

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2003



**TOWN OF WARRENTON,
VIRGINIA**

TOWN OF WARRENTON, VIRGINIA

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003**

FRANCES K. HATCHER, FINANCE DIRECTOR

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2003

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INTRODUCTORY SECTION

Town of Warrenton, Virginia

Principal Town Officials

Town Council		
Stephen L. Athey	George B. Fitch, Mayor	Robert L. Walker
John S. Lewis	Robert W. Rice, Vice Mayor	Samuel B. Tarr
Birge S. Watkins		David A. Norden
Town Manager		
Kenneth L. McLawhon		
Town Attorney		
James P. Fisher		
Officials		
Town Recorder	Evelyn J. Weimer	
Finance/Personnel Director	Frances K. Hatcher	
Planning/Zoning Director	C. Christopher Mothersead	
Chief of Police	Roger L. Paul	
Public Works/Utilities Director	Edward B. Tucker, Jr.	

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TOWN OF WARRENTON

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October 21, 2003

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, 2003. This report was prepared by the Town's Department of Finance. 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; that it 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.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Warrenton's MD&A can be found immediately following the report of the independent auditors.

THE TOWN

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

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

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

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

FINANCIAL REPORTING ENTITY

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

ECONOMIC CONDITION AND OUTLOOK

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

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

MAJOR INITIATIVES

Current Initiatives:

During fiscal year 2002, the Town Council developed a written strategic plan and goals for the Town through 2012. As part of the strategic plan, Town Council and staff have undertaken the initial steps to develop a Balanced Score Card for the Town Council and its various departments.

The Town Council also adopted a new investment policy based on recommendations of the special comprehensive audit performed by Cherry Bekaert & Holland.

The Finance Department successfully coordinated professional services necessary to redesign the Town's website to include e-Gov applications with on-line bill paying capabilities and successfully developed and implemented phase 2 of the Town's Intranet.

The Town successfully completed negotiations for the purchase of 65 acres for an indoor aquatic center/recreation complex and began the conceptual layouts of the athletic fields and pool center. This property, in cooperation with the County, has been boundary adjusted into the Town.

The Public Works Department successfully completed the Main Street renovation project. This project included brick sidewalks with a variety of patterns, new curbing, period streetlights with associated underground conduit/wiring, tree replacement, brick crosswalks and street paving between 4th Street and Courthouse Square.

Future Initiatives:

In 1999, the Town purchased the Mosby-Spilman House on Main Street with the intent of establishing a historical museum and visitor center. The conceptual design for the new tourism center has been completed and is in the review stage by state officials. The Town has received grant funding for this project and is anticipating construction this year. The estimated cost of the center is \$600,000.

Completion of plans and initial construction of a multi-purpose recreational facility with indoor pool, multi-purpose athletic courts, shower/locker rooms and utility systems to support the project and completed site development will ultimately include finished (illuminated) parking facilities, storm-water management improvements, utility connections and a variety of sport fields or outdoor recreational amenities. This project will take several years and the initial outlay is planned at \$3,500,000.

Due to increasing traffic, installation of two new traffic signals are planned. These signals will be at the intersection of Lee Highway and Branch Drive and Shirley Avenue and Carriage House Lane. As part of the Shirley Avenue/Carriage House Lane light, special signal equipment for the Fire Department are also planned. These two lights are estimated to cost \$161,400.

As part of an ongoing commitment to identify and abate foul odors emitting from the Town's wastewater treatment plant, the construction of a 126 foot diameter fiberglass dome over the trickling filter is planned. Odors will be controlled by the enclosure and evacuated via a ventilation system to an air scrubber which will neutralize the odor prior to release into the atmosphere. This new system is estimated to cost \$408,000.

Based on recommendations of the water plant upgrade pilot study performed by Whitman Requardt and Associates in 2002 in conjunction with the Master Water Sewer Capacity Study, an upgrade of the water treatment plant from its current permit capacity of 2.0 mgd to 2.4 mgd is planned to meet peak day demands. The first phase of this plan is planned this year at a cost of \$500,000.

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 are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements in conformity with GAAP and maintaining accountability for assets. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In addition to the internal account controls noted above, the Town also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Town Council. All funds, except the fiduciary funds, are included in the annual appropriated budget. The five-year capital improvements plan is adopted as part of the budgetary process.

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

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

RISK MANAGEMENT

The Town has a risk management program which 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 and demand deposit accounts with various financial institutions, fully collateralized by those institutions. The continuing slow recovery of the economy during the year resulted in a decrease of 1% in interest revenue during the year.

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 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, 2002. 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



Frances K. Hatcher
Finance/Human Resources Director

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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, 2002

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.



William Patrick Harte

President

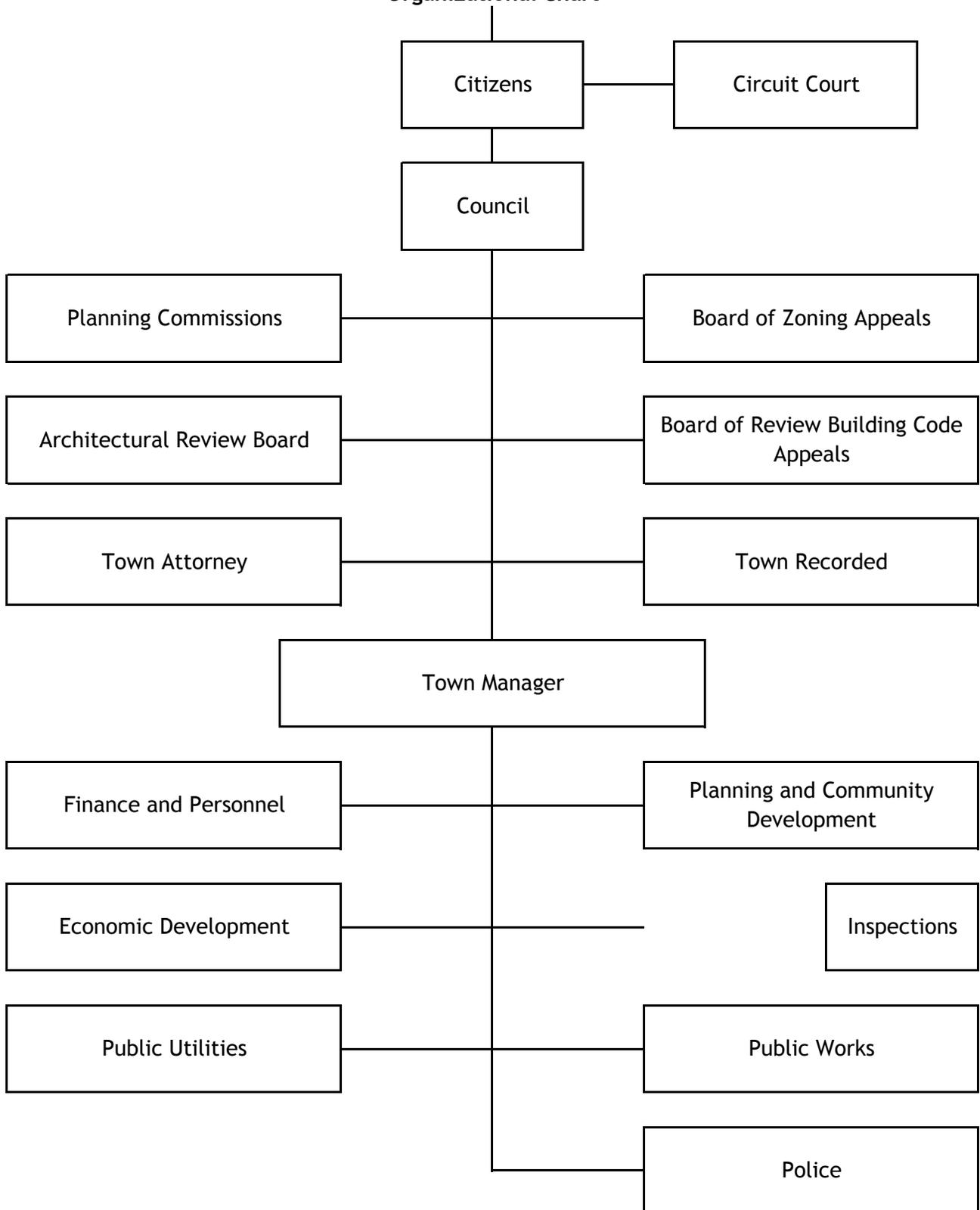
Jeffrey R. Enos

Executive Director

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Town of Warrenton

Organizational Chart



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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 basic financial statements of The Town of Warrenton, Virginia, as of and for the year ended June 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Town of Warrenton, Virginia's 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 and 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. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Warrenton, Virginia, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 24, 2003 on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2002. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis and the other required supplementary information as listed in the table of contents are not a required part of the basic financial statements but as supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Warrenton, Virginia, taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robinson, James, Cox Associates

Staunton, Virginia
September 24, 2003

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, 2003. 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 most recent fiscal year by \$48,494,792 (net assets). Of this amount, \$16,516,030 is unrestricted, or may be used to meet the Town's ongoing obligations to creditors and citizens.

The Town's total net assets increased by \$6,761,668. Approximately 66 percent of this increase is attributable to a one-time infusion of resources from availability fees.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,155,006, an increase of \$1,088,789 in comparison with the prior year. Of this total amount, 81 per cent or \$8,213,270, is available for spending at the Town's discretion (unreserved fund balance).

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the government's net assets changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The statement of activities presents

expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

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

Fund Financial Statements

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

Governmental funds

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the Town of Warrenton, assets exceeded liabilities by \$48,494,792 at the end of the fiscal year.

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
Current and other assets	\$ 10,574,323	\$ 11,723,168	\$ 22,297,491
Capital assets	14,687,177	15,869,607	30,556,784
Total assets	<u>\$ 25,261,500</u>	<u>\$ 27,592,775</u>	<u>\$ 52,854,275</u>
Long-term liabilities	\$ 236,058	\$ 3,500,387	\$ 3,736,445
Other liabilities	290,958	332,080	623,038
Total liabilities	<u>\$ 527,016</u>	<u>\$ 3,832,467</u>	<u>\$ 4,359,483</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 14,682,167	\$ 12,491,284	\$ 27,173,451
Restricted	1,941,736	2,863,575	4,805,311
Unrestricted	8,110,581	8,405,449	16,516,030
Total net assets	<u>\$ 24,734,484</u>	<u>\$ 23,760,308</u>	<u>\$ 48,494,792</u>

For the Town, investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of related debt used to acquire those assets that is still outstanding, represents 56 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 10 percent of total net assets.

The remaining balance of unrestricted net assets, which is \$16,516,030 or 34 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 \$6,761,668 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 a one-time infusion of resources from availability fees.

Governmental Activities

Governmental activities increased the Town's net assets by \$1,491,741, thereby accounting for 22 percent of the total growth in the net assets of the Town. Key elements of this increase are as follows:

Town of Warrenton's Changes in Net Assets For the Year Ended June 30, 2003

	Govern- mental activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Program revenues:			
Charges for services	\$ 155,070	\$ 3,518,907	\$ 3,673,977
Operating grants & contributions	1,014,166	0	1,014,166
Capital grants and contributions	0	5,320,575	5,320,575
General revenues:			
General property taxes	595,516	0	595,516
Other local taxes	4,884,107	0	4,884,107
Use of money and property	259,302	229,401	488,703
Other	368,618	33,635	402,253
Grants and contributions not restricted to specific programs	641,418	0	641,418
Total revenues	<u>\$ 7,918,197</u>	<u>\$ 9,102,518</u>	<u>\$ 17,020,715</u>
Expenses:			
General government	\$ 801,322	\$ 0	\$ 801,322
Public safety	2,010,689	0	2,010,689
Public works	2,872,899	0	2,872,899
Health and welfare	58,350	0	58,350
Parks, recreation and cultural	251,035	0	251,035
Community development	429,669	0	429,669
Interest on long-term debt	2,492	0	2,492
Water and sewer	0	3,832,591	3,832,591
Total expense	<u>\$ 6,426,456</u>	<u>\$ 3,832,591</u>	<u>\$ 10,259,047</u>
Increase in net assets	\$ 1,491,741	\$ 5,269,927	\$ 6,761,668
Net assets, July 1, 2002	23,242,743	18,490,381	41,733,124
Net assets, June 30, 2003	<u>\$ 24,734,484</u>	<u>\$ 23,760,308</u>	<u>\$ 48,494,792</u>

- Property taxes decreased by approximately \$35,000 (6 percent) during the year. The decline is attributable to the decrease in taxable public service property (71 percent), the reduction of the real estate tax rate from \$0.05 to \$0.03 (12 percent) and a decrease in delinquent tax collections (66 percent). Personal property tax revenue increased 4%. Personal Property Tax Relief Act revenue is included in this analysis. The Commonwealth of Virginia reimbursement continued at 70 percent in fiscal year 2003, causing grants and contributions not restricted to specific programs to increase \$53,503.
- Operating Grants and Contributions increased \$63,128 due to increased funding for law enforcement (\$21,674), Street and highway maintenance funds from the Commonwealth of Virginia (\$23,550), and increased funding from federal sources (\$20,425).
- Other local taxes increased \$188,818 (4%) due primarily to increased business license, sales tax, meals tax and bank franchise tax revenues.
- Operating expenses decreased by 1% from last year while experiencing a growth in demand for services. Capital expenses decreased by 38% from last year.

Business-type Activities

Business-type activities increased the Town's net assets by \$5,269,927, accounting for 78 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Approximately 47 percent of the increase is attributable to capital contributions from developers and individuals.
- Increased revenue from an additional 300 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 \$10,155,006, an increase of \$1,088,789 over the prior year. Approximately 78 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 police department radio system upgrade.

Proprietary funds

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$8,405,449 or 17% of the total net assets. Restricted net assets of \$2,863,575 are funds committed to future utility projects.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were increased by \$604,713, which is 9 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 purchase of land for the aquatic center/recreational complex from available general fund balance (\$747,500).

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2003 is \$14,687,177 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$15,869,607 (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 2 percent for government activities and a total net decrease of 3 percent for business-type activities.

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

- Completion of the Public Safety Facility for a total cost of \$1,322,043.
- Purchase of land for an aquatic/recreational facility for \$769,015.
- Completion of the Industrial Park Sewer Mains in the Water & Sewer Fund for \$306,901.

