

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2004



**TOWN OF WARRENTON,
VIRGINIA**

TOWN OF WARRENTON, VIRGINIA

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

RICHARD M. HEARTLEY, FINANCE DIRECTOR

Town of Warrenton, Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2004

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INTRODUCTORY SECTION

Town of Warrenton, Virginia

Principal Town Officials

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

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TOWN OF WARRENTON

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October 29, 2004

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, 2004. 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.

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.

Generally accepted accounting principles 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 the 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.

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 performance measurement system for the Town Council and its various departments. On July 1, 2004, four new council members joined the governing body. Shortly thereafter, the mayor and seven council members once again ratified the strategic plan and goals developed in FY 2002.

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

The Town awarded a contract to Grimm & Parker Architects to develop architectural and engineering plans for the new indoor aquatic center/recreation complex. Groundbreaking for site work to include parking facilities, a skate board park, and six athletic fields will be held prior to the release of this report.

As part of a major effort to enhance traffic flow on the "old bypass" through the Town, the Public Works Department successfully completed the installation of two traffic signal projects at the intersection of Lee Highway and Branch Drive and the intersection of Shirley Avenue and Carriage House Lane. In addition to signals for traffic control, specialized equipment was added to the Shirley Avenue system to allow the Warrenton Volunteer Fire Department to better control ingress and egress for emergency vehicles to their facility. A remote pre-emption mechanism for emergency vehicles was installed at another existing signal.

The Public Safety Department was successful in the installation of an emergency generator at the Department's new facility to allow for the operation of a command center during emergencies. In addition, the Department completed the final phase of its communications upgrade to an 800 mhz radio system in conjunction with the Fauquier County Sheriff's Department.

The Public Utilities Department successfully completed a Vulnerability Assessment of the Town's water supply as required by Federal Law. Several major projects were completed during the period including Phase 1 of the Water Plant upgrade to increase capacity from its current 2.0 mgd (million gallons per day) to 2.4 mgd. to allow the Plant to meet demand during peak periods. The installation of standby generators for the Water Filtration Plant and Raw Water Station to ensure continued operations when electricity is not available, rounds out major improvements to the Town's Water Treatment Plant.

Phase 2 of the Odor Control project at the Waste Water Treatment plant which included the construction of a 126 foot diameter fiberglass dome over the trickling filter with air ventilation/scrubber system to control offensive odors produced by plant operations is another major enhancement to the wastewater treatment system.

The Cedar Run Pump Station Upgrade project was completed in FY 2004 which increased the pumping capacity of the station from 0.6 mgd to 1.2 mgd., doubling its capacity. Cedar Run Pump Station is the largest pump station in the Town and collects sewage from approximately 40% of the total waste treated by the system. The pump station serves primarily the northern and eastern areas of the Town.

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 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 in excess \$600,000.

The 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. The final size and components of the aquatic facility is still under consideration with the possibility of actual construction of the facility being phased in over more than one fiscal year.

In the Utilities Department, the scheduled upgrade to the Rady Park Pump Station doubles the capacity of the station in an effort to serve new residential construction in the northwestern portion of the Town. Additionally, Phase 3 of the Odor Control Project at the wastewater treatment plant will include the installation of covers with air handling systems to treat foul odors from the primary clarifiers and the headworks.

Significant investment in sewer line rehabilitation is scheduled to combat infiltration and inflow in the Cedar Run and Taylor Pump Station basins. Phase 2 of the Culpeper Street waterline projects completes the replacement of 3,500 feet of 6 inch cast iron pipe installed in 1982 with 8 inch ductile iron pipe.

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

CASH MANAGEMENT

The primary objectives of the Town's cash management and investment program are the safety and preservation of principal, liquidity, and yield. Idle cash during the year was invested in treasury bonds 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 and Single Audit Section of this report.

CERTIFICATE OF ACHIEVEMENT

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



Richard M. Heartley
Director of Finance & Human Resources

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Warrenton,
Virginia

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

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

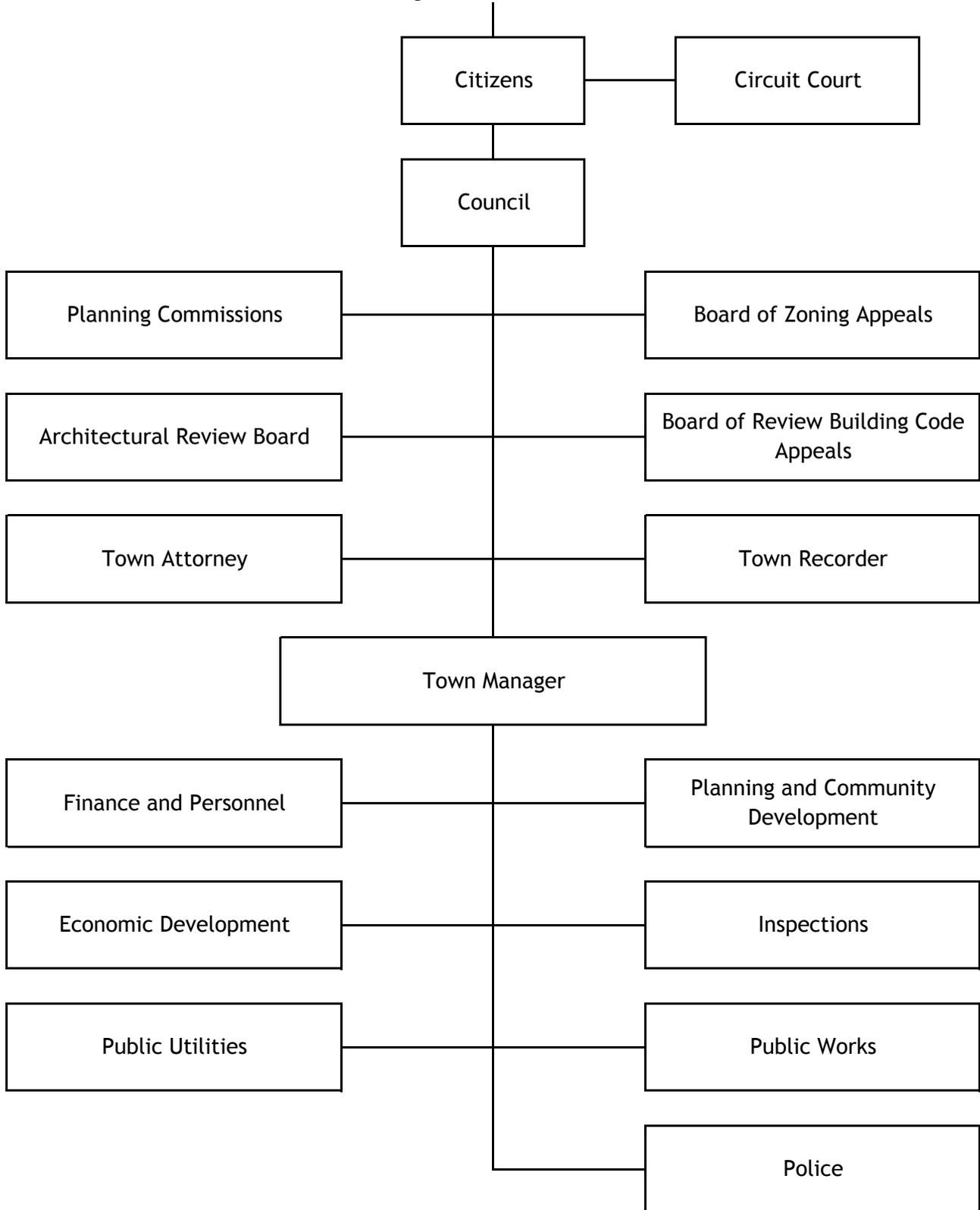


President

Executive Director

Town of Warrenton

Organizational Chart



FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Warrenton, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These 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; 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2004 on our consideration of the Town of Warrenton, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Verona, Virginia
September 1, 2004

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, 2004. 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

Government-wide Financial Statements

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

	June 30, 2004	June 30, 2003
Net Assets	\$56,564,146	\$48,494,792
Unrestricted	13,065,713	15,516,030

The Town's total net assets increased by \$8,069,354. This increase is attributable to continued growth within the Town.

Fund Financial Statements

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

	June 30, 2004	June 30, 2003
Fund balance, ending	\$13,442,513	\$10,155,006
Increase over prior year	3,287,507	1,088,789
Unreserved fund balance	6,684,447	8,213,270
Percentage unreserved	50%	81%

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 \$56,564,146 at June 30, 2004.

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

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Current and other assets	\$ 13,887,771	\$ 10,574,323	\$ 9,413,697	\$ 11,723,168	\$ 23,301,468	\$ 22,297,491
Capital assets	17,346,179	14,687,177	16,786,204	15,869,607	34,132,383	30,556,784
Total assets	<u>\$ 31,233,950</u>	<u>\$ 25,261,500</u>	<u>\$ 26,199,901</u>	<u>\$ 27,592,775</u>	<u>\$ 57,433,851</u>	<u>\$ 52,854,275</u>
Long-term liabilities	\$ 219,897	\$ 236,058	\$ 116,922	\$ 3,500,387	\$ 336,819	\$ 3,736,445
Other liabilities	353,797	290,958	179,089	332,080	532,886	623,038
Total liabilities	<u>\$ 573,694</u>	<u>\$ 527,016</u>	<u>\$ 296,011</u>	<u>\$ 3,832,467</u>	<u>\$ 869,705</u>	<u>\$ 4,359,483</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 17,346,179	\$ 14,682,167	\$ 16,786,204	\$ 12,491,284	\$ 34,132,383	\$ 27,173,451
Restricted	6,758,066	1,941,736	2,607,984	2,863,575	9,366,050	4,805,311
Unrestricted	6,556,011	8,110,581	6,509,702	8,405,449	13,065,713	16,516,030
Total net assets	<u>\$ 30,660,256</u>	<u>\$ 24,734,484</u>	<u>\$ 25,903,890</u>	<u>\$ 23,760,308</u>	<u>\$ 56,564,146</u>	<u>\$ 48,494,792</u>

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

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The majority of these net assets are to be used for public safety equipment replacement, general government renovations and utility projects. The Town's restricted net assets account for 17 percent of total net assets.

