

***TOWN OF WARRENTON, VIRGINIA***

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**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

Prepared By  
RICHARD M. HEARTLEY, FINANCE DIRECTOR



Town of Warrenton, Virginia

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2006

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# Town of Warrenton, Virginia

## Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2006

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## INTRODUCTORY



# Town of Warrenton, Virginia

## Principal Town Officials

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### 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 ..... Connie C. Novak  
Public Works/Utilities Director..... Edward B. Tucker, Jr.

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# TOWN OF WARRENTON

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WARRENTON, VIRGINIA 20188-0341  
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TDD 1-800-828-1120

December 12, 2006

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, 2006. 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. The MD&A complements 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.

## LONG-TERM FINANCIAL PLANNING

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

## MAJOR INITIATIVES

### Current Initiatives:

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

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

Again in 2004, the mayor and seven council members once again ratified the strategic plan and goals developed in FY 2002.

The 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. Following an eighteen-month construction period, the center will open to the public in July 2007.

The Town awarded a contract, 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 \$625,000 to fully fund construction costs of approximately \$882,000. The center held its grand opening ceremony in November 2006.

#### Future Initiatives:

The ongoing construction of the aquatic center and development of the parks and recreation fund will demand staff's full attention in the coming fiscal year. With an anticipated grand opening in July 2007, staff has already begun staffing and operational considerations that will facilitate the addition of an extensive new parks and recreation fund.

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 2,745 feet to be replaced in the Lancaster Drive from Nordix Drive to Northhampton Drive in the Warrenton Lakes subdivision.

Rehabilitation/Replacement of sanitary sewer lines to combat infiltration and inflow (I&I) in the Cedar Run and Taylor Pump Station basins will involve relining of approximately 2,000 linear feet of pipe, sealing of twenty laterals and rehabilitation of fifteen manholes.

Nutrient removal upgrades to the Waste Water Treatment Plant, under the current permit and federally mandated discharge limits will continue with a nitrogen and phosphorus reduction study and design

engineering and initial construction to begin in the coming year. This multi-million dollar effort, timed to take advantage of Virginia Water Quality Improvement grant funding with an agreement between the Town and EPA to be consummated in December 2006, will allow the Town to meet the 2010 WWTP permit discharge limits.

The replacement of the grit collector and installation of a building over the headworks to reduce odors and prolong equipment life is scheduled for late fall/early winter.

## INTERNAL CONTROLS AND BUDGETARY ACCOUNTING

The management of the Town is responsible for establishing and maintaining an internal control structure to ensure the protection of Town assets. In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls were designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with GAAP and maintaining accountability for assets. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

The Town 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 86% 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

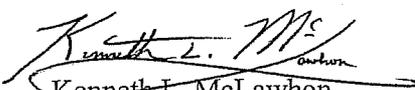
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Warrenton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the tenth consecutive 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.

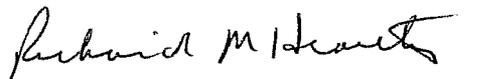
A Certificate of Achievement is valid for a period of one year only. We believe our comprehensive annual finance report continues to conform to the Certificate of Achievement program requirements and we are submitting our CAFR for the current year to the GFOA to determine its eligibility for another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

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Warrenton  
Virginia

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

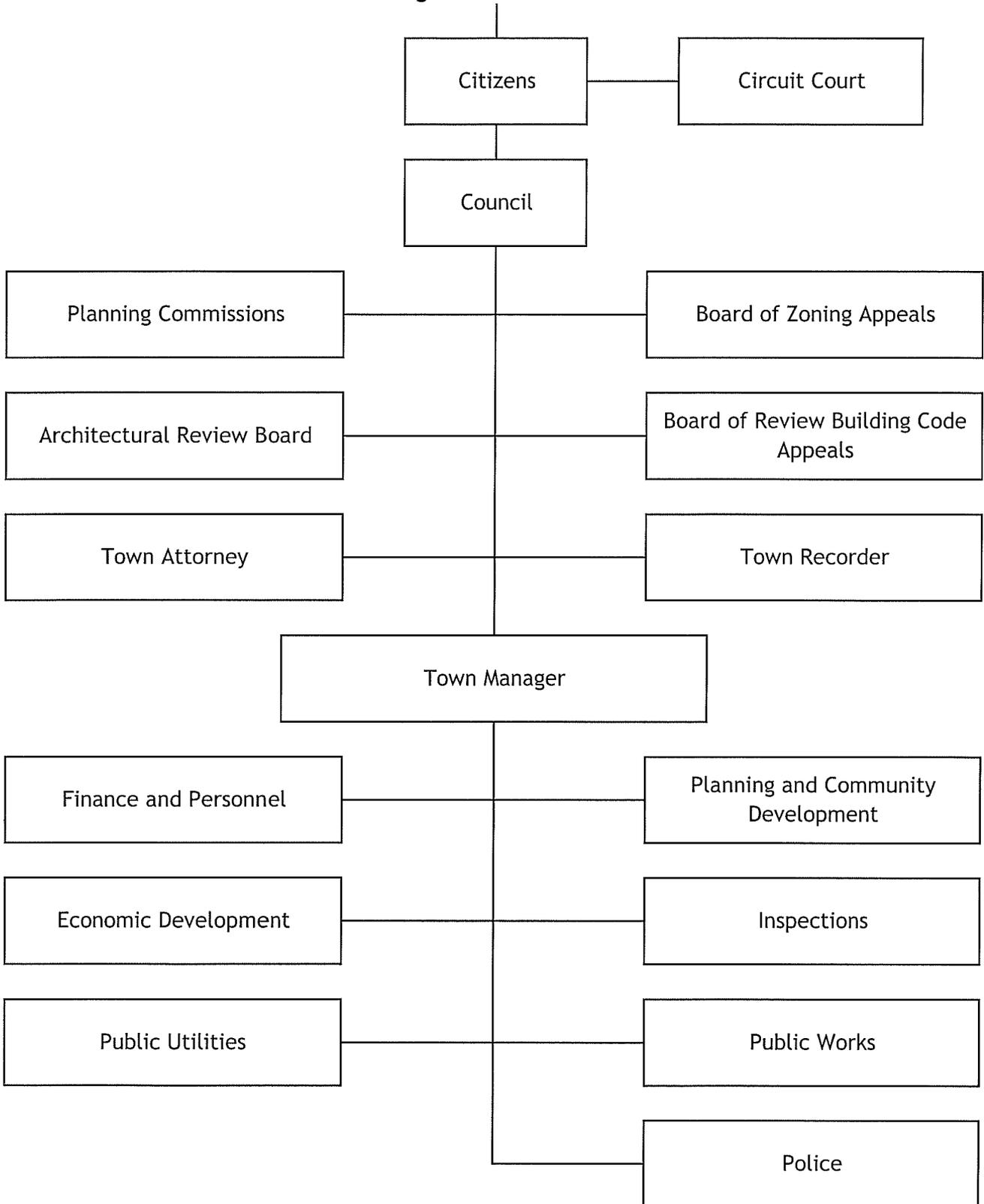
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Town of Warrenton  
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, 2006, 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, 2006, 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 8, 2006, on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and 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 that collectively comprise the Town of Warrenton, Virginia's basic financial statements. The introductory section, individual and combining fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of Stated, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Warrenton, Virginia. The individual and combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Farmer, Cox Associates*

Verona, Virginia  
September 8, 2006

## 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, 2006. 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, 2006</u>	<u>June 30, 2005</u>
Net Assets	\$ 79,337,658	\$ 67,259,256
Unrestricted	20,533,774	17,443,747

The Town's total net assets increased \$12,078,402 in FY 2006. Approximately 34 percent of this increase is attributable to additions to the Town's investment in capital assets and 41 percent attributable to additions to reserves for future investment in capital assets.

The Town's general fund reported a decrease in combined ending fund balances for the last fiscal year primarily due to the Town's commitment to the establishment of the parks and recreation fund to support the new Recreation and Aquatic facility to open in July 2007. A significant amount of this fund balance is available for spending at the Town's discretion (unreserved fund balance).

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Fund balance, ending	\$ 8,749,616	\$ 14,750,677
Increase over prior year	4,214,865	1,308,164
Unreserved fund balance	12,964,481	8,749,616
Percentage unreserved	96%	59%

### Overview of the Financial Statements

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

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

## Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of Town finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net assets and 2) the statement of activities. These statements can be found on pages 25-29.

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 and include general government administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The business-type activities of the Town are its Water and Sewer Fund and the Parks and Recreation Fund.

## Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### Governmental funds

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

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

## Proprietary funds

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

The Town of Warrenton has two proprietary funds: the Water & Sewer Fund and the newly created Parks and Recreation fund. The Water & Sewer Fund accounts for all revenues and expenses related to water production, billing, and sewage treatment. The Parks & Recreation Fund, established in FY 2007, will be operational on July 1, 2007 with the opening of the new recreational and aquatic center, complimented with existing Town parks and recreational facilities, and will account for all revenues and expenses related to the use and maintenance of all Town parks and recreational facilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer and Parks and Recreation Funds, which are considered major funds 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 \$79,337,658 at June 30, 2006.

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, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Current and other assets	\$ 16,043,601	\$ 15,623,360	\$ 22,082,066	\$ 12,448,655	\$ 38,125,667	\$ 28,072,015
Capital assets	27,888,659	24,142,662	27,284,193	16,811,434	55,172,852	40,954,096
<b>Total assets</b>	<b>\$ 43,932,260</b>	<b>\$ 39,766,022</b>	<b>\$ 49,366,259</b>	<b>\$ 29,260,089</b>	<b>\$ 93,298,519</b>	<b>\$ 69,026,111</b>
Long-term liabilities	\$ 254,310	\$ 233,626	\$ 10,271,205	\$ 114,481	\$ 10,525,515	\$ 348,107
Other liabilities	947,949	799,257	2,487,397	619,491	3,435,346	1,418,748
<b>Total liabilities</b>	<b>\$ 1,202,259</b>	<b>\$ 1,032,883</b>	<b>\$ 12,758,602</b>	<b>\$ 733,972</b>	<b>\$ 13,960,861</b>	<b>\$ 1,766,855</b>
<b>Net assets:</b>						
Invested in capital assets	\$ 27,888,659	\$ 24,142,662	\$ 17,155,045	\$ 16,811,434	\$ 45,043,704	\$ 40,954,096
Restricted	2,046,436	6,001,061	11,713,744	2,870,352	13,760,180	8,871,413
Unrestricted	12,794,906	8,589,416	7,738,868	8,844,331	20,533,774	17,433,747
<b>Total net assets</b>	<b>\$ 42,730,001</b>	<b>\$ 38,733,139</b>	<b>\$ 36,607,657</b>	<b>\$ 28,526,117</b>	<b>\$ 79,337,658</b>	<b>\$ 67,259,256</b>

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 17 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2006 is \$20,533,774 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 \$12,078,402 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, 2006.

## Governmental Activities

Governmental activities increased the Town's net assets by \$3,996,862, thereby accounting for 33 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, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Revenues:						
Program revenues:						
Charges for services	\$ 518,864	\$ 510,624	\$ 3,916,771	\$ 3,695,420	\$ 4,435,635	\$ 4,206,044
Operating grants & contributions	1,291,284	1,119,543	-	-	1,291,284	1,119,543
Capital grants & contributions	7,227,348	5,731,845	1,735,377	2,127,048	8,962,725	7,858,893
General revenues:						
General property taxes	713,802	727,907	-	-	713,802	727,907
Other local taxes	5,592,761	5,083,985	-	-	5,592,761	5,083,985
Use of money and property	625,169	314,013	533,634	363,492	1,158,803	677,505
Miscellaneous	265,957	253,183	132,633	193,803	398,590	446,986
Gain (loss) on disposal of assets	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	835,666	805,549	-	-	835,666	805,549
Total revenues	\$ 17,070,851	\$ 14,546,649	\$ 6,318,415	\$ 6,379,763	\$ 23,389,266	\$ 20,926,412
Expenses:						
General government	\$ 937,279	\$ 841,326	\$ -	\$ -	\$ 937,279	\$ 841,326
Public safety	2,444,376	2,162,210	-	-	2,444,376	2,162,210
Public works	3,111,121	2,900,194	-	-	3,111,121	2,900,194
Health and welfare	96,765	72,096	-	-	96,765	72,096
Parks, recreation and cultural	149,936	52,562	4,623	-	154,559	52,562
Community development	508,498	445,378	-	-	508,498	445,378
Interest on long-term debt	-	-	-	-	-	-
Other	-	-	-	-	-	-
Water and sewer	-	-	4,058,266	3,757,536	4,058,266	3,757,536
Total expenses	\$ 7,247,975	\$ 6,473,766	\$ 4,062,889	\$ 3,757,536	\$ 11,310,864	\$ 10,231,302
Increase in net assets before transfers	\$ 9,822,876	\$ 8,072,883	\$ 2,255,526	\$ 2,622,227	\$ 12,078,402	\$ 10,695,110
Transfers	(5,826,014)	-	5,826,014	-	-	-
Increase in net assets	\$ 3,996,862	\$ 8,072,883	\$ 8,081,540	\$ 2,622,227	\$ 12,078,402	\$ 10,695,110
Net assets, beginning of year	38,733,139	30,660,256	28,526,117	25,903,890	67,259,256	56,564,146
Net assets, end of year	\$ 42,730,001	\$ 38,733,139	\$ 36,607,657	\$ 28,526,117	\$ 79,337,658	\$ 67,259,256

