

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2005



**TOWN OF WARRENTON,
VIRGINIA**

TOWN OF WARRENTON, VIRGINIA

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

Prepared By
RICHARD M. HEARTLEY, FINANCE DIRECTOR

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2005

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Town of Warrenton, Virginia

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2005**

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INTRODUCTORY SECTION

Town of Warrenton, Virginia

Principal Town Officials

Town Council		
John V. Albertella	George B. Fitch, Mayor	Dennis M. Sutherland
John E. Williams	David A. Norden, Vice Mayor	Terrence L. Nyhous
Birge S. Watkins		John S. Lewis
Town Manager		
Kenneth L. McLawhon		
Town Attorney		
Whitson Robinson		
Officials		
Town Recorder	Evelyn J. Weimer	
Finance/Personnel Director	Richard M. Heartley	
Planning/Zoning Director	C. Christopher Mothersead	
Chief of Police	Roger L. Paul	
Public Works/Utilities Director	Edward B. Tucker, Jr.	

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TOWN OF WARRENTON

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November 18, 2005

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

We are pleased to present the Comprehensive Annual Financial Report of the Town of Warrenton (Town) for the fiscal year ended June 30, 2005. The Town's Department of Finance prepared this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. We believe the data, as presented, is accurate in all material respects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of the various funds and component units. All disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial activity have been included.

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

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

THE TOWN

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

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

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

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

FINANCIAL REPORTING ENTITY

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

ECONOMIC CONDITION AND OUTLOOK

The Town of Warrenton continues to experience moderate and well planned growth, most of which can be attributed to people seeking a high quality, small town environment with lower taxes and an escape from the rapid paced lifestyles of the more urban areas to the north and east. With the new growth and the generally positive economic conditions which accompany it, the outlook for the Town continues to be upbeat. This allowed the Town Council to decrease several tax rates in prior years while maintaining services at their pre-tax decrease level.

During the past year residential growth continued to accelerate in Warrenton, spurred on by a growing population in the Northern Virginia area, the Town's availability of utilities and the revival of several residential projects planned many years ago. If market demands remain steady, this could result in even greater growth in the community over the next several years.

MAJOR INITIATIVES

Current Initiatives:

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

- Preserve Our Small-Town Character and Feeling
- Increase Recreational and Leisure Choices

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

Shortly thereafter, the mayor and seven council members once again ratified the strategic plan and goals developed in FY 2002.

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

The Town awarded a contract to Forrester Construction to build the new indoor aquatic center. Phase 2 of the recreation center complex will include both a competition and a leisure pool. The groundbreaking for the aquatic center will take place prior to the release of this report. Following an eighteen-month construction period, the center will open to the public in July 2007.

The Town awarded a contract with construction currently underway, to An Construction to build the Town's new Visitor Center. The Center is located on the Mosby-Spilman site on Main Street. The Town has received grant funding for this project and has designated a local match of \$450,000 to fully fund construction costs of approximately \$874,000.

In the Utilities Department, The Phase 1 Upgrade to the Water Treatment Plant was completed, increasing the plant capacity from 2.0 million gallons per day (mgd) to 2.4 mgd at a cost of approximately \$750,000. Staff continued to address odor issues at the Wastewater Treatment Plant with plans for covering the headworks and the primary clarifiers, plus reactivating the waste gas burner.

Phase 2 of the Culpeper Street waterline replacement project was completed during the year with the replacement of 3,500 feet of 6-inch cast iron pipe installed in 1982 with 8-inch ductile iron pipe.

Future Initiatives:

The ongoing construction of two major projects, the Recreation and Visitor Centers, will demand staff's full attention in the coming fiscal year.

In the Utilities Fund, the Meter Department continues to work hard in the conversion of an additional 400 manual read meters to automated remote reads which will allow the department to maintain current staffing levels while the number of customer accounts grows.

The Transmission & Distribution Department continues to focus on the replacement of old cast iron water lines with new, more reliable ductile iron with approximately 1,600 feet to be replaced in the King Street area and the addition of approximately 2,887 of 8" waterline to service the new recreation center and its surroundings neighborhoods.

Phase 1 of the Town's Water System Security Measures will increase the security around the main components of the water system. The project includes the installation of video cameras and monitors on the reservoir, raw water plant and the treatment plant as well as access controls and increased lighting and fencing.

Nutrient removal upgrades to the Waste Water Treatment Plant, under the current permit and federally mandated discharge limits will begin with a nitrogen and phosphorus reduction study and design engineering in the coming year. This multi-million dollar effort is being timed to take advantage of Virginia Water Quality Improvement grant funding that may become available to meet the 2010 WWTP permit discharge limits.

Replacement of chlorine with ultra violet disinfection is a scheduled upgrade to the wastewater treatment plant at a cost of \$385,000 for 2006.

An upgrade to the Rady Park Pump Station was designed to double the capacity of the station in an effort to serve new residential construction in the northwestern portion of the Town. Construction is scheduled to begin in February 2006.

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 five-year capital improvements plan is adopted as part of the budgetary process.

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

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

RISK MANAGEMENT

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

CASH MANAGEMENT

The primary objectives of the Town's cash management and investment program are the safety and preservation of principal, liquidity, and yield. Idle cash during the year was invested in treasury bonds, US agencies, and demand deposit accounts with various financial institutions, fully collateralized by those institutions. Increasing cash balances and rising investment yields during the year resulted in a 165% increase in interest revenue for the period.

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the tenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Kenneth L. McLawhon
Town Manager



Richard M. Heartley
Director of Finance & Human Resources

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Warrenton,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zielle

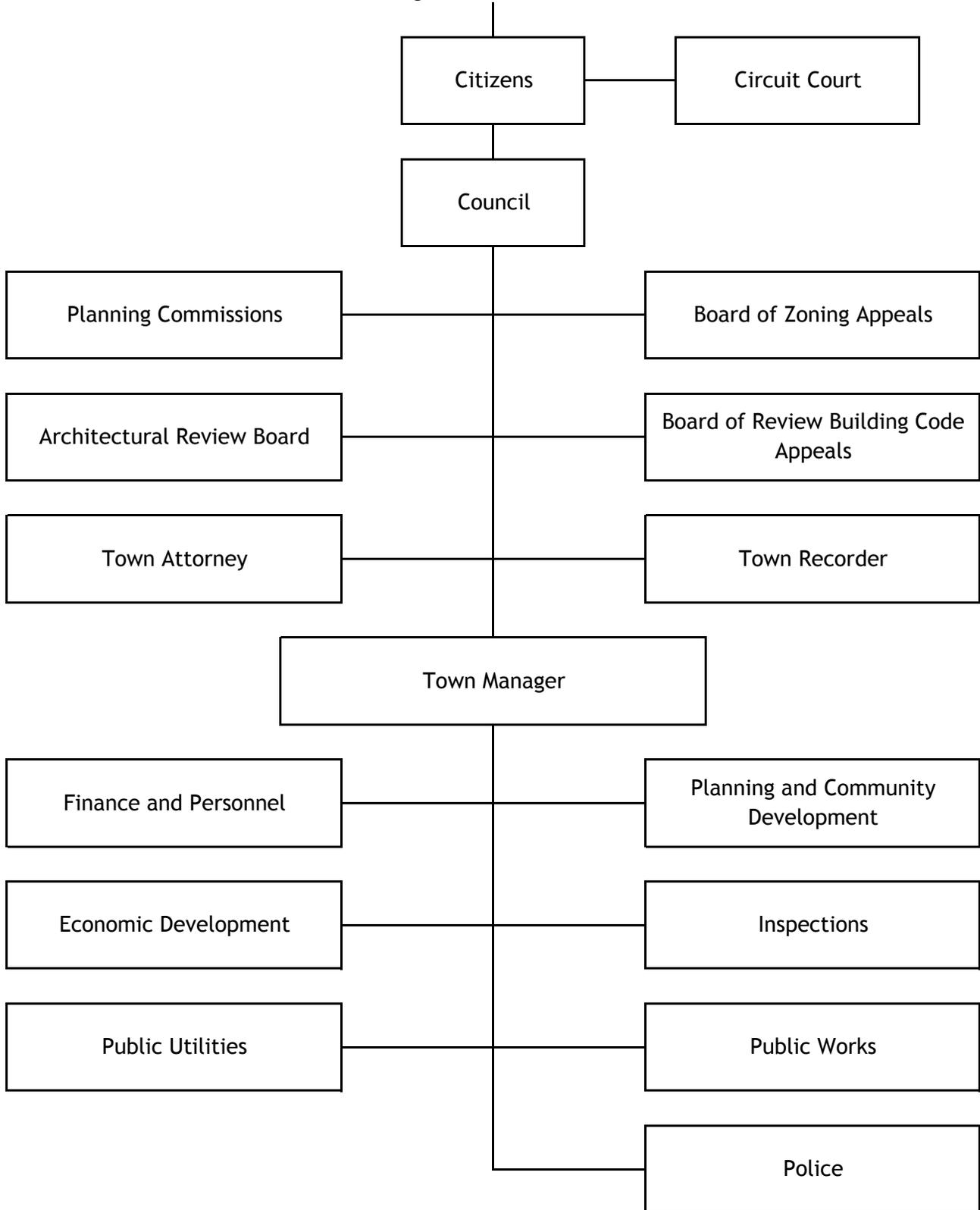
President

Jeffrey R. Emmer

Executive Director

Town of Warrenton

Organizational Chart



FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Warrenton, Virginia management. Our responsibility is to express an opinion 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, Government Auditing Standards and the Specifications for Audit of Authorities, Boards and Commissions issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2005, on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Town of Warrenton, Virginia, taken as a whole. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Finner, Cox Associates

Verona, Virginia
September 1, 2005

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Town of Warrenton, Virginia for the fiscal year ended June 30, 2005. This narrative is to be read in conjunction with the additional information that we have furnished in our letter of transmittal which can be found earlier in this report.

Financial Highlights

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Net Assets	\$ 67,259,256	\$ 56,564,146
Unrestricted	17,443,747	15,516,030

The Town's total net assets increased by \$10,695,110. Approximately 20 percent of this increase is attributable to additions to the Town's investment in capital assets and 20 percent attributable to additions to current and other assets.

The Town's governmental funds reported increases in combined ending fund balances for the last two fiscal years. A significant amount of this fund balance is available for spending at the Town's discretion (unreserved fund balance).

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Fund balance, ending	\$ 14,750,677	\$ 13,442,513
Increase over prior year	1,308,164	3,287,507
Unreserved fund balance	8,749,616	6,684,447
Percentage unreserved	59%	50%

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements separate governmental activities and business-type activities of the Town. Governmental activities are principally supported by taxes and intergovernmental revenues. They 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 activity of the Town is its Water and Sewer Fund.

Fund Financial Statements

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

Governmental funds

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

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

Proprietary funds

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

The Town of Warrenton has one proprietary fund: the Water & Sewer Fund. The Water & Sewer Fund accounts for all revenues and expenses related to water production, billing and sewage treatment.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer Fund which is considered a major fund of the Town.

Fiduciary funds

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Warrenton, assets exceeded liabilities by \$67,259,256 at June 30, 2005.