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

	<u>Governmental Activities</u>	<u>Business-type activities</u>	<u>Total</u>
Land	\$ 2,462,340	\$ 665,660	\$ 3,128,000
Buildings and system	2,836,205	14,899,052	17,735,257
Machinery and equipment	464,982	238,118	703,100
Infrastructure	8,923,650	0	8,923,650
Construction in progress	0	66,777	66,777
Total	<u>\$ 14,687,177</u>	<u>\$ 15,869,607</u>	<u>\$ 30,556,784</u>

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

Long-term debt

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

Town of Warrenton's Outstanding Debt For the Year Ended June 30, 2003

	Governmental Activities	Business type activities	Total
General obligation bonds	\$ 0	\$ 3,375,000	\$ 3,375,000
Capital leases	5,010	3,323	8,333
Compensated absences	231,048	122,064	353,112
Total	\$ <u>236,058</u>	\$ <u>3,500,387</u>	\$ <u>3,736,445</u>

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Fauquier County is currently 2.9 percent, which is an increase from the rate of 2.8 percent a year ago. This compares favorably to the state's average unemployment rate of 4.3 percent and the national average rate of 6.1 percent.
- Earnings on investments have decreased over the past two fiscal years, causing the Town to earn approximately \$369,000 in revenue.
- Due to low interest rates, growth within the Town is moderate.

All of these factors were considered in preparing the Town's budget for the 2004 fiscal year.

During fiscal year 2003, unreserved fund balance in the general fund increased \$1,084,335. 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 2004 budget year.

Requests for Information

This financial report is designed to provide reader's 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 Town Administration, 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, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,732,831	\$ 10,994,734	\$ 20,727,565
Receivables (net of allowance for uncollectibles):			
Taxes receivable	132,666	-	132,666
Accounts receivable	314,380	365,095	679,475
Accrued interest receivable	5,643	7,065	12,708
Notes receivable	20,000	109,000	129,000
Due from other governmental units	278,788	-	278,788
Inventories	90,015	171,086	261,101
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	25,263	25,263
Other assets:			
Unamortized bond issue costs	-	50,925	50,925
Capital assets (net of accumulated depreciation):			
Land	2,462,340	665,660	3,128,000
Buildings and system	2,836,205	14,899,052	17,735,257
Machinery and equipment	374,982	238,118	613,100
Infrastructure	9,013,650	-	9,013,650
Construction in progress	-	66,777	66,777
Total assets	<u>\$ 25,261,500</u>	<u>\$ 27,592,775</u>	<u>\$ 52,854,275</u>
LIABILITIES			
Accounts payable	\$ 283,810	245,038	\$ 528,848
Customers' deposits	-	25,263	25,263
Accrued interest payable	-	57,458	57,458
Deferred revenue	7,148	4,321	11,469
Long-term liabilities:			
Due within one year	24,128	628,449	652,577
Due in more than one year	211,930	2,871,938	3,083,868
Total liabilities	<u>\$ 527,016</u>	<u>\$ 3,832,467</u>	<u>\$ 4,359,483</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 14,682,167	\$ 12,491,284	\$ 27,173,451
Restricted for:			
Construction	1,442,840	2,863,575	4,306,415
Perpetual care	498,896	-	498,896
Unrestricted (deficit)	6,667,741	8,405,449	15,073,190
Total net assets	<u>\$ 23,291,644</u>	<u>\$ 23,760,308</u>	<u>\$ 47,051,952</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, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 801,322	\$ -	\$ -	\$ -	\$ (801,322)	\$ -	\$ (801,322)
Public safety	2,010,689	155,070	201,924	-	(1,653,695)	-	(1,653,695)
Public works	2,872,899	-	807,242	-	(2,065,657)	-	(2,065,657)
Health and welfare	58,350	-	-	-	(58,350)	-	(58,350)
Parks, recreation, and cultural	251,035	-	5,000	-	(246,035)	-	(246,035)
Community development	429,669	-	-	-	(429,669)	-	(429,669)
Interest on long-term debt	2,492	-	-	-	(2,492)	-	(2,492)
Total government activities	<u>\$ 6,426,456</u>	<u>\$ 155,070</u>	<u>\$ 1,014,166</u>	<u>\$ -</u>	<u>\$ (5,257,220)</u>	<u>\$ -</u>	<u>\$ (5,257,220)</u>
Business-type activities:							
Water and sewer	\$ 3,832,591	\$ 3,518,907	\$ -	\$ 5,320,575	\$ -	\$ 5,006,891	\$ 5,006,891
Total business-type activities	<u>\$ 3,832,591</u>	<u>\$ 3,518,907</u>	<u>\$ -</u>	<u>\$ 5,320,575</u>	<u>\$ -</u>	<u>\$ 5,006,891</u>	<u>\$ 5,006,891</u>
Total primary government	<u>\$ 10,259,047</u>	<u>\$ 3,673,977</u>	<u>\$ 1,014,166</u>	<u>\$ 5,320,575</u>	<u>\$ (5,257,220)</u>	<u>\$ 5,006,891</u>	<u>\$ (250,329)</u>
General revenues:							
General property taxes					\$ 595,516	\$ -	\$ 595,516
Other local taxes					4,884,107	-	4,884,107
Permits, privilege fees, and regulatory licenses					255,724	-	255,724
Unrestricted revenues from use of money and property					259,302	229,401	488,703
Miscellaneous					112,894	33,635	146,529
Grants and contributions not restricted to specific programs					641,418	-	641,418
Total general revenues					<u>\$ 6,748,961</u>	<u>\$ 263,036</u>	<u>\$ 7,011,997</u>
Change in net assets					1,491,741	5,269,927	6,761,668
Net assets - beginning - as adjusted					21,799,903	18,490,381	40,290,284
Net assets - ending					<u>\$ 23,291,644</u>	<u>\$ 23,760,308</u>	<u>\$ 47,051,952</u>

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

Fund Financial Statements

Town of Warrenton, Virginia
Balance Sheet
Governmental Funds
June 30, 2003

	<u>General</u>	Permanent Fund Perpetual <u>Care</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,233,935	\$ 498,896	\$ 9,732,831
Receivables (net of allowance for uncollectibles):			
Taxes receivable	132,666	-	132,666
Accounts receivable	314,380	-	314,380
Accrued interest receivable	5,643	-	5,643
Notes receivable	20,000	-	20,000
Due from other governmental units	278,788	-	278,788
Inventories	90,015	-	90,015
Total assets	<u>\$ 10,075,427</u>	<u>\$ 498,896</u>	<u>\$ 10,574,323</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 283,810	\$ -	\$ 283,810
Deferred revenue	135,507	-	135,507
Total liabilities	<u>\$ 419,317</u>	<u>\$ -</u>	<u>\$ 419,317</u>
Fund balances:			
Reserved for:			
Construction	\$ 1,442,840	\$ -	\$ 1,442,840
Perpetual care	-	498,896	498,896
Unreserved, reported in:			
General fund	8,213,270	-	8,213,270
Total fund balances	<u>\$ 9,656,110</u>	<u>\$ 498,896</u>	<u>\$ 10,155,006</u>
Total liabilities and fund balances	<u>\$ 10,075,427</u>	<u>\$ 498,896</u>	<u>\$ 10,574,323</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, 2003

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,155,006
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,687,177
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	128,359
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(236,058)
Net assets of governmental activities	<u>\$ 24,734,484</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, 2003

	<u>General</u>	Permanent Fund Perpetual <u>Care</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 570,204	\$ -	\$ 570,204
Other local taxes	4,884,107	-	4,884,107
Permits, privilege fees, and regulatory licenses	255,724	-	255,724
Fines and forfeitures	155,070	-	155,070
Revenue from the use of money and property	254,848	4,454	259,302
Miscellaneous	40,596	-	40,596
Recovered costs	72,298	-	72,298
Intergovernmental revenues:			
Commonwealth	1,623,410	-	1,623,410
Federal	32,174	-	32,174
Total revenues	<u>\$ 7,888,431</u>	<u>\$ 4,454</u>	<u>\$ 7,892,885</u>
EXPENDITURES			
Current:			
General government administration	\$ 765,865	\$ -	\$ 765,865
Public safety	1,973,466	-	1,973,466
Public works	2,005,221	-	2,005,221
Health and welfare	58,350	-	58,350
Parks, recreation, and cultural	149,321	-	149,321
Community development	438,994	-	438,994
Nondepartmental	19,900	-	19,900
Capital projects	1,322,262	-	1,322,262
Debt service:			
Principal retirement	68,225	-	68,225
Interest and other fiscal charges	2,492	-	2,492
Total expenditures	<u>\$ 6,804,096</u>	<u>\$ -</u>	<u>\$ 6,804,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,084,335</u>	<u>\$ 4,454</u>	<u>\$ 1,088,789</u>
Net change in fund balances	\$ 1,084,335	\$ 4,454	\$ 1,088,789
Fund balances - beginning, as adjusted	8,571,775	494,442	9,066,217
Fund balances - ending	<u>\$ 9,656,110</u>	<u>\$ 498,896</u>	<u>\$ 10,155,006</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, 2003

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

Net change in fund balances - total governmental funds	\$ 1,088,789
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	307,727
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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.	25,312
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	68,225
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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.	1,688
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Change in net assets of governmental activities	\$ 1,491,741
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The notes to the financial statements are an integral part of this statement.

Town of Warrenton, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Enterprise Fund Water & Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 10,994,734
Interest receivable	7,065
Accounts receivable	365,095
Notes receivable	109,000
Inventories	171,086
Total current assets	\$ 11,646,980
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents	\$ 25,263
Total restricted current assets	\$ 25,263
Other assets:	
Unamortized bond issue costs	\$ 50,925
Capital assets:	
Utility plant in service	\$ 28,455,153
Less accumulated depreciation	(12,652,323)
Construction in progress	66,777
Total capital assets	\$ 15,869,607
Total noncurrent assets	\$ 15,945,795
Total assets	\$ 27,592,775
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 245,038
Customers' deposits	25,263
Accrued interest payable	57,458
Deferred revenue	4,321
Bonds payable - current portion	620,000
Compensated absences-current portion	5,126
Leases and other obligations - current portion	3,323
Total current liabilities	\$ 960,529
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 2,755,000
Compensated absences	116,938
Total noncurrent liabilities	\$ 2,871,938
Total liabilities	\$ 3,832,467
NET ASSETS	
Invested in capital assets, net of related debt	\$ 12,491,284
Restricted for capital projects	2,863,575
Unrestricted	8,405,449
Total net assets	\$ 23,760,308

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, 2003

	Enterprise Fund
	Water & Sewer
OPERATING REVENUES	
Charges for services:	
Sale of water	\$ 1,270,957
Sewer service charges	2,093,346
Sale of materials and supplies	76,851
Late payment charges	30,537
Transfer fees	10,598
Other fees	36,618
Miscellaneous	33,635
Total operating revenues	\$ 3,552,542
OPERATING EXPENSES	
Source of supply of water	\$ 533,825
Maintenance of water and sewer lines	442,781
Meter reading, billing, and servicing	229,702
Operation of sewage treatment plant	961,157
Administration	560,734
Capital Outlay	44,400
Depreciation	873,450
Amortization	8,856
Total operating expenses	\$ 3,654,905
Operating income (loss)	\$ (102,363)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	\$ 112,672
Rental revenue	116,729
Interest expense	(177,186)
Other	(500)
Total nonoperating revenues (expenses)	\$ 51,715
Income before contributions and transfers	\$ (50,648)
Capital contributions	5,320,575
Change in net assets	\$ 5,269,927
Total net assets - beginning - as adjusted	\$ 18,490,381
Total net assets - ending	\$ 23,760,308

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

Town of Warrenton, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2003

	Enterprise Fund <u>Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,299,779
Receipts for materials and supplies	76,851
Receipts for miscellaneous revenues and fees	80,851
Payments for source of supply of water	(499,679)
Payments for maintenance of water and sewer lines	(442,781)
Payments for meter reading, billing and servicing	(229,702)
Payments for operation of sewage treatment plant	(954,557)
Payments for administration	(548,712)
Payments for capital outlay	(44,400)
Net cash provided (used by) operating activities	<u>\$ 737,650</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (360,313)
Principal payments on bonds	(615,000)
Principal payments on lease obligations	(4,799)
Interest payments	(186,706)
Capital contributions from customers - tap fees	5,320,575
Net cash provided (used) by capital and related financing activities	<u>\$ 4,153,757</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 105,607
Other - rental income	116,729
Net cash provided (used) by investing activities	<u>\$ 222,336</u>
Net increase (decrease) in cash and cash equivalents	\$ 5,113,743
Cash and cash equivalents - beginning - including restricted	5,906,254
Cash and cash equivalents - ending - including restricted	<u><u>\$ 11,019,997</u></u>

Town of Warrenton, Virginia
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2003

	Enterprise Fund <u>Water & Sewer</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (102,363)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 873,450
Amortization expense	8,856
(Increase) decrease in accounts receivable	(6,527)
(Increase) decrease in notes receivable	(91,126)
(Increase) decrease in inventories	6,598
Increase (decrease) in customer deposits	(1,729)
Increase (decrease) in accounts payable	34,146
Increase (decrease) in deferred revenue	4,321
Increase (decrease) in accrued leave	12,024
Total adjustments	<u>\$ 840,013</u>
Net cash provided (used) by operating activities	<u>\$ 737,650</u>
Reconciliation of cash and cash equivalents at end of year to the Statement of Net Assets:	
Total cash and cash equivalents per Statement of Net Assets	\$ 10,994,734
Total restricted cash and cash equivalents per Statement of Net Assets	<u>25,263</u>
Total cash and cash equivalents per Statement of Net Assets	<u>\$ 11,019,997</u>

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

Town of Warrenton, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 100,949
Receivables:	
Other receivables	370
Total assets	\$ 101,319
LIABILITIES	
Accounts payable	\$ 536
Amounts held for others	100,783
Total liabilities	\$ 101,319
NET ASSETS	
Unrestricted	\$ -

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, 2003

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, 2003.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2003.

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 and fiduciary fund financial statements. 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 and utility taxes, which are collected by the state or utilities 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.

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

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

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

3. Inventory

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$73,607 at June 30, 2003 and is composed solely of property taxes.

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:

<u>Assets</u>	<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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The Town accrues salary-related payments associated with the payment of compensated absences.

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. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

13. Restricted assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds and net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$236,058 difference for the primary government is as follows:

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

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

	<u>Primary Government</u>
Capital leases payable	\$ (5,010)
Compensated absences	<u>(231,048)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u><u>(236,058)</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 \$307,727 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlay	\$ 968,460
Depreciation expense	<u>(660,733)</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>307,727</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 (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$68,225 difference in the primary government are as follows:

Principal repayments:	
Capital leases	\$ <u>68,225</u>
Net adjustment to decrease <i>net changes in balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>68,225</u></u>

C. 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 \$1,688 difference for the primary government is as follows:

	Primary Government
Compensated absences	\$ <u>1,688</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>1,688</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2003, there were no funds in which expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2003, there were no funds with deficit fund equity.

NOTE 4 – DEPOSITS AND INVESTMENTS:**Deposits:**

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2.-4400 et. Seq. of the *Code of Virginia* (a multiple financial institution collateral pool) and 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) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Town's investments are categorized below to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town and/or its component units or their safekeeping agent in the Town's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker, dealer, or by its trust department or safekeeping agent, but not in the Town's name.