- Property tax revenue decreased by \$21,940 (3 percent) during the year. The nominal decrease is attributable to more timely real estate and personal property tax payments resulting in a decrease in penalty and interest revenue of \$20,716 (51 percent) and to the Town's continued decrease in reliance on property tax revenues. A general reassessment on real property effective January 1, 2006, significantly increased assessed values of taxable real property, the impact on revenue was negated due to a halving of the real estate tax rate to .015 per \$100 of assessed value. Personal property tax revenue increased 2%. Personal Property Tax Relief Act revenue is included in this analysis for the final year. The Commonwealth of Virginia reimbursement continued at 70 percent in fiscal year 2006. For fiscal year 2007, personal property tax relief was replaced by a fixed annual payment from the Commonwealth restricted to provide continued relief from the car tax.
- Operating Grants and Contributions increased \$171,741 due primarily to increases in law enforcement grants (\$11,023), street and highway maintenance funds from the Commonwealth of Virginia (\$75,800) and increased funding from federal sources (\$12,564).
- With the exception of the local cigarette tax, other local taxes reflect increases that total \$508,776 (10 percent). Significant increases in business license (25 percent), local sales tax (13 percent), and meals tax (5 percent) revenues played a positive role in this growth.
- Operating expenses increased by 12 percent from last year while experiencing a growth in demand for services and increases in wages and related benefits.
- Capital grants and contributions increased by \$1,495,503 due to the addition of 5.10 lane miles of 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 \$8,081,540, accounting for 67 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Approximately 72 percent of the increase is attributable to the transfer of parks and recreation construction-in-progress from the general fund to form the basis of the newly created enterprise fund. The remaining increase represents capital contributions from developers and individuals connecting to the system for the first time.
- A \$221,351 increase in charges for services from an additional 140 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 fund reported an ending fund balance of \$14,482,205, a decrease of \$2,559,463 over the prior year. Approximately 96 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 \$7,738,868 or 22 percent of the total net assets. Restricted net assets of \$11,713,744 are funds committed to future utility and parks & recreation projects.

## General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were increased by \$4,672,732, which is 69 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. As mentioned previously, total construction-in-progress for the aquatic/recreational facility was transferred to the Parks & Recreation fund at year end.

## Capital Asset and Debt Administration

### Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2006 is \$27,888,659 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$27,284,193 (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 16 percent for government activities and a total net increase of 63 percent for business-type activities.

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

- Dedication of several parts of collector streets by the developer - \$6,630,000
- Visitor Center construction costs - \$882,067
- Various park site enhancements - \$58,424
- Purchase of Bandit chipper for Public Works - \$29,998
- Purchase of one police vehicles - \$25,831
- Purchase of John Deere leaf vacuum - \$17,100
- Aquatic/Recreational Facility construction costs Phase II - \$7,971,312
- Waterline construction and replacement projects for \$152,362.
- Stainless steel grit collector for wastewater treatment plant - \$95,594
- Water treatment plant upgrade Phase I to increase plant capacity - \$92,994
- Wastewater treatment plant UV system - \$41,798
- Wastewater treatment plant improvements - \$25,296
- Purchase of pick up truck - \$18,309
- Rental property improvements - \$10,629

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

	Governmental activities		Business-type activities		Total	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Land	\$ 1,862,836	\$ 2,631,851	\$ 1,434,675	\$ 665,660	\$ 3,297,511	\$ 3,297,511
Buildings and system	2,559,728	2,653,845	8,083,542	8,393,806	10,643,270	11,047,651
Machinery and equipment	589,024	645,126	719,662	673,822	1,308,686	1,318,948
Infrastructure	21,995,867	16,181,121	6,765,259	6,987,565	28,761,126	23,168,686
Construction in progress	881,204	2,030,719	10,281,055	90,581	11,162,259	2,121,300
<b>Total</b>	<b>\$ 27,888,659</b>	<b>\$ 24,142,662</b>	<b>\$ 27,284,193</b>	<b>\$ 16,811,434</b>	<b>\$ 55,172,852</b>	<b>\$ 40,954,096</b>

Additional information on the Town's capital assets may be found in the notes to the financial statements on pages 67-70.

**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, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
General obligation bonds	\$ -	\$ -	\$ 9,775,000	\$ -	\$ 9,775,000	\$ -
Premium on bond issue	-	-	354,148	-	354,148	-
Compensated absences	254,310	253,941	142,057	121,794	396,367	375,735
<b>Total</b>	<b>\$ 254,310</b>	<b>\$ 253,941</b>	<b>\$ 10,271,205</b>	<b>\$ 121,794</b>	<b>\$ 10,525,515</b>	<b>\$ 375,735</b>

Additional information on the Town's long-term debt can be found in the notes to the financial statements on pages 71-74.

**Economic Factors and Next Year's Budgets and Rates**

- At the end of the fiscal year, the unemployment rate for Fauquier County was 2.5 percent, which is a decrease from the rate of 2.8 percent a year ago. This compares favorably to the state's average unemployment rate of 3.3 percent and the national average rate of 4.8 percent.
- Earnings on investments have increased over the past two fiscal years due to higher yields generally found in the financial market and higher idle funds available for investment. The Town Investment revenue was \$986,374 and \$520,883 for the fiscal year ending June 30, 2006 and June 30, 2005 respectively. These amounts included unrealized gains and losses from investment.
- Residential real estate activity has slowed somewhat from past years causing a decline in the number of new housing starts. For the short term, developers have put projects on hold or slowed new unit starts. However, as this is a nationwide phenomenon, this lack luster growth will not have a significant negative impact in the long term. Commercial new construction and renovations continue to have a significant positive impact on the Town's tax base.

All of these factors were considered in preparing the Town's budget for the 2007 fiscal year.

During fiscal year 2006, unreserved fund balance in the general fund increased \$5,135,930. 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 2007 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.

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## **BASIC FINANCIAL STATEMENTS**



# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Town of Warrenton, Virginia  
Statement of Net Assets  
June 30, 2006

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,644,510	\$ 20,881,477	\$ 25,525,987
Investments	10,475,328	-	10,475,328
Receivables (net of allowance for uncollectibles):			
Taxes receivable	92,000	-	92,000
Accounts receivable	455,780	430,102	885,882
Accrued interest receivable	18,851	-	18,851
Notes receivable	20,000	83,629	103,629
Due from other governmental units	254,501	-	254,501
Inventories	82,631	216,267	298,898
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	344,509	344,509
Other assets:			
Unamortized bond issue costs	-	126,082	126,082
Capital assets (net of accumulated depreciation):			
Land	1,862,836	1,434,675	3,297,511
Buildings and system	2,559,728	8,083,542	10,643,270
Machinery and equipment	589,024	719,662	1,308,686
Infrastructure	21,995,867	6,765,259	28,761,126
Construction in progress	881,204	10,281,055	11,162,259
Total assets	<u>\$ 43,932,260</u>	<u>\$ 49,710,768</u>	<u>\$ 93,643,028</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 893,311	\$ 1,443,539	\$ 2,336,850
Retainage payable	-	708,595	708,595
Customers' deposits	46,500	24,065	70,565
Accrued interest payable	-	4,623	4,623
Deferred revenue	8,138	306,575	314,713
Long-term liabilities:			
Due within one year	20,345	5,682	26,027
Due in more than one year	233,965	10,265,523	10,499,488
Total liabilities	<u>\$ 1,202,259</u>	<u>\$ 12,758,602</u>	<u>\$ 13,960,861</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 27,888,659	\$ 17,155,045	\$ 45,043,704
Restricted for:			
Construction	1,517,724	11,713,744	13,231,468
Perpetual Care:			
Expendable	528,712	-	528,712
Unrestricted (deficit)	12,794,906	7,738,868	20,533,774
Total net assets	<u>\$ 42,730,001</u>	<u>\$ 36,607,657</u>	<u>\$ 79,337,658</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, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 937,279	\$ -	\$ -	\$ -
Public safety	2,444,376	128,732	237,086	-
Public works	3,111,121	-	1,049,198	6,630,000
Health and welfare	96,765	-	-	-
Parks, recreation, and cultural	149,936	-	5,000	-
Community development	508,498	390,132	-	597,348
Total government activities	<u>\$ 7,247,975</u>	<u>\$ 518,864</u>	<u>\$ 1,291,284</u>	<u>\$ 7,227,348</u>
Business-type activities:				
Water and sewer	\$ 4,058,266	\$ 3,916,771	\$ -	\$ 1,735,377
Parks and recreation	4,623	-	-	-
Total business-type activities	<u>\$ 4,062,889</u>	<u>\$ 3,916,771</u>	<u>\$ -</u>	<u>\$ 1,735,377</u>
Total primary government	<u>\$ 11,310,864</u>	<u>\$ 4,435,635</u>	<u>\$ 1,291,284</u>	<u>\$ 8,962,725</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Business license tax

Restaurant food tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues

Change in net assets

Net assets - beginning , as adjusted

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
\$ (937,279)	\$ -	\$ (937,279)
(2,078,558)	-	(2,078,558)
4,568,077	-	4,568,077
(96,765)	-	(96,765)
(144,936)	-	(144,936)
478,982	-	478,982
<u>\$ 1,789,521</u>	<u>\$ -</u>	<u>\$ 1,789,521</u>
\$ -	\$ 1,593,882	\$ 1,593,882
-	(4,623)	(4,623)
<u>\$ -</u>	<u>\$ 1,589,259</u>	<u>\$ 1,589,259</u>
<u>\$ 1,789,521</u>	<u>\$ 1,589,259</u>	<u>\$ 3,378,780</u>
\$ 713,802	\$ -	\$ 713,802
519,031	-	519,031
952,708	-	952,708
1,400,230	-	1,400,230
1,632,434	-	1,632,434
1,088,358	-	1,088,358
625,169	533,634	1,158,803
265,957	132,633	398,590
835,666	-	835,666
(5,826,014)	5,826,014	-
<u>\$ 2,207,341</u>	<u>\$ 6,492,281</u>	<u>\$ 8,699,622</u>
3,996,862	8,081,540	12,078,402
38,733,139	28,526,117	67,259,256
<u>\$ 42,730,001</u>	<u>\$ 36,607,657</u>	<u>\$ 79,337,658</u>

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## **FUND FINANCIAL STATEMENTS**



Town of Warrenton, Virginia  
 Balance Sheet  
 Governmental Funds  
 June 30, 2006

Exhibit 3

	General	Permanent Fund Perpetual Care	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,115,798	\$ 528,712	\$ 4,644,510
Investments	10,475,328	-	10,475,328
Receivables (net of allowance for uncollectibles):			
Taxes receivable	92,000	-	92,000
Accounts receivable	455,780	-	455,780
Accrued interest receivable	18,851	-	18,851
Notes receivable	20,000	-	20,000
Due from other governmental units	254,501	-	254,501
Inventories	82,631	-	82,631
Total assets	<u>\$ 15,514,889</u>	<u>\$ 528,712</u>	<u>\$ 16,043,601</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 893,311	\$ -	\$ 893,311
Retainage payable	46,500.00	-	46,500
Deferred revenue	92,873	-	92,873
Total liabilities	<u>\$ 1,032,684</u>	<u>\$ -</u>	<u>\$ 1,032,684</u>
Fund balances:			
Reserved for:			
Construction	\$ 1,517,724	\$ -	\$ 1,517,724
Perpetual care	-	528,712	528,712
Unreserved, reported in:			
General fund	12,964,481	-	12,964,481
Total fund balances	<u>\$ 14,482,205</u>	<u>\$ 528,712</u>	<u>\$ 15,010,917</u>
Total liabilities and fund balances	<u>\$ 15,514,889</u>	<u>\$ 528,712</u>	<u>\$ 16,043,601</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, 2006

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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	\$	15,010,917
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,888,659
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		84,735
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(254,310)
Net assets of governmental activities	\$	<u>42,730,001</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, 2006

Exhibit 5

	General	Permanent Fund Perpetual Care	Total
<b>REVENUES</b>			
General property taxes	\$ 722,808	\$ -	\$ 722,808
Other local taxes	5,592,761	-	5,592,761
Permits, privilege fees, and regulatory licenses	390,132	-	390,132
Fines and forfeitures	128,732	-	128,732
Revenue from the use of money and property	605,200	19,969	625,169
Miscellaneous	266,831	-	266,831
Recovered costs	23,151	-	23,151
Intergovernmental revenues:			
Commonwealth	2,110,717	-	2,110,717
Federal	613,581	-	613,581
Total revenues	<u>\$ 10,453,913</u>	<u>\$ 19,969</u>	<u>\$ 10,473,882</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 835,842	\$ -	\$ 835,842
Public safety	2,365,107	-	2,365,107
Public works	2,191,932	-	2,191,932
Health and welfare	96,765	-	96,765
Parks, recreation, and cultural	206,123	-	206,123
Community development	504,741	-	504,741
Capital projects	986,852	-	986,852
Total expenditures	<u>\$ 7,187,362</u>	<u>\$ -</u>	<u>\$ 7,187,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,266,551</u>	<u>\$ 19,969</u>	<u>\$ 3,286,520</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 3,000,000	\$ -	\$ 3,000,000
Transfers out	(8,826,014)	-	(8,826,014)
Total other financing sources (uses)	<u>\$ (5,826,014)</u>	<u>\$ -</u>	<u>\$ (5,826,014)</u>
Net change in fund balances	\$ (2,559,463)	\$ 19,969	\$ (2,539,494)
Fund balances - beginning, as adjusted	17,041,668	508,743	17,550,411
Fund balances - ending	<u>\$ 14,482,205</u>	<u>\$ 528,712</u>	<u>\$ 15,010,917</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, 2006

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Exhibit 6

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

Net change in fund balances - total governmental funds	\$	(2,539,494)
--	----	-------------

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.	6,546,605
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(874)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(9,006)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(369)
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Change in net assets of governmental activities	\$	<u>3,996,862</u>
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The notes to the financial statements are an integral part of this statement.