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

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Current and other assets	\$ 15,623,360	\$ 13,887,771	\$ 12,448,655	\$ 9,413,697	\$ 28,072,015	\$ 23,301,468
Capital assets	24,142,662	17,346,179	16,811,434	16,786,204	40,954,096	34,132,383
Total assets	<u>\$ 39,766,022</u>	<u>\$ 31,233,950</u>	<u>\$ 29,260,089</u>	<u>\$ 26,199,901</u>	<u>\$ 69,026,111</u>	<u>\$ 57,433,851</u>
Long-term liabilities	\$ 233,626	\$ 219,897	\$ 114,481	\$ 116,922	\$ 348,107	\$ 336,819
Other liabilities	799,257	353,797	619,491	179,089	1,418,748	532,886
Total liabilities	<u>\$ 1,032,883</u>	<u>\$ 573,694</u>	<u>\$ 733,972</u>	<u>\$ 296,011</u>	<u>\$ 1,766,855</u>	<u>\$ 869,705</u>
Net assets:						
Invested in capital assets	\$ 24,142,662	\$ 17,346,179	\$ 16,811,434	\$ 16,786,204	\$ 40,954,096	\$ 34,132,383
Restricted	6,001,061	6,758,066	2,870,352	2,607,984	8,871,413	9,366,050
Unrestricted	8,589,416	6,556,011	8,844,331	6,509,702	17,433,747	13,065,713
Total net assets	<u>\$ 38,733,139</u>	<u>\$ 30,660,256</u>	<u>\$ 28,526,117</u>	<u>\$ 25,903,890</u>	<u>\$ 67,259,256</u>	<u>\$ 56,564,146</u>

For the Town, investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of related debt used to acquire those assets that is still outstanding, represents 57 percent of total net

assets. The Town uses these capital assets to provide services to citizens, therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The majority of these net assets are to be used for public safety equipment replacement, general government renovations and utility projects. The Town's restricted net assets account for 13 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2005 is \$17,433,747 or 26 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets increased by \$10,695,110 during the current fiscal year. A portion of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The majority of this increase is attributable to the increases in the Town's investment in capital assets and favorable revenue and expenditure variances for the year ending June 30, 2005.

Governmental Activities

Governmental activities increased the Town's net assets by \$8,072,883, thereby accounting for 76 percent of the total growth in the net assets of the Town. Key elements of this increase are as follows:

Town of Warrenton's Net Assets						
	Governmental activities		Business-type activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Revenues:						
Program revenues:						
Charges for services	\$ 510,624	\$ 460,565	\$ 3,695,420	\$ 3,643,950	\$ 4,206,044	\$ 4,104,515
Operating grants & contributions	1,119,543	2,405,588	-	-	1,119,543	2,405,588
Capital grants & contributions	5,731,845	2,221,275	2,127,048	1,791,625	7,858,893	4,012,900
General revenues:						
General property taxes	727,907	631,535	-	-	727,907	631,535
Other local taxes	5,083,985	5,182,700	-	-	5,083,985	5,182,700
Use of money and property	314,013	105,694	363,492	240,345	677,505	346,039
Miscellaneous	253,183	142,685	193,803	10,723	446,986	153,408
Gain (loss) on disposal of assets	-	(2,977)	-	-	-	(2,977)
Grants and contributions not restricted to specific programs	805,549	748,819	-	299,000	805,549	1,047,819
Total revenues	\$ 14,546,649	\$ 11,895,884	\$ 6,379,763	\$ 5,985,643	\$ 20,926,412	\$ 17,881,527

Town of Warrenton's Net Assets (Continued)

	Governmental activities		Business-type activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Expenses:						
General government	\$ 841,326	\$ 865,020	\$ -	\$ -	\$ 841,326	\$ 865,020
Public safety	2,162,210	2,044,514	-	-	2,162,210	2,044,514
Public works	2,900,194	2,425,711	-	-	2,900,194	2,425,711
Health and welfare	72,096	60,986	-	-	72,096	60,986
Parks, recreation and cultural	52,562	165,968	-	-	52,562	165,968
Community development	445,378	407,819	-	-	445,378	407,819
Interest on long- term debt	-	94	-	-	-	94
Other	-	-	-	-	-	-
Water and sewer	-	-	3,757,536	3,842,061	3,757,536	3,842,061
Total expenses	<u>\$ 6,473,766</u>	<u>\$ 5,970,112</u>	<u>\$ 3,757,536</u>	<u>\$ 3,842,061</u>	<u>\$ 10,231,302</u>	<u>\$ 9,812,173</u>
Increase in net assets	8,072,883	5,925,772	2,622,227	2,143,582	10,695,110	8,069,354
Net assets, beginning of year	<u>30,660,256</u>	<u>24,734,484</u>	<u>25,903,890</u>	<u>23,760,308</u>	<u>56,564,146</u>	<u>48,494,792</u>
Net assets, end of year	<u>\$ 38,733,139</u>	<u>\$ 30,660,256</u>	<u>\$ 28,526,117</u>	<u>\$ 25,903,890</u>	<u>\$ 67,259,256</u>	<u>\$ 56,564,146</u>

- Property tax revenue increased by \$96,372 (15 percent) during the year. The increase is attributable to the increase in taxable real property due to moderate growth in commercial construction and alterations (47 percent). Personal property tax revenue increased 14%. Personal Property Tax Relief Act revenue is included in this analysis. The Commonwealth of Virginia reimbursement continued at 70 percent in fiscal year 2005, causing grants and contributions not restricted to specific programs to increase \$54,518.
- Operating Grants and Contributions decreased \$1,286,045 due primarily to the loss of a one-time contribution (\$1,357,540) from Fauquier County in FY 2004 to help construct a recreational facility in the Town, and increases in law enforcement (\$25,861), street and highway maintenance funds from the Commonwealth of Virginia (\$48,942) and decreased funding from federal sources (\$8,196).
- Other local taxes decreased \$98,715 (2 percent) due primarily to continued increases in business license (10 percent), sales tax (18 percent), and meals tax (5 percent) revenues and a significant decrease in bank franchise tax revenues (\$417,352) due to the sale of a major local bank.
- Operating expenses increased by 8 percent from last year while experiencing a growth in demand for services. Capital grants and contributions increased by \$3,510,570 due to the addition of ten collector streets to the VDOT Street Maintenance Program. These streets were dedicated to the Town by developers upon the completion of residential neighborhoods.

Business-type Activities

Business-type activities increased the Town's net assets by \$2,622,227, accounting for 25 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Approximately 81 percent of the increase is attributable to capital contributions from developers and individuals connecting to the system for the first time.
- A nominal increase in operating revenue from an additional 250 water and sewer customers.
- Increases in expenses closely paralleled inflation and growth in demand for services.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the Town's governmental funds reported an ending fund balance of \$14,750,677, an increase of \$1,308,164 over the prior year. Approximately 59 percent of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to various Town capital projects. Of the capital projects, the most prominent are public works projects and the aquatic center/recreation facility.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$8,844,331 or 31% of the total net assets. Restricted net assets of \$2,870,352 are funds committed to future utility projects.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were increased by \$2,130,320, which is 37 percent of the total original budget. While various line items were increased or decreased due to re-allocations, the major increase is attributable to the transfer from reserves for future construction of the aquatic center/recreational complex from available general fund balance (\$1,367,724) and the supplemental appropriation of \$450,000 for construction of the Visitor's Center.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2005 is \$24,142,662 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$16,811,434 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and systems, machinery and equipment, and construction in progress. The total net increase in the Town's investment in capital assets for the current fiscal year was 39 percent for government activities and a total net increase of less than 1 percent for business-type activities.

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

- Recreational Facility preliminary architectural, engineering and site work - Phase 1 for \$1,570,151
- Dedication of 10 collector streets by the developer for \$5,731,845
- Various drainage projects for \$63,034
- Gay Road & Rady Park improvements for \$14,682
- Purchase of refuse truck for \$94,220
- Fiber Optic Cable installation to various Town facilities for \$52,224
- Purchase of three pickup trucks for \$120,763
- Purchase of two police vehicles for \$48,202
- Waterline construction and replacement projects for \$161,098.
- Water Treatment Plant Upgrade Phase 1 for \$478,040
- Wastewater Treatment Plant Trickling Filter and Odor Scrubber System for \$147,664

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

	Governmental activities		Business-type activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Land	\$ 2,631,851	\$ 2,621,505	\$ 665,660	\$ 665,660	\$ 3,297,511	\$ 3,287,165
Buildings and system	2,653,845	2,742,989	8,393,806	8,284,465	11,047,651	11,027,454
Machinery and equipment	645,126	643,991	673,822	554,671	1,318,948	1,198,662
Infrastructure	16,181,121	10,988,572	6,987,565	7,191,642	23,168,686	18,180,214
Construction in progress	2,030,719	349,122	90,581	89,766	2,121,300	438,888
Total	\$ 24,142,662	\$ 17,346,179	\$ 16,811,434	\$ 16,786,204	\$ 40,954,096	\$ 34,132,383

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

Long-term debt

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

Town of Warrenton's Outstanding Debt
For the Year Ended June 30, 2005

	Governmental activities		Business-type activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital leases	-	-	-	-	-	-
Compensated absences	253,941	239,018	119,251	121,794	373,192	360,812
Total	\$ 253,941	\$ 239,018	\$ 119,251	\$ 121,794	\$ 373,192	\$ 360,812

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

Economic Factors and Next Year's Budgets and Rates

- At the end of the fiscal year, the unemployment rate for Fauquier County was 2.8 percent, which is a decrease from the rate of 2.1 percent a year ago. This compares favorably to the state's average unemployment rate of 3.8 percent and the national average rate of 5.2 percent.
- Earnings on investments have increased over the past two fiscal years due to higher yields generally found in the financial market. The Town Investment revenue was \$520,883 and \$196,877 for the fiscal year ending June 30, 2005 and June 30, 2004 respectively. These amounts included unrealized gains and losses from investment.
- Due to low interest rates and a significant demand for both residential and commercial real property, growth within the Town continues at a moderate pace.

All of these factors were considered in preparing the Town's budget for the 2005 fiscal year.

During fiscal year 2005, unreserved fund balance in the general fund increased \$2,033,405. Appropriations for Town funds lapse at fiscal year end, with the exception of the Capital Projects Fund, therefore, it is not anticipated that fund balance will be used to finance daily operations for the 2006 budget year.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Warrenton, Virginia
Statement of Net Assets
June 30, 2005

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,278,960	\$ 11,393,705	\$ 16,672,665
Investments	9,269,742	-	9,269,742
Receivables (net of allowance for uncollectibles):			
Taxes receivable	102,664	-	102,664
Accounts receivable	282,831	380,120	662,951
Accrued interest receivable	66,191	-	66,191
Notes receivable	20,000	92,831	112,831
Due from other governmental units	502,089	-	502,089
Inventories	100,883	237,980	338,863
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	344,019	344,019
Capital assets (net of accumulated depreciation):			
Land	2,631,851	665,660	3,297,511
Buildings and system	2,653,845	8,393,806	11,047,651
Machinery and equipment	645,126	673,822	1,318,948
Infrastructure	16,181,121	6,987,565	23,168,686
Construction in progress	2,030,719	90,581	2,121,300
Total assets	<u>\$ 39,766,022</u>	<u>\$ 29,260,089</u>	<u>\$ 69,026,111</u>
LIABILITIES			
Accounts payable	\$ 778,732	\$ 270,702	\$ 1,049,434
Customers' deposits	-	22,714	22,714
Unearned revenue	210	321,305	321,515
Long-term liabilities:			
Due within one year	20,315	4,770	25,085
Due in more than one year	233,626	114,481	348,107
Total liabilities	<u>\$ 1,032,883</u>	<u>\$ 733,972</u>	<u>\$ 1,766,855</u>
NET ASSETS			
Invested in capital assets	\$ 24,142,662	\$ 16,811,434	\$ 40,954,096
Restricted for:			
Construction	5,492,318	2,870,352	8,362,670
Perpetual Care:			
Expendable	508,743	-	508,743
Unrestricted (deficit)	8,589,416	8,844,331	17,433,747
Total net assets	<u>\$ 38,733,139</u>	<u>\$ 28,526,117</u>	<u>\$ 67,259,256</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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 841,326	\$ -	\$ -	\$ -
Public safety	2,162,210	134,871	199,773	-
Public works	2,900,194	375,753	914,770	5,731,845
Health and welfare	72,096	-	-	-
Parks, recreation, and cultural	52,562	-	5,000	-
Community development	445,378	-	-	-
Total government activities	\$ 6,473,766	\$ 510,624	\$ 1,119,543	\$ 5,731,845
Business-type activities:				
Water and sewer	\$ 3,757,536	\$ 3,695,420	\$ -	\$ 2,127,048
Total business-type activities	\$ 3,757,536	\$ 3,695,420	\$ -	\$ 2,127,048
Total primary government	\$ 10,231,302	\$ 4,206,044	\$ 1,119,543	\$ 7,858,893