Due to higher cash flows at certain times during the year, the government's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in category 3 at those times were substantially higher than at year end.

PRIMARY GOVERNMENT:

	Category			Fair Value
	1	2	3	
U. S. Treasury Bills	\$ 796,041	\$ -	\$ -	\$ 796,041
Repurchase Agreements	434,468	-	-	434,468
Government Agency Bonds	4,577,105	-	-	4,577,105
Total	\$ 5,807,614	\$ -	\$ -	\$ 5,807,614
Investments not subject to categorization:				
Investment in Local Government Investment Pool (LGIP)				8,107,175
Total investments				\$ 13,914,789
Deposits				6,938,713
Petty cash and cash on hand				275
Total cash and investments				\$ 20,853,777

NOTE 4 – DEPOSITS AND INVESTMENTS: (Continued)

The fair value of the external investment pools is the same as the value of the pool shares. Investments in the Local Government Investment Pool that are not SEC registered are monitored by the Treasurer of Virginia and other applicable state agencies. Investments in other external investment pools are all SEC registered or federal securities.

The following is a summary of the Town’s deposit and investment balances as of June 30, 2003.

Deposits and investments in custody of Treasurer	\$ 20,853,777
Less: Amounts held for others (Agency Funds)	(100,949)
Total	<u>\$ 20,752,828</u>
Per Statement of Net Assets:	
Unrestricted current assets:	
Cash and cash equivalents	\$ 20,727,565
Restricted current assets:	
Cash and cash equivalents	25,263
Total	<u>\$ 20,752,828</u>

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	\$ 5,643	\$ 7,065	\$ 12,708
Property Taxes	206,273	-	206,273
Other local taxes	14,310	-	14,310
Accounts	<u>300,070</u>	<u>379,580</u>	<u>679,650</u>
Gross receivables	\$ 526,296	\$ 386,645	\$ 912,941
Less: allowance for Uncollectibles	<u>(73,607)</u>	<u>(14,485)</u>	<u>(88,092)</u>
Net total receivables	<u>\$ 452,689</u>	<u>\$ 372,160</u>	<u>\$ 824,849</u>

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government
Commonwealth of Virginia:	
Highway maintenance funds	\$ 201,810
Earth Design grant reimbursement	15,559
Sales tax	59,089
PPTRA	<u>2,330</u>
Total	<u>\$ 278,788</u>

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Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2003

NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2003.

Governmental Activities

	Balance July 1, 2002	Adjustments (1)	Balance as Adjusted July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital assets not being depreciated:						
Land	\$ 1,693,324	\$ -	\$ 1,693,324	\$ 769,016	\$ -	\$ 2,462,340
Construction in progress	<u>1,270,354</u>	<u>-</u>	<u>1,270,354</u>	<u>-</u>	<u>(1,270,354)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 2,963,678</u>	<u>\$ -</u>	<u>\$ 2,963,678</u>	<u>\$ 769,016</u>	<u>\$ (1,270,354)</u>	<u>\$ 2,462,340</u>
Other capital assets:						
Buildings and improvements	\$ 2,384,886	\$ 223,558	\$ 2,608,444	\$ 1,322,043	\$ -	\$ 3,930,487
Infrastructure	-	18,856,403	18,856,403	-	-	18,856,403
Furniture, equipment and vehicles	<u>2,669,060</u>	<u>(812,672)</u>	<u>1,856,388</u>	<u>147,755</u>	<u>(94,144)</u>	<u>1,909,999</u>
Total other capital assets	<u>\$ 5,053,946</u>	<u>\$ 18,267,289</u>	<u>\$ 23,321,235</u>	<u>\$ 1,469,798</u>	<u>\$ (94,144)</u>	<u>\$ 24,696,889</u>
Less: Accumulated depreciation for:						
Buildings and improvements	\$ -	\$ (984,544)	\$ (984,544)	\$ (109,738)	\$ -	\$ (1,094,282)
Infrastructure	-	(9,448,381)	(9,448,381)	(394,372)	-	(9,842,753)
Furniture, equipment and vehicles	<u>-</u>	<u>(1,471,783)</u>	<u>(1,471,783)</u>	<u>(156,623)</u>	<u>93,389</u>	<u>(1,535,017)</u>
Total accumulated depreciation	<u>\$ -</u>	<u>\$ (11,904,708)</u>	<u>\$ (11,904,708)</u>	<u>\$ (660,733)</u>	<u>\$ 93,389</u>	<u>\$ (12,472,052)</u>
Other capital assets, net	<u>\$ 5,053,946</u>	<u>\$ 6,362,581</u>	<u>\$ 11,416,527</u>	<u>\$ 809,065</u>	<u>\$ (755)</u>	<u>\$ 12,224,837</u>
Net capital assets	<u>\$ 8,017,624</u>	<u>\$ 6,362,581</u>	<u>\$ 14,380,205</u>	<u>\$ 1,578,081</u>	<u>\$ (1,271,109)</u>	<u>\$ 14,687,177</u>
Depreciation expense was allocated as follows:						
General government administration	\$ 28,894					
Public safety	118,553					
Public works	489,781					
Parks, recreation and cultural	21,540					
Community development	<u>1,965</u>					
Total depreciation expense	<u>\$ 660,733</u>					

(1) As of July 1, 2002, the Town adopted a fixed assets policy with a capitalization threshold of \$2,500. As a result, the Town removed multiple items previously capitalized that did not meet this criteria. The Town also adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus. As a result, the Town recorded infrastructure assets that were previously unrecorded.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2003

NOTE 7—CAPITAL ASSETS: (Continued)

Business Type Activities

	Balance		Balance as Adjusted			Balance
	July 1, 2002	Adjustments (1)	July 1, 2002	Increases	Decreases	June 30, 2003
Capital assets not being depreciated:						
Land	\$ 665,660	\$ -	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	315,385	-	315,385	53,994	(302,602)	66,777
Total capital assets not being depreciated	\$ 981,045	\$ -	\$ 981,045	\$ 53,994	\$ (302,602)	\$ 732,437
Other capital assets:						
Water and sewer plants	\$ 14,171,094	\$ -	\$ 14,171,094	\$ 92,318	\$ -	\$ 14,263,412
Dam	\$ 1,590,017	\$ -	\$ 1,590,017	\$ -	\$ -	\$ 1,590,017
Water and sewer lines	10,505,291	1,501	10,506,792	427,157	-	10,933,949
Equipment	1,192,452	(222,045)	970,407	101,472	(69,764)	1,002,115
Total other capital assets	\$ 27,458,854	\$ (220,544)	\$ 27,238,310	\$ 620,947	\$ (69,764)	\$ 27,789,493
Less: Accumulated depreciation for:						
Water and sewer plants	\$ (5,969,281)	\$ (33,006)	\$ (6,002,287)	\$ (409,200)	\$ -	\$ (6,411,487)
Dam	(716,364)	20,508	(695,856)	(44,624)	-	(740,480)
Water and sewer lines	(4,237,469)	(161,340)	(4,398,809)	(337,550)	-	(4,736,359)
Equipment	(922,105)	170,420	(751,685)	(82,076)	69,764	(763,997)
Total accumulated depreciation	\$ (11,845,219)	\$ (3,418)	\$ (11,848,637)	\$ (873,450)	\$ 69,764	\$ (12,652,323)
Other capital assets, net	\$ 15,613,635	\$ (223,962)	\$ 15,389,673	\$ (252,503)	\$ -	\$ 15,137,170
Net capital assets	\$ 16,594,680	\$ (223,962)	\$ 16,370,718	\$ (198,509)	\$ (302,602)	\$ 15,869,607

(1) As of July 1, 2002, the Town adopted a fixed assets policy with a capitalization threshold of \$2,500. As a result, the Town removed multiple items previously capitalized that did not meet this criteria. The Town also adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus.

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2003

NOTE 8—LONG-TERM OBLIGATIONS:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2003.

	Amounts Payable July 1, 2002	Increases	Decreases	Amounts Payable June 30, 2003
Primary Government:				
Governmental Activities				
Capital leases	\$ 73,235	\$ -	\$ (68,225)	\$ 5,010
Compensated Absences	232,736	-	(1,688)	231,048
Total governmental activities	<u>\$ 305,971</u>	<u>\$ -</u>	<u>\$ (69,913)</u>	<u>\$ 236,058</u>
Business Activities				
General obligation bonds	\$ 3,990,000		\$ (615,000)	\$ 3,375,000
Capital leases	8,122		(4,799)	3,323
Compensated Absences	110,040	12,024	-	122,064
Total business activities	<u>\$ 4,108,162</u>	<u>\$ 12,024</u>	<u>\$ (619,799)</u>	<u>\$ 3,500,387</u>
Total primary government	<u>\$ 4,414,133</u>	<u>\$ 12,024</u>	<u>\$ (689,712)</u>	<u>\$ 3,736,445</u>

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

Year Ending June 30,	Business-Type Activities				Governmental Activities	
	General Obligation Bonds		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 620,000	\$ 158,425	\$ 3,323	\$ 1,760	\$ 5,010	\$ 2,663
2005	620,000	129,905	-	-	-	-
2006	630,000	98,955	-	-	-	-
2007	645,000	65,160	-	-	-	-
2008	415,000	36,332	-	-	-	-
2009	445,000	12,460	-	-	-	-
Total	<u>\$ 3,375,000</u>	<u>\$ 501,237</u>	<u>\$ 3,323</u>	<u>\$ 1,760</u>	<u>\$ 5,010</u>	<u>\$ 2,663</u>

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NOTE 8—LONG-TERM OBLIGATIONS: (Continued)

Details of Long-Term Indebtedness:	Total Amount Outstanding	Amount Due Within One Year
	<u> </u>	<u> </u>
Governmental Activities:		
<u>Capital Leases:</u>		
\$21,259 issued December 12, 2000 due in 36 monthly installments of \$638 beginning March 1, 2001 through March 1, 2004. The lease is for the purchase of computer equipment	\$ 5,010	\$ 5,010
Compensated absences	231,048	19,118
Total governmental activities debt	<u>\$ 236,058</u>	<u>\$ 24,128</u>
 <u>Water and Sewer general obligation bonds:</u>		
\$6,500,000 issued April 1, 1993 due in annual installments varying from \$85,000 to \$645,000 due September 1, 2008 interest rates from 2.5% to 5.6%	\$ 3,375,000	\$ 620,000
<u>Capital Leases:</u>		
\$14,172 issued December 12, 2000 due in 36 monthly installments of \$425 beginning March 1, 2001 through March 1, 2004. The lease is for the purchase of computer equipment	3,323	3,323
Compensated absences	122,064	5,126
Total business-type activities debt	<u>\$ 3,500,387</u>	<u>\$ 628,449</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.

NOTE 9—DEFINED BENEFIT PENSION OBLIGATION: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of 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 2003 was 4.0% of annual covered payroll.

Annual Pension Cost

For 2003, the Town's annual pension cost of \$143,077 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.25%-6.1% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified market value of assets. The required contribution was determined using the level percentage method and there are nine years remaining in the open amortization period.

Required Supplementary Information

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ 243,008	100.00%	\$ -
June 30, 2002	210,683	100.00%	-
June 30, 2003	143,077	100.00%	-

(1) Employer portion only

NOTE 9—DEFINED BENEFIT PENSION OBLIGATION: (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Coverage Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
June 30, 2002	\$ 11,650,924	\$ 10,605,415	\$ (1,045,509)	109.86%	\$ 3,363,839	-31.08%
June 30, 2001	\$ 11,077,819	\$ 9,446,564	\$ (1,631,255)	117.27%	\$ 3,423,426	-47.65%
June 30, 2000	9,941,230	8,817,151	(1,124,079)	112.75%	3,276,021	-34.31%

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 \$11,469 consists of the following:

- A. Prepaid property taxes—Property taxes due subsequent to June 30, 2003, but paid in advance by the taxpayers totaled \$7,148 at June 30, 2003.
- B. Prepaid utility payments—Water and sewer bills due subsequent to June 30, 2003, but paid in advance by users totaled \$4,321 at June 30, 2003.

NOTE 11—SURETY BONDS:

	Amount
Fidelity and Deposit Company - Surety	
Kenneth L. McLawhon, Town Manager	\$ 50,000
Public Employees Blanket Bond	25,000
United States Fidelity and Guaranty Company - Surety	
Director of Finance	500,000
Deputy Finance Director	500,000

NOTE 12—RISK MANAGEMENT:

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

NOTE 12—RISK MANAGEMENT: (CONTINUED)

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

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

NOTE 13—FUND BALANCE/NET ASSETS ADJUSTMENT:

The beginning fund balance of the general fund was adjusted to reflect inventory not previously recorded on the books. The beginning fund balance was also adjusted for expenditures previously recorded on the Town's books, but attributable to the Mosby House Foundation and Visitor's Center.

Fund Balance at July 1, 2002, as previously reported	\$ 8,459,784
Adjustment for inventory previously unrecorded	70,513
Adjustment for Mosby House Foundation and Visitors Center expenditures	<u>41,478</u>
Fund Balance at July 1, 2002, as adjusted	<u>\$ 8,571,775</u>

The beginning net assets of the enterprise fund was adjusted to reflect inventory previously unrecorded. The beginning net assets were also adjusted to reflect the effects of expensing certain assets that had previously been capitalized.

Net Assets at July 1, 2002, as previously reported	\$ 18,702,317
Adjustment for inventory previously unrecorded	13,524
Adjustment for expensing of previously capitalized items	<u>(225,460)</u>
Net Assets at July 1, 2002, as adjusted	<u>\$ 18,490,381</u>

NOTE 14—SUBSEQUENT EVENTS:

In September 2003, the Town defeased \$3,375,000 in general obligation bonds, that were outstanding at June 30, 2003.

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.