The remaining balance of unrestricted net assets at June 30, 2004 is \$13,065,713 or 23 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 \$8,069,354 during the current fiscal year. A portion of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The majority of this increase is attributable to the retirement of long-term debt, increases in the Town's investment in capital assets, and favorable revenue and expenditure variances for the year ending June 30, 2004.

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Governmental Activities

Governmental activities increased the Town's net assets by \$5,925,772, thereby accounting for 73 percent of the total growth in the net assets of the Town. Key elements of this increase are as follows:

Town of Warrenton's Net Assets

	Governmental activities		Business-type activities		Total	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Revenues:						
Program revenues:						
Charges for services	\$ 460,565	\$ 155,070	\$ 3,643,950	\$ 3,518,907	\$ 4,104,515	\$ 3,673,977
Operating grants & contributions	2,405,588	1,014,166	-	-	2,405,588	1,014,166
Capital grants & contributions	2,221,275	-	1,791,625	5,320,575	4,012,900	5,320,575
General revenues:						
General property taxes	631,535	595,516	-	-	631,535	595,516
Other local taxes	5,182,700	4,884,107	-	-	5,182,700	4,884,107
Use of money and property	105,694	259,302	240,345	229,401	346,039	488,703
Miscellaneous	142,685	368,618	10,723	33,635	153,408	402,253
Gain (loss) on disposal of assets	(2,977)	-	-	-	(2,977)	-
Grants and contributions not restricted to specific programs	748,819	641,418	299,000	-	1,047,819	641,418
Total revenue	\$ 11,895,884	\$ 7,918,197	\$ 5,985,643	\$ 9,102,518	\$ 17,881,527	\$ 17,020,715
Expenses:						
General government	\$ 865,020	\$ 801,322	\$ -	\$ -	\$ 865,020	801,322
Public safety	2,044,514	2,010,689	-	-	2,044,514	2,010,689
Public works	2,425,711	2,872,899	-	-	2,425,711	2,872,899
Health and welfare	60,986	58,350	-	-	60,986	58,350
Parks, recreation and cultural	165,968	251,035	-	-	165,968	251,035
Community development	407,819	429,669	-	-	407,819	429,669
Interest on long-term debt	94	2,492	-	-	94	2,492
Other	-	-	-	-	-	-
Water and sewer	-	-	3,842,061	3,832,591	3,842,061	3,832,591
Total expense	\$ 5,970,112	\$ 6,426,456	\$ 3,842,061	\$ 3,832,591	\$ 9,812,173	\$ 10,259,047
Increase in net assets	5,925,772	1,491,741	2,143,582	5,269,927	8,069,354	6,761,668
Net assets, beginning of year	24,734,484	23,242,743	23,760,308	18,490,381	48,494,792	41,733,124
Net assets, end of year	\$ 30,660,256	\$ 24,734,484	\$ 25,903,890	\$ 23,760,308	\$ 56,564,146	\$ 48,494,792

- Property tax revenue increased by \$36,019 (6 percent) during the year. The increase is attributable to the increase in taxable real property due to moderate growth in construction (20 percent) and an increase in the assessed value of public service real estate taxes (408 percent). Personal property tax revenue increased 10%. Personal Property Tax Relief Act revenue is included in this analysis. The Commonwealth of Virginia reimbursement continued at 70 percent in fiscal year 2004, causing grants and contributions not restricted to specific programs to increase \$63,377.
- Operating Grants and Contributions increased \$1,391,422 due primarily to a one-time contribution (\$1,357,540) from Fauquier County to help construct a recreational facility in the Town, decreased funding for law enforcement (\$535), an increase in Street and highway maintenance funds from the Commonwealth of Virginia (\$58,586), decreased funding from federal sources (\$20,309), and new funding from the Department of Historic Resources (\$24,115).
- Other local taxes increased \$298,593 (7%) due primarily to increased business license, sales tax, meals tax and bank franchise tax revenues.
- Operating expenses decreased by 5% from last year while experiencing a growth in demand for services. Capital expenses decreased by 13% from last year.

Business-type Activities

Business-type activities increased the Town's net assets by \$2,143,582, accounting for 27 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Approximately 98 percent of the increase is attributable to capital contributions from developers and individuals connecting to the system for the first time.
- Increased revenue from an additional 225 water and sewer customers.
- Increases in expenses closely paralleled inflation and growth in demand for services.

Financial Analysis of the Government's Funds

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

Governmental funds

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

At the end of the fiscal year, the Town's governmental funds reported an ending fund balance of \$13,442,513, an increase of \$3,287,507 over the prior year. Approximately 50 percent of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to various Town capital projects. Of the capital projects, the most prominent are public works projects and the aquatic center/recreation facility.

Proprietary funds

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

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$6,509,702 or 26% of the total net assets. Restricted net assets of \$2,607,984 are funds committed to future utility projects.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were decreased by \$2,630,017, which is 29 percent of the total original budget. While various line items were increased or decreased due to re-allocations, the major decrease is attributable to the transfer to reserves for future construction of the aquatic center/recreational complex from available general fund balance (\$3,150,878) and the completion of several public work projects carried over from the previous fiscal year.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2004 is \$17,346,179 (net of accumulated depreciation). The Town's investment in business-type activity capital assets is \$16,786,204 (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 18 percent for government activities and a total net increase of 34 percent for business-type activities.

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

- Dedication of seven collector streets by developer for \$2,090,275.
- Development of architectural and engineering plans for an aquatic/recreational facility for \$349,121.
- Completion of the Oliver City drainage project in the General Fund for \$201,860.
- Installation of new traffic lights at two major intersections for \$164,218.
- Acquisition of new 800 mhz radio system for the Police Department for \$159,311
- Completion of the Cedar Run Pump Station upgrade for \$863,322.
- Dedication of water and sewer lines by property developer for \$299,000.
- Completion of Wastewater Treatment Plant Trickling Filter/Odor Control System upgrade for \$201,427.
- Purchase and installation of two generators at the Water Treatment Plant and the Raw Water Pumping Station for \$191,422.
- Rehabilitation of sewer lines for \$153,441.

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

	Governmental activities		Business-type activities		Total	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Land	\$ 2,621,505	\$ 2,462,340	\$ 665,660	\$ 665,660	\$ 3,287,165	\$ 3,128,000
Buildings and system	2,742,989	2,836,205	15,476,107	14,899,052	18,219,096	17,735,257
Machinery and equipment	643,991	464,982	554,671	238,118	1,198,662	703,100
Infrastructure	10,988,572	8,923,650	-	-	10,988,572	8,923,650
Construction in progress	349,122	-	89,766	66,777	438,888	66,777
Total	\$ 17,346,179	\$ 14,687,177	\$ 16,786,204	\$ 15,869,607	\$ 34,132,383	\$ 30,556,784

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, 2004

	Governmental activities		Business-type activities		Total	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
General obligation bonds	\$ -	\$ -	\$ -	\$ 3,375,000	\$ -	\$ 3,375,000
Capital leases	-	5,010	-	3,323	-	8,333
Compensated absences	239,018	231,048	121,794	122,064	360,812	353,112
Total	\$ 239,018	\$ 236,058	\$ 121,794	\$ 3,500,387	\$ 360,812	\$ 3,736,445

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 2.1 percent, which is a decrease from the rate of 2.6 percent a year ago. This compares favorably to the state's average unemployment rate of 4.2 percent and the national average rate of 6.0 percent.
- Earnings on investments have decreased over the past two fiscal years due to lower yields generally found in the financial market. The Town Investment revenue was \$196,877 and \$364,932 for the fiscal year ending June 30, 2004 and June 30, 2003 respectively. These amounts included unrealized gains and losses from investment.
- Due to low interest rates and a significant demand for both residential and commercial real property, growth within the Town is moderate.
- The Town is currently in the process of developing architectural and engineering plans for the construction of a new 65 acre aquatic and recreational facility on the western edge of Town. Depending on the final scope and timing of this project as determined by Town Council, undesignated fund balances and possible debt issuance would provide the necessary funding.