- General revenues:
- General property taxes
- Other local taxes:
- Local sales and use tax
- Consumers' utility tax
- Business license tax
- Restaurant food tax
- Transient occupancy tax
- Motor vehicle license tax
- Bank stock tax
- Tobacco tax
- Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Total general revenues
- Change in net assets
- Net assets - beginning
- Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (841,326)	\$ -	\$ (841,326)
(1,827,566)	-	(1,827,566)
4,122,174	-	4,122,174
(72,096)	-	(72,096)
(47,562)	-	(47,562)
(445,378)	-	(445,378)
<u>\$ 888,246</u>	<u>\$ -</u>	<u>\$ 888,246</u>
\$ -	\$ 2,064,932	\$ 2,064,932
\$ -	\$ 2,064,932	\$ 2,064,932
<u>\$ 888,246</u>	<u>\$ 2,064,932</u>	<u>\$ 2,953,178</u>
\$ 727,907	\$ -	\$ 727,907
458,976	-	458,976
1,010,520	-	1,010,520
1,123,373	-	1,123,373
1,561,380	-	1,561,380
185,405	-	185,405
91,990	-	91,990
381,368	-	381,368
225,417	-	225,417
45,556	-	45,556
314,013	363,492	677,505
253,183	193,803	446,986
805,549	-	805,549
<u>\$ 7,184,637</u>	<u>\$ 557,295</u>	<u>\$ 7,741,932</u>
8,072,883	2,622,227	10,695,110
30,660,256	25,903,890	56,564,146
<u>\$ 38,733,139</u>	<u>\$ 28,526,117</u>	<u>\$ 67,259,256</u>

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FUND FINANCIAL STATEMENTS

Town of Warrenton, Virginia
 Balance Sheet
 Governmental Funds
 June 30, 2005

Exhibit 3

	<u>General</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,770,217	\$ 508,743	\$ 5,278,960
Investments	9,269,742	-	9,269,742
Receivables (net of allowance for uncollectibles):		-	
Taxes receivable	102,664	-	102,664
Accounts receivable	282,831	-	282,831
Accrued interest receivable	66,191	-	66,191
Notes receivable	20,000	-	20,000
Due from other governmental units	502,089	-	502,089
Inventories	100,883	-	100,883
Total assets	<u>\$ 15,114,617</u>	<u>\$ 508,743</u>	<u>\$ 15,623,360</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 778,732	\$ -	\$ 778,732
Unearned revenue	93,951	-	93,951
Total liabilities	<u>\$ 872,683</u>	<u>\$ -</u>	<u>\$ 872,683</u>
Fund balances:			
Reserved for:			
Construction	\$ 5,492,318	\$ -	\$ 5,492,318
Perpetual care	-	508,743	508,743
Unreserved, reported in:			
General fund	8,749,616	-	8,749,616
Total fund balances	<u>\$ 14,241,934</u>	<u>\$ 508,743</u>	<u>\$ 14,750,677</u>
Total liabilities and fund balances	<u>\$ 15,114,617</u>	<u>\$ 508,743</u>	<u>\$ 15,623,360</u>

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

Town of Warrenton, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2005

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	14,750,677
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,142,662
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		93,741
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(253,941)
Net assets of governmental activities	\$	<u>38,733,139</u>

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

Town of Warrenton, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit 5

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	\$ 744,748	\$ -	\$ 744,748
Other local taxes	5,083,985	-	5,083,985
Permits, privilege fees, and regulatory licenses	375,753	-	375,753
Fines and forfeitures	134,871	-	134,871
Revenue from the use of money and property	304,178	9,835	314,013
Miscellaneous	219,696	-	219,696
Recovered costs	33,489	-	33,489
Intergovernmental revenues:			
Commonwealth	1,921,423	-	1,921,423
Federal	3,669	-	3,669
Total revenues	<u>\$ 8,821,812</u>	<u>\$ 9,835</u>	<u>\$ 8,831,647</u>
EXPENDITURES			
Current:			
General government administration	\$ 837,721	\$ -	\$ 837,721
Public safety	2,063,730	-	2,063,730
Public works	2,217,748	-	2,217,748
Health and welfare	72,096	-	72,096
Parks, recreation, and cultural	148,550	-	148,550
Community development	433,713	-	433,713
Nondepartmental	675	-	675
Capital projects	1,749,250	-	1,749,250
Total expenditures	<u>\$ 7,523,483</u>	<u>\$ -</u>	<u>\$ 7,523,483</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,298,329</u>	<u>\$ 9,835</u>	<u>\$ 1,308,164</u>
Net change in fund balances	\$ 1,298,329	\$ 9,835	\$ 1,308,164
Fund balances - beginning	12,943,605	498,908	13,442,513
Fund balances - ending	<u>\$ 14,241,934</u>	<u>\$ 508,743</u>	<u>\$ 14,750,677</u>

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

Town of Warrenton, Virginia
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, 2005

Exhibit 6

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

Net change in fund balances - total governmental funds \$ 1,308,164

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. 6,796,483

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (16,841)

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. (14,923)

Change in net assets of governmental activities \$ 8,072,883

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

Town of Warrenton, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2005

Exhibit 7

	<u>Enterprise Fund Water & Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,393,705
Accounts receivable	380,120
Notes receivable	92,831
Inventories	237,980
Total current assets	<u>\$ 12,104,636</u>
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents	\$ 344,019
Total restricted current assets	<u>\$ 344,019</u>
Capital assets:	
Utility plant in service	\$ 31,369,185
Less accumulated depreciation	<u>(14,557,751)</u>
Total capital assets	<u>\$ 16,811,434</u>
Total noncurrent assets	<u>\$ 17,155,453</u>
Total assets	<u>\$ 29,260,089</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 270,702
Customers' deposits	22,714
Compensated absences	4,770
Unearned revenue	321,305
Total current liabilities	<u>\$ 619,491</u>
Noncurrent liabilities:	
Compensated absences	\$ 114,481
Total noncurrent liabilities	<u>\$ 114,481</u>
Total liabilities	<u>\$ 733,972</u>
NET ASSETS	
Invested in capital assets	\$ 16,811,434
Restricted for capital projects	2,870,352
Unrestricted	8,844,331
Total net assets	<u>\$ 28,526,117</u>

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

Town of Warrenton, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit 8

	Enterprise Fund Water & Sewer
OPERATING REVENUES	
Charges for services:	
Sale of water	\$ 1,235,463
Sewer service charges	2,283,026
Sale of materials and supplies	73,802
Late payment charges	29,642
Transfer fees	11,205
Other fees	62,282
Miscellaneous	193,803
Total operating revenues	<u>\$ 3,889,223</u>
OPERATING EXPENSES	
Source of supply of water	\$ 562,603
Maintenance of water and sewer lines	401,208
Meter reading, billing, and servicing	242,698
Operation of sewage treatment plant	1,011,879
Administration	558,016
Depreciation	981,132
Total operating expenses	<u>\$ 3,757,536</u>
Operating income (loss)	<u>\$ 131,687</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	\$ 222,893
Rental revenue	140,599
Total nonoperating revenues (expenses)	<u>\$ 363,492</u>
Income before contributions and transfers	<u>\$ 495,179</u>
Capital contributions	<u>2,127,048</u>
Change in net assets	<u>\$ 2,622,227</u>
Total net assets - beginning	<u>\$ 25,903,890</u>
Total net assets - ending	<u><u>\$ 28,526,117</u></u>

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

Town of Warrenton, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit 9

	<u>Enterprise Fund Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,918,712
Receipts for materials and supplies	73,802
Receipts for miscellaneous revenues and fees	267,290
Payments for source of supply of water	(439,359)
Payments for maintenance of water and sewer lines	(401,208)
Payments for meter reading, billing and servicing	(242,698)
Payments for operation of sewage treatment plant	(1,035,027)
Payments for administration	(560,559)
Net cash provided (used by) operating activities	<u>\$ 1,580,953</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (1,006,362)
Capital contributions from customers - tap fees	<u>2,127,048</u>
Net cash provided (used) by capital and related financing activities	<u>\$ 1,120,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 222,895
Other - rental income	140,599
Net cash provided (used) by investing activities	<u>\$ 363,494</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,065,133
Cash and cash equivalents - beginning - including restricted	8,672,591
Cash and cash equivalents - ending - including restricted	<u>\$ 11,737,724</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 131,687
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 981,132
(Increase) decrease in accounts receivable	44,654
(Increase) decrease in notes receivable	8,667
(Increase) decrease in inventories	(23,148)
Increase (decrease) in customer deposits	1,943
Increase (decrease) in accounts payable	123,244
Increase (decrease) in deferred revenue	315,317
Increase (decrease) in accrued leave	(2,543)
Total adjustments	<u>\$ 1,449,266</u>
Net cash provided (used) by operating activities	<u>\$ 1,580,953</u>
Reconciliation of cash and cash equivalents at end of year to the Statement of Net Assets:	
Total cash and cash equivalents per Statement of Net Assets	\$ 11,393,705
Total restricted cash and cash equivalents per Statement of Net Assets	<u>344,019</u>
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 11,737,724</u>

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

Town of Warrenton, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

Exhibit 10

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 28,087
Total assets	<u>\$ 28,087</u>
LIABILITIES	
Accounts payable	\$ 134
Amounts held for others	27,953
Total liabilities	<u>\$ 28,087</u>
NET ASSETS	
Unrestricted	<u><u>\$ -</u></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, 2005

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity:

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

Blended component units - There were no blended component units for the Town for the year ended June 30, 2005.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2005.

Cost Sharing Agreement

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

B. Government-Wide and Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, or other governmental units. Agency funds include the Town's agency fund and retirement fund.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

3. *Inventory*

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

4. *Property Taxes*

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

5. *Allowance for Uncollectible Accounts*

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$70,395 at June 30, 2005 and is composed solely of property taxes and water and sewer receivables.

6. *Use of Estimates*

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

7. *Capital assets*

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

7. Capital assets (continued)

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

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

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

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

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

8. Compensated Absences

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

9. Long-term obligations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

9. *Long-term obligations (continued)*

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

10. *Fund equity*

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

11. *Net assets*

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

12. *Restricted assets*

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds and net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$253,941 difference for the primary government is as follows:

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

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

	<u>Primary Government</u>
Compensated absences	\$ 253,941
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ 253,941

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$6,796,483 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlay	\$ 7,767,604
Depreciation expense	<u>(971,121)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>6,796,483</u>

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

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

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$16,841) difference for the primary government is as follows:

Compensated absences	\$ <u>(16,841)</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>(16,841)</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to May 1, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town funds, unless they are carried forward by a resolution of Town Council. Several supplemental appropriations were necessary during this fiscal year.
8. All budget data presented in the accompanying financial statements is the amended budget as of June 30.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (Continued)

B. Excess of expenditures over appropriations

For the year ended June 30, 2005, there were no funds in which expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2005, there were no funds with deficit fund equity.