Combining and Individual Fund Statements and Schedules

Town of Warrenton, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 578,141	\$ 578,141	\$ 570,204	\$ (7,937)
Other local taxes	3,927,768	3,927,768	4,884,107	956,339
Permits, privilege fees, and regulatory licenses	131,560	131,560	255,724	124,164
Fines and forfeitures	77,000	77,000	155,070	78,070
Revenue from the use of money and property	203,150	203,150	254,848	51,698
Miscellaneous	317,300	317,300	40,596	(276,704)
Recovered costs	25,000	25,000	72,298	47,298
Intergovernmental revenues:				
Commonwealth	1,520,993	1,520,993	1,623,410	102,417
Federal	-	-	32,174	32,174
Total revenues	\$ 6,780,912	\$ 6,780,912	\$ 7,888,431	\$ 1,107,519
EXPENDITURES				
Current:				
General government administration	\$ 810,163	\$ 809,072	\$ 765,865	\$ 43,207
Public safety	2,060,748	2,060,978	1,973,466	87,512
Public works	2,147,193	2,055,983	2,005,221	50,762
Health and welfare	134,900	134,900	58,350	76,550
Parks, recreation, and cultural	152,007	152,007	149,321	2,686
Community development	498,287	501,815	438,994	62,821
Nondepartmental	26,000	26,000	19,900	6,100
Capital projects	1,190,002	1,883,258	1,322,262	560,996
Debt service:				
Principal retirement	65,364	65,364	68,225	(2,861)
Interest and other fiscal charges	2,557	2,557	2,492	65
Total expenditures	\$ 7,087,221	\$ 7,691,934	\$ 6,804,096	\$ 887,838
Excess (deficiency) of revenues over (under) expenditures	\$ (306,309)	\$ (911,022)	\$ 1,084,335	\$ 1,995,357
Net change in fund balances	\$ (306,309)	\$ (911,022)	\$ 1,084,335	\$ 1,995,357
Fund balances - beginning, as adjusted	306,309	911,022	8,571,775	7,660,753
Fund balances - ending	\$ -	\$ -	\$ 9,656,110	\$ 9,656,110

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 Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	<u>Agency Funds</u>		
	<u>Agency</u>	<u>Retirement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 93,013	\$ 7,936	\$ 100,949
Receivables:			
Other receivables	370	-	370
Total assets	\$ 93,383	\$ 7,936	\$ 101,319
LIABILITIES			
Accounts payable	\$ 536	\$ -	\$ 536
Amounts held for others	92,847	7,936	100,783
Total liabilities	\$ 93,383	\$ 7,936	\$ 101,319

Town of Warrenton, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2003

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 74,664	\$ 18,349	\$ -	\$ 93,013
Other receivables	-	370	-	370
Total assets	<u>\$ 74,664</u>	<u>\$ 18,719</u>	<u>\$ -</u>	<u>\$ 93,383</u>
LIABILITIES				
Accounts payable	\$ -	\$ 536	\$ -	\$ 536
Amounts held for others	74,664	18,183	-	92,847
Total liabilities	<u>\$ 74,664</u>	<u>\$ 18,719</u>	<u>\$ -</u>	<u>\$ 93,383</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 7,817	\$ 119	\$ -	\$ 7,936
Total assets	<u>\$ 7,817</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 7,936</u>
LIABILITIES				
Amounts held for others	\$ 7,817	\$ 119	\$ -	\$ 7,936
Total liabilities	<u>\$ 7,817</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 7,936</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 82,481	\$ 18,468	\$ -	\$ 100,949
Other receivables	-	370	-	370
Total assets	<u>\$ 82,481</u>	<u>\$ 18,838</u>	<u>\$ -</u>	<u>\$ 101,319</u>
LIABILITIES				
Accounts payable	\$ -	\$ 536	\$ -	\$ 536
Amounts held for others	82,481	18,302	-	100,783
Total liabilities	<u>\$ 82,481</u>	<u>\$ 18,838</u>	<u>\$ -</u>	<u>\$ 101,319</u>

Capital Assets – Used in the Operation of Governmental Funds

Town of Warrenton, Virginia
 Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 June 30, 2003

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land	\$ 2,462,340	\$ 1,693,324
Buildings	3,930,487	2,384,886
Improvements other than buildings	-	-
Machinery and equipment	1,909,999	2,669,060
Infrastructure	18,856,403	-
Construction in progress	-	1,270,354
Total governmental funds capital assets	\$ 27,159,229	\$ 8,017,624
Investments in governmental funds capital assets by source:		
General fund	\$ 27,092,719	\$ 7,609,832
Donations	66,510	407,792
Total governmental funds capital assets	\$ 27,159,229	\$ 8,017,624

Town of Warrenton, Virginia
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 June 30, 2003

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General government administration:					
Legislative Administration	\$ -	\$ -	\$ 6,805	\$ -	\$ 6,805
Executive Administration	24,400	661,673	2,631	-	688,704
Director of Finance	-	-	32,672	-	32,672
Data Processing Department	-	-	114,979	-	114,979
Total general government administration	<u>\$ 24,400</u>	<u>\$ 661,673</u>	<u>\$ 157,087</u>	<u>\$ -</u>	<u>\$ 843,160</u>
Public safety:					
Police	\$ 213,774	\$ 1,622,044	\$ 546,269	\$ -	\$ 2,382,087
Inspections	-	-	56,138	-	56,138
Total public safety	<u>\$ 213,774</u>	<u>\$ 1,622,044</u>	<u>\$ 602,407</u>	<u>\$ -</u>	<u>\$ 2,438,225</u>
Public works:					
Public Works Administration	\$ -	\$ 3,675	\$ 40,105	\$ -	\$ 43,780
Street Maintenance	50,040	1,084,462	777,647	34,676	1,946,825
Arterial Street Maintenance	-	-	-	9,301,736	9,301,736
Collector Street Maintenance	-	-	-	9,425,364	9,425,364
Refuse Collection	-	-	130,426	-	130,426
Recycling Program	-	-	99,508	-	99,508
General Properties	796,519	91,616	65,925	94,627	1,048,687
Total public works	<u>\$ 846,559</u>	<u>\$ 1,179,753</u>	<u>\$ 1,113,611</u>	<u>\$ 18,856,403</u>	<u>\$ 21,996,326</u>
Parks, recreation, and cultural:					
Maintenance - Parks and recreation	\$ 769,015	\$ -	\$ -	\$ -	\$ 769,015
Parks and recreation	441,492	250,911	-	-	692,403
Cemetery	-	3,997	19,355	-	23,352
Cultural Enrichment	167,100	208,300	-	-	375,400
Total parks, recreation, and cultural	<u>\$ 1,377,607</u>	<u>\$ 463,208</u>	<u>\$ 19,355</u>	<u>\$ -</u>	<u>\$ 1,860,170</u>
Community development:					
Planning and zoning	\$ -	\$ 3,809	\$ 17,539	\$ -	\$ 21,348
Total community development	<u>\$ -</u>	<u>\$ 3,809</u>	<u>\$ 17,539</u>	<u>\$ -</u>	<u>\$ 21,348</u>
Total governmental funds capital assets	<u>\$ 2,462,340</u>	<u>\$ 3,930,487</u>	<u>\$ 1,909,999</u>	<u>\$ 18,856,403</u>	<u>\$ 27,159,229</u>

Town of Warrenton, Virginia
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2003

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets (1) July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2003</u>
General government administration:				
Legislative Administration	\$ 6,805	\$ -	\$ -	\$ 6,805
Executive Administration	688,704	-	-	688,704
Director of Finance	32,672	-	-	32,672
Data Processing Department	127,752	10,687	(23,460)	114,979
Total general government administration	<u>\$ 855,933</u>	<u>\$ 10,687</u>	<u>\$ (23,460)</u>	<u>\$ 843,160</u>
Public safety:				
Police Department	\$ 2,283,830	\$ 124,748	\$ (26,491)	\$ 2,382,087
Inspections	39,160	16,978	-	56,138
Total public safety	<u>\$ 2,322,990</u>	<u>\$ 141,726</u>	<u>\$ (26,491)</u>	<u>\$ 2,438,225</u>
Public works:				
Public Works Administration	\$ 43,780	\$ -	\$ -	\$ 43,780
Street Maintenance	1,988,718	2,300	(44,193)	1,946,825
Arterial Street Maintenance	9,301,736	-	-	9,301,736
Collector Street Maintenance	9,425,364	-	-	9,425,364
Refuse Collection	130,426	-	-	130,426
Recycling Program	99,508	-	-	99,508
General Properties	1,003,955	44,732	-	1,048,687
Total public works	<u>\$ 21,993,487</u>	<u>\$ 47,032</u>	<u>\$ (44,193)</u>	<u>\$ 21,996,326</u>
Parks, recreation, and cultural:				
Maintenance - parks and recreation	\$ -	\$ 769,015	\$ -	\$ 769,015
Parks and Recreation	692,403	-	-	692,403
Cemetery	23,352	-	-	23,352
Cultural Enrichment	375,400	-	-	375,400
Total parks, recreation, and cultural	<u>\$ 1,091,155</u>	<u>\$ 769,015</u>	<u>\$ -</u>	<u>\$ 1,860,170</u>
Community development:				
Planning and Zoning	\$ 21,348	\$ -	\$ -	\$ 21,348
Total community development	<u>\$ 21,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,348</u>
Total governmental funds capital assets	<u>\$ 26,284,913</u>	<u>\$ 968,460</u>	<u>\$ (94,144)</u>	<u>\$ 27,159,229</u>

(1) As adjusted.

Supporting Schedules

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 194,636	\$ 194,636	\$ 203,589	\$ 8,953
Real and personal public service corporation taxes	9,970	9,970	3,576	(6,394)
Personal property taxes	334,535	334,535	329,188	(5,347)
Delinquent	15,000	15,000	6,977	(8,023)
Penalties	12,000	12,000	14,466	2,466
Interest	12,000	12,000	12,408	408
Total general property taxes	<u>\$ 578,141</u>	<u>\$ 578,141</u>	<u>\$ 570,204</u>	<u>\$ (7,937)</u>
Other local taxes:				
Local sales and use taxes	\$ 238,000	\$ 238,000	\$ 332,040	\$ 94,040
Electrical utility taxes	255,000	255,000	271,761	16,761
Natural gas utility taxes	105,000	105,000	138,023	33,023
Telephone utility taxes	550,000	550,000	498,146	(51,854)
Business license taxes	750,000	750,000	1,017,011	267,011
Cable TV franchise fees	50,000	50,000	56,971	6,971
Telephone franchise fees	24,000	24,000	17,746	(6,254)
Consumption taxes	33,200	33,200	45,325	12,125
Motor vehicle licenses	120,000	120,000	139,315	19,315
Bank stock taxes	375,000	375,000	663,866	288,866
Hotel and motel room taxes	127,568	127,568	105,536	(22,032)
Restaurant food taxes	1,082,000	1,082,000	1,366,248	284,248
Tobacco taxes	218,000	218,000	232,119	14,119
Total other local taxes	<u>\$ 3,927,768</u>	<u>\$ 3,927,768</u>	<u>\$ 4,884,107</u>	<u>\$ 956,339</u>
Permits, privilege fees, and regulatory licenses:				
Taxi driver permits	\$ 100	\$ 100	\$ 25	\$ (75)
Building and related permits	76,000	76,000	163,408	87,408
Sign permits	2,000	2,000	3,326	1,326
Zoning appeals fees	500	500	1,750	1,250
Rezoning fees	2,500	2,500	1,280	(1,220)
Site development fees	30,000	30,000	36,101	6,101
Subdivision fees	5,000	5,000	12,317	7,317
Zoning fees	1,400	1,400	1,525	125
Review and inspection fees	2,500	2,500	16,355	13,855
Electrical permits	1,500	1,500	2,367	867
Utility construction permits	1,000	1,000	390	(610)
Solicitors permit	50	50	-	(50)
Zoning permits	4,000	4,000	9,730	5,730
Court recovery fees	10	10	-	(10)
Certificate of occupancy permit	5,000	5,000	7,150	2,150
Total permits, privilege fees, and regulatory licenses	<u>\$ 131,560</u>	<u>\$ 131,560</u>	<u>\$ 255,724</u>	<u>\$ 124,164</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 62,000	\$ 62,000	\$ 134,580	\$ 72,580
Parking fines	15,000	15,000	20,490	5,490
Total fines and forfeitures	<u>\$ 77,000</u>	<u>\$ 77,000</u>	<u>\$ 155,070</u>	<u>\$ 78,070</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 200,000	\$ 200,000	\$ 252,260	\$ 52,260
Revenue from use of property	3,150	3,150	2,588	(562)
Total revenue from use of money and property	<u>\$ 203,150</u>	<u>\$ 203,150</u>	<u>\$ 254,848</u>	<u>\$ 51,698</u>

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Telephone Commission	\$ 350	\$ 350	\$ 74	\$ (276)
Sale of materials and supplies	1,000	1,000		(1,000)
Proffers	-	-	8,205	8,205
Sale of salvage and surplus	1,000	1,000	13,400	12,400
Sale of plastic bags	4,300	4,300	4,563	263
Sale of printed materials	1,750	1,750	966	(784)
Recycling income	4,700	4,700	9,056	4,356
Sale of cemetery lots	1,050	1,050	-	(1,050)
Visitor Center/Chamber Parking Lot Grant	300,000	300,000	-	(300,000)
Sale of perpetual care	150	150	-	(150)
Donations	-	-	500	500
Miscellaneous	3,000	3,000	3,832	832
Total miscellaneous revenue	<u>\$ 317,300</u>	<u>\$ 317,300</u>	<u>\$ 40,596</u>	<u>\$ (276,704)</u>
Recovered costs:				
Recoveries and Rebates	\$ 25,000	\$ 25,000	\$ 72,298	\$ 47,298
Total recovered costs	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 72,298</u>	<u>\$ 47,298</u>
Total revenue from local sources	<u>\$ 5,259,919</u>	<u>\$ 5,259,919</u>	<u>\$ 6,232,847</u>	<u>\$ 972,928</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 17,000	\$ 17,000	\$ 15,544	\$ (1,456)
Motor vehicle rental tax	55,000	55,000	76,742	21,742
Rolling Stock Tax	65	65	65	-
Personal property tax relief funds	521,303	521,303	549,067	27,764
Total noncategorical aid	<u>\$ 593,368</u>	<u>\$ 593,368</u>	<u>\$ 641,418</u>	<u>\$ 48,050</u>
Categorical aid:				
Litter control grant	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
DJCP law enforcement grant	140,622	140,622	160,811	20,189
Bluemont series grant	5,000	5,000	5,000	-
Street & Highway maintenance	682,953	682,953	807,242	124,289
Loudon transit	80,000	80,000	-	(80,000)
Other	9,550	9,550	-	(9,550)
Fire program	7,000	7,000	8,939	1,939
Total other categorical aid	<u>\$ 927,625</u>	<u>\$ 927,625</u>	<u>\$ 981,992</u>	<u>\$ 54,367</u>
Total categorical aid	<u>\$ 927,625</u>	<u>\$ 927,625</u>	<u>\$ 981,992</u>	<u>\$ 54,367</u>
Total revenue from the Commonwealth	<u>\$ 1,520,993</u>	<u>\$ 1,520,993</u>	<u>\$ 1,623,410</u>	<u>\$ 102,417</u>
Revenue from the federal government:				
Emergency services	\$ -	\$ -	\$ 19,080	\$ 19,080
Criminal justice grant	-	-	8,596	8,596
Transportation safety	-	-	4,498	4,498
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,174</u>	<u>\$ 32,174</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,174</u>	<u>\$ 32,174</u>
Total General Fund	<u>\$ 6,780,912</u>	<u>\$ 6,780,912</u>	<u>\$ 7,888,431</u>	<u>\$ 1,107,519</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative Department:				
Salary - mayor	\$ 4,800	\$ 4,800	\$ 4,800	\$ -
Salaries - council	16,800	16,800	17,025	(225)
Salary - recorder	27,758	27,758	27,930	(172)
Salaries - extra help	2,000	2,000	4,186	(2,186)
Fringe benefits	16,847	16,847	25,061	(8,214)
Professional services	2,800	2,800	13,626	(10,826)
Temporary Help services	300	300	228	72
Maintenance contracts	930	930	863	67
Printing	7,800	7,800	3,822	3,978
Advertising	1,200	1,200	2,927	(1,727)
Microfilm records	600	600	850	(250)
Postage	2,225	2,225	1,671	554
Communication	700	700	685	15
Surety bond	30	30	13	17
Public officials liability insurance	500	500	725	(225)
General liability insurance	32	32	30	2
Lease of equipment	1,152	1,152	1,056	96
Office supplies	1,750	1,750	731	1,019
Travel	5,000	5,000	6,767	(1,767)
Public relations	500	500	221	279
Training	600	600	-	600
Membership and dues	160	160	137	23
Subscriptions	-	-	163	(163)
Furniture and fixtures	1,000	1,000	600	400
Total legislative department	\$ 95,484	\$ 95,484	\$ 114,117	\$ (18,633)
Executive Department:				
Salaries - town manager	\$ 72,800	\$ 72,800	\$ 74,718	\$ (1,918)
Salaries - secretary	27,758	27,758	27,930	(172)
Salaries - extra help	2,000	2,000	976	1,024
Fringe benefits	33,515	33,515	29,023	4,492
Professional services	100	100	3,360	(3,260)
Temporary help services	300	300	562	(262)
Repair and maintenance - contractual	100	100	-	100
Maintenance contracts	930	930	465	465
Printing	200	200	-	200
Postage	400	400	171	229
Communication	900	900	2,051	(1,151)
Surety bond	90	90	40	50
Public officials liability insurance	431	431	625	(194)
General liability insurance	50	50	47	3
Lease of equipment and buildings	1,152	1,152	1,249	(97)
Office supplies	500	500	862	(362)
Subscriptions	1,000	1,000	1,339	(339)
Travel	3,600	3,600	1,209	2,391
Training	600	600	635	(35)
Memberships and dues	1,000	1,000	586	414
Furniture and fixtures	500	500	248	252
Total executive department	\$ 147,926	\$ 147,926	\$ 146,096	\$ 1,830
Legal Services:				
Salaries - attorney	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Fringe benefits	190	190	184	6
Professional services	100,000	100,000	69,507	30,493