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

During fiscal year 2004, unreserved fund balance in the general fund increased \$3,287,495. 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 2005 budget year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,912,952	\$ 8,651,820	\$ 21,564,772
Receivables (net of allowance for uncollectibles):			
Taxes receivable	193,174	-	193,174
Accounts receivable	186,727	424,776	611,503
Accrued interest receivable	59,181	-	59,181
Notes receivable	20,000	101,498	121,498
Due from other governmental units	392,456	-	392,456
Inventories	123,281	214,832	338,113
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	20,771	20,771
Capital assets (net of accumulated depreciation):			
Land	2,621,505	665,660	3,287,165
Buildings and system	2,742,989	15,476,107	18,219,096
Machinery and equipment	643,991	554,671	1,198,662
Infrastructure	10,988,572	-	10,988,572
Construction in progress	349,122	89,766	438,888
Total assets	\$ 31,233,950	\$ 26,199,901	\$ 57,433,851
LIABILITIES			
Accounts payable	\$ 326,044	\$ 147,458	\$ 473,502
Customers' deposits	-	20,771	20,771
Deferred revenue	8,632	5,988	14,620
Long-term liabilities:			
Due within one year	19,121	4,872	23,993
Due in more than one year	219,897	116,922	336,819
Total liabilities	\$ 573,694	\$ 296,011	\$ 869,705
NET ASSETS			
Invested in capital assets, net of related debt	\$ 17,346,179	\$ 16,786,204	\$ 34,132,383
Restricted for:			
Construction	6,259,158	2,607,984	8,867,142
Perpetual Care:			
Expendable	498,908	-	498,908
Unrestricted (deficit)	6,556,011	6,509,702	13,065,713
Total net assets	\$ 30,660,256	\$ 25,903,890	\$ 56,564,146

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, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 865,020	\$ -	\$ -	\$ -
Public safety	2,044,514	206,823	177,220	-
Public works	2,425,711	-	865,828	2,090,275
Health and welfare	60,986	-	-	-
Parks, recreation, and cultural	165,968	-	1,362,540	131,000
Community development	407,819	253,742	-	-
Interest on long-term debt	94	-	-	-
Total governmental activities	\$ 5,970,112	\$ 460,565	\$ 2,405,588	\$ 2,221,275
Business-type activities:				
Water and sewer	\$ 3,842,061	\$ 3,643,950	\$ -	\$ 1,791,625
Total business-type activities	\$ 3,842,061	\$ 3,643,950	\$ -	\$ 1,791,625
Total primary government	\$ 9,812,173	\$ 4,104,515	\$ 2,405,588	\$ 4,012,900

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

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (865,020)	\$ -	\$ (865,020)
(1,660,471)	-	(1,660,471)
530,392	-	530,392
(60,986)	-	(60,986)
1,327,572	-	1,327,572
(154,077)	-	(154,077)
(94)	-	(94)
<u>\$ (882,684)</u>	<u>\$ -</u>	<u>\$ (882,684)</u>
\$ -	\$ 1,593,514	\$ 1,593,514
\$ -	\$ 1,593,514	\$ 1,593,514
<u>\$ (882,684)</u>	<u>\$ 1,593,514</u>	<u>\$ 710,830</u>
\$ 631,535	\$ -	\$ 631,535
390,691	-	390,691
896,993	-	896,993
1,023,571	-	1,023,571
1,494,046	-	1,494,046
132,663	-	132,663
91,278	-	91,278
798,720	-	798,720
231,192	-	231,192
123,546	-	123,546
105,694	240,345	346,039
142,685	10,723	153,408
748,819	299,000	1,047,819
(2,977)	-	(2,977)
<u>\$ 6,808,456</u>	<u>\$ 550,068</u>	<u>\$ 7,358,524</u>
5,925,772	2,143,582	8,069,354
24,734,484	23,760,308	48,494,792
<u>\$ 30,660,256</u>	<u>\$ 25,903,890</u>	<u>\$ 56,564,146</u>

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FUND FINANCIAL STATEMENTS

Town of Warrenton, Virginia
 Balance Sheet
 Governmental Funds
 June 30, 2004

Exhibit 3

	<u>General</u>	<u>Permanent Fund Perpetual Care</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 12,414,044	\$ 498,908	\$ 12,912,952
Receivables (net of allowance for uncollectibles):			
Taxes receivable	193,174	-	193,174
Accounts receivable	186,727	-	186,727
Accrued interest receivable	59,181	-	59,181
Notes receivable	20,000	-	20,000
Due from other governmental units	392,456	-	392,456
Inventories	123,281	-	123,281
Total assets	<u>\$ 13,388,863</u>	<u>\$ 498,908</u>	<u>\$ 13,887,771</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 326,044	\$ -	\$ 326,044
Deferred revenue	119,214	-	119,214
Total liabilities	<u>\$ 445,258</u>	<u>\$ -</u>	<u>\$ 445,258</u>
Fund balances:			
Reserved for:			
Construction	\$ 6,259,158	\$ -	\$ 6,259,158
Perpetual care	-	498,908	498,908
Unreserved, reported in:			
General fund	6,558,977	-	6,558,977
Capital projects funds	125,470	-	125,470
Total fund balances	<u>\$ 12,943,605</u>	<u>\$ 498,908</u>	<u>\$ 13,442,513</u>
Total liabilities and fund balances	<u>\$ 13,388,863</u>	<u>\$ 498,908</u>	<u>\$ 13,887,771</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, 2004

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	13,442,513
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		17,346,179
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		110,582
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(239,018)
Net assets of governmental activities	\$	<u>30,660,256</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, 2004

Exhibit 5

	General	Permanent Fund Perpetual Care	Total
REVENUES			
General property taxes	\$ 649,312	\$ -	\$ 649,312
Other local taxes	5,182,700	-	5,182,700
Permits, privilege fees, and regulatory licenses	323,960	-	323,960
Fines and forfeitures	136,605	-	136,605
Revenue from the use of money and property	105,682	12	105,694
Miscellaneous	85,460	-	85,460
Recovered costs	57,225	-	57,225
Intergovernmental revenues:			
Local government	1,357,540	-	1,357,540
Commonwealth	1,785,002	-	1,785,002
Federal	11,865	-	11,865
Total revenues	<u>\$ 9,695,351</u>	<u>\$ 12</u>	<u>\$ 9,695,363</u>
EXPENDITURES			
Current:			
General government administration	\$ 837,312	\$ -	\$ 837,312
Public safety	1,956,619	-	1,956,619
Public works	1,836,982	-	1,836,982
Health and welfare	60,986	-	60,986
Parks, recreation, and cultural	143,383	-	143,383
Community development	403,547	-	403,547
Nondepartmental	12,500	-	12,500
Capital projects	1,151,423	-	1,151,423
Debt service:			
Principal retirement	5,004	-	5,004
Interest and other fiscal charges	100	-	100
Total expenditures	<u>\$ 6,407,856</u>	<u>\$ -</u>	<u>\$ 6,407,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,287,495</u>	<u>\$ 12</u>	<u>\$ 3,287,507</u>
Net change in fund balances	\$ 3,287,495	\$ 12	\$ 3,287,507
Fund balances - beginning	9,656,110	498,896	10,155,006
Fund balances - ending	<u>\$ 12,943,605</u>	<u>\$ 498,908</u>	<u>\$ 13,442,513</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, 2004

Exhibit 6

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

Net change in fund balances - total governmental funds \$ 3,287,507

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. 440,704

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. 2,218,298

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (17,777)

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. 5,010

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. (7,970)

Change in net assets of governmental activities \$ 5,925,772

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, 2004

Exhibit 7

	<u>Enterprise Fund Water & Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,651,820
Accounts receivable	424,776
Notes receivable	101,498
Inventories	214,832
Total current assets	<u>\$ 9,392,926</u>
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents	\$ 20,771
Total restricted current assets	<u>\$ 20,771</u>
Capital assets:	
Utility plant in service	\$ 30,362,823
Less accumulated depreciation	(13,576,619)
Total capital assets	<u>\$ 16,786,204</u>
Total noncurrent assets	<u>\$ 16,806,975</u>
Total assets	<u>\$ 26,199,901</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 147,458
Customers' deposits	20,771
Compensated absences	4,872
Deferred revenue	5,988
Total current liabilities	<u>\$ 179,089</u>
Noncurrent liabilities:	
Compensated absences	\$ 116,922
Total noncurrent liabilities	<u>\$ 116,922</u>
Total liabilities	<u>\$ 296,011</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 16,786,204
Restricted for capital projects	2,607,984
Unrestricted	6,509,702
Total net assets	<u>\$ 25,903,890</u>

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

Town of Warrenton, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit 8

	Enterprise Fund <u>Water & Sewer</u>
OPERATING REVENUES	
Charges for services:	
Sale of water	\$ 1,218,226
Sewer service charges	2,276,273
Sale of materials and supplies	50,584
Late payment charges	28,258
Transfer fees	11,257
Other fees	59,352
Miscellaneous	10,723
Total operating revenues	<u>\$ 3,654,673</u>
OPERATING EXPENSES	
Source of supply of water	\$ 545,755
Maintenance of water and sewer lines	402,163
Meter reading, billing, and servicing	244,418
Operation of sewage treatment plant	1,008,271
Administration	538,477
Capital Outlay	16,618
Depreciation	947,874
Amortization	50,924
Total operating expenses	<u>\$ 3,754,500</u>
Operating income (loss)	<u>\$ (99,827)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	\$ 113,763
Rental revenue	126,582
Interest expense	(83,903)
Other	(3,658)
Total nonoperating revenues (expenses)	<u>\$ 152,784</u>
Income before contributions and transfers	<u>\$ 52,957</u>
Capital contributions	2,090,625
Change in net assets	<u>\$ 2,143,582</u>
Total net assets - beginning	<u>\$ 23,760,308</u>
Total net assets - ending	<u><u>\$ 25,903,890</u></u>