	Enterprise Funds		
	Water & Sewer	Recreation	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,878,412	\$ 10,003,065	\$ 20,881,477
Accounts receivable	430,102	-	430,102
Notes receivable	83,629	-	83,629
Inventories	216,267	-	216,267
Restricted current assets:			
Cash and cash equivalents	344,509	-	344,509
Total current assets	\$ 11,952,919	\$ 10,003,065	\$ 21,955,984
Other assets:			
Unamortized bond issue costs	\$ -	\$ 126,082	\$ 126,082
Capital assets:			
Utility plant in service	\$ 31,681,128	\$ 769,015	\$ 32,450,143
Less accumulated depreciation	(15,447,005)	-	(15,447,005)
Construction in progress	258,817	10,022,238	10,281,055
Total capital assets	\$ 16,492,940	\$ 10,791,253	\$ 27,284,193
Total noncurrent assets	\$ 16,492,940	\$ 10,917,335	\$ 27,410,275
Total assets	\$ 28,445,859	\$ 20,920,400	\$ 49,366,259
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 186,896	\$ 1,256,643	\$ 1,443,539
Customers' deposits	24,065	-	24,065
Compensated absences	5,682	-	5,682
Retainage Payable	-	708,595	708,595
Interest payable	-	4,623	4,623
Unearned revenue	306,575	-	306,575
Total current liabilities	\$ 523,218	\$ 1,969,861	\$ 2,493,079
Noncurrent liabilities:			
Bonds payable - net of current portion, unamortized premium	\$ -	\$ 10,129,148	\$ 10,129,148
Compensated absences	136,375	-	136,375
Total noncurrent liabilities	\$ 136,375	\$ 10,129,148	\$ 10,265,523
Total liabilities	\$ 659,593	\$ 12,099,009	\$ 12,758,602
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 16,492,940	\$ 662,105	\$ 17,155,045
Restricted for capital projects	3,554,458	8,159,286	11,713,744
Unrestricted	7,738,868	-	7,738,868
Total net assets	\$ 27,786,266	\$ 8,821,391	\$ 36,607,657

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, 2006

Exhibit 8

	Enterprise Funds		
	Water & Sewer	Recreation	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Sale of water	\$ 1,326,639	\$ -	\$ 1,326,639
Sewer service charges	2,453,372	-	2,453,372
Sale of materials and supplies	40,903	-	40,903
Late payment charges	28,375	-	28,375
Transfer fees	8,953	-	8,953
Other fees	58,529	-	58,529
Miscellaneous	132,633	-	132,633
Total operating revenues	\$ 4,049,404	\$ -	\$ 4,049,404
<b>OPERATING EXPENSES</b>			
Source of supply of water	\$ 639,265	\$ -	\$ 639,265
Maintenance of water and sewer lines	452,338	-	452,338
Meter reading, billing, and servicing	237,077	-	237,077
Operation of sewage treatment plant	1,150,490	-	1,150,490
Administration	574,035	-	574,035
Capital Outlay	92,083	-	92,083
Depreciation	912,978	-	912,978
Total operating expenses	\$ 4,058,266	\$ -	\$ 4,058,266
Operating income (loss)	\$ (8,862)	\$ -	\$ (8,862)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue			
Interest revenue	\$ 363,048	\$ -	\$ 363,048
Rental revenue	170,586	-	170,586
Interest expense	-	(4,623)	(4,623)
Total nonoperating revenues (expenses)	\$ 533,634	\$ (4,623)	\$ 529,011
Income before contributions and transfers	\$ 524,772	\$ (4,623)	\$ 520,149
Capital contributions	\$ 1,735,377	\$ -	\$ 1,735,377
Transfers in	-	8,826,014	8,826,014
Transfers out	(3,000,000)	-	(3,000,000)
Change in net assets	\$ (739,851)	\$ 8,821,391	\$ 8,081,540
Total net assets - beginning	\$ 28,526,117	\$ -	\$ 28,526,117
Total net assets - ending	\$ 27,786,266	\$ 8,821,391	\$ 36,607,657

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

	Enterprise Funds		
	Water & Sewer	Recreation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 3,754,217	\$ -	\$ 3,754,217
Receipts from materials and supplies	40,903	-	40,903
Receipts for miscellaneous revenues and fees	200,115	-	200,115
Payments for source of supply of water	(723,071)	-	(723,071)
Payments for maintenance of water and sewer lines	(452,338)	-	(452,338)
payments for meter reading, billing and servicing	(237,077)	-	(237,077)
Payments for operation of sewage treatment plant	(1,220,850)	-	(1,220,850)
Payments for administration	(551,229)	-	(551,229)
Net cash provided (used by) operating activities	\$ 810,670	\$ -	\$ 810,670
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	\$ (3,000,000)	\$ -	\$ (3,000,000)
Net cash provided (used) by noncapital financing activities	\$ (3,000,000)	\$ -	\$ (3,000,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to capital assets	\$ (594,484)	\$ (8,826,015)	\$ (9,420,499)
Proceeds from indebtedness	-	10,003,066	10,003,066
Capital contributions from customers - tap fees	1,735,377	-	1,735,377
Transfers from other funds	-	8,826,014	8,826,014
Net cash provided (used) by capital and related financing activities	\$ 1,140,893	\$ 10,003,065	\$ 11,143,958
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 363,048	\$ -	\$ 363,048
Other - rental income	170,586	-	170,586
Net cash provided (used) by investing activities	\$ 533,634	\$ -	\$ 533,634
Net increase (decrease) in cash and cash equivalents	\$ (514,803)	\$ 10,003,065	\$ 9,488,262
Cash and cash equivalents - beginning - including restricted	11,737,724	-	11,737,724
Cash and cash equivalents - ending - including restricted	\$ 11,222,921	\$ 10,003,065	\$ 21,225,986
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (8,862)	\$ -	\$ (8,862)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	\$ 912,978	-	912,978
(Increase) decrease in accounts receivable	(49,982)	-	(49,982)
(Increase) decrease in notes receivable	9,202	-	9,202
(Increase) decrease in inventories	21,713	-	21,713
Increase (decrease) in customer deposits	1,351	-	1,351
Increase (decrease) in accounts payable	(83,806)	-	(83,806)
Increase (decrease) in deferred revenue	(14,730)	-	(14,730)
Increase (decrease) in accrued leave	22,806	-	22,806
Total adjustments	\$ 819,532	\$ -	\$ 819,532
Net cash provided (used) by operating activities	\$ 810,670	\$ -	\$ 810,670
<b>Reconciliation of cash and cash equivalents at end of year to the Statement of Net Assets:</b>			
Total cash and cash equivalents per Statement of Net Assets	\$ 10,878,412		
Total restricted cash and cash equivalents per Statement of Net Assets	344,509		
Total cash and cash equivalents per Statement of Net Assets	\$ 11,222,921		

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, 2006

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Exhibit 10

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 45,498
Total assets	<u>\$ 45,498</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,869
Amounts held for others	43,629
Total liabilities	<u>\$ 45,498</u>
<b>NET ASSETS</b>	
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, 2006

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**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, 2006.

**Discretely Presented Component Units** - There were no discretely presented component units for the Town for the year ended June 30, 2006.

**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.

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

Additionally, the government reports the following fund types:

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

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

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

As a general rule the effect of 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 1<sup>st</sup> and July 1<sup>st</sup> for real estate and January 1<sup>st</sup> 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 1<sup>st</sup> and July 1<sup>st</sup> and are due on June 15<sup>th</sup> and December 15<sup>th</sup> of each year. Personal property taxes are levied as of January 1<sup>st</sup> and are due on December 15<sup>th</sup> of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 16<sup>th</sup> and June 16<sup>th</sup>. 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 \$73,102 at June 30, 2006 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 (continued)**

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 \$254,310 difference for the primary government are as follows:

	<b>Primary Government</b>
Compensated absences	\$ <u>254,310</u>
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ <u><u>254,310</u></u>

**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 \$6,546,605 difference for the primary government are as follows:

	<b>Primary Government</b>
Capital outlay	\$ <u>7,721,621</u>
Depreciation expense	<u>(1,175,016)</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><u>6,546,605</u></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 (\$369) difference for the primary government are as follows:

		<b>Primary Government</b>
Compensated absences	\$	(369)
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>	\$	(369)

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**A. Budgetary information**

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

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

**NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)**

**A. Budgetary information (continued)**

7. Appropriations lapse on June 30, for all Town funds, unless they are carried forward by a resolution of Town Council. Several supplemental appropriations were necessary during this fiscal year.
8. All budget data presented in the accompanying financial statements is the amended budget as of June 30.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2006, there were no funds in which expenditures exceeded appropriations.

**C. Deficit fund equity**

At June 30, 2006, 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, 2006 were rated by Moody's and/or an equivalent national rating organization and the ratings are presented below using the Moody's rating scale.

**Locality's Rated Debt Investments' Values**

Rated Debt Investments	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
U.S. Agencies	\$ 10,475,328	\$ -	\$ -	\$ -	\$ -
Local Government Investment Pool	16,971,184	-	-	-	-
Repurchase Agreements - Underlying:					
U.S. Agency Securities	427,075	-	-	-	-
Total	<u>\$ 27,873,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2006, 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)**

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<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	5,506,070	5,506,070	-	-	-
U.S. Treasuries	4,969,258	4,969,258	-	-	-
Total	\$ <u>10,902,403</u>	\$ <u>10,475,328</u>	\$ <u>-</u>	\$ <u>427,075</u>	\$ <u>-</u>

**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.

Town of Warrenton, Virginia

Notes to Financial Statements  
As of June 30, 2006

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**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	\$ 18,851	\$ -	\$ 18,851
Property Taxes	155,236	-	155,236
Other local taxes	449,194	-	449,194
Accounts	<u>6,586</u>	<u>439,968</u>	<u>446,554</u>
Gross receivables	\$ 629,867	\$ 439,968	\$ 1,069,835
Less: allowance for Uncollectibles	<u>(63,236)</u>	<u>(9,866)</u>	<u>(73,102)</u>
Net total receivables	<u>\$ 566,631</u>	<u>\$ 430,102</u>	<u>\$ 996,733</u>

**NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:**

	<u>Primary Government</u>
Commonwealth of Virginia:	
VDOT revenue sharing	\$ 52,144
Auto rental tax	19,099
Sales tax	93,721
PPTRA	9,596
Other	2,859
Federal Government:	
Public transportation grant	75,000
Bullet proof vest	<u>2,082</u>
Total	<u>\$ 254,501</u>

Town of Warrenton, Virginia

Notes to Financial Statements

As of June 30, 2006

**NOTE 7—CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2006.

Governmental Activities

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 2,631,851	\$ -	\$ (769,015)	\$ 1,862,836
Construction in progress	2,030,719	881,204	(2,030,719)	881,204
Total capital assets not being depreciated	<u>\$ 4,662,570</u>	<u>\$ 881,204</u>	<u>\$ (2,799,734)</u>	<u>\$ 2,744,040</u>
Other capital assets:				
Buildings and improvements	\$ 3,964,794	\$ 12,543	\$ -	\$ 3,977,337
Infrastructure	27,166,185	6,706,852	-	33,873,037
Furniture, equipment and vehicles	2,496,711	121,023	(119,176)	2,498,558
Total other capital assets	<u>\$ 33,627,690</u>	<u>\$ 6,840,418</u>	<u>\$ (119,176)</u>	<u>\$ 40,348,932</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,310,949)	\$ (106,660)	\$ -	\$ (1,417,609)
Infrastructure	(10,985,064)	(892,106)	-	(11,877,170)
Furniture, equipment and vehicles	(1,851,585)	(176,251)	118,302	(1,909,534)
Total accumulated depreciation	<u>\$ (14,147,598)</u>	<u>\$ (1,175,017)</u>	<u>\$ 118,302</u>	<u>\$ (15,204,313)</u>
Other capital assets, net	<u>\$ 19,480,092</u>	<u>\$ 5,665,401</u>	<u>\$ (874)</u>	<u>\$ 25,144,619</u>
Net capital assets	<u>\$ 24,142,662</u>	<u>\$ 6,546,605</u>	<u>\$ (2,800,608)</u>	<u>\$ 27,888,659</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 33,607			
Public safety	119,177			
Public works	998,930			
Parks, recreation and cultural	22,190			
Community development	1,113			
Total depreciation expense	<u>\$ 1,175,017</u>			