NOTE 4 – DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

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

NOTE 4 – DEPOSITS AND INVESTMENTS: (Continued)

Credit Risk of Debt Securities

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

1. Obligations of the Commonwealth of Virginia. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth of Virginia.
2. Obligations of the United States. Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporation. These securities can be held directly or in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.
3. Certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act, Section 2.2-4400 of the Code of Virginia.
4. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.
5. “Prime Quality” commercial paper, with a maturity of 270 days or less, issued by corporations organized under the laws of the United States, with a rating no lower than P-1 by Moody’s Investor AND A-1 by Standard and Poor’s Corporation.
6. Commonwealth of Virginia Local Government Investment Pool (LGIP). Convenience and cost effectiveness are primary advantages in using the LGIP as an investment vehicle. The LGIP offers the Town of Warrenton diversification, daily liquidity and professional management which, over time, should provide higher yields and more liquidity than would be obtained through individual investments.

The Town’s rated debt investments as of June 30, 2005 were rated by Moody’s and/or an equivalent national rating organization and the ratings are presented below using the Moody’s rating scale.

Locality's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>				
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
U.S. Agencies	\$ 6,490,049	\$ -	\$ -	\$ -	\$ -
Local Government Investment Pool	10,351,594	-	-	-	-
Repurchase Agreements - Underlying: U.S. Agency Securities	427,075	-	-	-	-
Total	\$ 17,268,718	\$ -	\$ -	\$ -	\$ -

NOTE 4- DEPOSITS AND INVESTMENTS: (Continued)

Concentration of Credit Risk

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

1. The portfolio will be diversified with no more than five percent of its value in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the U.S. Government, insured certificates of deposit and the Commonwealth of Virginia Local Investment Pool.
2. The maximum percentage of the portfolio permitted in each eligible security type is as follows:

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

The Town had investments at June 30, 2005, with more than 5 percent of the total in securities of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and the Federal Mortgage Corporation.

Interest Rate Risk

The Town limits its exposure to interest rate risk by investing only in investments detailed above.

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>			<u>Greater Than</u>
		<u>1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10 Years</u>
Repurchase Agreements	\$ 427,075	\$ -	\$ -	\$ 427,075	\$ -
U.S. Agencies	6,490,049	3,502,549	2,987,500		
U.S. Treasuries	2,779,693	2,779,693	-	-	-
Total	\$ 9,696,817	\$ 6,282,242	\$ 2,987,500	\$ 427,075	\$ -

External Investment Pools

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

NOTE 5—RECEIVABLES:

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:			
Interest	\$ 66,191	\$ -	\$ 66,191
Property Taxes	162,375	-	162,375
Other local taxes	216,481	-	216,481
Accounts	66,350	390,804	457,154
	<u>511,397</u>	<u>390,804</u>	<u>902,201</u>
Gross receivables	\$ 511,397	\$ 390,804	\$ 902,201
Less: allowance for Uncollectibles	<u>(59,711)</u>	<u>(10,684)</u>	<u>(70,395)</u>
Net total receivables	<u>\$ 451,686</u>	<u>\$ 380,120</u>	<u>\$ 831,806</u>

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Highway maintenance funds	\$ 228,693
Circuit Court Clerk	8,563
Sales tax	86,591
PPTRA	131,865
Auto rental tax	20,819
Visitor Center	25,558
Total	<u>\$ 502,089</u>

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2005.

Governmental Activities

	Balance July 1, 2004	Increases	Decreases	June 30, 2005
Capital assets not being depreciated:				
Land	\$ 2,621,505	\$ 10,346	\$ -	\$ 2,631,851
Construction in progress	349,122	1,681,597	-	2,030,719
Total capital assets not being depreciated	<u>\$ 2,970,627</u>	<u>\$ 1,691,943</u>	<u>\$ -</u>	<u>\$ 4,662,570</u>
Other capital assets:				
Buildings and improvements	\$ 3,947,512	\$ 17,282	\$ -	\$ 3,964,794
Infrastructure	21,304,760	5,861,425	-	27,166,185
Furniture, equipment and vehicles	2,299,757	196,954	-	2,496,711
Total other capital assets	<u>\$ 27,552,029</u>	<u>\$ 6,075,661</u>	<u>\$ -</u>	<u>\$ 33,627,690</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,204,523)	\$ (106,426)	\$ -	\$ (1,310,949)
Infrastructure	(10,316,188)	(668,876)	-	(10,985,064)
Furniture, equipment and vehicles	(1,655,766)	(195,819)	-	(1,851,585)
Total accumulated depreciation	<u>\$ (13,176,477)</u>	<u>\$ (971,121)</u>	<u>\$ -</u>	<u>\$ (14,147,598)</u>
Other capital assets, net	<u>\$ 14,375,552</u>	<u>\$ 5,104,540</u>	<u>\$ -</u>	<u>\$ 19,480,092</u>
Net capital assets	<u>\$ 17,346,179</u>	<u>\$ 6,796,483</u>	<u>\$ -</u>	<u>\$ 24,142,662</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 30,903			
Public safety	140,715			
Public works	777,473			
Parks, recreation and cultural	19,931			
Community development	2,099			
Total depreciation expense	<u>\$ 971,121</u>			

NOTE 7—CAPITAL ASSETS: (Continued)

Enterprise Activities

	July 1, 2004	Increases	Decreases	June 30, 2005
Capital assets not being depreciated:				
Land	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	89,766	90,581	(89,766)	90,581
Total capital assets not being depreciated	<u>\$ 755,426</u>	<u>\$ 90,581</u>	<u>\$ (89,766)</u>	<u>\$ 756,241</u>
Other capital assets:				
Water and sewer plants	\$ 15,126,735	\$ 553,645	\$ -	\$ 15,680,380
Dam	1,590,017	-	-	1,590,017
Water and sewer lines	11,489,725	212,079	-	11,701,804
Equipment	1,400,920	239,823	-	1,640,743
Total other capital assets	<u>\$ 29,607,397</u>	<u>\$ 1,005,547</u>	<u>\$ -</u>	<u>\$ 30,612,944</u>
Less: Accumulated depreciation for:				
Water and sewer plants	\$ (6,842,270)	\$ (444,304)	\$ -	\$ (7,286,574)
Dam	(785,104)	(43,149)	-	(828,253)
Water and sewer lines	(5,102,996)	(373,007)	-	(5,476,003)
Equipment	(846,249)	(120,672)	-	(966,921)
Total accumulated depreciation	<u>\$ (13,576,619)</u>	<u>\$ (981,132)</u>	<u>\$ -</u>	<u>\$ (14,557,751)</u>
Other capital assets, net	<u>\$ 16,030,778</u>	<u>\$ 24,415</u>	<u>\$ -</u>	<u>\$ 16,055,193</u>
Net capital assets	<u>\$ 16,786,204</u>	<u>\$ 114,996</u>	<u>\$ (89,766)</u>	<u>\$ 16,811,434</u>

NOTE 8—LONG-TERM DEBT:

	Amounts Payable <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	Amounts Payable <u>June 30, 2005</u>
Primary Government:				
Governmental Activities				
Compensated Absences	\$ 239,018	\$ 38,030	\$ (23,107)	\$ 253,941
Total governmental activities	<u>\$ 239,018</u>	<u>\$ 38,030</u>	<u>\$ (23,107)</u>	<u>\$ 253,941</u>
Business Activities				
Compensated Absences	\$ 121,794	\$ 9,957	\$ (12,500)	\$ 119,251
Total business activities	<u>\$ 121,794</u>	<u>\$ 9,957</u>	<u>\$ (12,500)</u>	<u>\$ 119,251</u>
Total primary government	<u><u>\$ 360,812</u></u>	<u><u>\$ 47,987</u></u>	<u><u>\$ (35,607)</u></u>	<u><u>\$ 373,192</u></u>

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Details of Long-Term Indebtedness:		
Governmental Activities:		
Compensated absences	\$ 253,941	\$ 20,315
Total governmental activities debt	<u>\$ 253,941</u>	<u>\$ 20,315</u>
Compensated absences	\$ 119,251	\$ 4,770
Total business-type activities debt	<u>\$ 119,251</u>	<u>\$ 4,770</u>

NOTE 9—DEFINED BENEFIT PENSION OBLIGATION:

Plan Description

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System).

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2005 was 5.0% of annual covered payroll.

Annual Pension Cost

For 2005, the Town's annual pension cost of \$186,565 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.25%-6.1% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified market value of assets. The required contribution was determined using the level percentage method and there are nine years remaining in the open amortization period.

NOTE 9—DEFINED BENEFIT PENSION OBLIGATION:

Required Supplementary Information

<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, 2003	\$ 143,077	100.00%	-
June 30, 2004	146,411	100.00%	-
June 30, 2005	186,565	100.00%	-

(1) Employer Portion only

NOTE 10 – UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$321,515 consists of the following:

- A. Prepaid property taxes—Property taxes due subsequent to June 30, 2005, but paid in advance by the taxpayers totaled \$210 at June 30, 2005.
- B. Prepaid utility payments—Water and sewer bills due subsequent to June 30, 2005, but paid in advance by users totaled \$11,043 at June 30, 2005. The Town also received \$310,262 in unearned revenue to maintain the Warrenton Training Center.

NOTE 11—SURETY BONDS:

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

NOTE 12—RISK MANAGEMENT:

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

NOTE 12—RISK MANAGEMENT: (CONTINUED)

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information

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

General Fund

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

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 635,391	\$ 635,391	\$ 744,748	\$ 109,357
Other local taxes	5,437,203	5,437,203	5,083,985	(353,218)
Permits, privilege fees, and regulatory licenses	370,817	370,817	375,753	4,936
Fines and forfeitures	91,000	91,000	134,871	43,871
Revenue from the use of money and property	102,879	102,879	304,178	201,299
Miscellaneous	175,150	175,150	219,696	44,546
Recovered costs	25,000	25,000	33,489	8,489
Intergovernmental revenues:				
Commonwealth	1,837,801	1,837,801	1,921,423	83,622
Federal	-	-	3,669	3,669
Total revenues	\$ 8,675,241	\$ 8,675,241	\$ 8,821,812	\$ 146,571
EXPENDITURES				
Current:				
General government administration	\$ 826,605	\$ 860,180	\$ 837,721	\$ 22,459
Public safety	2,117,379	2,132,379	2,063,730	68,649
Public works	2,023,316	2,221,183	2,217,748	3,435
Health and welfare	67,712	67,712	72,096	(4,384)
Parks, recreation, and cultural	149,920	145,420	148,550	(3,130)
Community development	416,321	437,071	433,713	3,358
Nondepartmental	82,000	67,000	675	66,325
Capital projects	105,800	1,988,428	1,749,250	239,178
Total expenditures	\$ 5,789,053	\$ 7,919,373	\$ 7,523,483	\$ 395,890
Excess (deficiency) of revenues over (under) expenditures	\$ 2,886,188	\$ 755,868	\$ 1,298,329	\$ 542,461
Net change in fund balances	\$ 2,886,188	\$ 755,868	\$ 1,298,329	\$ 542,461
Fund balances - beginning	(2,886,188)	(755,868)	12,943,605	13,699,473
Fund balances - ending	\$ -	\$ -	\$ 14,241,934	\$ 14,241,934

Town of Warrenton, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2005

Exhibit 12

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)
06/30/04	\$ 12,291,644	\$ 12,232,007	\$ (59,637)	100.49%	\$ 3,683,778	-1.62%
06/30/03	11,930,622	11,431,696	(498,926)	104.36%	3,563,311	-14.00%
06/30/02	11,650,924	10,605,415	(1,045,509)	109.86%	3,363,839	-31.08%
06/30/01	11,077,819	9,446,564	(1,631,255)	117.27%	3,423,426	-47.65%

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

Agency:

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The Town's Agency funds consist of the Agency and Retirement Funds.