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

Town of Warrenton, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit 9

	Enterprise Fund <u>Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,467,753
Receipts for materials and supplies	50,584
Receipts for miscellaneous revenues and fees	81,332
Payments for source of supply of water	(643,335)
Payments for maintenance of water and sewer lines	(402,163)
Payments for meter reading, billing and servicing	(244,418)
Payments for operation of sewage treatment plant	(1,052,017)
Payments for administration	(538,747)
Payments for capital outlay	(16,618)
Net cash provided (used by) operating activities	<u>\$ 702,371</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (1,565,471)
Principal payments on bonds	(3,375,000)
Principal payments on lease obligations	(3,323)
Interest payments	(145,019)
Capital contributions from customers - tap fees	1,791,625
Net cash provided (used) by capital and related financing activities	<u>\$ (3,297,188)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 120,829
Other - rental income	126,582
Net cash provided (used) by investing activities	<u>\$ 247,411</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,347,406)
Cash and cash equivalents - beginning - including restricted	11,019,997
Cash and cash equivalents - ending - including restricted	<u><u>\$ 8,672,591</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ <u>(99,827)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 947,874
Amortization expense	50,924
(Increase) decrease in accounts receivable	(59,681)
(Increase) decrease in notes receivable	7,502
(Increase) decrease in inventories	(43,746)
Increase (decrease) in customer deposits	(4,492)
Increase (decrease) in accounts payable	(97,580)
Increase (decrease) in deferred revenue	1,667
Increase (decrease) in accrued leave	(270)
Total adjustments	<u>\$ 802,198</u>
Net cash provided (used) by operating activities	<u><u>\$ 702,371</u></u>

Town of Warrenton, Virginia
 Statement of Cash Flows
 Proprietary Funds (Continued)
 For the Year Ended June 30, 2004

Exhibit 9

	Enterprise Fund <u>Water & Sewer</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	\$ 8,651,820
Total restricted cash and cash equivalents per Statement of Net Assets	<u>20,771</u>
 Total cash and cash equivalents per Statement of Net Assets	 \$ <u><u>8,672,591</u></u>
 Noncash investing, capital, and financing activities:	
Capital contributions	\$ <u><u>299,000</u></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, 2004

Exhibit 10

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 199,055
Total assets	<u>\$ 199,055</u>
LIABILITIES	
Accounts payable	\$ 20
Amounts held for others	199,035
Total liabilities	<u>\$ 199,055</u>
NET ASSETS	
Unrestricted	<u><u>\$ -</u></u>

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

Town of Warrenton, Virginia

Notes to Financial Statements
As of June 30, 2004

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, 2004.

Discretely Presented Component Units - There were no discretely presented component units for the Town for the year ended June 30, 2004.

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, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to the Town.

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, 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 \$61,471 at June 30, 2004 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:

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

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

8. Compensated Absences

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

9. Long-term obligations

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

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

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

9. Long-term obligations (continued)

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

10. Fund equity

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

11. Net assets

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

12. Restricted assets

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

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 \$239,018 difference for the primary government is as follows:

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

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

	<u>Primary Government</u>
Compensated absences	\$ 239,018
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ 239,018

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 \$440,704 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlay	\$ 1,206,820
Depreciation expense	<u>(766,116)</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>440,704</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 \$5,010 difference in the primary government are as follows:

Principal repayments:	
Capital leases	\$ <u>5,010</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>5,010</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 (\$7,970) difference for the primary government is as follows:

Compensated absences	\$ <u>(7,970)</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>(7,970)</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, 2004, there were no funds in which expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2004, 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	\$ 795,511	\$ -	\$ -	\$ 795,511
Repurchase Agreements	445,147	-	-	445,147
Government Agency Bonds	5,475,141	-	-	5,475,141
Total	\$ 6,715,799	\$ -	\$ -	\$ 6,715,799

Investments not subject to categorization:

Investment in Local Government Investment Pool (LGIP)	9,819,073
Total investments	\$ 16,534,872
Deposits	5,249,451
Petty cash and cash on hand	275
Total cash and investments	\$ 21,784,598

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, 2004.

Deposits and investments in custody of Finance Director	\$ 21,784,598
Less: Amounts held for others (Agency Funds)	(199,055)
Total	<u>\$ 21,585,543</u>
Per Statement of Net Assets:	
Cash and cash equivalents	\$ 21,564,772
Restricted current assets:	
Temporarily restricted current assets	20,771
Total	<u>\$ 21,585,543</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	\$ 59,181	\$ -	\$ 59,181
Property Taxes	176,492	-	176,492
Other local taxes	78,153	-	78,153
Accounts	186,727	435,877	622,604
Gross receivables	\$ 500,553	\$ 435,877	\$ 936,430
Less: allowance for Uncollectibles	<u>(61,471)</u>	<u>(11,101)</u>	<u>(72,572)</u>
Net total receivables	<u>\$ 439,082</u>	<u>\$ 424,776</u>	<u>\$ 863,858</u>

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

		Primary Government
Commonwealth of Virginia:		
Highway maintenance funds	\$	216,457
Earth Design grant reimbursement		15,559
Sales tax		72,211
PPTRA		88,229
Total	\$	<u><u>392,456</u></u>

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NOTE 7—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004.

Governmental Activities

	Balance July 1, 2003	Increases(1)	Decreases	June 30, 2004
Capital assets not being depreciated:				
Land	\$ 2,462,340	\$ 159,165	\$ -	\$ 2,621,505
Construction in progress	-	349,122	-	349,122
Total capital assets not being depreciated	<u>\$ 2,462,340</u>	<u>\$ 508,287</u>	<u>\$ -</u>	<u>\$ 2,970,627</u>
Other capital assets:				
Buildings and improvements	\$ 3,930,487	\$ 17,025	\$ -	\$ 3,947,512
Infrastructure	18,856,403	2,448,357	-	21,304,760
Furniture, equipment and vehicles	1,909,999	454,435	(64,677)	2,299,757
Total other capital assets	<u>\$ 24,696,889</u>	<u>\$ 2,919,817</u>	<u>\$ (64,677)</u>	<u>\$ 27,552,029</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,094,282)	\$ (110,241)	\$ -	\$ (1,204,523)
Infrastructure	(9,842,753)	(473,435)	-	(10,316,188)
Furniture, equipment and vehicles	(1,535,017)	(182,440)	61,691	(1,655,766)
Total accumulated depreciation	<u>\$ (12,472,052)</u>	<u>\$ (766,116)</u>	<u>\$ 61,691</u>	<u>\$ (13,176,477)</u>
Other capital assets, net	<u>\$ 12,224,837</u>	<u>\$ 2,153,701</u>	<u>\$ (2,986)</u>	<u>\$ 14,375,552</u>
Net capital assets	<u>\$ 14,687,177</u>	<u>\$ 2,661,988</u>	<u>\$ (2,986)</u>	<u>\$ 17,346,179</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 30,213			
Public safety	136,442			
Public works	576,605			
Parks, recreation and cultural	21,619			
Community development	1,237			
Total depreciation expense	<u>\$ 766,116</u>			

(1) The Town received donated infrastructure and land in the amount of \$2,090,275 and \$131,000, respectively during the year ended June 30, 2004.

NOTE 7—CAPITAL ASSETS: (Continued)

Enterprise Activities

	Balance as Adjusted July 1, 2003	Increases(1)	Decreases	June 30, 2004
Capital assets not being depreciated:				
Land	\$ 665,660	\$ -	\$ -	\$ 665,660
Construction in progress	66,777	89,766	(66,777)	89,766
Total capital assets not being depreciated	<u>\$ 732,437</u>	<u>\$ 89,766</u>	<u>\$ (66,777)</u>	<u>\$ 755,426</u>
Other capital assets:				
Water and sewer plants	\$ 14,263,412	\$ 863,323	\$ -	\$ 15,126,735
Dam	1,590,017	-	-	1,590,017
Water and sewer lines	10,933,949	555,776	-	11,489,725
Equipment	1,002,115	422,383	(23,578)	1,400,920
Total other capital assets	<u>\$ 27,789,493</u>	<u>\$ 1,841,482</u>	<u>\$ (23,578)</u>	<u>\$ 29,607,397</u>
Less: Accumulated depreciation for:				
Water and sewer plants	\$ (6,411,487)	\$ (430,783)	\$ -	\$ (6,842,270)
Dam	(740,480)	(44,624)	-	(785,104)
Water and sewer lines	(4,736,359)	(366,637)	-	(5,102,996)
Equipment	(763,997)	(105,830)	23,578	(846,249)
Total accumulated depreciation	<u>\$ (12,652,323)</u>	<u>\$ (947,874)</u>	<u>\$ 23,578</u>	<u>\$ (13,576,619)</u>
Other capital assets, net	<u>\$ 15,137,170</u>	<u>\$ 893,608</u>	<u>\$ -</u>	<u>\$ 16,030,778</u>
Net capital assets	<u>\$ 15,869,607</u>	<u>\$ 983,374</u>	<u>\$ (66,777)</u>	<u>\$ 16,786,204</u>

(1) The Town received \$299,000 in water lines from developers during the year ended June 30, 2004.