Town of Warrenton, Virginia

Notes to Financial Statements  
As of June 30, 2006

**NOTE 7—CAPITAL ASSETS: (CONTINUED)**

Enterprise Activities

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 665,660	\$ 769,015	\$ -	\$ 1,434,675
Construction in progress	90,581	10,190,474	-	10,281,055
Total capital assets not being depreciated	<u>\$ 756,241</u>	<u>\$ 10,959,489</u>	<u>\$ -</u>	<u>\$ 11,715,730</u>
Other capital assets:				
Water and sewer plants	\$ 15,680,380	\$ 133,917	\$ -	\$ 15,814,297
Dam	1,590,017	-	-	1,590,017
Water and sewer lines	11,701,804	113,856	-	11,815,660
Equipment	1,640,743	179,058	(24,307)	1,795,494
Total other capital assets	<u>\$ 30,612,944</u>	<u>\$ 426,831</u>	<u>\$ (24,307)</u>	<u>\$ 31,015,468</u>
Less: Accumulated depreciation for:				
Water and sewer plants	\$ (7,286,574)	\$ (444,181)	\$ -	\$ (7,730,755)
Dam	(828,253)	(42,496)	-	(870,749)
Water and sewer lines	(5,476,003)	(293,666)	-	(5,769,669)
Equipment	(966,921)	(132,635)	23,724	(1,075,832)
Total accumulated depreciation	<u>\$ (14,557,751)</u>	<u>\$ (912,978)</u>	<u>\$ 23,724</u>	<u>\$ (15,447,005)</u>
Other capital assets, net	<u>\$ 16,055,193</u>	<u>\$ (486,147)</u>	<u>\$ -</u>	<u>\$ 15,568,463</u>
Net capital assets	<u>\$ 16,811,434</u>	<u>\$ 10,473,342</u>	<u>\$ -</u>	<u>\$ 27,284,193</u>

**NOTE 8—LONG-TERM DEBT:**

Annual requirements to amortize general obligation bonds are as follows:

Business-type activities - long term indebtedness

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 277,375
2008	220,000	462,212
2009	230,000	453,212
2010	240,000	443,813
2011	250,000	434,013
2012	260,000	423,813
2013	270,000	413,212
2014	280,000	402,212
2015	295,000	390,713
2016	305,000	378,713
2017	320,000	366,213
2018	330,000	353,006
2019	340,000	337,700
2020	360,000	320,200
2021	380,000	301,700
2022	400,000	282,200
2023	420,000	261,700
2024	440,000	240,200
2025	460,000	217,700
2026	485,000	194,075
2027	510,000	169,200
2028	535,000	142,406
2029	565,000	113,531
2030	595,000	83,081
2031	625,000	51,056
2032	660,000	17,325
Total	\$ <u>9,775,000</u>	\$ <u>7,530,581</u>

Town of Warrenton, Virginia

Notes to Financial Statements  
As of June 30, 2006

**NOTE 8—LONG-TERM DEBT:**

	Amounts Payable July 1, 2005	Increases	Decreases	Amounts Payable June 30, 2006
<b>Primary Government:</b>				
Governmental Activities				
Compensated Absences	\$ 253,941	\$ 20,684	\$ (20,315)	\$ 254,310
Total governmental activities	<u>\$ 253,941</u>	<u>\$ 20,684</u>	<u>\$ (20,315)</u>	<u>\$ 254,310</u>
Business Activities				
General obligation bonds	\$ -	9,775,000	-	9,775,000
Premium on bond issue	-	354,148	-	354,148
Compensated Absences	121,794	25,033	(4,770)	142,057
Total business activities	<u>\$ 121,794</u>	<u>\$ 10,154,181</u>	<u>\$ (4,770)</u>	<u>\$ 10,271,205</u>
Total primary government	<u><u>\$ 375,735</u></u>	<u><u>\$ 10,174,865</u></u>	<u><u>\$ (25,085)</u></u>	<u><u>\$ 10,525,515</u></u>

	Total Amount Outstanding	Amount Due Within One Year
<b>Details of Long-Term Indebtedness:</b>		
Governmental Activities:		
Compensated absences	\$ 254,310	\$ 20,345
Total governmental activities debt	<u>\$ 254,310</u>	<u>\$ 20,345</u>
Business Activities:		
General obligation bonds	\$ 9,775,000	\$ -
Premium on bond issue	354,148	-
Compensated absences	142,057	5,682
Total business-type activities debt	<u>\$ 10,271,205</u>	<u>\$ 5,682</u>

**NOTE 8—LONG-TERM DEBT: (CONTINUED)**

**Details of long-term indebtedness: (continued)**

**Primary Government - Business - Type Activities:**

**General obligation bonds:**

Series 2006, \$9,775,000, issued June 28, 2006 for construction of a recreation facility, payable in varying annual installments, through June 28, 2032, with interest at 4.0%	\$ 9,775,000
Unamortized premium on general obligation bonds	354,148
Compensated absences payable	<u>142,057</u>
Total business-type activity long-term debt	<u>\$ 10,271,205</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 2006 was 5.0% of annual covered payroll.

**Annual Pension Cost**

For 2006, the Town's annual pension cost of \$195,490 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases of 3.50%-5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. 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 twenty one years remaining in the open amortization period.

**NOTE 9—DEFINED BENEFIT PENSION OBLIGATION: (CONTINUED)**

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%	-
June 30, 2006	195,490	100.00%	-

(1) Employer Portion only

**NOTE 10—DEFERRED REVENUE:**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$314,713 consists of the following:

- A. Prepaid property taxes—Property taxes due subsequent to June 30, 2006, but paid in advance by the taxpayers totaled \$8,138 at June 30, 2006.
- B. Prepaid utility payments—Water and sewer bills due subsequent to June 30, 2006, but paid in advance by users totaled \$10,722 at June 30, 2006. The Town also received \$295,853 in deferred 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.

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

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

**NOTE 13—BEGINNING FUND BALANCE ADJUSTMENT:**

The beginning fund balance of the general fund was adjusted as follows:

	<u>General Fund</u>
Balance at July 1, 2005 as originally reported	\$ 14,241,934
Transfer of recreation fund construction	2,799,734
Balance at July 1, 2005 as restated	<u>\$ 17,041,668</u>

**NOTE 14—CONSTRUCTION CONTRACTS OUTSTANDING:**

The Town had the following material construction contracts outstanding at June 30, 2006:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Amount Spent to Date</u>	<u>Amount of Contract Remaining at Year End</u>
Parks and recreation facility	\$ 22,215,217	\$ 6,370,081	\$ 15,845,136
Visitor Center	874,070	745,000	129,070
Total	<u>\$ 23,089,287</u>	<u>\$ 7,115,081</u>	<u>\$ 15,974,206</u>

**NOTE 15—INTERFUND TRANSFERS:**

Interfund transfer for the year ended June 30, 2006, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 3,000,000	\$ 8,826,014
Water and Sewer Fund	-	3,000,000
Recreation Fund	<u>8,826,014</u>	<u>-</u>
Total	\$ <u><u>11,826,014</u></u>	\$ <u><u>11,826,014</u></u>

Transfers were used to finance construction of a recreation facility.

## **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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 713,800	\$ 713,800	\$ 722,808	\$ 9,008
Other local taxes	5,599,800	5,599,800	5,592,761	(7,039)
Permits, privilege fees, and regulatory licenses	453,087	453,087	390,132	(62,955)
Fines and forfeitures	130,000	130,000	128,732	(1,268)
Revenue from the use of money and property	102,270	102,270	605,200	502,930
Miscellaneous	198,405	198,405	266,831	68,426
Recovered costs	15,000	15,000	23,151	8,151
Intergovernmental revenues:				
Commonwealth	1,929,997	1,929,997	2,110,717	180,720
Federal	-	-	613,581	613,581
Total revenues	\$ 9,142,359	\$ 9,142,359	\$ 10,453,913	\$ 1,311,554
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 959,030	\$ 908,921	\$ 835,842	\$ 73,079
Public safety	2,295,742	2,372,938	2,365,107	7,831
Public works	2,202,005	2,148,044	2,191,932	(43,888)
Health and welfare	65,940	65,940	96,765	(30,825)
Parks, recreation, and cultural	297,203	248,714	206,123	42,591
Community development	484,479	536,417	504,741	31,676
Nondepartmental	96,000	-	-	-
Capital projects	435,000	5,227,157	986,852	4,240,305
Total expenditures	\$ 6,835,399	\$ 11,508,131	\$ 7,187,362	\$ 4,320,769
Excess (deficiency) of revenues over (under) expenditures	\$ 2,306,960	\$ (2,365,772)	\$ 3,266,551	\$ 5,632,323
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000
Transfers out	-	-	(8,826,014)	(8,826,014)
Total other financing sources and uses	\$ -	\$ -	\$ (5,826,014)	\$ (5,826,014)
Net change in fund balances	\$ 2,306,960	\$ (2,365,772)	\$ (2,559,463)	\$ (193,691)
Fund balances - beginning	(2,306,960)	2,365,772	17,041,668	14,675,896
Fund balances - ending	\$ -	\$ -	\$ 14,482,205	\$ 14,482,205

Town of Warrenton, Virginia  
 Schedule of Pension Funding Progress  
 As of June 30, 2006

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 )
06/30/05	\$ 12,725,638	\$ 13,491,452	\$ 765,814	94.32%	\$ 3,772,033	20.30%
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	11,077,819	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, 2006

Exhibit 13

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Agency Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,894	\$ 17,065	\$ -	\$ 36,959
Total assets	<u>\$ 19,894</u>	<u>\$ 17,065</u>	<u>\$ -</u>	<u>\$ 36,959</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 134	\$ 1,735	\$ -	\$ 1,869
Amounts held for others	19,760	15,330	-	35,090
Total liabilities	<u>\$ 19,894</u>	<u>\$ 17,065</u>	<u>\$ -</u>	<u>\$ 36,959</u>
<b>Retirement Fund:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,193	\$ 346	\$ -	\$ 8,539
Total assets	<u>\$ 8,193</u>	<u>\$ 346</u>	<u>\$ -</u>	<u>\$ 8,539</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 8,193	\$ 346	\$ -	\$ 8,539
Total liabilities	<u>\$ 8,193</u>	<u>\$ 346</u>	<u>\$ -</u>	<u>\$ 8,539</u>
<b>Totals - All Agency Funds:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,087	\$ 17,411	\$ -	\$ 45,498
Total assets	<u>\$ 28,087</u>	<u>\$ 17,411</u>	<u>\$ -</u>	<u>\$ 45,498</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 134	\$ 1,735	\$ -	\$ 1,869
Amounts held for others	27,953	15,676	-	43,629
Total liabilities	<u>\$ 28,087</u>	<u>\$ 17,411</u>	<u>\$ -</u>	<u>\$ 45,498</u>

Town of Warrenton, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2006

Exhibit 14

	<u>Agency Funds</u>		
	<u>Agency</u>	<u>Retirement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 36,959	\$ 8,539	\$ 45,498
Total assets	<u>\$ 36,959</u>	<u>\$ 8,539</u>	<u>\$ 45,498</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,869	\$ -	\$ 1,869
Amounts held for others	35,090	8,539	43,629
Total liabilities	<u>\$ 36,959</u>	<u>\$ 8,539</u>	<u>\$ 45,498</u>

## **SUPPORTING SCHEDULES**



Town of Warrenton, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 267,600	\$ 267,600	\$ 249,432	\$ (18,168)
Real and personal public service corporation taxes	7,200	7,200	2,373	(4,827)
Personal property taxes	410,000	410,000	450,966	40,966
Penalties	14,000	14,000	12,301	(1,699)
Interest	15,000	15,000	7,736	(7,264)
Total general property taxes	<u>\$ 713,800</u>	<u>\$ 713,800</u>	<u>\$ 722,808</u>	<u>\$ 9,008</u>
Other local taxes:				
Local sales and use taxes	\$ 429,000	\$ 429,000	\$ 519,031	\$ 90,031
Consumers' Utility Tax	941,900	941,900	952,708	10,808
Utility License tax	86,300	86,300	98,926	12,626
Business license taxes	1,118,800	1,118,800	1,400,230	281,430
Consumption taxes	43,600	43,600	46,173	2,573
Motor vehicle licenses	107,800	107,800	100,905	(6,895)
Bank stock taxes	750,000	750,000	423,928	(326,072)
Hotel and motel room taxes	220,200	220,200	206,274	(13,926)
Restaurant food taxes	1,659,400	1,659,400	1,632,434	(26,966)
Cigarette tax	242,800	242,800	212,152	(30,648)
Total other local taxes	<u>\$ 5,599,800</u>	<u>\$ 5,599,800</u>	<u>\$ 5,592,761</u>	<u>\$ (7,039)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 453,087	\$ 453,087	\$ 390,132	\$ (62,955)
Total permits, privilege fees, and regulatory licenses	<u>\$ 453,087</u>	<u>\$ 453,087</u>	<u>\$ 390,132</u>	<u>\$ (62,955)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 130,000	\$ 130,000	\$ 128,732	\$ (1,268)
Total fines and forfeitures	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 128,732</u>	<u>\$ (1,268)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 603,012	\$ 503,012
Revenue from use of property	2,270	2,270	2,188	(82)
Total revenue from use of money and property	<u>\$ 102,270</u>	<u>\$ 102,270</u>	<u>\$ 605,200</u>	<u>\$ 502,930</u>
Miscellaneous revenue:				
Proffers	\$ 118,405	\$ 118,405	\$ 5,248	\$ (113,157)
Miscellaneous	80,000	80,000	261,583	181,583
Total miscellaneous revenue	<u>\$ 198,405</u>	<u>\$ 198,405</u>	<u>\$ 266,831</u>	<u>\$ 68,426</u>
Recovered costs:				
Recoveries and Rebates	\$ 15,000	\$ 15,000	\$ 23,151	\$ 8,151
Total recovered costs	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 23,151</u>	<u>\$ 8,151</u>
Total revenue from local sources	<u>\$ 7,212,362</u>	<u>\$ 7,212,362</u>	<u>\$ 7,729,615</u>	<u>\$ 517,253</u>