Town of Warrenton, Virginia
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2005

Exhibit 13

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 191,033	\$ -	\$ 171,139	\$ 19,894
Total assets	<u>\$ 191,033</u>	<u>\$ -</u>	<u>\$ 171,139</u>	<u>\$ 19,894</u>
LIABILITIES				
Accounts payable	\$ 20	\$ 114	\$ -	\$ 134
Amounts held for others	191,013	-	171,253	19,760
Total liabilities	<u>\$ 191,033</u>	<u>\$ 114</u>	<u>\$ 171,253</u>	<u>\$ 19,894</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 8,022	\$ 171	\$ -	\$ 8,193
Total assets	<u>\$ 8,022</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 8,193</u>
LIABILITIES				
Amounts held for others	\$ 8,022	\$ 171	\$ -	\$ 8,193
Total liabilities	<u>\$ 8,022</u>	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 8,193</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 199,055	\$ 171	\$ 171,139	\$ 28,087
Total assets	<u>\$ 199,055</u>	<u>\$ 171</u>	<u>\$ 171,139</u>	<u>\$ 28,087</u>
LIABILITIES				
Accounts payable	\$ 20	\$ 114	\$ -	\$ 134
Amounts held for others	199,035	171	171,253	27,953
Total liabilities	<u>\$ 199,055</u>	<u>\$ 285</u>	<u>\$ 171,253</u>	<u>\$ 28,087</u>

Town of Warrenton, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

Exhibit 14

	<u>Agency Funds</u>		
	<u>Agency</u>	<u>Retirement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,894	\$ 8,193	\$ 28,087
Total assets	<u>\$ 19,894</u>	<u>\$ 8,193</u>	<u>\$ 28,087</u>
LIABILITIES			
Accounts payable	\$ 134	\$ -	\$ 134
Amounts held for others	19,760	8,193	27,953
Total liabilities	<u>\$ 19,894</u>	<u>\$ 8,193</u>	<u>\$ 28,087</u>

SUPPORTING SCHEDULES

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

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	\$ 246,675	\$ 246,675	\$ 254,758	\$ 8,083
Real and personal public service corporation taxes	7,216	7,216	5,321	(1,895)
Personal property taxes	355,000	355,000	443,916	88,916
Penalties	14,000	14,000	21,141	7,141
Interest	12,500	12,500	19,612	7,112
Total general property taxes	<u>\$ 635,391</u>	<u>\$ 635,391</u>	<u>\$ 744,748</u>	<u>\$ 109,357</u>
Other local taxes:				
Local sales and use taxes	\$ 379,074	\$ 379,074	\$ 458,976	\$ 79,902
Consumers' Utility Tax	992,025	992,025	920,420	(71,605)
Utility License tax	83,538	83,538	90,100	6,562
Business license taxes	1,072,460	1,072,460	1,123,373	50,913
Consumption taxes	53,357	53,357	45,556	(7,801)
Motor vehicle licenses	102,690	102,690	91,990	(10,700)
Bank stock taxes	697,059	697,059	381,368	(315,691)
Hotel and motel room taxes	177,000	177,000	185,405	8,405
Restaurant food taxes	1,630,000	1,630,000	1,561,380	(68,620)
Cigarette tax	250,000	250,000	225,417	(24,583)
Total other local taxes	<u>\$ 5,437,203</u>	<u>\$ 5,437,203</u>	<u>\$ 5,083,985</u>	<u>\$ (353,218)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 370,817	\$ 370,817	\$ 375,753	\$ 4,936
Total permits, privilege fees, and regulatory licenses	<u>\$ 370,817</u>	<u>\$ 370,817</u>	<u>\$ 375,753</u>	<u>\$ 4,936</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 91,000	\$ 91,000	\$ 134,871	\$ 43,871
Total fines and forfeitures	<u>\$ 91,000</u>	<u>\$ 91,000</u>	<u>\$ 134,871</u>	<u>\$ 43,871</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 297,990	\$ 197,990
Revenue from use of property	2,879	2,879	6,188	3,309
Total revenue from use of money and property	<u>\$ 102,879</u>	<u>\$ 102,879</u>	<u>\$ 304,178</u>	<u>\$ 201,299</u>
Miscellaneous revenue:				
Proffers	\$ 77,000	\$ 77,000	\$ 93,615	\$ 16,615
Miscellaneous	98,150	98,150	126,081	27,931
Total miscellaneous revenue	<u>\$ 175,150</u>	<u>\$ 175,150</u>	<u>\$ 219,696</u>	<u>\$ 44,546</u>
Recovered costs:				
Recoveries and Rebates	\$ 25,000	\$ 25,000	\$ 33,489	\$ 8,489
Total recovered costs	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 33,489</u>	<u>\$ 8,489</u>
Total revenue from local sources	<u>\$ 6,837,440</u>	<u>\$ 6,837,440</u>	<u>\$ 6,896,720</u>	<u>\$ 59,280</u>