NOTE 8—LONG-TERM DEBT:

	Amounts Payable <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	Amounts Payable <u>June 30, 2004</u>
Primary Government:				
Governmental Activities				
Capital leases	\$ 5,010	\$ -	\$ (5,010)	\$ -
Compensated Absences	231,048	7,970	-	239,018
Total governmental activities	<u>\$ 236,058</u>	<u>\$ 7,970</u>	<u>\$ (5,010)</u>	<u>\$ 239,018</u>
Business Activities				
General obligation bonds	\$ 3,375,000	\$ -	\$ (3,375,000)	\$ -
Capital leases	3,323	-	(3,323)	-
Compensated Absences	122,064	-	(270)	121,794
Total business activities	<u>\$ 3,500,387</u>	<u>\$ -</u>	<u>\$ (3,378,593)</u>	<u>\$ 121,794</u>
Total primary government	<u><u>\$ 3,736,445</u></u>	<u><u>\$ 7,970</u></u>	<u><u>\$ (3,383,603)</u></u>	<u><u>\$ 360,812</u></u>

	<u>Total Amount Outstanding</u>	<u>Amount Due Within One Year</u>
Details of Long-Term Indebtedness:		
Governmental Activities:		
Compensated absences	\$ 239,018	\$ 19,121
Total governmental activities debt	<u>\$ 239,018</u>	<u>\$ 19,121</u>
Business Activities:		
Compensated absences	\$ 121,794	\$ 4,872
Total business-type activities debt	<u>\$ 121,794</u>	<u>\$ 4,872</u>

NOTE 9—DEFINED BENEFIT PENSION OBLIGATION:

Plan Description

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

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

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

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2004 was 4.0% of annual covered payroll.

Annual Pension Cost

For 2004, the Town's annual pension cost of \$146,411 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.25%-6.1% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified market value of assets. The required contribution was determined using the level percentage method and there are nine years remaining in the open amortization period.

NOTE 9—DEFINED BENEFIT PENSION OBLIGATION:

Required Supplementary Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$ 210,683	100.00%	-
June 30, 2003	143,077	100.00%	-
June 30, 2004	146,411	100.00%	-

(1) Employer Portion only

NOTE 10 – DEFERRED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$14,620 consists of the following:

- A. Prepaid property taxes—Property taxes due subsequent to June 30, 2004, but paid in advance by the taxpayers totaled \$8,632 at June 30, 2004.
- B. Prepaid utility payments—Water and sewer bills due subsequent to June 30, 2004, but paid in advance by users totaled \$5,988 at June 30, 2004.

NOTE 11—SURETY BONDS:

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

NOTE 12—RISK MANAGEMENT:

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

NOTE 12—RISK MANAGEMENT: (CONTINUED)

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information

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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

General Fund

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

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 639,953	\$ 639,953	\$ 649,312	\$ 9,359
Other local taxes	5,041,190	5,041,190	5,182,700	141,510
Permits, privilege fees, and regulatory licenses	277,155	277,155	323,960	46,805
Fines and forfeitures	91,000	91,000	136,605	45,605
Revenue from the use of money and property	102,570	102,570	105,682	3,112
Miscellaneous	208,471	208,471	85,460	(123,011)
Recovered costs	25,000	25,000	57,225	32,225
Intergovernmental revenues:				
Local government	1,300,000	1,300,000	1,357,540	57,540
Commonwealth	1,677,916	1,677,916	1,785,002	107,086
Federal	-	-	11,865	11,865
Total revenues	\$ 9,363,255	\$ 9,363,255	\$ 9,695,351	\$ 332,096
EXPENDITURES				
Current:				
General government administration	\$ 806,930	\$ 818,330	\$ 837,312	\$ (18,982)
Public safety	2,057,003	2,057,003	1,956,619	100,384
Public works	1,903,169	1,917,714	1,836,982	80,732
Health and welfare	54,700	54,700	60,986	(6,286)
Parks, recreation, and cultural	138,320	138,320	143,383	(5,063)
Community development	395,392	438,576	403,547	35,029
Nondepartmental	85,000	85,000	12,500	72,500
Capital projects	3,912,146	1,213,000	1,151,423	61,577
Debt service:				
Principal retirement	10,458	10,458	5,004	5,454
Interest and other fiscal charges	137	137	100	37
Total expenditures	\$ 9,363,255	\$ 6,733,238	\$ 6,407,856	\$ 325,382
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 2,630,017	\$ 3,287,495	\$ 657,478
Net change in fund balances	\$ -	\$ 2,630,017	\$ 3,287,495	\$ 657,478
Fund balances - beginning	-	(2,630,017)	9,656,110	12,286,127
Fund balances - ending	\$ -	\$ -	\$ 12,943,605	\$ 12,943,605

Town of Warrenton, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2004

Exhibit 12

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/03	\$ 11,930,622	\$ 11,431,696	\$ (498,926)	104.36%	\$ 3,563,311	-14.00%
06/30/02	11,650,924	10,605,415	(1,045,509)	109.86%	3,363,839	-31.08%
06/30/01	11,077,819	9,446,564	(1,631,255)	117.27%	3,423,426	-47.65%

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

Agency:

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

Town of Warrenton, Virginia
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2004

Exhibit 13

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Agency Fund:				
ASSETS				
Cash and cash equivalents	\$ 93,013	\$ 98,020	\$ -	\$ 191,033
Other receivables	370	-	370	-
Total assets	<u>\$ 93,383</u>	<u>\$ 98,020</u>	<u>\$ 370</u>	<u>\$ 191,033</u>
LIABILITIES				
Accounts payable	\$ 536	\$ -	\$ 516	\$ 20
Amounts held for others	92,847	98,166	-	191,013
Total liabilities	<u>\$ 93,383</u>	<u>\$ 98,166</u>	<u>\$ 516</u>	<u>\$ 191,033</u>
Retirement Fund:				
ASSETS				
Cash and cash equivalents	\$ 7,936	\$ 86	\$ -	\$ 8,022
Total assets	<u>\$ 7,936</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 8,022</u>
LIABILITIES				
Amounts held for others	\$ 7,936	\$ 86	\$ -	\$ 8,022
Total liabilities	<u>\$ 7,936</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 8,022</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 100,949	\$ 98,106	\$ -	\$ 199,055
Other receivables	370	-	370	-
Total assets	<u>\$ 101,319</u>	<u>\$ 98,106</u>	<u>\$ 370</u>	<u>\$ 199,055</u>
LIABILITIES				
Accounts payable	\$ 536	\$ -	\$ 516	\$ 20
Amounts held for others	100,783	98,252	-	199,035
Total liabilities	<u>\$ 101,319</u>	<u>\$ 98,252</u>	<u>\$ 516</u>	<u>\$ 199,055</u>

Town of Warrenton, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2004

Exhibit 14

	<u>Agency Funds</u>		
	<u>Agency</u>	<u>Retirement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 191,033	\$ 8,022	\$ 199,055
Receivables:	-	-	-
Other receivables	-	-	-
Total assets	<u>\$ 191,033</u>	<u>\$ 8,022</u>	<u>\$ 199,055</u>
LIABILITIES			
Accounts payable	\$ 20	\$ -	\$ 20
Amounts held for others	191,013	8,022	199,035
Total liabilities	<u>\$ 191,033</u>	<u>\$ 8,022</u>	<u>\$ 199,055</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, 2004

Exhibit 15

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land	\$ 2,621,505	\$ 2,462,340
Buildings	3,947,512	3,930,487
Machinery and equipment	2,299,757	1,909,999
Infrastructure	21,304,760	18,856,403
Construction in progress	349,122	-
Total governmental funds capital assets	<u>\$ 30,522,656</u>	<u>\$ 27,159,229</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 30,449,699	\$ 27,092,719
Donations	72,957	66,510
Total governmental funds capital assets	<u>\$ 30,522,656</u>	<u>\$ 27,159,229</u>

Town of Warrenton, Virginia
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 June 30, 2004

Exhibit 16

Function and Activity	Land	Buildings	Machinery and Equipment	Infra- structure	Construction in Progress	Total
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	-	-	88,525	-	-	88,525
Total general government administration	\$ 24,400	\$ 661,673	\$ 130,633	\$ -	\$ -	\$ 816,706
Public safety:						
Police	\$ 213,774	\$ 1,622,043	\$ 799,146	\$ -	\$ -	\$ 2,634,963
Inspections	-	-	56,138	-	-	56,138
Total public safety	\$ 213,774	\$ 1,622,043	\$ 855,284	\$ -	\$ -	\$ 2,691,101
Public works:						
Public Works Administration	\$ -	\$ 3,675	\$ 40,105	\$ -	\$ -	\$ 43,780
Street Maintenance	75,054	1,084,463	941,863	392,758	-	2,494,138
Arterial Street Maintenance	-	-	-	9,301,736	-	9,301,736
Collector Street Maintenance	-	-	-	11,515,639	-	11,515,639
Refuse Collection	-	-	130,426	-	-	130,426
Recycling Program	-	-	99,508	-	-	99,508
General Properties	796,519	91,616	68,680	94,627	-	1,051,442
Total public works	\$ 871,573	\$ 1,179,754	\$ 1,280,582	\$ 21,304,760	\$ -	\$ 24,636,669
Parks, recreation, and cultural:						
Maintenance - Parks and recreation	\$ 769,015	\$ -	\$ -	\$ -	\$ -	\$ 769,015
Parks and recreation	575,643	250,911	-	-	349,122	1,175,676
Cemetery	-	3,997	19,355	-	-	23,352
Cultural Enrichment	167,100	208,300	-	-	-	375,400
Total parks, recreation, and cultural	\$ 1,511,758	\$ 463,208	\$ 19,355	\$ -	\$ 349,122	\$ 2,343,443
Community development:						
Planning and zoning	\$ -	\$ 20,834	\$ 13,903	\$ -	\$ -	\$ 34,737
Total community development	\$ -	\$ 20,834	\$ 13,903	\$ -	\$ -	\$ 34,737
Total governmental funds capital assets	\$ 2,621,505	\$ 3,947,512	\$ 2,299,757	\$ 21,304,760	\$ 349,122	\$ 30,522,656