Town of Warrenton, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 8,009	\$ 8,009	\$ 8,009	\$ -
Motor vehicle rental tax	91,700	91,700	77,700	(14,000)
Rolling Stock Tax	70	70	60	(10)
Personal property tax relief funds	692,500	692,500	749,897	57,397
Total noncategorical aid	<u>\$ 792,279</u>	<u>\$ 792,279</u>	<u>\$ 835,666</u>	<u>\$ 43,387</u>
Other categorical aid:				
Litter control grant	\$ 4,099	\$ 4,099	\$ 3,357	\$ (742)
DJCP law enforcement grant	192,849	192,849	197,160	4,311
Performing Arts grant	5,000	5,000	5,000	-
Street & Highway maintenance	914,770	914,770	990,570	75,800
Other	10,000	10,000	57,353	47,353
Fire program	11,000	11,000	21,611	10,611
Total other categorical aid	<u>\$ 1,137,718</u>	<u>\$ 1,137,718</u>	<u>\$ 1,275,051</u>	<u>\$ 137,333</u>
Total categorical aid	<u>\$ 1,137,718</u>	<u>\$ 1,137,718</u>	<u>\$ 1,275,051</u>	<u>\$ 137,333</u>
Total revenue from the Commonwealth	<u>\$ 1,929,997</u>	<u>\$ 1,929,997</u>	<u>\$ 2,110,717</u>	<u>\$ 180,720</u>
Revenue from the federal government:				
Criminal justice grant	\$ -	\$ -	\$ 3,475	\$ 3,475
Homeland security grant	-	-	12,758	12,758
Public transportation grant	-	-	597,348	597,348
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,581</u>	<u>\$ 613,581</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,581</u>	<u>\$ 613,581</u>
 Total General Fund	 <u>\$ 9,142,359</u>	 <u>\$ 9,142,359</u>	 <u>\$ 10,453,913</u>	 <u>\$ 1,311,554</u>

Town of Warrenton, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative Department:				
Personal services	\$ 75,666	\$ 75,666	\$ 80,070	\$ (4,404)
Fringe benefits	49,222	49,222	46,954	2,268
Contractual services	20,350	20,350	13,144	7,206
Other charges	20,006	20,006	21,548	(1,542)
Capital outlay	250	250	1,350	(1,100)
Total legislative department	<u>\$ 165,494</u>	<u>\$ 165,494</u>	<u>\$ 163,066</u>	<u>\$ 2,428</u>
Executive Department:				
Personal services	\$ 152,584	\$ 112,733	\$ 109,972	\$ 2,761
Fringe benefits	41,247	41,247	34,239	7,008
Contractual services	1,780	1,780	15	1,765
Other charges	10,473	10,473	11,401	(928)
Capital outlay	-	-	318	(318)
Total executive department	<u>\$ 206,084</u>	<u>\$ 166,233</u>	<u>\$ 155,945</u>	<u>\$ 10,288</u>
Legal Services:				
Personal services	\$ 2,400	\$ 2,400	\$ 2,400	-
Fringe benefits	9,689	9,689	9,527	162
Contractual services	79,200	74,541	63,341	11,200
Other charges	4,049	4,049	1,020	3,029
Total legal services	<u>\$ 95,338</u>	<u>\$ 90,679</u>	<u>\$ 76,288</u>	<u>\$ 14,391</u>
Finance Department:				
Personal services	\$ 214,349	\$ 197,270	\$ 207,581	\$ (10,311)
Fringe benefits	62,007	62,007	62,903	(896)
Contractual services	35,355	32,355	19,804	12,551
Other charges	37,446	37,446	34,975	2,471
Capital outlay	4,800	4,800	2,617	2,183
Total finance department	<u>\$ 353,957</u>	<u>\$ 333,878</u>	<u>\$ 327,880</u>	<u>\$ 5,998</u>
Memberships and Dues:				
Other Charges	\$ 5,367	\$ 5,367	\$ 5,367	-
Total memberships and dues	<u>\$ 5,367</u>	<u>\$ 5,367</u>	<u>\$ 5,367</u>	<u>-</u>
Data Processing Department				
Contractual services	\$ 81,340	\$ 93,427	\$ 59,275	\$ 34,152
Other charges	7,900	7,900	6,427	1,473
Capital outlay	37,850	40,243	36,575	3,668
Total data processing department	<u>\$ 127,090</u>	<u>\$ 141,570</u>	<u>\$ 102,277</u>	<u>\$ 39,293</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Electoral Board and Officials				
Personnel services	\$ 3,000	3,000	2,750	\$ 250
Contractual services	-	-	88	(88)
Other charges	2,700	2,700	2,181	519
Total electoral board and officials	<u>\$ 5,700</u>	<u>\$ 5,700</u>	<u>\$ 5,019</u>	<u>\$ 681</u>
Total general government administration	<u>\$ 959,030</u>	<u>\$ 908,921</u>	<u>\$ 835,842</u>	<u>\$ 73,079</u>
Public safety:				
Department of Police				
Personal services	\$ 1,226,434	\$ 1,239,409	\$ 1,271,801	\$ (32,392)
Fringe benefits	408,980	362,390	361,730	660
Contractual services	52,758	148,172	159,324	(11,152)
Other charges	166,892	150,508	168,402	(17,894)
Capital outlay	71,350	43,131	44,240	(1,109)
Total department of police	<u>\$ 1,926,414</u>	<u>\$ 1,943,610</u>	<u>\$ 2,005,497</u>	<u>\$ (61,887)</u>
Fire and Rescue Services:				
Personal services	\$ 52,787	\$ 52,787	\$ 47,177	\$ 5,610
Fringe benefits	11,188	11,188	9,376	1,812
Contractual services	-	-	171	(171)
Other charges	106,409	106,409	74,706	31,703
Capital outlay	10,000	10,000	-	10,000
Total fire and rescue services	<u>\$ 180,384</u>	<u>\$ 180,384</u>	<u>\$ 131,430</u>	<u>\$ 48,954</u>
Bureau of Building Inspections:				
Personal services	\$ 111,413	\$ 111,413	\$ 106,069	\$ 5,344
Fringe benefits	28,082	28,082	24,557	3,525
Contractual services	27,050	87,050	78,117	8,933
Other charges	18,399	18,399	19,312	(913)
Capital outlay	4,000	4,000	125	3,875
Total bureau of building inspections	<u>\$ 188,944</u>	<u>\$ 248,944</u>	<u>\$ 228,180</u>	<u>\$ 20,764</u>
Total public safety	<u>\$ 2,295,742</u>	<u>\$ 2,372,938</u>	<u>\$ 2,365,107</u>	<u>\$ 7,831</u>
Public Works Administration:				
Personal services	\$ 248,135	\$ 248,135	\$ 262,501	\$ (14,366)
Fringe benefits	71,753	71,753	74,127	(2,374)
Contractual services	17,894	17,894	6,608	11,286
Other charges	27,733	27,733	33,840	(6,107)
Capital outlay	-	-	280	(280)
Total public works administration	<u>\$ 365,515</u>	<u>\$ 365,515</u>	<u>\$ 377,356</u>	<u>\$ (11,841)</u>
Bureau of Street Maintenance:				
Personal services	\$ 311,565	\$ 311,565	\$ 275,583	\$ 35,982
Fringe benefits	197,642	197,642	168,821	28,821
Contractual services	2,730	2,730	10,065	(7,335)
Other charges	202,617	207,617	201,206	6,411
Capital outlay	75,000	65,000	62,024	2,976
Total bureau of street maintenance	<u>\$ 789,554</u>	<u>\$ 784,554</u>	<u>\$ 717,699</u>	<u>\$ 66,855</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Arterial Street Maintenance:				
Personal services	\$ 64,000	\$ 64,000	\$ 70,775	\$ (6,775)
Fringe benefits	4,896	4,896	5,269	(373)
Contractual services	45,900	45,900	36,766	9,134
Other charges	76,330	75,330	70,766	4,564
Capital outlay	52,900	26,613	31,714	(5,101)
Total arterial street maintenance	<u>\$ 244,026</u>	<u>\$ 216,739</u>	<u>\$ 215,290</u>	<u>\$ 1,449</u>
Collector Street Maintenance:				
Personal services	\$ 53,000	\$ 53,000	\$ 50,977	\$ 2,023
Fringe benefits	4,055	4,055	3,776	279
Contractual services	15,000	15,000	9,187	5,813
Other charges	23,900	22,900	74,444	(51,544)
Capital outlay	136,915	120,000	149,613	(29,613)
Total collector street maintenance	<u>\$ 232,870</u>	<u>\$ 214,955</u>	<u>\$ 287,997</u>	<u>\$ (73,042)</u>
Bureau of Refuse Collection:				
Personal services	\$ 155,683	\$ 155,683	\$ 162,744	\$ (7,061)
Fringe benefits	68,655	68,655	54,236	14,419
Contractual services	11,170	11,170	2,389	8,781
Other charges	59,589	59,589	80,541	(20,952)
Capital outlay	-	-	-	-
Total bureau of refuse collection	<u>\$ 295,097</u>	<u>\$ 295,097</u>	<u>\$ 299,910</u>	<u>\$ (4,813)</u>
Recycling Program:				
Personal services	\$ 57,398	\$ 57,398	\$ 54,909	\$ 2,489
Fringe benefits	19,135	19,135	12,337	6,798
Contractual services	800	800	150	650
Other charges	30,465	30,465	41,235	(10,770)
Total recycling program	<u>\$ 107,798</u>	<u>\$ 107,798</u>	<u>\$ 108,631</u>	<u>\$ (833)</u>
Maintenance, Buildings and Grounds:				
Personal services	\$ 34,440	\$ 34,440	\$ 45,211	\$ (10,771)
Fringe benefits	10,555	10,555	18,883	(8,328)
Contractual services	47,712	47,712	32,397	15,315
Other charges	72,438	68,679	88,289	(19,610)
Capital outlay	2,000	2,000	269	1,731
Total maintenance, buildings and grounds	<u>\$ 167,145</u>	<u>\$ 163,386</u>	<u>\$ 185,049</u>	<u>\$ (21,663)</u>
Total public works	<u>\$ 2,202,005</u>	<u>\$ 2,148,044</u>	<u>\$ 2,191,932</u>	<u>\$ (43,888)</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare:				
Welfare/Social Services:				
Other charges	\$ 65,940	\$ 65,940	\$ 96,765	\$ (30,825)
Total welfare/social service contributions	<u>65,940</u>	<u>65,940</u>	<u>96,765</u>	<u>(30,825)</u>
Total health and welfare	<u>\$ 65,940</u>	<u>\$ 65,940</u>	<u>\$ 96,765</u>	<u>\$ (30,825)</u>
Parks, recreation, and cultural:				
Maintenance, parks:				
Personal services	\$ 15,000	\$ 15,000	\$ 3,276	\$ 11,724
Fringe benefits	1,148	1,148	243	905
Contractual services	85,000	37,511	29,229	8,282
Other charges	28,663	28,663	4,698	23,965
Capital outlay	1,000	-	-	-
Total maintenance, parks	<u>\$ 130,811</u>	<u>\$ 82,322</u>	<u>\$ 37,446</u>	<u>\$ 44,876</u>
Parks and Recreation contributions:				
Other charges	\$ 26,750	\$ 26,750	\$ 20,338	\$ 6,412
Total parks and recreation contributions	<u>\$ 26,750</u>	<u>\$ 26,750</u>	<u>\$ 20,338</u>	<u>\$ 6,412</u>
Parks, recreation, and culture: (Continued)				
Maintenance, cemetery:				
Personal services	\$ 57,154	\$ 57,154	\$ 63,986	\$ (6,832)
Fringe benefits	15,137	15,137	15,811	(674)
Contractual services	14,450	14,450	7,462	6,988
Other charges	8,651	8,651	14,037	(5,386)
Total maintenance, cemetery	<u>\$ 112,642</u>	<u>\$ 112,642</u>	<u>\$ 121,339</u>	<u>\$ (8,697)</u>
Cultural enrichment:				
Other charges	\$ 27,000	\$ 27,000	\$ 27,000	\$ -
Total cultural enrichment	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 297,203</u>	<u>\$ 248,714</u>	<u>\$ 206,123</u>	<u>\$ 42,591</u>
Community development:				
Planning and Zoning Department				
Personal services	\$ 244,833	\$ 226,215	\$ 244,675	\$ (18,460)
Fringe benefits	63,290	56,208	53,610	2,598
Contractual services	79,319	167,957	137,419	30,538
Other charges	69,637	69,637	66,232	3,405
Capital outlay	11,000	-	-	-
Total planning and zoning department	<u>\$ 468,079</u>	<u>\$ 520,017</u>	<u>\$ 501,936</u>	<u>\$ 18,081</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Zoning Appeals Board:				
Personal services	\$ -	\$ -	\$ 263	\$ (263)
Fringe benefits	-	-	20	(20)
Contractual services	1,400	1,400	-	1,400
Other charges	950	950	-	950
Total zoning appeals board	<u>\$ 2,350</u>	<u>\$ 2,350</u>	<u>\$ 283</u>	<u>\$ 2,067</u>
Architectural Review Board:				
Personal services	\$ -	\$ -	\$ 762	\$ (762)
Fringe benefits	-	-	58	(58)
Contractual services	12,100	12,100	114	11,986
Other charges	1,950	1,950	1,588	362
Total architectural review board	<u>\$ 14,050</u>	<u>\$ 14,050</u>	<u>\$ 2,522</u>	<u>\$ 11,528</u>
Total community development	<u>\$ 484,479</u>	<u>\$ 536,417</u>	<u>\$ 504,741</u>	<u>\$ 31,676</u>
Nondepartmental:				
Other charges	\$ 96,000	\$ -	\$ -	\$ -
Total nondepartmental	<u>\$ 96,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital projects:				
Capital outlay	\$ 435,000	\$ 5,227,157	\$ 986,852	\$ 4,240,305
Total capital projects	<u>\$ 435,000</u>	<u>\$ 5,227,157</u>	<u>\$ 986,852</u>	<u>\$ 4,240,305</u>
Total General Fund	<u>\$ 6,835,399</u>	<u>\$ 11,508,131</u>	<u>\$ 7,187,362</u>	<u>\$ 4,320,769</u>