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
General government administration: (Continued)				
Legal Services: (Continued)				
General liability insurance	\$ 161	\$ 161	\$ 152	\$ 9
Subscriptions	200	200	143	57
Travel	350	350	275	75
Memberships and dues	250	250	-	250
Total legal services	<u>\$ 103,551</u>	<u>\$ 103,551</u>	<u>\$ 72,661</u>	<u>\$ 30,890</u>
Finance Department:				
Salaries - finance director	\$ 68,258	\$ 68,258	\$ 75,239	\$ (6,981)
Salaries - deputy finance director	47,232	47,232	47,756	(524)
Salaries - account clerks	77,338	77,338	65,472	11,866
Wage and extra help	6,000	6,000	14,244	(8,244)
Fringe benefits	65,385	65,385	55,924	9,461
Professional services	5,500	30,500	21,155	9,345
Independent auditors	7,980	7,980	7,780	200
Repair and maintenance - contractual	500	500	98	402
Printing	10,825	10,825	7,095	3,730
Advertising	2,400	2,400	2,056	344
Recording costs	750	750	646	104
Postage	7,500	7,500	9,889	(2,389)
Communication	4,000	4,000	2,901	1,099
Surety bond	1,440	1,440	1,911	(471)
Public officials liability insurance	904	904	1,312	(408)
General liability insurance	96	96	91	5
Lease of equipment and buildings	-	-	10	(10)
Office supplies	4,000	4,000	3,726	274
Service charges	2,400	2,400	607	1,793
Subscriptions	2,500	2,500	1,768	732
Motor vehicle licenses	1,400	1,400	1,676	(276)
Travel	1,100	1,100	175	925
Training	1,400	1,400	567	833
Memberships and dues	600	600	1,351	(751)
Furniture and fixtures	1,000	1,000	1,017	(17)
Total finance department	<u>\$ 320,508</u>	<u>\$ 345,508</u>	<u>\$ 324,466</u>	<u>\$ 21,042</u>
Memberships and Dues:				
Virginia Muncpal League	\$ 3,200	\$ 3,200	\$ 3,579	\$ (379)
Virginia Institute of Government	750	750	1,000	(250)
Virginia Innovation Group	500	500	500	-
Total memberships and dues	<u>\$ 4,450</u>	<u>\$ 4,450</u>	<u>\$ 5,079</u>	<u>\$ (629)</u>
Data Processing Department				
Wages and extra help	\$ 5,000	\$ 5,000	\$ 478	\$ 4,522
Fringe benefits	382	382	48	334
Professional services	76,962	50,871	50,871	-
Contractual repair	1,200	1,200	63	1,137
Maintenance contracts	9,885	9,885	11,310	(1,425)
Communication	4,535	4,535	3,706	829
Office supplies	2,000	2,000	2,540	(540)
Subscriptions	800	800	743	57
Travel	400	400	-	400
Training	4,000	4,000	333	3,667
Data processing equipment	33,080	33,080	33,354	(274)
Total data processing department	<u>\$ 138,244</u>	<u>\$ 112,153</u>	<u>\$ 103,446</u>	<u>\$ 8,707</u>
Total general government administration	<u>\$ 810,163</u>	<u>\$ 809,072</u>	<u>\$ 765,865</u>	<u>\$ 43,207</u>

Town of Warrenton, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety:				
Department of Police				
Salary - chief of police	\$ 71,947	\$ 71,947	\$ 75,782	\$ (3,835)
Salary - lieutenant	53,508	53,508	29,255	24,253
Salary - secretary	74,172	74,172	73,772	400
Salaries - sergeants	272,390	272,390	271,080	1,310
Salaries - patrolmen	388,190	388,190	350,546	37,644
Officer comp time	20,000	20,000	35,976	(15,976)
Salaries - investigators	147,079	147,079	147,887	(808)
Salary - community resource officer	55,016	55,016	54,720	296
Salary - captain	-	-	26,092	(26,092)
Wages and extra help	39,400	39,400	35,805	3,595
Fringe benefits	360,973	360,973	321,208	39,765
Professional services	4,200	4,200	4,453	(253)
Repairs and maintenance - contractual	1,900	1,900	2,001	(101)
Maintenance service contracts	12,275	12,275	8,723	3,552
Printing	2,700	2,700	2,663	37
Advertising	800	800	87	713
Board and care of prisoners	1,500	1,500	1,723	(223)
Vehicle expenses	75,600	75,600	68,207	7,393
Lease of equipment	3,257	3,257	3,127	130
Postage	1,680	1,680	794	886
Communication	11,000	11,000	15,763	(4,763)
Surety bond	500	500	221	279
Professional liability insurance	7,000	7,000	10,155	(3,155)
Office supplies	3,650	3,650	4,681	(1,031)
Police supplies	6,375	6,375	7,032	(657)
Wearing apparel	9,370	9,370	11,020	(1,650)
Subscriptions	500	500	355	145
Narcotics fund	2,000	2,000	-	2,000
Materials and supplies	4,915	4,915	5,119	(204)
Travel	3,200	3,200	1,611	1,589
Training	12,400	12,400	7,235	5,165
Memberships and dues	1,100	1,100	395	705
Furniture and fixtures	1,050	1,050	754	296
E-911 system contribution	19,630	19,630	9,123	10,507
Data processing equipment	2,300	2,300	713	1,587
Communication equipment	30,000	30,000	25,674	4,326
Motor Vehicles and equipment	43,650	43,650	46,534	(2,884)
Grant expenditures	9,550	9,780	8,443	1,337
Total department of police	<u>\$ 1,754,777</u>	<u>\$ 1,755,007</u>	<u>\$ 1,668,729</u>	<u>\$ 86,278</u>
Fire and Rescue Services:				
Salary - fireman	\$ 33,883	\$ 33,883	\$ 34,587	\$ (704)
Salary - fire marshall	7,000	7,000	4,177	2,823
Fringe benefits	7,264	7,264	6,914	350
Repairs and maintenance - contractual	-	-	231	(231)
Contribution - fire department	21,248	21,248	21,248	-
Fire program	8,500	8,500	-	8,500
General liability insurance	17	17	16	1
Wearing apparel	1,000	1,000	1,002	(2)
Contribution - rescue squad	29,248	29,248	29,248	-
Travel	850	850	699	151
Memberships and dues	100	100	25	75
Communication equipment	5,000	5,000	4,683	317
Total fire and rescue services	<u>\$ 114,110</u>	<u>\$ 114,110</u>	<u>\$ 102,830</u>	<u>\$ 11,280</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Bureau of Building Inspections:				
Salaries - building inspectors	\$ 111,274	\$ 111,274	\$ 108,822	\$ 2,452
Wages and extra help	6,500	6,500	6,502	(2)
Fringe benefits	39,562	39,562	35,090	4,472
Professional Services	-	-	21,168	(21,168)
Maintenance contracts	500	500	702	(202)
Printing	600	600	90	510
Uniform rental	385	385	414	(29)
Vehicle expenses	3,000	3,000	6,881	(3,881)
Lease of equipment	400	400	104	296
Postage	300	300	66	234
Communication	1,200	1,200	1,442	(242)
General liability insurance	40	40	38	2
Office supplies	400	400	296	104
Wearing apparel	100	100	200	(100)
Subscriptions	1,000	1,000	625	375
Materials and supplies	400	400	-	400
Tools	300	300	606	(306)
Travel	1,500	1,500	247	1,253
Training	1,500	1,500	137	1,363
Memberships and dues	400	400	300	100
Furniture and fixtures	300	300	-	300
Radio equipment	200	200	566	(366)
Motor Vehicles and equipment	22,000	22,000	17,611	4,389
Engineering equipment	-	-	-	-
Total bureau of building inspections	<u>\$ 191,861</u>	<u>\$ 191,861</u>	<u>\$ 201,907</u>	<u>\$ (10,046)</u>
Total public safety	<u>\$ 2,060,748</u>	<u>\$ 2,060,978</u>	<u>\$ 1,973,466</u>	<u>\$ 87,512</u>
Public works:				
Public Works Administration:				
Salary - public works director	\$ 42,512	\$ 42,512	\$ 42,197	\$ 315
Salary - public works superintendent	63,701	63,701	66,443	(2,742)
Salary - secretary	52,974	52,974	52,378	596
Salary - project engineer	25,238	25,238	25,273	(35)
Wages and extra help	1,500	1,500	6,311	(4,811)
Fringe benefits	61,350	61,350	58,971	2,379
Professional services	7,500	9,500	4,356	5,144
Temporary help services	-	-	614	(614)
Contractual repairs	200	200	-	200
Maintenance contracts	3,150	3,150	4,391	(1,241)
Printing	250	250	34	216
Advertising	2,000	2,000	1,215	785
Vehicle expenses	1,500	1,500	22,751	(21,251)
Postage	1,000	1,000	306	694
Communication	2,000	2,000	2,546	(546)
Surety bond	50	50	22	28
General liability insurance	96	96	91	5
Lease of equipment	409	409	323	86
Office supplies	1,500	1,500	1,557	(57)
Engineering supplies	300	300	4	296
Subscriptions	200	200	278	(78)
Travel	600	600	149	451
Training	1,000	1,000	1,569	(569)

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Public Works Administration: (Continued)				
Memberships and dues	\$ 350	\$ 350	\$ 38	\$ 312
Furniture and fixtures	200	200	206	(6)
Total public works administration	<u>\$ 269,580</u>	<u>\$ 271,580</u>	<u>\$ 292,023</u>	<u>\$ (20,443)</u>
Bureau of Street Maintenance:				
Wages and other help	\$ 260,996	\$ 260,996	\$ 239,906	\$ 21,090
Fringe benefits	184,458	184,458	149,766	34,692
Contractual repairs	-	-	445	(445)
Uniform rental	2,730	2,730	2,434	296
Vehicle/equipment expenses	9,400	9,400	153,880	(144,480)
Lease of equipment	3,000	3,000	1,317	1,683
Electric current	37,000	37,000	37,060	(60)
Wearing apparel	2,500	3,786	2,019	1,767
Materials and supplies	3,000	3,000	7,398	(4,398)
Chemical supplies	500	500	464	36
Food	200	200	1,239	(1,039)
Small tools	900	900	1,582	(682)
Travel	400	400	303	97
Training	400	400	59	341
Replace trash receptacles	1,000	1,000	-	1,000
Equipment	48,000	48,000	48,150	(150)
Driveway culverts	500	500	-	500
Total bureau of street maintenance	<u>\$ 554,984</u>	<u>\$ 556,270</u>	<u>\$ 646,022</u>	<u>\$ (89,752)</u>
Arterial Street Maintenance:				
Wages and other help	\$ 61,000	\$ 61,000	\$ 68,304	\$ (7,304)
Fringe benefits	4,666	4,666	5,035	(369)
Contractual services	7,000	7,000	5,555	1,445
Payments on contracts	19,000	25,000	13,082	11,918
Vehicle/equipment expenses	93,000	93,000	-	93,000
Electric current	39,000	39,000	39,966	(966)
Lease of equipment	600	600	7,435	(6,835)
Repair parts - signal equipment	1,000	1,000	1,230	(230)
Materials and supplies	12,000	12,000	11,525	475
Chemical supplies	18,555	18,555	35,776	(17,221)
Food	200	200	103	97
Replace street name signs	600	600	348	252
Replace traffic signs	1,200	1,200	677	523
Sidewalk, curb and gutter	10,300	10,300	10,195	105
Street improvements and paving	117,880	110,008	110,008	-
Total arterial street maintenance	<u>\$ 386,001</u>	<u>\$ 384,129</u>	<u>\$ 309,239</u>	<u>\$ 74,890</u>
Collector Street Maintenance:				
Wages and other help	\$ 50,000	\$ 50,000	\$ 56,386	\$ (6,386)
Fringe benefits	3,825	3,825	4,153	(328)
Payments on contracts	7,000	7,000	19,661	(12,661)
Vehicle/equipment expenses	93,000	93,000	-	93,000
Materials and supplies	15,000	15,000	7,258	7,742
Chemical supplies	10,980	10,980	12,923	(1,943)
Lease of equipment	500	500	4,335	(3,835)
Food	400	400	-	400
Replace street name signs	400	400	550	(150)
Replace traffic signs	1,500	1,500	1,047	453
Sidewalk, curb and gutter	15,800	6,368	6,368	-