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, 2004

Exhibit 17

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2003	Additions	Deductions	June 30, 2004
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	114,979	8,669	(35,123)	88,525
Total general government administration	\$ 843,160	\$ 8,669	\$ (35,123)	\$ 816,706
Public safety:				
Police Department	\$ 2,382,087	\$ 278,784	\$ (25,908)	\$ 2,634,963
Inspections	56,138	-	-	56,138
Total public safety	\$ 2,438,225	\$ 278,784	\$ (25,908)	\$ 2,691,101
Public works:				
Public Works Administration	\$ 43,780	\$ -	\$ -	\$ 43,780
Street Maintenance	1,946,825	547,313	-	2,494,138
Arterial Street Maintenance	9,301,736	-	-	9,301,736
Collector Street Maintenance	9,425,364	2,090,275	-	11,515,639
Refuse Collection	130,426	-	-	130,426
Recycling Program	99,508	-	-	99,508
General Properties	1,048,687	2,755	-	1,051,442
Total public works	\$ 21,996,326	\$ 2,640,343	\$ -	\$ 24,636,669
Parks, recreation, and cultural:				
Maintenance - parks and recreation	\$ 769,015	\$ -	\$ -	\$ 769,015
Parks and Recreation	692,403	483,273	-	1,175,676
Cemetery	23,352	-	-	23,352
Cultural Enrichment	375,400	-	-	375,400
Total parks, recreation, and cultural	\$ 1,860,170	\$ 483,273	\$ -	\$ 2,343,443
Community development:				
Planning and Zoning	\$ 21,348	\$ 17,025	\$ (3,636)	\$ 34,737
Total community development	\$ 21,348	\$ 17,025	\$ (3,636)	\$ 34,737
Total governmental funds capital assets	\$ 27,159,229	\$ 3,428,094	\$ (64,667)	\$ 30,522,656

SUPPORTING SCHEDULES

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 246,283	\$ 246,283	\$ 243,544	\$ (2,739)
Real and personal public service corporation taxes	6,954	6,954	18,161	11,207
Personal property taxes	360,716	360,716	359,569	(1,147)
Penalties	12,000	12,000	14,877	2,877
Interest	14,000	14,000	13,161	(839)
Total general property taxes	\$ 639,953	\$ 639,953	\$ 649,312	\$ 9,359
Other local taxes:				
Local sales and use taxes	\$ 316,173	\$ 316,173	\$ 390,691	\$ 74,518
Electrical utility taxes	278,099	278,099	284,053	5,954
Natural gas utility taxes	135,908	135,908	144,441	8,533
Telephone utility taxes	626,346	626,346	468,499	(157,847)
Business license taxes	1,037,733	1,037,733	1,023,571	(14,162)
Cable TV franchise fees	61,411	61,411	63,500	2,089
Telephone franchise fees	19,753	19,753	18,655	(1,098)
Consumption taxes	46,208	46,208	41,391	(4,817)
Motor vehicle licenses	87,810	87,810	91,278	3,468
Bank stock taxes	602,980	602,980	798,720	195,740
Hotel and motel room taxes	90,318	90,318	132,663	42,345
Restaurant food taxes	1,488,451	1,488,451	1,494,046	5,595
Tobacco taxes	250,000	250,000	231,192	(18,808)
Total other local taxes	\$ 5,041,190	\$ 5,041,190	\$ 5,182,700	\$ 141,510
Permits, privilege fees, and regulatory licenses:				
Taxi driver permits	\$ 175	\$ 175	\$ 30	\$ (145)
Building and related permits	153,650	153,650	184,611	30,961
Sign permits	1,700	1,700	3,235	1,535
Zoning appeals fees	1,000	1,000	1,750	750
Rezoning fees	2,550	2,550	(1,080)	(3,630)
Site development fees	74,920	74,920	48,396	(26,524)
Subdivision fees	21,570	21,570	11,971	(9,599)
Zoning fees	1,900	1,900	2,201	301
Review and inspection fees	1,200	1,200	46,478	45,278
Electrical permits	2,540	2,540	1,283	(1,257)
Utility construction permits	400	400	1,145	745
Solicitors permit	50	50	-	(50)
Zoning permits	8,000	8,000	15,090	7,090
Certificate of occupancy permit	7,500	7,500	8,650	1,150
Architectural Review Board Appeal Fees	-	-	200	200
Total permits, privilege fees, and regulatory licenses	\$ 277,155	\$ 277,155	\$ 323,960	\$ 46,805

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Fines and forfeitures:				
Court fines and forfeitures	\$ 65,000	\$ 65,000	\$ 90,685	\$ 25,685
Parking fines	26,000	26,000	45,920	19,920
Total fines and forfeitures	<u>\$ 91,000</u>	<u>\$ 91,000</u>	<u>\$ 136,605</u>	<u>\$ 45,605</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 83,114	\$ (16,886)
Revenue from use of property	2,570	2,570	22,568	19,998
Total revenue from use of money and property	<u>\$ 102,570</u>	<u>\$ 102,570</u>	<u>\$ 105,682</u>	<u>\$ 3,112</u>
Miscellaneous revenue:				
Telephone Commission	\$ 200	\$ 200	\$ 43	\$ (157)
Sale of materials and supplies	1,000	1,000	-	(1,000)
Proffers	184,000	184,000	60,904	(123,096)
Sale of salvage and surplus	1,000	1,000	1,957	957
Sale of plastic bags	4,571	4,571	4,045	(526)
Sale of printed materials	2,500	2,500	1,505	(995)
Sale of real property	-	-	5,475	5,475
Recycling income	6,000	6,000	9,535	3,535
Sale of cemetery lots	1,050	1,050	100	(950)
Sale of perpetual care	150	150	-	(150)
Donations	5,000	5,000	-	(5,000)
Miscellaneous	3,000	3,000	1,896	(1,104)
Total miscellaneous revenue	<u>\$ 208,471</u>	<u>\$ 208,471</u>	<u>\$ 85,460</u>	<u>\$ (123,011)</u>
Recovered costs:				
Recoveries and Rebates	\$ 25,000	\$ 25,000	\$ 57,225	\$ 32,225
Total recovered costs	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 57,225</u>	<u>\$ 32,225</u>
Total revenue from local sources	<u>\$ 6,385,339</u>	<u>\$ 6,385,339</u>	<u>\$ 6,540,944</u>	<u>\$ 155,605</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Fauquier, Virginia	\$ 1,300,000	\$ 1,300,000	\$ 1,357,540	\$ 57,540
Total revenues from local governments	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,357,540</u>	<u>\$ 57,540</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 8,009	\$ 8,009	\$ 16,477	\$ 8,468
Motor vehicle rental tax	66,000	66,000	87,384	21,384
Rolling Stock Tax	123	123	72	(51)
Personal property tax relief funds	595,619	595,619	612,444	16,825
Total noncategorical aid	<u>\$ 669,751</u>	<u>\$ 669,751</u>	<u>\$ 716,377</u>	<u>\$ 46,626</u>

Town of Warrenton, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Categorical aid:				
Litter control grant	\$ -	\$ -	\$ 2,298	\$ 2,298
DJCP law enforcement grant	160,274	160,274	160,276	2
Bluemont series grant	4,250	4,250	5,000	750
Street & Highway maintenance	826,802	826,802	865,828	39,026
Other	7,900	7,900	-	(7,900)
Emergency Services Grant	-	-	1,156	1,156
Department of Historic Resources Grant	-	-	24,115	24,115
Fire program	8,939	8,939	9,952	1,013
Total other categorical aid	\$ 1,008,165	\$ 1,008,165	\$ 1,068,625	\$ 60,460
Total categorical aid	\$ 1,008,165	\$ 1,008,165	\$ 1,068,625	\$ 60,460
Total revenue from the Commonwealth	\$ 1,677,916	\$ 1,677,916	\$ 1,785,002	\$ 107,086
Revenue from the federal government:				
FEMA grant	\$ -	\$ -	\$ 6,436	\$ 6,436
Criminal justice grant	-	-	4,873	4,873
Transportation safety	-	-	556	556
Total categorical aid	\$ -	\$ -	\$ 11,865	\$ 11,865
Total revenue from the federal government	\$ -	\$ -	\$ 11,865	\$ 11,865
 Total General Fund	\$ 9,363,255	\$ 9,363,255	\$ 9,695,351	\$ 332,096

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative Department:				
Salary - mayor	\$ 4,800	\$ 4,800	\$ 4,800	\$ -
Salaries - council	16,800	16,800	16,800	-
Salary - recorder	28,309	28,309	30,716	(2,407)
Salaries - extra help	3,000	3,000	4,823	(1,823)
Fringe benefits	33,559	33,559	26,605	6,954
Professional services	1,500	4,000	3,428	572
Temporary help services	300	300	-	300
Maintenance contracts	930	930	233	697
Printing	7,800	7,800	4,083	3,717
Advertising	1,200	1,200	3,444	(2,244)
Microfilm records	1,200	1,200	550	650
Postage	2,420	2,420	1,858	562
Communication	700	700	680	20
Surety bond	15	15	25	(10)
Public officials liability insurance	800	800	2,927	(2,127)
General liability insurance	35	35	908	(873)
Lease of equipment	1,152	1,152	1,484	(332)
Office supplies	800	800	926	(126)
Travel	5,000	5,000	3,606	1,394
Public relations	500	500	-	500
Training	600	600	928	(328)
Membership and dues	160	160	120	40
Subscriptions	-	-	152	(152)
Furniture and fixtures	500	500	-	500
Total legislative department	<u>\$ 112,080</u>	<u>\$ 114,580</u>	<u>\$ 109,096</u>	<u>\$ 5,484</u>
Executive Department:				
Salaries - town manager	\$ 72,400	\$ 72,400	\$ 73,961	\$ (1,561)
Salaries - secretary	28,309	28,309	30,716	(2,407)
Salaries - extra help	3,000	3,000	511	2,489
Fringe benefits	27,766	27,766	28,565	(799)
Professional services	100	100	29	71
Temporary help services	300	300	-	300
Repair and maintenance - contractual	100	100	-	100
Maintenance contracts	930	930	233	697
Printing	200	200	-	200
Postage	200	200	147	53
Communication	900	900	2,686	(1,786)
Surety bond	50	50	84	(34)
Public officials liability insurance	686	686	263	423
General liability insurance	50	50	1,252	(1,202)
Lease of equipment and buildings	1,355	1,355	1,556	(201)