Town of Warrenton, Virginia  
 Schedule of Revenues, Expenses and Changes in Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Operating Revenues:</b>				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,569,499	\$ 2,569,499	\$ 2,453,372	\$ (116,127)
Sale of water	1,383,576	1,383,576	1,326,639	(56,937)
Sale of materials and supplies	70,000	70,000	40,903	(29,097)
Late payment charges	32,000	32,000	28,375	(3,625)
Installation fees	12,000	12,000	52,089	40,089
Transfer fees	11,900	11,900	8,953	(2,947)
Reconnection fees	10,000	10,000	6,440	(3,560)
Total sale of services, commodities and properties	<u>\$ 4,088,975</u>	<u>\$ 4,088,975</u>	<u>\$ 3,916,771</u>	<u>\$ (172,204)</u>
Miscellaneous revenue:				
Miscellaneous receipts	\$ 90,750	\$ 90,750	\$ 132,633	\$ 41,883
Total miscellaneous revenue	<u>\$ 90,750</u>	<u>\$ 90,750</u>	<u>\$ 132,633</u>	<u>\$ 41,883</u>
Total operating revenue	<u>\$ 4,179,725</u>	<u>\$ 4,179,725</u>	<u>\$ 4,049,404</u>	<u>\$ (130,321)</u>
<b>Operating Expenses:</b>				
Source of supply:				
Personal services	\$ 277,347	\$ 277,347	\$ 246,840	\$ 30,507
Fringe benefits	88,595	88,595	71,141	17,454
Contractual services	83,463	83,463	86,845	(3,382)
Other charges	204,846	204,846	234,439	(29,593)
Total source of supply	<u>\$ 654,251</u>	<u>\$ 654,251</u>	<u>\$ 639,265</u>	<u>\$ 14,986</u>
<b>Operating Expenses: (Continued)</b>				
Transmission and distribution:				
Personal services	\$ 261,340	\$ 261,340	\$ 267,362	\$ (6,022)
Fringe benefits	103,366	103,366	99,326	4,040
Contractual services	16,988	16,988	5,800	11,188
Other charges	74,557	74,557	79,850	(5,293)
Total transmission and distribution	<u>\$ 456,251</u>	<u>\$ 456,251</u>	<u>\$ 452,338</u>	<u>\$ 3,913</u>
Meter reading:				
Personal services	\$ 95,322	\$ 95,322	\$ 105,295	\$ (9,973)
Fringe benefits	33,757	33,757	39,775	(6,018)
Contractual services	9,537	9,537	3,290	6,247
Other charges	97,268	97,268	88,717	8,551
Total meter reading	<u>\$ 235,884</u>	<u>\$ 235,884</u>	<u>\$ 237,077</u>	<u>\$ (1,193)</u>
<b>Wastewater Treatment Operation:</b>				
Personal services	\$ 413,152	\$ 413,152	\$ 440,197	\$ (27,045)
Fringe benefits	132,595	132,595	139,927	(7,332)
Contractual services	129,679	153,679	172,780	(19,101)
Other charges	351,391	351,391	397,586	(46,195)
Total wastewater treatment operation	<u>\$ 1,026,817</u>	<u>\$ 1,050,817</u>	<u>\$ 1,150,490</u>	<u>\$ (99,673)</u>

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration:				
Personal services	\$ 288,515	\$ 288,515	\$ 291,803	\$ (3,288)
Fringe benefits	109,226	109,226	94,511	14,715
Contractual services	139,673	184,313	119,045	65,268
Car Allowance	-	-	815	(815)
Other charges	58,898	58,898	50,209	8,689
Capital outlays	30,270	30,717	17,652	13,065
Total public utilities administration	<u>\$ 626,582</u>	<u>\$ 671,669</u>	<u>\$ 574,035</u>	<u>\$ 97,634</u>
Capital Outlay:				
Machinery & equipment	\$ 138,445	\$ 138,445	\$ 84,800	\$ 53,645
Water plant improvements	150,000	198,068	-	198,068
Sewer plant improvements	557,000	379,673	-	379,673
Sewer line rehabilitation	200,000	792	-	792
Cedar Run pump station	-	81,793	-	81,793
Other	172,500	172,500	7,283	165,217
Total capital outlay	<u>\$ 1,217,945</u>	<u>\$ 971,271</u>	<u>\$ 92,083</u>	<u>\$ 879,188</u>
Depreciation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 912,978</u>	<u>\$ (912,978)</u>
Total operating expenses	<u>\$ 4,217,730</u>	<u>\$ 4,040,143</u>	<u>\$ 4,058,266</u>	<u>\$ (18,123)</u>
Net operating income	<u>\$ (38,005)</u>	<u>\$ 139,582</u>	<u>\$ (8,862)</u>	<u>\$ (112,198)</u>
Non-operating revenues (expenses):				
Interest revenue	\$ 80,000	\$ 80,000	\$ 363,048	\$ (283,048)
Rental revenue	151,964	151,964	170,586	(18,622)
Water/sewer connection fees	1,206,868	1,206,868	1,735,377	(528,509)
Net non-operating revenues (expenses)	<u>\$ 1,438,832</u>	<u>\$ 1,438,832</u>	<u>\$ 2,269,011</u>	<u>\$ (830,179)</u>
Net income (loss) before operating transfers	1,400,827	1,578,414	2,260,149	(942,377)
Operating transfers out	-	-	(3,000,000)	3,000,000
Net income (loss)	<u>1,400,827</u>	<u>1,578,414</u>	<u>(739,851)</u>	<u>2,057,623</u>
Net income (loss)	\$ 1,400,827	\$ 1,578,414	\$ (739,851)	\$ 2,057,623
Net assets, beginning of year	-	-	28,526,117	(28,526,117)
Net assets, end of year	<u>\$ 1,400,827</u>	<u>\$ 1,578,414</u>	<u>\$ 27,786,266</u>	<u>\$ (26,468,494)</u>

Town of Warrenton, Virginia  
 Schedule of Changes in Reserved for Construction Fund Balances  
 General Fund  
 For the Year Ended June 30, 2006

Schedule 4

	Balances	Transfers		Balances
	July 1, 2005	In	Out	June 30, 2006
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
Comprehensive Plan	-	12,570	-	12,570
Data processing equipment	10,407	13,080	-	23,487
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	81,733	3,143	-	84,876
Legal Fees	-	44,510	-	44,510
Light installation	21,701	-	-	21,701
Microfilm records	4,102	-	-	4,102
Old Town Signage	-	5,000	-	5,000
Park site improvements	19,069	-	-	19,069
Parking lot improvements	3,760	-	-	3,760
Parking Project	-	350,000	-	350,000
Parks Maint. Contr. Repair	-	47,489	-	47,489
Planning department printing	10,234	-	1,996	8,238
Playground equipment	4,500	1,000	-	5,500
Professional services - data processing	29,593	20,079	-	49,672
Professional services - planning	11,782	-	-	11,782
Recreation	169,180	-	-	169,180
Recreation Center	3,987,145	-	3,987,145	-
Repairs municipal building	39,848	15,759	-	55,607
Sidewalk construction	45,381	-	-	45,381
Sidewalk curb and gutter	9,432	45,202	-	54,634
Storm sewers	190,200	-	-	190,200
Street improvements/painting	7,872	-	-	7,872
SWMM upgrade	15,000	-	-	15,000
VDOT Urban Project	-	8,234	-	8,234
Visitor Center	450,000	-	450,000	-
Warehouse improvements	14,882	-	12,000	2,882
Totals	\$ 5,492,318	\$ 566,066	\$ 4,540,660	\$ 1,517,724

Town of Warrenton, Virginia  
 Schedule of Changes in Restricted Net Assets  
 Water and Sewer Fund  
 For the Year Ended June 30, 2006

Schedule 5

	Balances	Transfers		Balances
	July 1, 2005	In	Out	June 30, 2006
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	9,256	-	25,558
Furniture and fixtures	2,615	-	-	2,615
Lift station upgrade	60,720	-	-	60,720
Lines and services	727,575	86,356	-	813,931
Professional services - data processing	1,293	-	-	1,293
Professional services - adm	4,200	-	-	4,200
Sewer plant improvements	731,651	-	-	731,651
Sewer plant improvements-ammonia	-	601,179	-	601,179
Sewer rehabilitation	282,956	-	-	282,956
Rady Park Pump Station Upgrade	207,035	-	-	207,035
Warrenton Training Center	330,576	-	685	329,891
Water plant improvements	421,847	-	-	421,847
Totals	\$ 2,870,352	\$ 696,791	\$ 12,685	\$ 3,554,458

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## **STATISTICAL SECTION**



# STATISTICAL SECTION

This part of the Town of Warrenton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	89-95
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	96-102
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	103-107
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	109-110
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	111-116
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

## Sources:

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



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

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 14,682,167	\$ 17,346,179	\$ 24,142,662	\$ 27,888,659
Restricted	1,941,736	6,758,066	6,001,061	2,046,436
Unrestricted	8,110,581	6,556,011	8,589,416	12,794,906
<b>Total governmental activities net assets</b>	<b>\$ 24,734,484</b>	<b>\$ 30,660,256</b>	<b>\$ 38,733,139</b>	<b>\$ 42,730,001</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 12,491,284	\$ 16,786,204	\$ 16,811,434	\$ 17,155,045
Restricted	2,863,575	2,607,984	2,870,352	11,713,744
Unrestricted	8,405,449	6,509,702	8,844,331	7,738,868
<b>Total business-type activities net assets</b>	<b>\$ 23,760,308</b>	<b>\$ 25,903,890</b>	<b>\$ 28,526,117</b>	<b>\$ 36,607,657</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 27,173,451	\$ 34,132,383	\$ 40,954,096	\$ 45,043,704
Restricted	4,805,311	9,366,050	8,871,413	13,760,180
Unrestricted	16,516,030	13,065,713	17,433,747	20,533,774
<b>Total primary government net assets</b>	<b>\$ 48,494,792</b>	<b>\$ 56,564,146</b>	<b>\$ 67,259,256</b>	<b>\$ 79,337,658</b>

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

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 801,322	\$ 865,020	\$ 841,326	\$ 937,279
Public safety	2,010,689	2,044,514	2,162,210	2,444,376
Public works	2,872,899	2,425,711	2,900,194	3,111,121
Health and welfare	58,350	60,986	72,096	96,765
Parks, recreation and cultural	251,035	165,968	52,562	149,936
Community development	429,669	407,819	445,378	508,498
Interest on long-term debt	2,492	94	-	-
Total governmental activities expenses	\$ 6,426,456	\$ 5,970,112	\$ 6,473,766	\$ 7,247,975
Business-type activities:				
Water and sewer	\$ 3,832,591	\$ 3,842,061	\$ 3,757,536	\$ 4,058,266
Parks and recreation	-	-	-	4,623
Total business-type activities expenses	\$ 3,832,591	\$ 3,842,061	\$ 3,757,536	\$ 4,062,889
Total primary government expenses	\$ 10,259,047	\$ 9,812,173	\$ 10,231,302	\$ 11,310,864
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
Public safety	\$ 155,070	\$ 206,823	\$ 134,871	\$ 128,732
Community development	-	253,742	375,753	390,132
Operating grants and contributions	1,014,166	2,405,588	1,119,543	1,291,284
Capital grants and contributions	-	2,221,275	5,731,845	7,227,348
Total governmental activities program revenues	\$ 1,169,236	\$ 5,087,428	\$ 7,362,012	\$ 9,037,496
Business-type activities:				
Charges for services:				
Water and sewer	3,518,907	3,643,950	3,695,420	3,916,771
Capital grants and contributions	5,320,575	1,791,625	2,127,048	1,735,377
Total business-type activities program revenues	\$ 8,839,482	\$ 5,435,575	\$ 5,822,468	\$ 5,652,148
Total primary government program revenues	\$ 10,008,718	\$ 10,523,003	\$ 13,184,480	\$ 14,689,644
Net (expense) / revenue				
Governmental activities	\$ (5,257,220)	\$ (882,684)	\$ 888,246	\$ 1,789,521
Business-type activities	5,006,891	1,593,514	2,064,932	1,589,259
Total primary government net expense	\$ (250,329)	\$ 710,830	\$ 2,953,178	\$ 3,378,780