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works: (Continued)				
Collector Street Maintenance: (Continued)				
Street improvements and paving	\$ 86,000	\$ 100,350	\$ 99,350	\$ 1,000
Culvert replacements	11,500	2,858	2,858	-
Total collector street maintenance	<u>\$ 295,905</u>	<u>\$ 292,181</u>	<u>\$ 214,889</u>	<u>\$ 77,292</u>
Bureau of Refuse Collection:				
Wages and other help	\$ 141,712	\$ 141,712	\$ 138,622	\$ 3,090
Fringe benefits	74,439	74,439	52,600	21,839
Uniform rental	1,170	1,170	1,285	(115)
Share landfill operation	30,000	30,000	5,060	24,940
Vehicle/equipment expenses	27,000	27,000	43,640	(16,640)
General liability insurance	600	600	567	33
Purchase of plastic bags	14,000	14,000	13,156	844
Wearing apparel	624	624	272	352
Materials and supplies	600	600	397	203
Equipment	95,000	-	-	-
Total bureau of refuse collection	<u>\$ 385,145</u>	<u>\$ 290,145</u>	<u>\$ 255,599</u>	<u>\$ 34,546</u>
Recycling Program:				
Wages and other help	\$ 37,928	\$ 37,928	\$ 36,368	\$ 1,560
Fringe benefits	2,902	2,902	2,756	146
Printing	100	100	-	100
Advertising	100	100	-	100
Payments on contracts	33,000	33,000	25,823	7,177
Vehicle expense	5,000	5,000	29,308	(24,308)
Purchase of plastic bags	12,000	12,000	6,937	5,063
General liability insurance	49	49	46	3
Materials and supplies	800	800	20	780
Total recycling program	<u>\$ 91,879</u>	<u>\$ 91,879</u>	<u>\$ 101,258</u>	<u>\$ (9,379)</u>
Maintenance, Buildings and Grounds:				
Wages and other help	\$ 23,345	\$ 23,345	\$ 31,198	\$ (7,853)
Fringe benefits	11,841	11,841	10,331	1,510
Contractual repairs and maintenance	9,000	9,000	11,273	(2,273)
Maintenance contracts	14,978	21,078	10,310	10,768
Janitorial service	21,000	21,000	24,131	(3,131)
Permit fee	125	125	305	(180)
Uniform rental	195	195	196	(1)
Vehicle/equipment expenses	3,000	3,000	1,590	1,410
Lease of equipment	9,373	9,373	12,023	(2,650)
Lease of buildings	18,996	18,996	18,996	-
Electric current	23,000	23,000	26,863	(3,863)
Fuel	9,500	9,500	16,216	(6,716)
Communication	6,000	6,000	3,444	2,556
Fire insurance	3,260	3,260	2,996	264
General liability insurance	82	82	78	4
Repairs, buildings and grounds	1,800	1,800	5,382	(3,582)
Repairs, parking lots	1,000	1,000	-	1,000
Wearing apparel	104	104	30	74
Materials and supplies	5,000	5,000	9,336	(4,336)
Training	100	100	59	41
Furniture and fixtures	1,000	1,000	1,115	(115)
Landscaping - parking lot E	1,000	1,000	319	681
Total maintenance, buildings and grounds	<u>\$ 163,699</u>	<u>\$ 169,799</u>	<u>\$ 186,191</u>	<u>\$ (16,392)</u>
Total public works	<u>\$ 2,147,193</u>	<u>\$ 2,055,983</u>	<u>\$ 2,005,221</u>	<u>\$ 50,762</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Welfare/Social Services:				
Fauquier Housing	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Fauquier Community Action	7,500	7,500	7,500	-
Fauquier Family Shelter Services	6,700	6,700	6,700	-
Fauquier Community Child Care	4,500	4,500	4,500	-
Fauquier Free Clinic	10,000	10,000	10,000	-
Piedmont Dispute Resolution Center	1,000	1,000	1,000	-
Contribution-Loudon Bus Center	95,200	95,200	18,650	76,550
Total health and welfare	\$ 134,900	\$ 134,900	\$ 58,350	\$ 76,550
Parks, recreation, and cultural:				
Maintenance, parks:				
Wages and extra help	\$ 5,000	\$ 5,000	\$ 4,797	\$ 203
Fringe benefits	383	383	359	24
Rady Park maintenance	300	300	-	300
Vehicle expenses	2,000	2,000	-	2,000
Electric current	1,500	1,500	1,228	272
Insurance	27	27	27	-
Lease of equipment	1,560	1,560	1,560	-
Repairs-building and grounds	200	200	202	(2)
Materials and supplies	750	750	23	727
Landscaping, parks	1,000	1,000	-	1,000
Equipment	500	500	-	500
Total maintenance, parks	\$ 13,220	\$ 13,220	\$ 8,196	\$ 5,024
Parks and Recreation contributions:				
Boys and Girls Club	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Parks and recreation	10,750	10,750	10,750	-
Warrenton Caboose	1,000	1,000	1,000	-
Total parks and recreation contributions	\$ 23,750	\$ 23,750	\$ 23,750	\$ -
Maintenance, cemetery:				
Wages and extra help	\$ 58,569	\$ 58,569	\$ 59,184	\$ (615)
Fringe benefits	17,141	17,141	14,287	2,854
Repairs and maintenance - contractual	750	750	-	750
Uniform rental	390	390	390	-
Payment on contracts	8,000	8,000	9,085	(1,085)
Vehicle expenses	2,500	2,500	4,708	(2,208)
Electric current	150	150	167	(17)
Fuel	900	900	1,332	(432)
Fire Insurance	51	51	51	-
General Liability Insurance	28	28	27	1
Agricultural supplies	300	300	-	300
Repairs, building and grounds	250	250	947	(697)
Wearing apparel	208	208	59	149
Tools	100	100	69	31
Materials and supplies	700	700	1,999	(1,299)
Equipment	-	-	70	(70)
Total maintenance, cemetery	\$ 90,037	\$ 90,037	\$ 92,375	\$ (2,338)
Cultural enrichment:				
Blument contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Fauquier Historical	10,000	10,000	10,000	-

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment: (Continued)				
Veterans Memorial	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
First Night Out	3,000	3,000	3,000	-
Total cultural enrichment	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 152,007</u>	<u>\$ 152,007</u>	<u>\$ 149,321</u>	<u>\$ 2,686</u>
Community development:				
Planning and Zoning Department				
Salaries - commission members	\$ 6,300	\$ 6,300	\$ 6,750	\$ (450)
Salaries - town planner	72,681	62,081	61,413	668
Salary - community development assistant	14,931	19,531	18,797	734
Salary - secretary	24,881	24,881	24,993	(112)
Salary - zoning inspector	23,744	23,744	20,961	2,783
Wages and extra help	20,400	12,770	6,861	5,909
Fringe benefits	50,602	48,332	33,799	14,533
Professional services	25,000	33,440	33,440	-
Professional services - comprehensive plan	-	-	916	(916)
Professional services - subdivision & zoning ordinances	-	5,688	5,688	-
Temporary help services	1,200	1,200	613	587
Contractual repairs and maintenance	500	500	-	500
Maintenance contracts	1,500	1,500	286	1,214
Printing	1,200	1,200	1,176	24
Advertising	3,000	7,794	9,011	(1,217)
Postage	1,100	1,100	582	518
Communication	1,900	1,900	1,480	420
Surety bonds	81	81	36	45
General liability insurance	41	41	39	2
Office supplies	2,100	2,100	1,944	156
Materials and supplies	500	500	222	278
Subscriptions	1,025	1,531	1,338	193
Travel	900	900	446	454
Training	1,000	1,000	248	752
Contribution - planning district	4,602	4,602	4,602	-
Memberships and dues	600	600	370	230
Furniture and fixtures	500	500	-	500
Total planning and zoning department	<u>\$ 260,288</u>	<u>\$ 263,816</u>	<u>\$ 236,011</u>	<u>\$ 27,805</u>
Zoning Appeals Board:				
Advertising	\$ 500	\$ 500	\$ 1,012	\$ (512)
Postage	150	150	-	150
Travel	200	200	-	200
Training	750	750	-	750
Temporary services	500	500	358	142
Total zoning appeals board	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 1,370</u>	<u>\$ 730</u>
Architectural Review Board:				
Printing	\$ 195	\$ 195	\$ -	\$ 195
Advertising	100	100	225	(125)
Postage	78	78	258	(180)
Office supplies	50	50	45	5
Travel	777	777	-	777
Training	860	860	60	800
Temporary services	1,000	1,000	400	600
Memberships and dues	110	110	-	110
Total architectural review board	<u>\$ 3,170</u>	<u>\$ 3,170</u>	<u>\$ 988</u>	<u>\$ 2,182</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Economic Development Department:				
Salary - economic development director	\$ 60,039	\$ 60,039	\$ 51,178	\$ 8,861
Salary - community development assistant	14,931	14,931	17,700	(2,769)
Wages and extra help	4,800	4,800	829	3,971
Fringe benefits	23,001	23,001	17,260	5,741
Professional services	5,000	3,000	-	3,000
Printing	10,000	10,000	2,226	7,774
Advertising	12,000	14,000	14,076	(76)
Postage	2,500	2,500	1,672	828
Communication	750	750	694	56
Surety bond	35	35	15	20
General liability insurance	23	23	22	1
Lease of equipment	-	-	65	(65)
Office supplies	500	500	748	(248)
Subscriptions	500	500	810	(310)
Miscellaneous supplies	-	-	23	(23)
Travel	2,200	2,200	261	1,939
Training	1,000	1,000	351	649
Memberships and dues	1,500	1,500	1,195	305
Contributions - Lord Fairfax Small Business	5,000	5,000	5,000	-
Contributions - Vistor Center	62,500	62,500	62,500	-
Contributions - Partnership	24,000	24,000	24,000	-
Wreaths, signs, planters	2,200	2,200	-	2,200
Furniture and fixtures	250	250	-	250
Total economic development department	<u>\$ 232,729</u>	<u>\$ 232,729</u>	<u>\$ 200,625</u>	<u>\$ 32,104</u>
Total community development	<u>\$ 498,287</u>	<u>\$ 501,815</u>	<u>\$ 438,994</u>	<u>\$ 62,821</u>
Nondepartmental:				
Miscellaneous	\$ 26,000	\$ 26,000	\$ 19,900	\$ 6,100
Capital projects:				
Oliver City drainage	\$ 114,148	\$ 2,581	\$ 2,581	-
Traffic signal - Falmouth & Lee	50,000	-	-	-
Visitor Center/Chamber parking lot	570,756	570,756	6,619	564,137
Recreational facility	-	75,103	69,058	6,045
Light Installation	-	1,473	1,473	-
Calhoun St & Sidewalk Improvements	39,140	39,140	29,474	9,666
Hike & Bike Trail	-	-	4,650	(4,650)
Police radio system	175,000	12,000	-	12,000
Blackwell Rd sidewalk/drainage improvements	-	4,500	4,450	50
Blackwell Rd/Lee Hwy intersection	-	21,414	21,414	-
Mosby house purchase and renovations	-	-	-	-
Public safety facility	-	58,723	52,078	6,645
Main St. sidewalk/street repair/lighting	240,958	344,290	352,248	(7,958)
Madison St. sidewalk/drainage	-	-	27	(27)
Baptist Church parking lot	-	955	4,721	(3,766)
Academy Hill road improvements	-	4,823	4,454	369
Van Roijen Land acquisition	-	747,500	769,015	(21,515)
Total capital projects	<u>\$ 1,190,002</u>	<u>\$ 1,883,258</u>	<u>\$ 1,322,262</u>	<u>\$ 560,996</u>
Debt service:				
Principal retirement	65,364	65,364	68,225	(2,861)
Interest and other fiscal charges	2,557	2,557	2,492	65
Total debt service	<u>\$ 67,921</u>	<u>\$ 67,921</u>	<u>\$ 70,717</u>	<u>\$ (2,796)</u>
Total General Fund	<u>\$ 7,087,221</u>	<u>\$ 7,691,934</u>	<u>\$ 6,804,096</u>	<u>\$ 887,838</u>

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,020,676	\$ 2,020,676	\$ 2,093,346	\$ (72,670)
Sale of water	1,223,839	1,223,839	1,270,957	(47,118)
Sale of materials and supplies	15,200	15,200	76,851	(61,651)
Late payment charges	32,000	32,000	30,537	1,463
Installation fees	5,000	5,000	8,318	(3,318)
Transfer fees	7,900	7,900	10,598	(2,698)
Reconnection fees	2,700	2,700	8,800	(6,100)
Impact fees	-	-	19,500	(19,500)
Total sale of services, commodities and properties	<u>\$ 3,307,315</u>	<u>\$ 3,307,315</u>	<u>\$ 3,518,907</u>	<u>\$ (211,592)</u>
Miscellaneous revenue:				
Recoveries and rebates	\$ 1,500	\$ 1,500	\$ 11,503	\$ (10,003)
Miscellaneous receipts	500	500	22,132	(21,632)
Total miscellaneous revenue	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 33,635</u>	<u>\$ (31,635)</u>
Total operating revenue	<u>\$ 3,309,315</u>	<u>\$ 3,309,315</u>	<u>\$ 3,552,542</u>	<u>\$ (243,227)</u>
Operating Expenses:				
Source of supply:				
Salary of superintendent	\$ 33,425	\$ 33,425	\$ 33,490	\$ (65)
Salaries of plant operators	150,884	150,884	151,359	(475)
Wages and extra help	40,800	40,800	46,946	(6,146)
Fringe benefits	68,772	68,772	63,948	4,824
Laboratory services	1,000	1,000	5,552	(4,552)
Repairs and maintenance - contractual	17,000	28,203	29,452	(1,249)
Maintenance service contracts	28,805	28,805	29,224	(419)
Advertising	250	250	142	108
Uniform rental	762	762	909	(147)
Payments on contracts	6,300	6,300	1,800	4,500
Permit fees	7,025	7,025	5,927	1,098
Vehicle expenses	1,000	1,000	6,587	(5,587)
Lease of equipment	880	880	755	125
Electric current	70,000	70,000	70,795	(795)
Postage	10	10	10	-
Communication	1,690	1,690	1,801	(111)
Fire insurance	4,291	4,291	4,332	(41)
General liability insurance	7,270	7,270	6,872	398
Laboratory supplies	3,995	3,995	5,201	(1,206)
Repairs - buildings and grounds	40,926	40,926	4,872	36,054
Gasoline, grease & oil	200	200	3	197
Repair parts - plant and equipment	7,600	7,600	8,980	(1,380)
Wearing apparel	500	500	428	72
Materials and supplies	2,455	2,455	2,207	248
Subscriptions	50	50	61	(11)
Chemical supplies	41,660	41,660	50,155	(8,495)
Small Tools	500	500	886	(386)
Travel	800	800	147	653
Training	2,000	2,000	579	1,421
Memberships and dues	850	850	405	445
Total source of supply	<u>\$ 541,700</u>	<u>\$ 552,903</u>	<u>\$ 533,825</u>	<u>\$ 19,078</u>