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 6,784	\$ 6,784	\$ 8,009	\$ 1,225
Motor vehicle rental tax	80,000	80,000	113,742	33,742
Rolling Stock Tax	70	70	76	6
Personal property tax relief funds	630,412	630,412	666,962	36,550
Total noncategorical aid	<u>\$ 717,266</u>	<u>\$ 717,266</u>	<u>\$ 788,789</u>	<u>\$ 71,523</u>
Other categorical aid:				
Litter control grant	\$ 4,523	\$ 4,523	\$ 2,236	\$ (2,287)
DJCP law enforcement grant	185,925	185,925	186,137	212
Bluemont series grant	5,000	5,000	5,000	-
Street & Highway maintenance	906,548	906,548	914,770	8,222
State Forfeiture Proceeds	-	-	4,400	4,400
Other	9,600	9,600	6,955	(2,645)
Fire program	8,939	8,939	13,136	4,197
Total other categorical aid	<u>\$ 1,120,535</u>	<u>\$ 1,120,535</u>	<u>\$ 1,132,634</u>	<u>\$ 12,099</u>
Total categorical aid	<u>\$ 1,120,535</u>	<u>\$ 1,120,535</u>	<u>\$ 1,132,634</u>	<u>\$ 12,099</u>
Total revenue from the Commonwealth	<u>\$ 1,837,801</u>	<u>\$ 1,837,801</u>	<u>\$ 1,921,423</u>	<u>\$ 83,622</u>
Revenue from the federal government:				
Criminal justice grant	\$ -	\$ -	\$ 3,169	\$ 3,169
Transportation safety	-	-	500	500
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,669</u>	<u>\$ 3,669</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,669</u>	<u>\$ 3,669</u>
 Total General Fund	 <u><u>\$ 8,675,241</u></u>	 <u><u>\$ 8,675,241</u></u>	 <u><u>\$ 8,821,812</u></u>	 <u><u>\$ 146,571</u></u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Personal services	\$ 72,252	\$ 72,252	\$ 78,819	\$ (6,567)
Fringe benefits	36,741	36,741	40,533	(3,792)
Contractual services	12,730	12,730	11,865	865
Other charges	14,843	14,843	18,648	(3,805)
Capital outlay	500	500	-	500
Total legislative department	<u>\$ 137,066</u>	<u>\$ 137,066</u>	<u>\$ 149,865</u>	<u>\$ (12,799)</u>
Executive Department:				
Personal services	\$ 106,110	\$ 106,110	\$ 107,109	\$ (999)
Fringe benefits	31,327	31,327	30,212	1,115
Contractual services	1,830	1,830	315	1,515
Other charges	12,573	12,573	14,293	(1,720)
Capital outlay	250	250	378	(128)
Total executive department	<u>\$ 152,090</u>	<u>\$ 152,090</u>	<u>\$ 152,307</u>	<u>\$ (217)</u>
Legal Services:				
Personal services	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Fringe benefits	190	190	8,727	(8,537)
Contractual services	85,000	85,000	111,089	(26,089)
Other charges	1,600	1,600	1,066	534
Total legal services	<u>\$ 89,190</u>	<u>\$ 89,190</u>	<u>\$ 123,282</u>	<u>\$ (34,092)</u>
Finance Department:				
Personal services	\$ 194,152	\$ 194,152	\$ 190,796	\$ 3,356
Fringe benefits	61,687	61,687	52,520	9,167
Contractual services	24,145	25,645	20,336	5,309
Other charges	31,891	31,891	31,517	374
Capital outlay	1,000	1,000	906	94
Total finance department	<u>\$ 312,875</u>	<u>\$ 314,375</u>	<u>\$ 296,075</u>	<u>\$ 18,300</u>
Memberships and Dues:				
Other Charges	<u>\$ 5,381</u>	<u>\$ 5,381</u>	<u>\$ 4,381</u>	<u>\$ 1,000</u>
Total memberships and dues	<u>\$ 5,381</u>	<u>\$ 5,381</u>	<u>\$ 4,381</u>	<u>\$ 1,000</u>
Data Processing Department				
Personal services	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Fringe benefits	153	153	-	153
Contractual services	83,744	83,744	54,204	29,540
Other charges	8,272	8,272	3,593	4,679
Capital outlay	35,834	67,909	54,014	13,895
Total data processing department	<u>\$ 130,003</u>	<u>\$ 162,078</u>	<u>\$ 111,811</u>	<u>\$ 50,267</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Total general government administration	\$ 826,605	\$ 860,180	\$ 837,721	\$ 22,459
Public safety:				
Department of Police				
Personal services	\$ 1,176,374	\$ 1,176,374	\$ 1,138,924	\$ 37,450
Fringe benefits	378,527	378,527	342,946	35,581
Contractual services	22,568	37,568	82,199	(44,631)
Other charges	145,775	145,775	154,582	(8,807)
Capital outlay	65,765	65,765	53,322	12,443
Total department of police	\$ 1,789,009	\$ 1,804,009	\$ 1,771,973	\$ 32,036
Fire and Rescue Services:				
Personal services	\$ 49,105	\$ 49,105	\$ 51,086	\$ (1,981)
Fringe benefits	8,928	8,928	9,706	(778)
Contractual services	-	-	106	(106)
Other charges	89,363	89,363	66,570	22,793
Capital outlay	10,000	10,000	-	10,000
Total fire and rescue services	\$ 157,396	\$ 157,396	\$ 127,468	\$ 29,928
Bureau of Building Inspections:				
Personal services	\$ 102,751	\$ 102,751	\$ 101,556	\$ 1,195
Fringe benefits	35,674	35,674	28,706	6,968
Contractual services	12,750	12,750	19,134	(6,384)
Other charges	16,999	16,999	14,893	2,106
Capital outlay	2,800	2,800	-	2,800
Total bureau of building inspections	\$ 170,974	\$ 170,974	\$ 164,289	\$ 6,685
Total public safety	\$ 2,117,379	\$ 2,132,379	\$ 2,063,730	\$ 68,649
Public Works Administration:				
Personal services	\$ 205,189	\$ 205,189	\$ 216,663	\$ (11,474)
Fringe benefits	65,885	65,885	65,427	458
Contractual services	17,496	17,496	22,494	(4,998)
Other charges	24,320	24,320	19,900	4,420
Capital outlay	900	900	-	900
Total public works administration	\$ 313,790	\$ 313,790	\$ 324,484	\$ (10,694)
Bureau of Street Maintenance:				
Personal services	\$ 274,692	\$ 274,692	\$ 262,602	\$ 12,090
Fringe benefits	180,176	180,176	162,324	17,852
Contractual services	2,730	2,730	1,956	774
Other charges	194,648	194,648	228,782	(34,134)
Capital outlay	3,000	36,087	34,648	1,439
Total bureau of street maintenance	\$ 655,246	\$ 688,333	\$ 690,312	\$ (1,979)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Arterial Street Maintenance:				
Personal services	\$ 61,000	\$ 61,000	\$ 50,145	\$ 10,855
Fringe benefits	4,666	4,666	3,722	944
Contractual services	41,000	36,525	28,326	8,199
Other charges	74,755	74,755	82,100	(7,345)
Capital outlay	61,100	99,647	110,502	(10,855)
Total arterial street maintenance	<u>\$ 242,521</u>	<u>\$ 276,593</u>	<u>\$ 274,795</u>	<u>\$ 1,798</u>
Collector Street Maintenance:				
Personal services	\$ 50,000	\$ 43,500	\$ 43,461	\$ 39
Fringe benefits	3,825	3,825	2,971	854
Contractual services	7,000	5,000	4,107	893
Other charges	23,880	23,880	31,842	(7,962)
Capital outlay	184,577	188,077	195,504	(7,427)
Total collector street maintenance	<u>\$ 269,282</u>	<u>\$ 264,282</u>	<u>\$ 277,885</u>	<u>\$ (13,603)</u>
Bureau of Refuse Collection:				
Personal services	\$ 144,406	\$ 144,406	\$ 150,230	\$ (5,824)
Fringe benefits	61,718	61,718	55,699	6,019
Contractual services	16,170	16,170	748	15,422
Other charges	51,987	51,987	49,411	2,576
Capital outlay	-	94,138	94,220	(82)
Total bureau of refuse collection	<u>\$ 274,281</u>	<u>\$ 368,419</u>	<u>\$ 350,308</u>	<u>\$ 18,111</u>
Recycling Program:				
Personal services	\$ 53,070	\$ 53,070	\$ 52,886	\$ 184
Fringe benefits	17,721	17,721	12,755	4,966
Contractual services	434	434	-	434
Other charges	28,330	28,330	32,367	(4,037)
Total recycling program	<u>\$ 99,555</u>	<u>\$ 99,555</u>	<u>\$ 98,008</u>	<u>\$ 1,547</u>
Maintenance, Buildings and Grounds:				
Personal services	\$ 31,975	\$ 31,975	\$ 36,845	\$ (4,870)
Fringe benefits	11,891	11,891	13,102	(1,211)
Contractual services	60,387	73,507	48,630	24,877
Other charges	62,388	90,838	102,737	(11,899)
Capital outlay	2,000	2,000	642	1,358
Total maintenance, buildings and grounds	<u>\$ 168,641</u>	<u>\$ 210,211</u>	<u>\$ 201,956</u>	<u>\$ 8,255</u>
Total public works	<u>\$ 2,023,316</u>	<u>\$ 2,221,183</u>	<u>\$ 2,217,748</u>	<u>\$ 3,435</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare:				
Welfare/Social Services:				
Other charges	\$ 67,712	\$ 67,712	\$ 72,096	\$ (4,384)
Total welfare/social service contributions	<u>67,712</u>	<u>67,712</u>	<u>72,096</u>	<u>(4,384)</u>
Total health and welfare	<u>\$ 67,712</u>	<u>\$ 67,712</u>	<u>\$ 72,096</u>	<u>\$ (4,384)</u>
Parks, recreation, and cultural:				
Maintenance, parks:				
Personal services	\$ 5,000	\$ 5,000	\$ 2,615	\$ 2,385
Fringe benefits	383	383	194	189
Contractual services	300	300	78	222
Other charges	4,846	4,846	3,624	1,222
Capital outlay	4,500	-	-	-
Total maintenance, parks	<u>\$ 15,029</u>	<u>\$ 10,529</u>	<u>\$ 6,511</u>	<u>\$ 4,018</u>
Parks and Recreation contributions:				
Other charges	\$ 26,750	\$ 26,750	\$ 25,527	\$ 1,223
Total parks and recreation contributions	<u>\$ 26,750</u>	<u>\$ 26,750</u>	<u>\$ 25,527</u>	<u>\$ 1,223</u>
Parks, recreation, and culture: (Continued)				
Maintenance, cemetery:				
Personal services	\$ 54,000	\$ 54,000	\$ 52,751	\$ 1,249
Fringe benefits	14,732	14,732	13,994	738
Contractual services	9,100	9,100	8,007	1,093
Other charges	7,309	7,309	16,410	(9,101)
Total maintenance, cemetery	<u>\$ 85,141</u>	<u>\$ 85,141</u>	<u>\$ 91,162</u>	<u>\$ (6,021)</u>
Cultural enrichment:				
Other charges	\$ 23,000	\$ 23,000	\$ 25,350	\$ (2,350)
Total cultural enrichment	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 25,350</u>	<u>\$ (2,350)</u>
Total parks, recreation, and cultural	<u>\$ 149,920</u>	<u>\$ 145,420</u>	<u>\$ 148,550</u>	<u>\$ (3,130)</u>
Community development:				
Planning and Zoning Department				
Personal services	\$ 205,642	\$ 205,642	\$ 206,774	\$ (1,132)
Fringe benefits	58,928	58,928	54,945	3,983
Contractual services	38,290	60,040	56,405	3,635
Other charges	99,509	98,509	111,237	(12,728)
Capital outlay	5,750	5,750	-	5,750
Total planning and zoning department	<u>\$ 408,119</u>	<u>\$ 428,869</u>	<u>\$ 429,361</u>	<u>\$ (492)</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Zoning Appeals Board:				
Personal services	\$ 400	\$ 400	\$ 73	\$ 327
Fringe benefits	31	31	6	25
Contractual services	1,000	1,000	686	314
Other charges	950	950	648	302
Total zoning appeals board	<u>\$ 2,381</u>	<u>\$ 2,381</u>	<u>\$ 1,413</u>	<u>\$ 968</u>
Architectural Review Board:				
Personal services	\$ 600	\$ 600	\$ 509	\$ 91
Fringe benefits	46	46	39	7
Contractual services	3,100	3,100	1,569	1,531
Other charges	2,075	2,075	822	1,253
Total architectural review board	<u>\$ 5,821</u>	<u>\$ 5,821</u>	<u>\$ 2,939</u>	<u>\$ 2,882</u>
 Total community development	 <u>\$ 416,321</u>	 <u>\$ 437,071</u>	 <u>\$ 433,713</u>	 <u>\$ 3,358</u>
Nondepartmental:				
Other charges	\$ 82,000	\$ 67,000	\$ 675	\$ 66,325
Total nondepartmental	<u>\$ 82,000</u>	<u>\$ 67,000</u>	<u>\$ 675</u>	<u>\$ 66,325</u>
Capital projects:				
Capital outlay	\$ 105,800	\$ 1,988,428	\$ 1,749,250	\$ 239,178
Total capital projects	<u>\$ 105,800</u>	<u>\$ 1,988,428</u>	<u>\$ 1,749,250</u>	<u>\$ 239,178</u>
Total General Fund	<u><u>\$ 5,789,053</u></u>	<u><u>\$ 7,919,373</u></u>	<u><u>\$ 7,523,483</u></u>	<u><u>\$ 395,890</u></u>

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,399,383	\$ 2,399,383	\$ 2,283,026	\$ (116,357)
Sale of water	1,304,960	1,304,960	1,235,463	(69,497)
Sale of materials and supplies	96,687	96,687	73,802	(22,885)
Late payment charges	31,276	31,276	29,642	(1,634)
Installation fees	8,000	8,000	24,906	16,906
Transfer fees	13,000	13,000	11,205	(1,795)
Reconnection fees	12,000	12,000	5,360	(6,640)
Impact fees	73,725	73,725	32,016	(41,709)
Total sale of services, commodities and properties	<u>\$ 3,939,031</u>	<u>\$ 3,939,031</u>	<u>\$ 3,695,420</u>	<u>\$ (243,611)</u>
Miscellaneous revenue:				
Miscellaneous receipts	\$ 9,500	\$ 9,500	\$ 193,803	\$ 184,303
Total miscellaneous revenue	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 193,803</u>	<u>\$ 184,303</u>
Total operating revenue	<u>\$ 3,948,531</u>	<u>\$ 3,948,531</u>	<u>\$ 3,889,223</u>	<u>\$ (59,308)</u>
Operating Expenses:				
Source of supply:				
Personal services	\$ 245,608	\$ 245,608	\$ 237,777	\$ 7,831
Fringe benefits	70,665	70,665	64,522	6,143
Contractual services	76,210	76,210	52,821	23,389
Other charges	186,771	186,771	207,483	(20,712)
Total source of supply	<u>\$ 579,254</u>	<u>\$ 579,254</u>	<u>\$ 562,603</u>	<u>\$ 16,651</u>
Transmission and distribution:				
Personal services	\$ 249,854	\$ 249,854	\$ 249,182	\$ 672
Fringe benefits	100,013	100,013	87,860	12,153
Contractual services	16,988	16,988	7,660	9,328
Other charges	80,834	80,834	56,506	24,328
Total transmission and distribution	<u>\$ 447,689</u>	<u>\$ 447,689</u>	<u>\$ 401,208</u>	<u>\$ 46,481</u>
Meter reading:				
Personal services	\$ 97,790	\$ 97,790	\$ 90,189	\$ 7,601
Fringe benefits	33,845	33,845	30,077	3,768
Contractual services	7,037	7,037	5,789	1,248
Other charges	130,720	130,720	116,643	14,077
Total meter reading	<u>\$ 269,392</u>	<u>\$ 269,392</u>	<u>\$ 242,698</u>	<u>\$ 26,694</u>
Wastewater Treatment Operation:				
Personal services	\$ 388,871	\$ 388,871	\$ 401,531	\$ (12,660)
Fringe benefits	122,228	122,228	120,956	1,272
Contractual services	115,885	115,885	112,728	3,157
Other charges	317,166	317,166	376,664	(59,498)
Total wastewater treatment operation	<u>\$ 944,150</u>	<u>\$ 944,150</u>	<u>\$ 1,011,879</u>	<u>\$ (67,729)</u>