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

	Fiscal Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 595,516	\$ 631,535	\$ 727,907	\$ 713,802
Other local taxes				
Local sales and use tax	332,040	390,691	458,976	519,031
Consumer's utility tax	907,330	896,993	1,010,520	952,708
Business license tax	1,017,011	1,023,571	1,123,373	1,400,230
Restaurant food tax	1,366,248	1,494,046	1,561,380	1,632,434
Transient occupancy tax	105,536	132,663	185,405	-
Motor vehicle license tax	139,315	91,278	91,990	-
Bank stock tax	663,866	798,720	381,368	-
Tobacco tax	232,119	231,192	225,417	-
Other local taxes	120,642	123,546	45,556	1,088,358
Permits, privilege fees, and regulatory licenses	\$ 255,724	\$ -	\$ -	\$ -
Unrestricted grants and contributions	641,418	748,819	805,549	835,666
Unrestricted revenues from use of money and property	259,302	105,694	314,013	625,169
Miscellaneous	112,894	142,685	253,183	265,957
Gain/loss on disposal of capital assets	-	(2,977)	-	-
Transfers	-	-	-	(5,826,014)
<b>Total governmental activities</b>	<b>\$ 6,748,961</b>	<b>\$ 6,808,456</b>	<b>\$ 7,184,637</b>	<b>\$ 2,207,341</b>
Business-type activities:				
Unrestricted grants and contributions	\$ -	\$ 299,000	\$ 2,064,932	\$ -
Unrestricted revenues from use of money and property	229,401	240,345	363,492	533,634
Miscellaneous	33,635	10,723	193,803	132,633
Miscellaneous	-	-	-	5,826,014
<b>Total business-type activities</b>	<b>\$ 263,036</b>	<b>\$ 550,068</b>	<b>\$ 2,622,227</b>	<b>\$ 6,492,281</b>
<b>Total primary government</b>	<b>\$ 7,011,997</b>	<b>\$ 7,358,524</b>	<b>\$ 9,806,864</b>	<b>\$ 8,699,622</b>
<b>Change in Net Assets</b>				
Governmental activities	\$ 1,491,741	\$ 5,925,772	\$ 8,072,883	\$ 3,996,862
Business-type activities	5,269,927	2,143,582	4,687,159	8,081,540
<b>Total primary government</b>	<b>\$ 6,761,668</b>	<b>\$ 8,069,354</b>	<b>\$ 12,760,042</b>	<b>\$ 12,078,402</b>

1 The decrease/increase from the prior period was due to a large transfer from the governmental to business type activities.

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

TOWN OF WARRENTON, VIRGINIA

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General fund				
Reserved	\$ 1,313,433	\$ 1,097,312	\$ 1,108,969	\$ 1,920,460
Unreserved	<u>3,574,948</u>	<u>4,229,718</u>	<u>4,716,876</u>	<u>4,098,743</u>
Total general fund	<u>\$ 4,888,381</u>	<u>\$ 5,327,030</u>	<u>\$ 5,825,845</u>	<u>\$ 6,019,203</u>
All other governmental funds				
Reserved				
Unreserved, reported in:				
Special revenue funds	\$ (126,502)	\$ 18,644	\$ -	\$ -
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total all other governmental funds	<u>\$ (126,502)</u>	<u>\$ 18,644</u>	<u>\$ -</u>	<u>\$ -</u>

Table 3

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 3,016,433	\$ 2,560,828	\$ 1,442,840	\$ 6,259,158	\$ 5,492,318	\$ 1,517,724
<u>5,678,717</u>	<u>5,898,956</u>	<u>8,213,270</u>	<u>6,558,977</u>	<u>8,749,616</u>	<u>12,964,481</u>
<u>\$ 8,695,150</u>	<u>\$ 8,459,784</u>	<u>\$ 9,656,110</u>	<u>\$ 12,818,135</u>	<u>\$ 14,241,934</u>	<u>\$ 14,482,205</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	125,470	-	-
-	<u>494,443</u>	<u>498,896</u>	<u>498,908</u>	<u>508,743</u>	<u>528,712</u>
<u>\$ -</u>	<u>\$ 494,443</u>	<u>\$ 498,896</u>	<u>\$ 624,378</u>	<u>\$ 508,743</u>	<u>\$ 528,712</u>

TOWN OF WARRENTON, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	1997	1998	1999	2000
<b>Revenues</b>				
General property taxes	\$ 2,058,698	\$ 1,675,689	\$ 1,643,425	\$ 1,462,133
Other local taxes	3,480,602	3,232,114	3,482,397	3,550,359
Permits, privilege fees and regulatory licenses	91,864	125,678	109,343	134,462
Fines and forfeitures	87,144	110,940	106,942	104,505
Revenue from use of money and property	236,841	244,565	302,289	292,579
Miscellaneous	223,144	189,521	36,698	174,071
Recovered costs	57,234	31,124	23,527	25,004
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	870,557	767,480	1,121,876	1,155,222
Federal	321,338	279,953	47,136	22,848
Total revenues	<u>\$ 7,427,422</u>	<u>\$ 6,657,064</u>	<u>\$ 6,873,633</u>	<u>\$ 6,921,183</u>
<b>Expenditures</b>				
General government administration	\$ 694,445	\$ 750,083	\$ 756,020	\$ 786,176
Public safety	1,535,401	1,599,638	1,711,155	1,822,997
Public works	1,904,065	1,934,484	1,917,692	2,010,157
Contributions	94,637	104,146	89,349	228,659
Parks, recreation and cultural	15,438	12,297	27,022	9,338
Community development	315,904	363,162	422,662	424,043
Non-departmental	-	-	-	-
Capital projects	578,104	1,263,632	1,443,594	1,390,842
Debt service				
Principal	74,651	41,171	23,359	23,719
Interest and other fiscal charges	8,733	4,656	2,609	1,032
Total expenditures	<u>\$ 5,221,378</u>	<u>\$ 6,073,269</u>	<u>\$ 6,393,462</u>	<u>\$ 6,696,963</u>
Excess of revenues over (under) expenditures	<u>\$ 2,206,044</u>	<u>\$ 583,795</u>	<u>\$ 480,171</u>	<u>\$ 224,220</u>
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 126,502	\$ -	\$ -
Transfers out	(430,742)	(126,502)	-	(30,862)
Proceeds from indebtedness	-	-	-	-
Total other financing sources (uses)	<u>\$ (430,742)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,862)</u>
Net change in fund balances	<u>\$ 1,775,302</u>	<u>\$ 583,795</u>	<u>\$ 480,171</u>	<u>\$ 193,358</u>
Debt service as a percentage of noncapital expenditures	1.60%	0.75%	0.41%	0.37%

Table 4

		Fiscal Year					
		2001	2002	2003	2004	2005	2006
\$	1,211,312	\$ 605,363	\$ 570,204	\$ 649,312	\$ 744,748	\$ 722,808	
	4,191,058	4,695,289	4,884,107	5,182,700	5,083,985	5,592,761	
	214,220	273,780	255,724	323,960	375,753	390,132	
	73,808	88,950	155,070	136,605	134,871	128,732	
	458,405	229,157	259,302	105,694	314,013	625,169	
	942,784	379,256	40,596	85,460	219,696	266,831	
	24,285	22,377	72,298	57,225	33,489	23,151	
	-	-	-	1,357,540	-	-	
	1,271,559	1,527,205	1,623,410	1,785,002	1,924,592	2,110,717	
	4,770	11,749	32,174	11,865	500	613,581	
\$	<u>8,392,201</u>	<u>7,833,126</u>	<u>7,892,885</u>	<u>9,695,363</u>	<u>8,831,647</u>	<u>10,473,882</u>	
\$	788,901	\$ 831,332	\$ 765,865	\$ 837,312	\$ 837,721	\$ 835,842	
	1,938,025	1,839,211	1,973,466	1,956,619	2,063,730	2,365,107	
	1,968,878	2,151,562	2,005,221	1,836,982	2,217,748	2,191,932	
	153,911	191,664	207,671	204,369	72,096	96,765	
	19,989	-	-	-	148,550	206,123	
	494,974	436,114	438,994	403,547	433,713	504,741	
	-	-	19,900	12,500	675	-	
	476,872	2,127,027	1,322,262	1,151,423	1,749,250	986,852	
	48,159	59,864	68,225	5,004	-	-	
	7,804	6,055	2,492	100	-	-	
\$	<u>5,897,513</u>	<u>7,642,829</u>	<u>6,804,096</u>	<u>6,407,856</u>	<u>7,523,483</u>	<u>7,187,362</u>	
\$	<u>2,494,688</u>	<u>190,297</u>	<u>1,088,789</u>	<u>3,287,507</u>	<u>1,308,164</u>	<u>3,286,520</u>	
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000	
	-	(425,663)	-	-	-	(8,826,014)	
	181,259	-	-	-	-	-	
\$	<u>181,259</u>	<u>(425,663)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,826,014)</u>	
\$	<u>2,675,947</u>	<u>(235,366)</u>	<u>1,088,789</u>	<u>3,287,507</u>	<u>1,308,164</u>	<u>(2,539,494)</u>	
	0.95%	0.86%	1.04%	0.08%	0.00%	0.00%	

TOWN OF WARRENTON, VIRGINIA

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

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<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>
2006	\$ 1,264,136,100	\$ 87,009,001	\$ -	\$ 301,061	\$ 33,879,659
2005	803,093,350	74,970,514	-	389,476	40,461,930
2004	754,879,500	72,159,447	-	405,195	33,632,102
2003	701,853,350	63,641,530	-	560,712	24,056,439
2002	591,875,900	57,426,388	1,111	360,911	22,395,310
2001	502,120,502	50,548,329	4,300	400,064	21,730,034
2000	488,175,500	43,641,589	5,705	284,056	21,138,978
1999	474,819,450	41,493,632	10,605	606,856	19,917,027
1998	469,124,500	37,366,830	1,000	518,461	18,700,691
1997	441,374,600	37,320,402	1,000	482,814	17,693,289

Source: Commissioner of Revenue, Fauquier County

Note: Tax rates are per \$1,000 of assessed value

Table 5

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Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 1,385,325,821	\$ 1,385,325,821	100.00%
918,915,270	918,915,270	100.00%
861,076,244	861,076,244	100.00%
790,112,031	790,112,031	100.00%
672,059,620	672,059,620	100.00%
574,803,229	574,803,229	100.00%
553,245,828	553,245,828	100.00%
536,847,570	536,847,570	100.00%
525,711,482	525,711,482	100.00%
496,872,105	496,872,105	100.00%

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

Fiscal Years	Direct Rates				Overlapping Rates County of Fauquier	
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Real Estate	Personal Property
2006	\$ 0.015	\$ 1.00	\$	\$ 1.00	\$ 0.99	\$ 4.90
2005	0.03	1.00		1.00	0.99	4.90
2004	0.03	1.00		1.00	0.99	4.90
2003	0.03	1.00		1.00	0.99	4.65
2002	0.05	1.00		1.00	1.06	4.65
2001	0.12	2.25	0.18	2.25	1.06	4.65
2000	0.14	2.25	0.18	2.25	1.06	4.65
1999	.17/.14	2.25	0.18	2.25	1.06	4.65
1998	0.18	2.25	0.18	2.25	1.03	4.65
1997	0.18	2.40	0.18	2.40	1.03	4.65

Source: Town Finance Department, Commissioner of Revenue, Fauquier County

(1) Per \$100 of assessed value

TOWN OF WARRENTON, VIRGINIA

Principal Property Taxpayers

Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2006	
		2005 Assessed Valuation	% of Total Assessed Valuation
Warrenton Center LLC	Shopping Center	\$ 16,598,900	0.92%
Warrenton Development Co	Developer	10,099,500	0.56%
Warrenton Village	Shopping Center	9,445,000	0.52%
Verizon	Utility	9,284,736	0.51%
Walmart	Retail Store	8,991,800	0.50%
Highland Commons Lp	Developer	7,619,000	0.42%
Oak Springs Nursing Home	Health Center	7,055,000	0.39%
Sears Roebuck and Co	Retail Store	6,872,000	0.38%
Warrenton Professional Center	Shopping Center	6,080,000	0.34%
Kalis Holdings Inc	Shopping Center	5,109,400	0.28%
		<u>\$ 87,155,336</u>	<u>4.83%</u>