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Transmission and distribution:				
Salary of water and sewer superintendent	\$ 54,538	\$ 54,538	\$ 59,265	\$ (4,727)
Wages and extra help	166,085	166,085	185,057	(18,972)
Fringe benefits	104,928	104,928	90,312	14,616
Repair and maintenance - contractual	6,600	6,600	3,533	3,067
Maintenance service contracts	942	942	1,169	(227)
Advertising	300	300	239	61
Uniform rental	1,365	1,365	1,107	258
Payment on contracts	-	-	(5)	5
Vehicle expenses	17,000	17,000	36,709	(19,709)
Postage	100	100	19	81
Lease of equipment	1,565	1,565	808	757
Communication	4,620	4,620	4,530	90
General liability insurance	9,210	9,210	8,706	504
Wearing apparel	1,175	1,175	2,469	(1,294)
Memberships and dues	100	100	-	100
Materials and supplies	22,820	22,820	46,252	(23,432)
Small tools	900	900	2,056	(1,156)
Travel	300	300	356	(56)
Training	400	400	199	201
Total transmission and distribution	<u>\$ 392,948</u>	<u>\$ 392,948</u>	<u>\$ 442,781</u>	<u>\$ (49,833)</u>
Meter reading:				
Wages and extra help	\$ 95,537	\$ 95,537	\$ 87,564	\$ 7,973
Fringe benefits	34,266	34,266	33,419	847
Repairs and maintenance-contractual	1,000	1,000	-	1,000
Maintenance service contracts	4,191	4,191	2,774	1,417
Printing	-	-	377	(377)
Advertising	200	200	-	200
Uniform rental	546	546	621	(75)
Vehicle expenses	5,000	5,000	15,637	(10,637)
Lease of equipment	548	548	584	(36)
Postage	100	100	155	(55)
Communication	804	804	1,069	(265)
General liability insurance	4,846	4,846	4,581	265
Office supplies	260	260	230	30
Wearing apparel	550	550	418	132
Meters and supplies	80,600	80,600	81,047	(447)
Materials and supplies	3,000	3,000	1,003	1,997
Tools	300	300	60	240
Travel	360	360	104	256
Training	750	750	59	691
Memberships and dues	50	50	-	50
Total meter reading	<u>\$ 232,908</u>	<u>\$ 232,908</u>	<u>\$ 229,702</u>	<u>\$ 3,206</u>
Wastewater Treatment Operation:				
Salary of superintendent	\$ 33,425	\$ 33,425	\$ 34,968	\$ (1,543)
Salary of plant operators	230,854	230,854	225,230	5,624
Salary of plant maintenance mechanic	76,464	76,464	77,460	(996)
Wages and extra help	40,000	40,000	36,229	3,771
Fringe benefits	125,041	125,041	116,570	8,471
Professional services	-	6,137	6,137	-

Town of Warrenton, Virginia
Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Wastewater Treatment Operation: (Continued)				
Repairs and maintenance - contractual	\$ 114,000	\$ 84,193	\$ 84,193	\$ -
Maintenance contracts	1,900	320	523	(203)
Advertising	400	400	667	(267)
Uniform rental	380	380	617	(237)
Payments on contracts	26,808	26,808	25,177	1,631
Laboratory testing services	8,000	8,000	6,000	2,000
Pretreatment testing	4,000	4,000	-	4,000
Permit fees	-	-	120	(120)
Vehicle expenses	4,300	4,300	8,669	(4,369)
Lease of equipment	1,453	1,453	1,060	393
Electric current	97,000	97,000	117,823	(20,823)
Fuel	15,000	15,000	19,855	(4,855)
Communications	3,400	3,400	2,762	638
Fire insurance	7,573	7,573	7,645	(72)
General liability insurance	14,541	14,541	13,746	795
Postage	50	50	60	(10)
Laboratory supplies	5,098	5,098	4,101	997
Repairs - buildings and grounds	2,835	2,835	3,900	(1,065)
Gasoline, grease and oil	4,500	4,500	3,949	551
Repair parts - equipment	15,000	15,000	28,811	(13,811)
Wearing apparel	1,200	1,200	1,238	(38)
Office Supplies	200	200	667	(467)
Materials and supplies	4,000	4,000	5,071	(1,071)
Chemical supplies	134,000	134,000	123,537	10,463
Tools	465	465	862	(397)
Travel	1,200	1,200	1,691	(491)
Training	1,000	1,000	1,728	(728)
Subscriptions	50	50	61	(11)
Memberships and dues	200	200	30	170
Total wastewater treatment operation	<u>\$ 974,337</u>	<u>\$ 949,087</u>	<u>\$ 961,157</u>	<u>\$ (12,070)</u>
Public Utilities Administration:				
Salary of Town manager	\$ 18,200	\$ 18,200	\$ 18,359	\$ (159)
Salary of utilities director	42,512	42,512	40,941	1,571
Salary of secretary	28,934	28,934	29,034	(100)
Salary of account clerks	75,859	75,859	69,557	6,302
Public utilities technician	50,378	50,378	50,708	(330)
Salary of project engineer	16,826	16,826	17,143	(317)
Salary of finance director	17,064	17,064	17,130	(66)
Salary of deputy finance director	20,245	20,245	20,657	(412)
Wages and extra help	5,000	5,000	7,023	(2,023)
Fringe benefits	98,773	98,773	72,765	26,008
Professional services	40,000	40,000	36,141	3,859
Professional services - legal fees	5,000	5,000	41,114	(36,114)
Professional services - recording costs	250	250	124	126
Professional services - contractual	5,320	5,320	5,520	(200)
Professional services - data processing	53,400	34,287	34,287	-
Temporary help services	200	200	409	(209)
Repairs and maintenance - contractual	800	800	42	758
Maintenance contracts	6,210	6,210	7,235	(1,025)
Printing	5,000	5,000	5,004	(4)

Town of Warrenton, Virginia
Schedule of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Public Utilities Administration: (Continued)				
Advertising	\$ 500	\$ 500	\$ 146	\$ 354
Uniform rental	273	273	293	(20)
Lease of equipment	218	218	248	(30)
Vehicle expense	-	-	7,899	(7,899)
Postage	11,750	11,750	14,411	(2,661)
Communication	5,800	5,800	6,426	(626)
Surety bond	984	984	859	125
General liability insurance	6,462	6,462	6,109	353
Office supplies	4,900	4,900	5,923	(1,023)
Materials and supplies	-	-	288	(288)
Wearing apparel	-	-	50	(50)
Service charges	2,000	2,000	7,898	(5,898)
Subscriptions	700	700	1,477	(777)
Travel	1,500	1,500	1,426	74
Training	4,700	4,700	2,108	2,592
Memberships and dues	600	600	1,386	(786)
Bad debt expense	-	-	14,485	(14,485)
Furniture and equipment	2,030	2,030	997	1,033
Data processing equipment	24,220	24,220	15,112	9,108
Total public utilities administration	<u>\$ 556,608</u>	<u>\$ 537,495</u>	<u>\$ 560,734</u>	<u>\$ (23,239)</u>
Capital Outlay:				
Machinery/equipment - meter department	\$ 12,325	\$ 12,325	\$ -	\$ 12,325
Machinery/equipment - transmission and distribution	81,376	81,376	-	81,376
Water plant improvements	-	6,674	23,776	(17,102)
Sewer plant improvements	89,596	90,581	16,569	74,012
Sewer line rehabilitation	56,250	91,566	4,055	87,511
Water line replacement	115,595	41,992	-	41,992
Industrial park	-	37,171	-	37,171
Cedar Run pump station	793,393	45,325	-	45,325
Total capital outlay	<u>\$ 1,148,535</u>	<u>\$ 407,010</u>	<u>\$ 44,400</u>	<u>\$ 362,610</u>
Depreciation	\$ -	\$ -	\$ 873,450	\$ (873,450)
Amortization of bond issue costs	-	-	8,856	(8,856)
Total operating expenses	<u>\$ 3,847,036</u>	<u>\$ 3,072,351</u>	<u>\$ 3,654,905</u>	<u>\$ (582,554)</u>
Net operating income	<u>\$ (537,721)</u>	<u>\$ 236,964</u>	<u>\$ (102,363)</u>	<u>\$ 339,327</u>
Non-operating revenues (expenses):				
Interest revenue	\$ 88,000	\$ 88,000	\$ 112,672	\$ (24,672)
Rental revenue	114,000	114,000	116,729	(2,729)
Water/sewer connection fees	745,300	745,300	5,320,575	(4,575,275)
Interest expense	(186,226)	(186,226)	(177,186)	(9,040)
Service charges	(2,000)	(2,000)	(500)	(1,500)
Net non-operating revenues (expenses)	<u>\$ 759,074</u>	<u>\$ 759,074</u>	<u>\$ 5,372,290</u>	<u>\$ (4,613,216)</u>
Net income (loss)	<u>\$ 221,353</u>	<u>\$ 996,038</u>	<u>\$ 5,269,927</u>	<u>\$ (4,273,889)</u>
Net assets, beginning of year, as adjusted	<u>-</u>	<u>-</u>	<u>18,490,381</u>	<u>(18,490,381)</u>
Net assets, end of year	<u>\$ 221,353</u>	<u>\$ 996,038</u>	<u>\$ 23,760,308</u>	<u>\$ (22,764,270)</u>

Town of Warrenton, Virginia
Schedule of Changes in Designated Fund Balance
General Fund
For the Year Ended June 30, 2003

Schedule 4

	Balances	Transfers		Balances
	July 1, 2002	In	Out	June 30, 2003
Planning department printing	\$ 8,500	\$ -	\$ -	\$ 8,500
Data processing equipment	5,407	-	-	5,407
Business Directional sign	3,100	-	-	3,100
Cemetery street improvement	5,000	-	-	5,000
Police department lease	18,996	-	18,996	-
Repairs municipal building	12,678	50,000	-	62,678
Parking lot improvements	8,481	-	4,721	3,760
Park site improvements	21,669	-	-	21,669
Driveway culvert Evans	5,400	-	-	5,400
Microfilm records	4,102	-	-	4,102
Storm sewers	190,200	-	-	190,200
Main Street sidewalk and street repair	99,448	-	99,448	-
Light installation	23,174	-	1,473	21,701
Landscaping Rt 29 bypass	26,400	-	-	26,400
Business Park	846,571	-	846,571	-
Recreation	428,535	-	337,855	90,680
Highland Proffers	77,985	1,179	-	79,164
SWMM upgrade	15,000	-	-	15,000
Shirley Avenue improvements	111,032	-	111,032	-
Public Safety facility	55,414	-	45,078	10,336
Recreational facility design	15,594	-	13,378	2,216
Winchester Street drainage	75,170	-	-	75,170
Aerial photography	3,500	-	3,500	-
Drainage Lee Highway	46,200	-	46,200	-
Haiti St. sidewalk	23,400	-	-	23,400
Madison St. sidewalk	104,030	-	-	104,030
Gay Road Park design	15,000	35,000	-	50,000
Town office renovation	106,687	-	106,687	-
Wherehouse improvements	14,882	-	-	14,882
Professional services - data processing	25,485	30,070	-	55,555
Professional services - planning	1,425	2,160	-	3,585
Professional services - comprehensive plan	17,000	-	17,000	-
Moser/Church Street drainage	105,363	-	105,363	-
Alexandria Pike/King Street drainage	15,000	-	15,000	-
Subdivision and Zoning Ordinance	-	44,312	-	44,312
Trash Truck	-	95,000	-	95,000
Driveway culverts	-	8,642	-	8,642
Sidewalk Curb and Gutter	-	9,432	-	9,432
Street Improvements/Painting	-	7,872	-	7,872
Academy Hill Park Improvements	25,000	-	-	25,000
Lee Hwy/Branch Traffic Signal	-	10,080	-	10,080
Police department radio	-	163,000	-	163,000
Oliver City drainage	-	197,567	-	197,567
Totals	\$ 2,560,828	\$ 654,314	\$ 1,772,302	\$ 1,442,840

Town of Warrenton, Virginia
Schedule of Changes in Restricted Net Assets
Proprietary Funds
For the Year Ended June 30, 2003

Schedule 5

	Balances	Transfers		Balances
	July 1, 2002	In	Out	June 30, 2003
Water plant improvements	\$ 501,085	\$ 65,837	\$ -	\$ 566,922
Furniture and fixtures	2,615	-	-	2,615
Lift station upgrade	32,000	798,318	-	830,318
Lines and services	285,000	33,603	-	318,603
Sewer rehabilitation	282,956	-	-	282,956
Sewer plant improvements	590,088	89,506	-	679,594
Caustic feed system	51,834	-	-	51,834
Building modifications	12,000	-	-	12,000
Professional services - data processing	23,925	21,765	-	45,690
Data processing equipment	7,391	-	-	7,391
Culpeper Street water line	19,748	-	-	19,748
Tank maintenance contracts	14,517	-	-	14,517
Industrial Park sewage construction	36,035	-	36,035	-
Sewer Plant contractual repairs	-	31,387	-	31,387
	<u>\$ 1,859,194</u>	<u>\$ 1,040,416</u>	<u>\$ 36,035</u>	<u>\$ 2,863,575</u>
Totals	<u>\$ 1,859,194</u>	<u>\$ 1,040,416</u>	<u>\$ 36,035</u>	<u>\$ 2,863,575</u>

Computation of Legal Debt Margin
At June 30, 2003

Total Assessed Value of Real Estate	\$	<u>701,853,350</u>
Legal Debt Margin:	\$	70,185,335
Less: Existing Bonded Debt Subject to Limitation		<u>-</u>
Legal Margin for Creation of Additional Debt	\$	<u>70,185,335</u>

STATISTICAL SECTION

Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Water & Sewer	Total
2002-03	\$ 801,322	\$ 2,010,689	\$ 2,872,899	\$ 58,350	\$ 251,035	\$ 429,669	\$ 2,492	\$ 3,832,591	\$ 10,259,047

(1) Information has only been available for 1 year.

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2002-03	\$ 3,673,977	\$ 1,014,166	\$ 5,320,575	\$ 595,516	\$ 4,884,107	\$ 255,724	\$ 488,703	\$ 146,529	\$ 641,418	\$ 17,020,715	

(1) Information has only been available for 1 year.