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personal services	\$ 323,185	\$ 323,185	\$ 327,823	\$ (4,638)
Fringe benefits	105,365	105,365	87,666	17,699
Contractual services	120,178	163,631	84,709	78,922
Other charges	58,250	58,250	48,008	10,242
Capital outlays	25,756	43,064	9,810	33,254
Total public utilities administration	<u>\$ 632,734</u>	<u>\$ 693,495</u>	<u>\$ 558,016</u>	<u>\$ 135,479</u>
Capital Outlay:				
Machinery & equipment	\$ 29,452	\$ 108,425	\$ -	\$ 108,425
Water plant improvements	-	555,430	-	555,430
Sewer plant improvements	150,000	247,308	-	247,308
Sewer line rehabilitation	175,000	35,762	-	35,762
Water line replacement	290,892	129,788	-	129,788
Cedar Run pump station	299,700	123,189	-	123,189
Total capital outlay	<u>\$ 945,044</u>	<u>\$ 1,199,902</u>	<u>\$ -</u>	<u>\$ 1,199,902</u>
Depreciation	\$ -	\$ -	\$ 981,132	\$ (981,132)
Total operating expenses	<u>\$ 3,818,263</u>	<u>\$ 4,133,882</u>	<u>\$ 3,757,536</u>	<u>\$ 376,346</u>
Net operating income	<u>\$ 130,268</u>	<u>\$ (185,351)</u>	<u>\$ 131,687</u>	<u>\$ (435,654)</u>
Non-operating revenues (expenses):				
Interest revenue	\$ 78,000	\$ 78,000	\$ 222,893	\$ (144,893)
Rental revenue	141,524	141,524	140,599	925
Water/sewer connection fees	1,226,500	1,226,500	2,127,048	(900,548)
Net non-operating revenues (expenses)	<u>\$ 1,446,024</u>	<u>\$ 1,446,024</u>	<u>\$ 2,490,540</u>	<u>\$ (1,044,516)</u>
Net income (loss)	\$ 1,576,292	\$ 1,260,673	\$ 2,622,227	\$ (1,480,170)
Net assets, beginning of year	-	-	25,903,890	(25,903,890)
Net assets, end of year	<u>\$ 1,576,292</u>	<u>\$ 1,260,673</u>	<u>\$ 28,526,117</u>	<u>\$ (27,384,060)</u>

Town of Warrenton, Virginia
 Schedule of Changes in Reserved for Construction Fund Balances
 General Fund
 For the Year Ended June 30, 2005

Schedule 4

	Balances	Transfers		Balances
	July 1, 2004	In	Out	June 30, 2005
Academy Recreation	\$ -	\$ 27,500	\$ -	\$ 27,500
Academy Hill Park Improvements	50,000	-	-	50,000
Adelphia	-	41,000	-	41,000
Business directional sign	3,100	-	-	3,100
Cemetery street improvement	5,000	-	-	5,000
Data processing equipment	5,407	5,000	-	10,407
Drainage projects	-	62,936	-	62,936
Driveway culvert Evans	5,400	-	-	5,400
Driveway culverts	8,642	-	-	8,642
Fire/Rescue	-	89,519	-	89,519
Gay Road Park design	50,000	-	-	50,000
Haiti St. sidewalk	23,400	-	-	23,400
Highland Proffers	80,022	1,711	-	81,733
Light installation	21,701	-	-	21,701
Microfilm records	4,102	-	-	4,102
Park site improvements	21,669	-	2,600	19,069
Parking lot improvements	3,760	-	-	3,760
Planning department printing	10,234	-	-	10,234
Playground equipment	-	4,500	-	4,500
Police department radio	9,044	-	9,044	-
Professional services - data processing	55,555	-	25,962	29,593
Professional services - planning	11,782	-	-	11,782
Recreation	90,680	78,500	-	169,180
Recreation Center	5,307,045	-	1,319,900	3,987,145
Repairs municipal building	62,678	-	22,830	39,848
Sidewalk construction	22,381	23,000	-	45,381
Sidewalk curb and gutter	9,432	-	-	9,432
Storm sewers	190,200	-	-	190,200
Street improvements/painting	7,872	-	-	7,872
SWMM upgrade	15,000	-	-	15,000
Trash Truck	95,000	-	95,000	-
Visitor Center	-	450,000	-	450,000
Wherehouse improvements	14,882	-	-	14,882
Winchester Street drainage	75,170	-	75,170	-
Totals	\$ 6,259,158	\$ 783,666	\$ 1,550,506	\$ 5,492,318

Town of Warrenton, Virginia
 Schedule of Changes in Restricted Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2005

Schedule 5

	Balances	Transfers		Balances
	July 1, 2004	In	Out	June 30, 2005
Building modifications	\$ 12,000	\$ -	\$ -	\$ 12,000
Caustic feed system	51,834	-	-	51,834
Culpeper Street water line	19,748	-	-	19,748
Data processing equipment	16,302	-	-	16,302
Furniture and fixtures	2,615	-	-	2,615
Lift station upgrade	60,720	-	-	60,720
Lines and services	446,011	281,564	-	727,575
Professional services - data processing	45,690	-	44,397	1,293
Professional services - adm	10,000	-	5,800	4,200
Sewer plant improvements	679,594	52,057	-	731,651
Sewer rehabilitation	282,956	-	-	282,956
Rady Park Pump Station Upgrade	-	207,035	-	207,035
Warrenton Training Center	-	330,576	-	330,576
Water plant improvements	980,514	-	558,667	421,847
Totals	\$ 2,607,984	\$ 871,232	\$ 608,864	\$ 2,870,352

Town of Warrenton, Virginia
Computation of Legal Debt Margin
At June 30, 2005

Schedule 6

Total Assessed Value of Real Estate	\$ <u>803,093,350</u>
Legal Debt Margin:	\$ 80,309,335
Less: Existing Bonded Debt Subject to Limitation	<u>-</u>
Legal Margin for Creation of Additional Debt	\$ <u>80,309,335</u>

STATISTICAL SECTION

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Town of Warrenton, Virginia
 Government-Wide Expenses by Function
 Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development
2002-03	\$ 801,322	\$ 2,010,689	\$ 2,872,899	\$ 58,350	\$ 251,035	\$ 429,669
2003-04	865,020	2,044,514	2,425,711	60,986	165,968	407,819
2004-05	841,326	2,162,210	2,900,194	72,096	52,562	445,378

(1) Information has only been available for 3 years.

Table 1

<u>Interest on Long- Term Debt</u>	<u>Water & Sewer</u>	<u>Total</u>
\$ 2,492	\$ 3,832,591	\$ 10,259,047
94	3,842,061	9,812,173
-	3,757,536	10,231,302

Town of Warrenton, Virginia
 Government-Wide Revenues
 Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2002-03	\$ 3,929,701	\$ 1,014,166	\$ 5,320,575
2003-04	4,104,515	2,405,588	4,012,900
2004-05	4,206,044	1,119,543	7,858,893

(1) Information has only been available for 3 years.

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 595,516	\$ 4,884,107	\$ -	\$ 488,703	\$ 146,529	\$ 641,418	\$ 17,020,715
631,535	5,182,700	-	346,039	150,431	1,047,819	17,881,527
727,907	5,083,985	-	677,505	446,986	805,549	20,926,412

Town of Warrenton, Virginia
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years

Fiscal Year	General Legislative & Policy Direction	General Administration	Counsel & Legal Advice	Financial Administration	Board of Elections and Memberships	Public Safety
1995-96	\$ 77,121	\$ 147,974	\$ 129,261	\$ 286,304	\$ 6,516	\$ 1,492,504
1996-97	78,103	153,835	130,823	328,702	2,982	1,535,401
1997-98	87,551	160,101	99,832	399,530	3,069	1,599,638
1998-99	102,602	150,440	162,416	337,139	3,423	1,711,155
1999-00	95,578	156,487	159,919	370,636	3,556	1,822,997
2000-01	95,574	160,666	128,508	400,467	3,686	1,938,025
2001-02	120,895	174,669	109,071	416,468	10,229	1,839,211
2002-03	114,117	146,096	72,661	427,912	5,079	1,973,466
2003-04	109,096	143,692	86,784	492,185	5,555	1,956,619
2004-05	149,865	152,307	123,282	412,267	-	2,063,730

(1) Includes General Fund.

Table 3

	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Boards and Commissions	Non- departmental	Debt Service & Capital Outlay Unallocated	Total
\$	1,947,429	\$ -	\$ -	\$ 399,992	\$ -	\$ 839,649	\$ 5,326,750
	1,919,503	-	-	410,541	-	661,488	5,221,378
	1,946,781	-	-	467,308	-	1,309,459	6,073,269
	1,944,714	-	-	512,011	-	1,469,562	6,393,462
	2,019,495	-	-	652,702	-	1,415,593	6,696,963
	1,988,867	-	-	648,885	-	532,835	5,897,513
	2,151,562	47,200	144,464	436,114	-	2,192,946	7,642,829
	2,005,221	58,350	149,321	438,994	19,900	1,392,979	6,804,096
	1,836,982	60,986	143,383	403,547	12,500	1,156,527	6,407,856
	2,217,748	72,096	148,550	433,713	675	1,749,250	7,523,483

Town of Warrenton, Virginia
 General Governmental Revenues by Source (1)
 Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, & Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	From Other Agencies	Miscellaneous
1995-96	\$ 1,546,250	\$ 2,677,104	\$ 87,020	\$ 77,591	\$ 152,898	\$ 767,266	\$ 195,286
1996-97	2,058,698	3,480,602	91,864	87,144	236,841	1,191,895	223,144
1997-98	1,675,689	3,232,114	125,678	110,940	244,565	1,047,433	189,521
1998-99	1,643,425	3,482,397	109,343	106,942	302,289	1,169,012	36,698
1999-00	1,597,539	3,550,359	134,462	104,505	292,579	1,042,664	174,071
2000-01	1,211,312	4,191,058	214,220	73,808	458,405	1,276,329	942,784
2001-02	605,363	4,695,289	273,780	88,950	229,157	1,538,954	379,256
2002-03	570,204	4,884,107	255,724	155,070	259,302	1,655,584	40,596
2003-04	649,312	5,182,700	323,960	136,605	105,682	3,154,407	85,460
2004-05	744,748	5,083,985	375,753	134,871	304,178	1,925,092	219,696

(1) Includes General Fund.

Table 4

	Recovered Costs	Total
\$	47,011	\$ 5,550,426
	57,234	7,427,422
	31,124	6,657,064
	23,527	6,873,633
	25,004	6,921,183
	24,285	8,392,201
	22,377	7,833,126
	72,298	7,892,885
	57,225	9,695,351
	33,489	8,821,812

Town of Warrenton, Virginia
 General Governmental Tax Revenues by Source (1)
 Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Franchise Tax	Meals Tax	Transient Occupancy Tax	Business, Professional, Occupational Licenses
1995-96	\$ 1,546,250	\$ 147,669	\$ 568,906	\$ 212,381	\$ 769,446	\$ 79,554	\$ 568,504
1996-97	2,058,698	175,642	608,324	400,043	815,876	92,106	1,070,772
1997-98	1,675,689	176,806	614,057	403,473	864,012	101,620	743,466
1998-99	1,643,425	206,139	641,291	436,984	952,222	99,342	802,613
1999-00	1,597,539	244,592	680,214	424,963	977,125	125,937	750,026
2000-01	1,211,312	275,335	912,010	529,008	1,082,000	121,620	923,169
2001-02	605,363	293,596	964,261	669,381	1,289,265	112,318	987,283
2002-03	570,204	332,040	907,930	783,908	1,366,248	105,536	1,017,011
2003-04	649,312	390,691	938,384	880,875	1,494,046	132,663	1,023,571
2004-05	744,748	458,976	1,056,076	381,368	1,561,380	185,405	1,123,373

(1) Includes General Fund and Special Revenue funds.