Source: Commissioner of Revenue, Fauquier County

Table 7

Taxpayer	Type Business	Fiscal Year 1997	
		1996 Assessed Valuation	% of Total Assessed Valuation
Jefferson Associates	Shopping Center	\$ 23,453,000	4.72%
Bell Atlantic-Virginia Inc	Utility	10,724,585	2.16%
Warrenton Development Co	Developer	8,862,200	1.78%
Kmart	Shopping Center	7,099,900	1.43%
Warrenton Towne Centre Assoc	Shopping Center	6,121,600	1.23%
Highland Commons	Developer	6,059,900	1.22%
Mildred M Fletcher	Rental Properties	4,658,000	0.94%
Virginia Power	Utility	4,367,769	0.88%
Oak Springs Assoc Ltd	Builder/Developer	4,001,700	0.80%
Richard A Sanders	Builder/Developer	3,459,000	0.70%
		<u>\$ 78,807,654</u>	<u>15.85%</u>

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 1,472,705	\$ 1,423,898	96.69%	\$ -	\$ 1,423,898	96.69%
2005	1,300,387	1,240,510	95.40%	130,447	1,370,957	105.43%
2004	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%
2003	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%
2002	1,051,396	1,005,877	95.67%	59,813	1,065,690	101.36%
2001	1,470,335	1,403,690	95.47%	45,866	1,449,556	98.59%
2000	1,553,140	1,494,425	96.22%	60,771	1,555,196	100.13%
1999	1,603,661	1,552,848	96.83%	50,932	1,603,780	100.01%
1998	1,618,551	1,560,250	96.40%	67,697	1,627,947	100.58%
1997	2,062,905	1,948,836	94.47%	70,628	2,019,464	97.89%

Source: Department of Finance & Human Resources

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Capital Leases		General Obligation Bonds	Capital Leases			
2006	\$ -	\$ -	\$ 9,775,000	\$ -	\$ 9,775,000	2.81%	\$ 243
2005	-	-	-	-	-	0.00%	-
2004	-	-	-	-	-	0.00%	-
2003	5,010	-	3,375,000	3,323	3,383,333	1.94%	144
2002	73,235	-	3,990,000	8,122	4,071,357	2.15%	162
2001	133,099	-	4,600,000	-	4,733,099	2.82%	188
2000	-	-	5,155,000	17,103	5,172,103	2.65%	176
1999	22,683	-	5,705,000	15,573	5,743,256	5.22%	331
1998	46,999	-	6,245,000	31,405	6,323,404	6.03%	364
1997	88,170	-	6,780,000	45,909	6,914,079	6.97%	398

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

(1) See the Schedule of Demographic and Economic Statistics - Table 13

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2006	9,775,000	-	9,775,000	0.71% \$	243
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2003	3,375,000	-	3,375,000	0.43%	143
2002	3,990,000	-	3,990,000	0.59%	158
2001	4,600,000	-	4,600,000	0.80%	183
2000	5,155,000	-	5,155,000	0.93%	175
1999	5,705,000	-	5,705,000	1.06%	329
1998	6,245,000	-	6,245,000	1.19%	360
1997	6,780,000	-	6,780,000	1.36%	390

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

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

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

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County of Fauquier	55,565,000	11%	\$ <u>6,112,150</u>
Subtotal, overlapping debt			<u>9,775,000</u>
Town of Warrenton, direct debt			<u>9,775,000</u>
Total direct and overlapping debt			<u>\$ 15,887,150</u>

Source: County of Fauquier June 30, 2006 Comprehensive Annual Financial Report

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

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

TOWN OF WARRENTON, VIRGINIA

Legal Debt Margin Information

Last Ten Fiscal Years

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	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Debt limit	\$ 49,687,211	\$ 52,571,148	\$ 53,684,757	\$ 55,324,583
Total net debt applicable to limit	<u>6,780,000</u>	<u>6,245,000</u>	<u>5,705,000</u>	<u>5,155,000</u>
Legal debt margin	<u>\$ 42,907,211</u>	<u>\$ 46,326,148</u>	<u>\$ 47,979,757</u>	<u>\$ 50,169,583</u>
Total net debt applicable to the limit as a percentage of debt limit	13.65%	11.88%	10.63%	9.32%

Note: Under Virginia law, the Town of Warrenton's outstanding general obligation debt should not exceed 10 percent of total assessed property value.

Fiscal Year						
	2001	2002	2003	2004	2005	2006
\$	57,480,323	\$ 67,205,962	\$ 79,011,203	\$ 86,107,624	\$ 91,891,527	\$ 138,532,582
	4,600,000	3,990,000	3,375,000	-	-	9,775,000
\$	<u>52,880,323</u>	<u>63,215,962</u>	<u>75,636,203</u>	<u>86,107,624</u>	<u>91,891,527</u>	<u>128,757,582</u>
	8.00%	5.94%	4.27%	0.00%	0.00%	7.06%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 1,385,325,821
Add back: exempt real property	-
Total assessed value	<u>\$ 1,385,325,821</u>
Debt limit (10% of total assessed value)	\$ 138,532,582
Net debt applicable to limit	<u>9,775,000</u>
Legal debt margin	<u><u>\$ 128,757,582</u></u>

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Personal Income</u>	<u>Per Capita Personal Income</u>	<u>(3) Median Age</u>	<u>(4) School Enrollment</u>	<u>(5) Unemploy- ment Rate</u>
2006	8,639	\$ 348,048,032	\$ 40,288	38	1,515	2.50%
2005	8,269	333,141,472	40,288	38	1,418	2.80%
2004	8,174	192,514,048	23,552	38	1,297	2.10%
2003	7,413	174,590,976	23,552	38	1,220	2.90%
2002	7,517	189,435,917	25,201	38	1,090	2.80%
2001	6,670	168,090,670	25,201	38	1,051	1.30%
2000	6,634	195,059,502	29,403	34	1,021	1.40%
1999	6,339	110,083,074	17,366	35	954	1.80%
1998	6,035	104,803,810	17,366	35	926	2.40%
1997	5,716	99,264,056	17,366	35	862	2.90%

Data Sources

- (1) Welden Cooper Center for Public Service
- (2) County of Fauquier
- (3) Welden Cooper Center for Public Service
- (4) County of Fauquier
- (5) Virginia Employment Commission

Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2006			Fiscal Year 1997		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Fauquier County School Board	1,783	1	8.22%			0.00%
Fauquier Hospital	930	2	4.29%			0.00%
County of Fauquier	626	3	2.88%			0.00%
Wal Mart	298	4	1.37%			0.00%
Giant Food	170	5	0.78%			0.00%
The Fauquier Bank	156	6	0.72%			0.00%
Home Depot	133	7	0.61%			0.00%
Oak Springs Nursing Home	130	8	0.60%			0.00%
Warrenton Overlook Health Center	115	9	0.53%			0.00%
Town of Warrenton	101	10	0.47%			0.00%
Totals	4,442		20.47%	0		0.00%

Source: Virginia Employment Commission,  
Quarterly Census of Employment and Wages (QCEW), 1st Quarter (January, February, March) 2006.

Note: The information for 1997 was not available

TOWN OF WARRENTON, VIRGINIA

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

Function	Fiscal Year					
	1997	1998	1999	2000	2001	2002
General and Financial Administration	6	6	6	6	6	6
Legislative	1	1	1	1	1	1
Public safety						
Police Department	24	24	24	24	24	24
Fire & rescue	1	1	1	1	1	1
Building inspections	2	2	2	2	2	2
Public works						
General maintenance	23	23	23	21	21	21
Administration	5	5	5	4	4	4
Culture and recreation						
Parks - cemetery maintenance	2	2	2	2	2	2
Planning & Community development	5	5	5	5	5	5
Water and Sewer						
Water	15	14	14	15	15	15
Wastewater	10	12	12	12	9	9
Administration	4	5	6	6	6	6
Motor Pool	4	4	4	3	3	3
Totals	<u>100</u>	<u>103</u>	<u>103</u>	<u>100</u>	<u>97</u>	<u>97</u>

Source: Department of Finance & Human Resources

Table 15

2003	2004	2005	2006
6	6	5	6
1	1	1	1
24	25	24	25
1	1	1	1
2	2	2	2
21	21	22	22
4	4	5	5
2	1	1	1
5	5	5	5
15	15	15	16
9	9	9	9
6	6	6	7
3	3	2	2
<u>97</u>	<u>97</u>	<u>97</u>	<u>101</u>

TOWN OF WARRENTON, VIRGINIA

Operating Indicators by Function  
Last Ten Fiscal Years

Function	1997	1998	1999	2000
Public safety				
Police department:(Calendar Year)				
Physical arrests	471	536	359	566
Parking violations	1,488	2,297	1,582	1,798
Traffic violations	2,154	1,979	1,749	1,066
Fire and rescue:				
Number of calls answered	650	725	800	912
Building inspections:				
Permits issued	1,259	1,274	1,286	1295
Highway and Streets				
Street resurfacing (miles)	6.7	5.9	7.1	5.5
Potholes	39	44	39	62
Sanitation				
Refuse collected (tons/day)	7.30	7.41	7.53	8.47
Recycling (tons/day)	5.21	5.26	5.35	5.24
Water				
New connections	75	76	73	85
Average daily consumption (millions of gallons)	569,453	1,073,777	6,774	705,849
Wastewater				
Average daily sewage treatment (millions of gallons)	1,100,000	1,179,843	1,225,000	1,036,000

Source: Individual town departments

Table 16

Fiscal Year					
2001	2002	2003	2004	2005	2006
410	437	536	471	551	567
1,305	3,015	2,942	3,900	4,366	3391
1,130	1,223	2,013	1,566	1,494	1509
1100	1220	1340	1490	1520	1800
1336	3071	2903	2458	4094	2446
6.6	4.9	4.8	6.5	8.7	7.2
49	51	48	63	54	46
8.87	9.74	10.46	11.45	11.12	10.78
6.54	2.50	8.18	2.90	4.48	1.50
175	256	269	203	194	146
750,289	857,580	970,285	1,050,350	1,063,725	1,147,464
1,080,000	980,000	1,100,000	1,150,000	1,225,000	1,593,671

TOWN OF WARRENTON, VIRGINIA

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year					
	1997	1998	1999	2000	2001	2002
General government						
Administration buildings	1	1	1	1	1	1
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol Units	14	14	14	14	16	16
Fire Stations	1	1	1	1	1	1
Sanitation						
Collection Trucks	2	2	2	2	2	2
Highway and Streets						
Streets (miles)	72.9	74.54	72.15	74.91	80	82.8
Streetlights	609	609	599	622	634	645
Traffic Signals	4	4	4	4	4	4
Culture and Recreation						
Parks acreage	5702	5702	5702	5702	5702	5702
Parks	1	1	1	1	1	1
Water						
Water mains (miles)	67	71	67	69.28	73	74
Fire Hydrants	710	735	663	694	549	560
Sewer						
Sanitary sewers	51	58	51	51	55	56
Storm sewers (miles)	10.93	11.64	10.88	11.62	11.62	14.62

Source: Individual county departments

Table 17

2003	2004	2005	2006
1	1	1	1
1	1	1	1
16	16	16	16
1	1	1	1
2	2	2	2
85.16	85.16	85.16	85.5
645	645	695	758
4	4	6	7
5702	5702	5702	5702
1	1	1	1
76.24	69.7	69.7	72.5
578	578	578	623
58.56	58.56	58.56	58.56
15.31	15.44	15.44	15.44

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**COMPLIANCE**



# 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, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 8, 2006. 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 8, 2006.

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 8, 2006

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### COMPLIANCE

We have audited the compliance of the Town of Warrenton, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The Town of Warrenton, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Warrenton, Virginia's management. Our responsibility is to express an opinion on the Town of Warrenton, Virginia's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Warrenton, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Warrenton, Virginia's compliance with those requirements.

In our opinion, the Town of Warrenton, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### INTERNAL CONTROL OVER COMPLIANCE

The management of the Town of Warrenton, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Warrenton, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Fann, Cox Associates*

Verona, Virginia  
September 8, 2006

**Town of Warrenton, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006**

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Federal Transit Administration, Department of Transportation Pass-through payments: Virginia Department of Transportation Public transportation research	20.514	\$ <u>597,348</u>
Department of Justice: Pass Through Payments: Department of Criminal Justice Service: Local law enforcement block grant	16.592	\$ <u>3,475</u>
Department of Homeland Security: Pass Through Payments: Department of Emergency Services: Homeland security	97.004	\$ <u>12,758</u>
Total Federal Assistance		\$ <u><u>613,581</u></u>

Town of Warrenton, Virginia

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

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Section I - Summary of Auditors' Results

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Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?      Yes   x   No

- Reportable conditions identified that are not considered to be material weaknesses?      Yes   x   None reported

Non compliance material to financial statements noted?      Yes   x   No

Federal Awards

Internal control over major programs: Unqualified

- Material weaknesses identified?      Yes   x   No

- Reportable conditions identified that are not considered to be material weaknesses?      Yes   x   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit finding disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?      Yes   x   No

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
20.514	Public Transportation Research Grant

Dollar threshold used to distinguish between type A and type B programs:     \$300,000    

Auditee qualified as low-risk auditee?      Yes   x   No

Section II - Financial Statement Findings

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None

Section III - Federal Award Findings and Questioned Costs

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None