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
General government administration: (Continued)				
Executive Department: (Continued)				
Office supplies	\$ 500	\$ 500	\$ 185	\$ 315
Subscriptions	1,000	1,000	430	570
Travel	1,000	1,000	1,552	(552)
Training	300	300	943	(643)
Memberships and dues	1,000	1,000	579	421
Furniture and fixtures	500	500	-	500
Total executive department	<u>\$ 140,646</u>	<u>\$ 140,646</u>	<u>\$ 143,692</u>	<u>\$ (3,046)</u>
Legal Services:				
Salaries - attorney	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Fringe benefits	190	190	184	6
Professional services	100,000	100,000	82,834	17,166
General liability insurance	167	167	(42)	209
Public officials liability insurance	-	-	387	(387)
Advertising	-	-	35	(35)
Travel	350	350	716	(366)
Memberships and dues	250	250	270	(20)
Total legal services	<u>\$ 103,357</u>	<u>\$ 103,357</u>	<u>\$ 86,784</u>	<u>\$ 16,573</u>
Finance Department:				
Salaries - finance director	\$ 69,282	\$ 69,282	\$ 80,252	\$ (10,970)
Salaries - deputy finance director	50,166	50,166	39,331	10,835
Salaries - account clerks	62,474	62,474	63,457	(983)
Wage and extra help	22,582	22,582	19,369	3,213
Fringe benefits	53,604	53,604	113,451	(59,847)
Professional services	1,000	9,900	9,242	658
Independent auditors	8,400	8,400	8,400	-
Repair and maintenance - contractual	1,430	1,430	930	500
Printing	9,375	9,375	6,075	3,300
Advertising	2,400	2,400	4,263	(1,863)
Recording costs	750	750	119	631
Postage	9,000	9,000	10,388	(1,388)
Communication	4,000	4,000	2,865	1,135
Surety bond	2,102	2,102	1,098	1,004
Public officials liability insurance	1,443	1,443	513	930
General liability insurance	101	101	2,235	(2,134)
Lease of equipment and buildings	1,152	1,152	1,217	(65)
Office supplies	4,000	4,000	3,034	966
Service charges	1,000	1,000	682	318
Subscriptions	2,500	2,500	2,070	430
Motor vehicle licenses	1,600	1,600	1,139	461
Travel	1,100	1,100	298	802
Training	1,400	1,400	871	529

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
General government administration: (Continued)				
Finance Department: (continued)				
Memberships and dues	\$ 900	\$ 900	\$ 1,376	\$ (476)
Furniture and fixtures	1,000	1,000	1,055	(55)
Bad debt expense	-	-	207	(207)
Total finance department	<u>\$ 312,761</u>	<u>\$ 321,661</u>	<u>\$ 373,937</u>	<u>\$ (52,276)</u>
Memberships and Dues:				
Virginia Muncipal League	\$ 3,579	\$ 3,579	\$ 3,579	\$ -
Virginia Institute of Government	1,000	1,000	1,000	-
Virginia Innovation Group	500	500	500	-
Total memberships and dues	<u>\$ 5,079</u>	<u>\$ 5,079</u>	<u>\$ 5,079</u>	<u>\$ -</u>
Data Processing Department				
Wages and extra help	\$ 2,000	\$ 2,000	\$ 226	\$ 1,774
Fringe benefits	153	153	24	129
Professional services	68,500	68,500	70,144	(1,644)
Contractual repair	900	900	80	820
Maintenance contracts	15,724	15,724	13,465	2,259
Communication	3,276	3,276	3,108	168
Office supplies	1,900	1,900	1,575	325
Subscriptions	600	600	941	(341)
Travel	400	400	-	400
Training	3,500	3,500	338	3,162
Data processing equipment	30,200	30,200	23,268	6,932
Total data processing department	<u>\$ 127,153</u>	<u>\$ 127,153</u>	<u>\$ 113,169</u>	<u>\$ 13,984</u>
Electoral Board and Officials				
Election officials	\$ 3,526	\$ 3,526	\$ 2,975	\$ 551
Lease of voting machines	1,228	1,228	1,395	(167)
Lease of buildings	100	100	-	100
Office supplies	1,000	1,000	1,185	(185)
Total electoral board and officials	<u>\$ 5,854</u>	<u>\$ 5,854</u>	<u>\$ 5,555</u>	<u>\$ 299</u>
Total general government administration	<u>\$ 806,930</u>	<u>\$ 818,330</u>	<u>\$ 837,312</u>	<u>\$ (18,982)</u>
Public safety:				
Department of Police				
Salary - chief of police	\$ 74,380	\$ 74,380	\$ 78,199	\$ (3,819)
Salary - secretary	74,172	74,172	78,793	(4,621)
Salaries - sergeants	276,002	276,002	260,656	15,346
Salaries - patrolmen	387,844	387,844	394,711	(6,867)
Officer comp time	35,000	35,000	32,016	2,984

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public Safety: (Continued)				
Department of Police (Continued)				
Salaries - investigators	\$ 147,223	\$ 147,223	\$ 142,464	\$ 4,759
Salary - community resource officer	55,016	55,016	58,721	(3,705)
Salary - captain	58,323	58,323	62,509	(4,186)
Wages and extra help	39,400	39,400	26,278	13,122
Fringe benefits	338,293	338,293	328,803	9,490
Professional services	4,200	4,200	4,542	(342)
Repairs and maintenance - contractual	6,450	6,450	3,626	2,824
Maintenance service contracts	3,916	3,916	8,101	(4,185)
Printing	2,700	2,700	2,763	(63)
Advertising	800	800	2,976	(2,176)
Board and care of prisoners	1,500	1,500	450	1,050
Vehicle expenses	73,991	73,991	74,122	(131)
Lease of equipment	3,257	3,257	4,024	(767)
Postage	1,680	1,680	1,594	86
Communication	13,134	13,134	11,332	1,802
Surety bond	400	400	502	(102)
Professional liability insurance	11,172	11,172	4,204	6,968
Office supplies	3,650	3,650	3,901	(251)
Police supplies	6,025	6,025	5,780	245
Wearing apparel	9,370	9,370	9,539	(169)
Subscriptions	500	500	253	247
Narcotics fund	2,000	2,000	2,000	-
Materials and supplies	4,915	4,915	4,950	(35)
Travel	3,200	3,200	1,957	1,243
Training	12,400	12,400	8,754	3,646
Memberships and dues	1,100	1,100	390	710
Furniture and fixtures	1,050	1,050	793	257
Motor vehicles and equipment	47,732	47,732	48,131	(399)
Grant expenditures	7,900	7,900	7,684	216
Total department of police	<u>\$ 1,708,695</u>	<u>\$ 1,708,695</u>	<u>\$ 1,675,518</u>	<u>\$ 33,177</u>
Fire and Rescue Services:				
Salary - fireman	\$ 35,428	\$ 35,428	\$ 37,575	\$ (2,147)
Salary - fire marshall	10,452	10,452	11,308	(856)
Fringe benefits	7,487	7,487	8,048	(561)
Repairs and maintenance - contractual	2,500	2,500	-	2,500
Contribution - fire department	21,248	21,248	21,248	-
Fire program	8,939	8,939	9,952	(1,013)