Table 5

Motor Vehicle Licenses	Motor Vehicle Rental Tax	Cigarette Tax	Total
\$ 90,540	\$ 29,026	\$ 240,104	\$ 4,252,380
97,406	25,358	220,433	5,564,658
103,694	40,867	224,986	4,948,670
110,116	39,295	233,690	5,165,117
118,153	68,103	229,349	5,216,001
129,051	66,588	218,865	5,468,958
132,298	73,334	246,887	5,373,986
139,315	76,742	232,119	5,531,053
91,278	87,384	231,192	5,919,396
91,990	113,742	225,417	5,942,475

Town of Warrenton, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 6

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1995-96	\$ 1,533,164	\$ 1,432,519	93.44%	\$ 68,104	\$ 1,500,623	97.88%
1996-97	2,062,905	1,948,836	94.47%	70,628	2,019,464	97.89%
1997-98	1,618,551	1,560,250	96.40%	67,697	1,627,947	100.58%
1998-99	1,603,661	1,552,848	96.83%	50,932	1,603,780	100.01%
1999-00	1,553,140	1,494,425	96.22%	60,771	1,555,196	100.13%
2000-01	1,470,335	1,403,690	95.47%	45,866	1,449,556	98.59%
2001-02	1,051,396	1,005,877	95.67%	59,813	1,065,690	101.36%
2002-03	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%
2003-04	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%
2004-05	1,300,387	1,240,510	95.40%	130,447	1,370,957	105.43%

(1) Exclusive of penalties and interest and includes Commonwealth of Virginia PPTRA reimbursement.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

Town of Warrenton, Virginia
 Assessed Value of Taxable Property
 Last Ten Fiscal Years

Table 7

Fiscal Year	Real Estate (1)	Personal Property	Public Service Corporation (2)		Total	Assessed vs Fair Market Value
			Real Estate	Personal Property		
1995-96	\$ 437,622,062	\$ 29,140,469	\$ 18,722,797	\$ 8,965	485,494,293	100.00%
1996-97	674,730,150	37,804,216	17,686,167	7,122	730,227,655	100.00%
1997-98	469,124,500	37,886,291	18,688,957	11,734	525,711,482	100.00%
1998-99	474,819,450	42,111,093	19,905,293	11,734	536,847,570	100.00%
1999-00	488,175,500	43,931,350	21,121,628	17,350	553,245,828	100.00%
2000-01	502,120,502	50,952,693	21,730,034	-	574,803,229	100.00%
2001-02	591,875,900	57,788,410	22,395,310	-	672,059,620	100.00%
2002-03	701,853,350	64,202,242	24,056,439	-	790,112,031	100.00%
2003-04	754,879,500	72,564,642	33,632,102	-	861,076,244	100.00%
2004-05	803,093,350	75,359,990	40,461,930	-	918,915,270	100.00%

(1) 1997 was the first year the Town utilized semi-annual real estate billings.

(2) Assessed values are established by the State Corporation Commission.

Town of Warrenton, Virginia
 Property Tax Rates (1)
 Last Ten Fiscal Years

Table 8

Fiscal Year	County of Fauquier	Town Real Estate	County of Fauquier	Town Personal Property	Town Public Service Corporation	
	Real Estate	Estate	PP & MT		Real	Personal
1995-96	1.03	0.18	4.90	2.50	0.18	2.50
1996-97	1.03	0.18	4.90	2.40	0.18	2.40
1997-98	1.06	0.18	4.65	2.25	0.18	2.25
1998-99	1.06	0.14	4.65	2.25	0.14	2.25
1999-00	1.06	0.115	4.65	2.25	0.115	2.25
2000-01	1.06	0.115/.05	4.65	2.25	0.115/.05	2.25
2001-02	1.06	0.05/.03	4.65	1.00	0.05/.03	1.00
2002-03	0.99	0.03	4.65	1.00	0.03	1.00
2003-04	0.99	0.03	4.65	1.00	0.03	1.00
2004-05	0.99	0.03	4.65	1.00	0.03	1.00

(1) Rates are based on \$100 per assessed value.

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

Table 9

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995-96	\$ 5,117	\$ 485,494	\$ -	0.00%	-
1996-97	5,716	730,228	-	0.00%	-
1997-98	6,035	525,711	-	0.00%	-
1998-99	6,339	536,848	-	0.00%	-
1999-00	6,634	553,246	-	0.00%	-
2000-01	6,670	574,803	-	0.00%	-
2001-02	7,517	672,060	-	0.00%	-
2002-03	7,413	790,112	-	0.00%	-
2003-04	8,174	861,076	-	0.00%	-
2004-05	8,639	918,915	-	0.00%	-

- (1) Town of Warrenton Planning Department.
- (2) Real property assessed at 100% of fair market value.
- (3) Includes all long-term general obligation debt.
- (4) In accordance with the provisions of annexation settlements.

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Town of Warrenton, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Table 10

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995-96	\$ 71,868	\$ 11,516	\$ 83,384	5,326,750	1.57%
1996-97	74,651	8,733	83,384	5,221,378	1.60%
1997-98	41,171	4,656	45,827	6,073,269	0.75%
1998-99	39,256	1,475	40,731	6,393,462	0.64%
1999-00	23,719	1,032	24,751	6,696,963	0.37%
2000-01	48,159	7,804	55,963	5,897,513	0.95%
2001-02	59,864	6,055	65,919	7,642,829	0.86%
2002-03	68,225	2,492	70,717	6,804,096	1.04%
2003-04	-	-	-	6,407,856	0.00%
2004-05	-	-	-	7,523,483	0.00%

(1) Includes General fund of the Primary Government. General obligation bonds reported in the enterprise funds have been excluded. Lease purchase agreements have been included.

Town of Warrenton, Virginia
 Revenue Bond Coverage
 Town of Warrenton, Virginia
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest
1995-96	\$ 2,774,206	\$ 1,801,247	\$ 972,959	\$ 472,732	\$ 375,385
1996-97	2,858,907	1,883,751	975,156	483,505	348,826
1997-98	2,944,537	1,811,984	1,132,553	535,000	314,116
1998-99	2,966,545	2,046,230	920,315	540,000	284,100
1999-00	3,051,693	2,137,227	914,466	550,000	259,530
2000-01	3,124,992	2,310,892	814,100	555,000	230,695
2001-02	3,303,374	2,507,983	795,391	610,000	204,479
2002-03	3,552,542	2,772,599	779,943	615,000	177,186
2003-04	3,654,673	2,755,702	898,971	3,375,000	83,903
2004-05	3,889,223	2,776,404	1,112,819	-	-

(1) Includes all operating revenues.

(2) Includes all operating expenses except depreciation and amortization.

Table 11

	Total Debt Service Requirements	Debt Service Coverage
\$	848,117	1.15
	832,331	1.17
	849,116	1.33
	824,100	1.12
	809,530	1.13
	785,695	1.04
	814,479	0.98
	792,186	0.98
	3,458,903	0.26
	-	n/a

Town of Warrenton, Virginia
 Computation of Direct and Overlapping Bonded Debt
 At June 30, 2005

Table 12

Direct:			
Town of Warrenton (1)	\$	-	100.00%
			\$ -
Overlapping:			
County of Fauquier	\$	<u>60,251,174</u>	5.41%
			\$ <u>3,259,589</u>
Total	\$	<u><u>60,251,174</u></u>	
			\$ <u><u>3,259,589</u></u>

(1) Including lease purchase agreements but excluding general obligation bonds reported in the enterprise fund.

Town of Warrenton, Virginia
 Property Value, Construction and Bank Deposits
 Last Ten Fiscal Years

Table 13

Fiscal Year	New Construction and Alternations			Residential Construction (1)		Commercial Construction (1)		Bank (000) Deposits (2)
	Commercial	Residential	Total	Number of Units	Value	Number of Units	Value	
1995-96	\$ 778,573	\$ 222,583	\$ 1,001,156	18	\$ 164,341	4	\$ 498,500	\$ 402,602
1996-97	4,710,905	6,102,168	10,813,073	61	4,746,700	3	1,492,825	402,745
1997-98	3,101,240	7,249,493	10,350,733	70	6,530,225	3	589,630	510,985
1998-99	16,577,531	8,610,512	25,188,043	85	7,914,000	5	11,633,540	543,747
1999-00	5,519,499	11,853,634	17,373,133	105	10,395,450	5	721,000	602,956
2000-01	6,569,232	18,615,393	25,184,625	147	16,091,650	3	2,279,688	635,929
2001-02	41,461,733	33,896,815	75,358,548	198	29,957,000	11	10,119,388	822,866
2002-03	14,969,956	39,665,279	54,635,235	202	37,352,000	3	5,150,000	832,984
2003-04	14,855,175	55,109,699	69,964,874	171	52,906,600	12	11,067,610	969,102
2004-05	27,137,270	25,269,799	52,407,069	126	21,644,000	21	15,460,000	681,673

(1) Source-Town of Warrenton Planning Department

(2) Commissioner of Revenue - Fauquier County

Property value - includes alterations, hospital and school construction

Value of Residential and Commercial construction - New construction only

Town of Warrenton, Virginia
Demographic Statistics
At June 30, 2005

Table 14

	2005
Population (1)	8,369
Unemployment Rate (County of Fauquier, Virginia) (2)	2.80%
Number of School Age Children (3)	1,418
Per Capita Personal Income (4)	\$ 40,288
Median Age (4)	38

(1) Weldon Cooper Center for Public Service

(2) Virginia Employment Commission

(3) Fauquier County

(4) 2002 US Census - Bureau of Economic Analysis

Town of Warrenton, Virginia
Principal Taxpayers (1)
At June 30, 2005

Table 15

Company	Industry	Assessed Valuation	% of Total Assessed Valuation (2)
Warrenton Center LLC	Shopping Center	\$ 16,598,900	1.96%
Warrenton Development Co	Developer	10,099,500	1.19%
Warrenton Village	Shopping Center	9,445,000	1.12%
Verizon Virginia	Utility	9,284,736	1.10%
Walmart	Retail Store	8,991,800	1.06%
Highland Commons	Developer	7,619,000	0.90%
Oak Springs Nursing Home	Health center	7,055,000	0.84%
Sears Roebuck and Co	Retail Store	6,872,000	0.81%
Warrenton Professional center	Shopping Center	6,080,000	0.72%
Kalis Holdings Inc	Shopping Center	5,109,400	0.60%
	Total		10.30%

(1) Rankings based on total property assessed.

(2) Total includes real estate, personal property, machinery and tools aggregate original levy of \$1,249,754.

Town of Warrenton, Virginia
Miscellaneous Statistics
At June 30, 2005

Table 16

Date of incorporation	1810
Form of government	Council/Manager
Number of employees (excluding police and fire):	
Classified	70
Exempt	8
Area in square miles	4.35
Town of Warrenton, Virginia facilities and services:	
Miles of streets	85.16
Number of street lights	695
Fire Protection:	
Number of stations (volunteer station)	1
Number of paid fire personnel and officers	1
Police Protection:	
Number of stations	1
Number of police personnel and officers	20
Number of patrol units	16
Number of law violations:	
Physical arrests	551
Traffic violations	1,494
Parking violations	4,366
Sewage System:	
Miles of sanitary sewers	58.56
Miles of storm sewers	15.44
Number of treatment plants	1
Number of service connections	3,862
Daily average treatment in gallons	1,533,333
Maximum daily capacity of plant in gallons	2,500,000
Water System:	
Miles of water mains	69.70
Number of service connections	4,294
Number of fire hydrants	578
Daily average consumption in gallons	1,165,743
Maximum daily capacity of plant in gallons	2,000,000
Facilities and services not included in reporting entity:	
Education:	
Number of elementary schools	2
Number of secondary schools	3
Number of school age population	1,418
Hospitals	
Number of hospitals	1
Number of patient beds	86

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 1, 2005. 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 Audit of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town of Warrenton, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Town of Warrenton, Virginia's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

However, we noted certain matters that we reported to management of Town of Warrenton, Virginia in a separate letter dated September 1, 2005.

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

Robinson, Farmer, Cox Associates

Verona, Virginia
September 1, 2005

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