Table 3

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

Fiscal Year	General Legislative & Policy Direction	General Administration	Counsel & Legal Advice	Financial Administration	Board of Elections and Memberships	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Boards and Commissions	Non-departmental	Debt Service & Capital Outlay Unallocated	Total
1993-94	\$ 65,171	142,110	\$ 157,384	237,624	\$ 5,105	\$ 1,426,564	\$ 1,896,748	\$ -	\$ -	\$ 238,769	\$ 105,085	\$ 408,566	\$ 4,683,126
1994-95	67,602	142,727	141,084	296,676	2,620	1,504,475	1,977,049	-	-	396,326	-	755,997	5,284,556
1995-96	77,121	147,974	129,261	286,304	6,516	1,492,504	1,947,429	-	-	399,992	-	839,649	5,326,750
1996-97	78,103	153,835	130,823	328,702	2,982	1,535,401	1,919,503	-	-	410,541	-	661,488	5,221,378
1997-98	87,551	160,101	99,832	399,530	3,069	1,599,638	1,946,781	-	-	467,308	-	1,309,459	6,073,269
1998-99	102,602	150,440	162,416	337,139	3,423	1,711,155	1,944,714	-	-	512,011	-	1,469,562	6,393,462
1999-00	95,578	156,487	159,919	370,636	3,556	1,822,997	2,019,495	-	-	652,702	-	1,415,593	6,696,963
2000-01	95,574	160,666	128,508	400,467	3,686	1,938,025	1,988,867	-	-	648,885	-	532,835	5,897,513
2001-02	120,895	174,669	109,071	416,468	10,229	1,839,211	2,151,562	47,200	144,464	436,114	-	2,192,946	7,642,829
2002-03	114,117	146,096	72,661	427,912	5,079	1,973,466	2,005,221	58,350	149,321	438,994	19,900	1,392,979	6,804,096

(1) Includes General Fund.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, & Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	From Other Agencies	Miscellaneous	Recovered Costs	Total
1993-94	\$ 1,427,945	\$ 2,376,820	\$ 74,890	\$ 61,705	\$ 57,693	\$ 650,663	\$ 2,452	\$ 20,902	\$ 4,673,070
1994-95	1,468,480	2,708,602	126,713	68,120	123,795	1,014,010	165,598	33,429	5,708,747
1995-96	1,546,250	2,677,104	87,020	77,591	152,898	767,266	195,286	47,011	5,550,426
1996-97	2,058,698	3,480,602	91,864	87,144	236,841	1,191,895	223,144	57,234	7,427,422
1997-98	1,675,689	3,232,114	125,678	110,940	244,565	1,047,433	189,521	31,124	6,657,064
1998-99	1,643,425	3,482,397	109,343	106,942	302,289	1,169,012	36,698	23,527	6,873,633
1999-00	1,597,539	3,550,359	134,462	104,505	292,579	1,042,664	174,071	25,004	6,921,183
2000-01	1,211,312	4,191,058	214,220	73,808	458,405	1,276,329	942,784	24,285	8,392,201
2001-02	605,363	4,695,289	273,780	88,950	229,157	1,538,954	379,256	22,377	7,833,126
2002-03	570,204	4,884,107	255,724	155,070	259,302	1,655,584	40,596	72,298	7,892,885

(1) Includes General Fund.

Table 5

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

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Franchise Tax	Meals Tax	Transient Occupancy Tax	Business, Professional, Occupational Licenses	Motor Vehicle Licenses	Motor Vehicle Rental Tax	Cigarette Tax	Total
1993-94	\$ 1,427,945	\$ 124,213	\$ 455,791	\$ 165,985	\$ 733,627	\$ 80,082	\$ 563,721	\$ 85,340	\$ 5,548	\$ 168,061	\$ 3,810,313
1994-95	1,468,480	136,840	551,251	266,227	784,715	84,718	559,798	88,084	8,375	236,969	4,185,457
1995-96	1,546,250	147,669	568,906	212,381	769,446	79,554	568,504	90,540	29,026	240,104	4,252,380
1996-97	2,058,698	175,642	608,324	400,043	815,876	92,106	1,070,772	97,406	25,358	220,433	5,564,658
1997-98	1,675,689	176,806	614,057	403,473	864,012	101,620	743,466	103,694	40,867	224,986	4,948,670
1998-99	1,643,425	206,139	641,291	436,984	952,222	99,342	802,613	110,116	39,295	233,690	5,165,117
1999-00	1,597,539	244,592	680,214	424,963	977,125	125,937	750,026	118,153	68,103	229,349	5,216,001
2000-01	1,211,312	275,335	912,010	529,008	1,082,000	121,620	923,169	129,051	66,588	218,865	5,468,958
2001-02	605,363	293,596	964,261	669,381	1,289,265	112,318	987,283	132,298	73,334	246,887	5,373,986
2002-03	570,204	332,040	907,930	783,908	1,366,248	105,536	1,017,011	139,315	76,742	232,119	5,531,053

(1) Includes General Fund and Special Revenue funds.

Table 6

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1993-94	\$ 1,443,208	\$ 1,347,778	93.39%	\$ 57,535	\$ 1,405,313	97.37%
1994-95	1,473,604	1,374,728	93.29%	61,637	1,436,365	97.47%
1995-96	1,533,164	1,432,519	93.44%	68,104	1,500,623	97.88%
1996-97	2,062,905	1,948,836	94.47%	70,628	2,019,464	97.89%
1997-98	1,618,551	1,560,250	96.40%	67,697	1,627,947	100.58%
1998-99	1,603,661	1,552,848	96.83%	50,932	1,603,780	100.01%
1999-00	1,553,140	1,494,425	96.22%	60,771	1,555,196	100.13%
2000-01	1,470,335	1,403,690	95.47%	45,866	1,449,556	98.59%
2001-02	1,051,396	1,005,877	95.67%	59,813	1,065,690	101.36%
2002-03	1,108,708	1,064,496	96.01%	27,902	1,092,398	98.53%

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

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

Table 7

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

Fiscal Year	Real Estate (1)	Personal Property	Public Service Corporation (2)		Total	Assessed vs Fair Market Value
			Real Estate	Personal Property		
1993-94	\$ 422,754,700	\$ 25,556,541	\$ 16,667,073	\$ 10,087	\$ 464,988,401	100.00%
1994-95	429,406,316	28,677,807	20,530,723	10,479	478,625,325	100.00%
1995-96	437,622,062	29,140,469	18,722,797	8,965	485,494,293	100.00%
1996-97	674,730,150	37,804,216	17,686,167	7,122	730,227,655	100.00%
1997-98	469,124,500	37,886,291	18,688,957	11,734	525,711,482	100.00%
1998-99	474,819,450	42,111,093	19,905,293	11,734	536,847,570	100.00%
1999-00	488,175,500	43,931,350	21,121,628	17,350	553,245,828	100.00%
2000-01	502,120,502	50,952,693	21,730,034	-	574,803,229	100.00%
2001-02	591,875,900	57,788,410	22,395,310	-	672,059,620	100.00%
2002-03	701,853,350	64,202,242	24,056,439	-	790,112,031	100.00%

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

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

Table 8

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

Fiscal Year	County of	Town	County of	Town	Town	
	Fauquier Real Estate	Real Estate	Fauquier PP & MT	Personal Property	Public Service Corporatoion	
					Real	Personal
1993-94	\$ 0.93	\$ 0.18	\$ 4.20	\$ 2.50	\$ 0.18	\$ 2.50
1994-95	1.03	0.18	4.90	2.50	0.18	2.50
1995-96	1.03	0.18	4.90	2.50	0.18	2.50
1996-97	1.03	0.18	4.90	2.40	0.18	2.40
1997-98	1.06	0.18	4.65	2.25	0.18	2.25
1998-99	1.06	0.14	4.65	2.25	0.14	2.25
1999-00	1.06	0.115	4.65	2.25	0.115	2.25
2000-01	1.06	0.115/.05	4.65	2.25	0.115/.05	2.25
2001-02	1.06	0.05/.03	4.65	1.00	0.05/.03	1.00
2002-03	0.99	0.03	4.65	1.00	0.03	1.00

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

Table 9

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1993-94	5,117	\$ 464,988	\$ -	0.00%	\$ -
1994-95	5,117	478,625	-	0.00%	-
1995-96	5,117	485,494	-	0.00%	-
1996-97	5,716	730,228	-	0.00%	-
1997-98	6,035	525,711	-	0.00%	-
1998-99	6,339	536,848	-	0.00%	-
1999-00	6,634	553,246	-	0.00%	-
2000-01	6,670	574,803	-	0.00%	-
2001-02	7,517	672,060	-	0.00%	-
2002-03	7,413	790,112	-	0.00%	-

(1) Town of Warrenton Planning Department.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation debt.

(4) In accordance with the provisions of annexation settlements.

Table 10

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1993-94	\$ 19,934	\$ 400	\$ 20,334	\$ 4,683,126	0.43%
1994-95	31,210	2,283	33,493	5,284,556	0.63%
1995-96	71,868	11,516	83,384	5,326,750	1.57%
1996-97	74,651	8,733	83,384	5,221,378	1.60%
1997-98	41,171	4,656	45,827	6,073,269	0.75%
1998-99	39,256	1,475	40,731	6,393,462	0.64%
1999-00	23,719	1,032	24,751	6,696,963	0.37%
2000-01	48,159	7,804	55,963	5,897,513	0.95%
2001-02	59,864	6,055	65,919	7,642,829	0.86%
2002-03	68,225	2,492	70,717	6,804,096	1.04%

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

Table 11

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service Requirements	Debt Service Coverage
1993-94	\$ 2,668,431	\$ 2,256,227	\$ 412,204	\$ 470,777	\$ 404,676	\$ 875,453	0.47
1994-95	2,752,739	1,815,800	936,939	445,000	498,500	943,500	0.99
1995-96	2,774,206	1,801,247	972,959	472,732	375,385	848,117	1.15
1996-97	2,858,907	1,883,751	975,156	483,505	348,826	832,331	1.17
1997-98	2,944,537	1,811,984	1,132,553	535,000	314,116	849,116	1.33
1998-99	2,966,545	2,046,230	920,315	540,000	284,100	824,100	1.12
1999-00	3,051,693	2,137,227	914,466	550,000	259,530	809,530	1.13
2000-01	3,124,992	2,310,892	814,100	555,000	230,695	785,695	1.04
2001-02	3,303,374	2,507,983	795,391	610,000	204,479	814,479	0.98
2002-03	3,552,542	2,772,599	779,943	615,000	177,186	792,186	0.98

(1) Includes all operating revenues.

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

Town of Warrenton, Virginia

Computation of Direct and Overlapping Bonded Debt
At June 30, 2003

Direct:			
Town of Warrenton (1)	\$ 5,010	100.00%	\$ 5,010
Overlapping:			
County of Fauquier	<u>\$ 54,713,664</u>	5.41%	<u>\$ 2,960,009</u>
Total	<u><u>\$ 54,718,674</u></u>		<u><u>\$ 2,965,019</u></u>

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

Table 13

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

Fiscal Year	Property Value			Residential Construction (1)		Commercial Construction (1)		Bank Deposits
	Commercial	Residential	Total	Number of Units	Value	Number of Units	Value	
1993-94	\$ 248,121	\$ 545,270	\$ 793,391	145	\$ 18,453	93	\$ 11,093	\$ 451,854
1994-95	325,730	635,000	960,730	124	15,171	2	12,316	399,015
1995-96	778,573	222,583	1,001,156	18	164,341	4	498,500	402,602
1996-97	4,710,905	6,102,168	10,813,073	61	4,746,700	3	1,492,825	402,745
1997-98	3,101,240	7,249,493	10,350,733	70	6,530,225	3	589,630	510,985
1998-99	16,577,531	8,610,512	25,188,043	85	7,914,000	5	11,633,540	543,747
1999-00	5,519,499	11,853,634	17,373,133	105	10,395,450	5	721,000	602,956
2000-01	6,569,232	18,615,393	25,184,625	147	16,091,650	3	2,279,688	635,929
2001-02	41,461,733	33,896,815	75,358,548	198	29,957,000	11	10,119,388	822,866
2002-03	14,969,956	39,665,279	54,635,235	202	37,352,000	3	5,150,000	832,984

(1) Source-Town of Warrenton Planning Department

Table 14

Town of Warrenton, Virginia
Demographic Statistics
At June 30, 2003

Population (1)	7,413
Unemployment Rate (County of Fauquier, Virginia) (2)	2.90%
Number of School Age Children (3)	1,220
Per Capita Personal Income (4)	\$ 23,552
Median Age (4)	38

(1) Weldon Cooper Center for Public Service

(2) Virginia Employment Commission

Table 15

Town of Warrenton, Virginia
Principal Taxpayers (1)
At June 30, 2003

Company	Industry	Assessed Valuation	% of Total Assessed Valuation (2)
Jefferson Associates	Shopping Center	29,338,200	3.87%
Verizon Virginia	Utility	12,383,002	1.64%
Warrenton Development Company	Developer	10,099,500	1.33%
Wal-Mart Real Estate	Retail Store	8,991,800	1.19%
Highland Commons, LP	Developer	8,279,100	1.09%
Oak Springs Nursing Home	Health Care	7,055,000	0.93%
Troy CMBS Property, LLC	Shopping Center	6,872,000	0.91%
Warrenton Professional Center	Health Care	6,080,000	0.80%
Dominion Virginia Power	Utility	5,793,833	0.76%
Warrenton Towne Centre Association	Shopping Center	5,109,400	0.67%
	Total		13.19%

(1) Rankings based on total property assessed.

(2) Total includes real estate, personal property, machinery and tools aggregate original levy of \$1,108,708.

Town of Warrenton, Virginia
Miscellaneous Statistics
At June 30, 2003

Date of incorporation	1810
Form of government	Council/Manager
Number of employees (excluding police and fire):	
Classified	71
Exempt	7
Area in square miles	4.35
Town of Warrenton, Virginia facilities and services:	
Miles of streets	85.16
Number of street lights	645
Fire Protection:	
Number of stations (volunteer station)	1
Number of paid fire personnel and officers	1
Police Protection:	
Number of stations	1
Number of police personnel and officers	20
Number of patrol units	16
Number of law violations:	
Physical arrests	506
Traffic violations	2,013
Parking violations	2,942
Sewage System:	
Miles of sanitary sewers	58.56
Miles of storm sewers	15.31
Number of treatment plants	1
Number of service connections	3,383
Daily average treatment in gallons	904,516
Maximum daily capacity of plant in gallons	2,500,000
Water System:	
Miles of water mains	76.24
Number of service connections	3,826
Number of fire hydrants	578
Daily average consumption in gallons	1,220,523
Maximum daily capacity of plant in gallons	2,000,000
Facilities and services not included in reporting entity:	
Education:	
Number of elementary schools	2
Number of secondary schools	3
Number of school age population	1,220
Hospitals	
Number of hospitals	1
Number of patient beds	121

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

**TO THE TOWN COUNCIL
TOWN OF WARRENTON, VIRGINIA**

We have audited the financial statements of the Town of Warrenton, Virginia as of and for the year ended June 30, 2003 and have issued our report thereon dated September 24, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Warrenton, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Warrenton, Virginia in a separate letter dated September 24, 2003.

This report is intended solely for the information and use 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, Farmer, Cox Associates

Staunton, Virginia
September 24, 2003