0.00%
Home Depot	129	8	0.64%	-		0.00%
Giant	125	9	0.62%	-		0.00%
Blue Ridge Orthopaedic	120	10	0.60%	-		0.00%
Totals	4,794		23.87%	-		0.00%

* data for 2004 not available

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

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General and Financial Administration	6	5	6	6	6	6	6	6	6	6
Legislative	1	1	1	1	1	1	1	1	1	1
Public safety										
Police Department	25	24	25	25	27	25	27	27	27	25
Fire & rescue	1	1	1	1	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	21	22	22	22	22	21	21	22	22	21
Administration	4	5	5	5	5	5	5	4	4	5
Culture and recreation										
Parks - cemetery maintenance	1	1	1	1	1	2	2	2	2	2
Planning & Community development	5	5	5	5	5	5	4	3	3	3
Water and Sewer										
Water	15	15	16	16	16	16	15	14	14	13
Wastewater	9	9	9	9	9	8	8	7	7	7
Administration	6	6	7	7	7	4	7	6	6	7
Motor Pool	3	2	2	2	2	2	2	3	3	3
Parks & Recreation	0	0	0	3	3	3	3	3	3	3
Totals	<u>97</u>	<u>97</u>	<u>101</u>	<u>104</u>	<u>106</u>	<u>101</u>	<u>104</u>	<u>101</u>	<u>101</u>	<u>99</u>

Source: Department of Finance & Human Resources

Operating Indicators by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police department: (Calendar Year)										
Physical arrests	513	539	703	397	172	358	430	397	371	390
Traffic violations	906	1,078	1,567	1,615	1,848	2,696	5,360	6,243	3,989	6,557
Fire and rescue:										
Number of calls answered	-	-	-	1,628	1,840	3,972	2,435	2,416	2,643	2,100
Building inspections:										
Permits issued	578	611	521	573	607	676	382	333	700	671
Public works										
Refuse collected (tons/year)	3,879	4,187	4,085	4,289	4,138	3,930	3,825	3,920	3,844	3,746
Recycling (tons/year)	2,990	1,632	1,664	1,747	728	880	783	881	919	1539
Community development										
Planning:										
Zoning permits issued	156	183	186	189	267	168	155	166	159	150

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	16	16	16	18	18	18	18	17		21
Fire Stations	1	1	1	1	1	1	1	1	1	1
Sanitation										
Collection Trucks	2	2	2	2	2	2	2	2	2	2
Highway and Streets										
Streets (miles)	85.16	85.16	85.5	87.16	86.76	86.37	86.49	86.49	86.49	94.52
Streetlights	645	695	758	770	770	770	770	772	772	795
Traffic Signals	4	6	7	8	8	8	10	10	10	11
Culture and Recreation										
Parks acreage	23.69	23.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69	88.69
Parks	4	4	5	5	5	5	5	5	5	5
Water										
Water mains (miles)	69.7	69.7	72.5	73.24	82.4	82.4	84	84	84	86
Fire Hydrants	578	578	623	635	681	681	690	716	717	725
Sewer										
Sanitary sewers	58.56	58.56	58.56	58.56	63.2	63.2	63.2	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

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COMPLIANCE SECTION

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, 2013, 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 December 6, 2013.

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
December 6, 2013