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: Continued)				
Public safety: (Continued)				
Fire and Rescue Services: (Continued)				
Lease of equipment	\$ 3,010	\$ 3,010	\$ -	\$ 3,010
White's Mill - Fire/Rescue Proffers	65,000	65,000	-	65,000
General liability insurance	18	18	431	(413)
Wearing apparel	1,000	1,000	985	15
Contribution - rescue squad	29,248	29,248	29,248	-
Travel	850	850	905	(55)
Memberships and dues	100	100	180	(80)
Professional services	-	-	20	(20)
Materials & supplies	-	-	303	(303)
Communication equipment	5,000	5,000	5,161	(161)
Total fire and rescue services	<u>\$ 190,280</u>	<u>\$ 190,280</u>	<u>\$ 125,364</u>	<u>\$ 64,916</u>
Bureau of Building Inspections:				
Salaries - building inspectors	\$ 94,887	\$ 94,887	\$ 97,877	\$ (2,990)
Wages and extra help	8,000	8,000	2,056	5,944
Fringe benefits	35,390	35,390	29,392	5,998
Professional Services	200	200	8,903	(8,703)
Maintenance contracts	850	850	818	32
Printing	600	600	605	(5)
Uniform rental	400	400	621	(221)
Vehicle expenses	8,136	8,136	6,535	1,601
Lease of equipment	350	350	1,294	(944)
Postage	175	175	119	56
Communication	1,200	1,200	1,442	(242)
General liability insurance	40	40	1,285	(1,245)
Office supplies	400	400	1,202	(802)
Wearing apparel	300	300	-	300
Subscriptions	400	400	1,069	(669)
Materials and supplies	300	300	202	98
Tools	200	200	-	200
Travel	1,500	1,500	309	1,191
Training	1,500	1,500	901	599
Memberships and dues	400	400	333	67
Furniture and fixtures	300	300	774	(474)
Radio equipment	2,500	2,500	-	2,500
Total bureau of building inspections	<u>\$ 158,028</u>	<u>\$ 158,028</u>	<u>\$ 155,737</u>	<u>\$ 2,291</u>
Total public safety	<u>\$ 2,057,003</u>	<u>\$ 2,057,003</u>	<u>\$ 1,956,619</u>	<u>\$ 100,384</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: Continued)				
Public works: (Continued)				
Public Works Administration:				
Salary - public works director	\$ 30,758	\$ 30,758	\$ 32,150	\$ (1,392)
Salary - public works superintendent	65,229	65,229	68,273	(3,044)
Salary - secretary	56,514	56,514	58,920	(2,406)
Salary - project engineer	19,575	19,575	20,678	(1,103)
Salary - chief automotive mechanic	18,164	18,164	18,921	(757)
Wages and extra help	2,000	2,000	1,189	811
Fringe benefits	53,605	53,605	58,363	(4,758)
Professional services	7,500	7,500	3,678	3,822
Vehicle expenses	3,393	3,393	6,419	(3,026)
Contractual repairs	200	200	-	200
Maintenance contracts	3,727	3,727	4,283	(556)
Printing	250	250	30	220
Advertising	2,500	2,500	1,334	1,166
Vehicle expenses	1,500	1,500	-	1,500
Postage	750	750	160	590
Communication	4,650	4,650	3,570	1,080
Surety bond	50	50	42	8
Public officials liability insurance	-	-	620	(620)
General liability insurance	101	101	2,052	(1,951)
Lease of equipment	1,040	1,040	2,105	(1,065)
Office supplies	1,500	1,500	1,213	287
Engineering supplies	300	300	-	300
Subscriptions	200	200	220	(20)
Travel	600	600	285	315
Training	1,000	1,000	413	587
Memberships and dues	350	350	105	245
Furniture and fixtures	300	300	272	28
Total public works administration	<u>\$ 275,756</u>	<u>\$ 275,756</u>	<u>\$ 285,295</u>	<u>\$ (9,539)</u>
Bureau of Street Maintenance:				
Wages and other help	\$ 255,807	\$ 255,807	\$ 225,898	\$ 29,909
Fringe benefits	169,079	169,079	150,461	18,618
Professional Services	-	-	35	(35)
Uniform rental	2,730	2,730	2,364	366
Vehicle/equipment expenses	138,035	138,035	136,386	1,649
Lease of equipment	5,500	3,760	1,737	2,023
Electric current	42,000	42,000	37,678	4,322

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: Continued)				
Public works: (Continued)				
Bureau of Street Maintenance: (Continued)				
Wearing apparel	\$ 2,500	\$ 2,500	\$ 2,484	\$ 16
Materials and supplies	3,000	3,000	6,162	(3,162)
Chemical supplies	500	500	(1,724)	2,224
Food	200	200	262	(62)
Small tools	1,000	1,000	459	541
Travel	400	400	-	400
Training	400	400	69	331
Replace trash receptacles	1,000	1,000	-	1,000
Equipment	31,950	33,690	1,692	31,998
Driveway culverts	500	500	744	(244)
Total bureau of street maintenance	<u>\$ 654,601</u>	<u>\$ 654,601</u>	<u>\$ 564,707</u>	<u>\$ 89,894</u>
Arterial Street Maintenance:				
Wages and other help	\$ 61,000	\$ 61,000	\$ 63,258	\$ (2,258)
Fringe benefits	4,666	4,666	4,743	(77)
Contractual services	7,500	7,500	-	7,500
Payments on contracts	25,500	25,500	17,569	7,931
Electric current	42,000	42,000	40,403	1,597
Lease of equipment	600	600	920	(320)
Repair parts - signal equipment	2,000	2,000	577	1,423
Materials and supplies	10,000	10,000	2,365	7,635
Chemical supplies	18,555	18,555	20,062	(1,507)
Food	200	200	60	140
Replace street name signs	600	600	393	207
Replace traffic signs	2,500	2,500	1,091	1,409
Sidewalk, curb and gutter	13,000	17,000	16,552	448
Street improvements and paving	60,000	60,000	29,317	30,683
Total arterial street maintenance	<u>\$ 248,121</u>	<u>\$ 252,121</u>	<u>\$ 197,310</u>	<u>\$ 54,811</u>
Collector Street Maintenance:				
Wages and other help	\$ 50,000	\$ 50,000	\$ 66,127	\$ (16,127)
Fringe benefits	3,825	3,825	4,838	(1,013)
Payments on contracts	7,000	7,000	2,965	4,035
Materials and supplies	14,000	14,000	14,072	(72)
Chemical supplies	10,980	10,980	9,513	1,467
Lease of equipment	500	500	482	18
Food	400	400	80	320
Replace street name signs	400	400	514	(114)
Replace traffic signs	1,500	1,500	1,082	418
Sidewalk, curb and gutter	15,800	26,345	24,755	1,590

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Collector Street Maintenance: (Continued)				
Street improvements and paving	\$ 138,269	\$ 138,269	\$ 158,119	\$ (19,850)
Historic district street signs	800	800	-	800
Culvert replacements	-	-	9,098	(9,098)
Total collector street maintenance	<u>\$ 243,474</u>	<u>\$ 254,019</u>	<u>\$ 291,645</u>	<u>\$ (37,626)</u>
Bureau of Refuse Collection:				
Wages and other help	\$ 138,870	\$ 138,870	\$ 146,421	\$ (7,551)
Fringe benefits	65,390	65,390	52,937	12,453
Uniform rental	1,170	1,170	1,185	(15)
Share landfill operation	20,000	20,000	550	19,450
Vehicle/equipment expenses	34,175	34,175	30,714	3,461
General liability insurance	625	625	2,355	(1,730)
Purchase of plastic bags	14,000	14,000	13,032	968
Wearing apparel	700	700	598	102
Materials and supplies	600	600	1,254	(654)
Total bureau of refuse collection	<u>\$ 275,530</u>	<u>\$ 275,530</u>	<u>\$ 249,046</u>	<u>\$ 26,484</u>
Recycling Program:				
Wages and other help	\$ 55,344	\$ 55,344	\$ 52,125	\$ 3,219
Fringe benefits	4,234	4,234	3,922	312
Printing	100	100	-	100
Advertising	100	100	-	100
Vehicle expense	14,803	14,803	20,049	(5,246)
Purchase of plastic bags	10,000	10,000	8,935	1,065
General liability insurance	53	53	569	(516)
Materials and supplies	400	400	26	374
Total recycling program	<u>\$ 85,034</u>	<u>\$ 85,034</u>	<u>\$ 85,626</u>	<u>\$ (592)</u>
Maintenance, Buildings and Grounds:				
Wages and other help	\$ 24,910	\$ 24,910	\$ 29,654	\$ (4,744)
Fringe benefits	10,178	10,178	10,594	(416)
Contractual repairs and maintenance	9,000	9,000	15,600	(6,600)
Professional services	-	-	2,783	(2,783)
Maintenance contracts	1,675	1,675	4,207	(2,532)
Janitorial service	23,591	23,591	25,745	(2,154)
Uniform rental	212	212	223	(11)
Vehicle/equipment expenses	2,328	2,328	2,452	(124)
Lease of equipment	350	350	234	116
Electric current	25,000	25,000	26,984	(1,984)
Fuel	9,500	9,500	18,134	(8,634)
Communication	-	-	2,776	(2,776)
Fire insurance	3,621	3,621	3,975	(354)
General liability insurance	84	84	1,457	(1,373)

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public works: (Continued)				
Maintenance, Buildings and Grounds: (Continued)				
Repairs, buildings and grounds	\$ 2,000	\$ 2,000	\$ 6,546	\$ (4,546)
Repairs, parking lots	1,000	1,000	-	1,000
Wearing apparel	104	104	143	(39)
Materials and supplies	5,000	5,000	10,222	(5,222)
Training	100	100	66	34
Furniture and fixtures	1,000	1,000	1,558	(558)
Landscaping - parking lot E	1,000	1,000	-	1,000
Total maintenance, buildings and grounds	<u>\$ 120,653</u>	<u>\$ 120,653</u>	<u>\$ 163,353</u>	<u>\$ (42,700)</u>
Total public works	<u>\$ 1,903,169</u>	<u>\$ 1,917,714</u>	<u>\$ 1,836,982</u>	<u>\$ 80,732</u>
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 - Circuit Rider	15,000	15,000	15,000	-
Circuit rider	-	-	6,286	(6,286)
Total health and welfare	<u>\$ 54,700</u>	<u>\$ 54,700</u>	<u>\$ 60,986</u>	<u>\$ (6,286)</u>
Parks, recreation, and cultural:				
Maintenance, parks:				
Wages and extra help	\$ 5,000	\$ 5,000	\$ 6,428	\$ (1,428)
Fringe benefits	383	383	472	(89)
Rady Park maintenance	300	300	-	300
Electric current	1,500	1,500	1,273	227
Insurance	30	30	109	(79)
Lease of equipment	1,560	1,560	1,430	130
Repairs-building and grounds	500	500	618	(118)
Materials and supplies	750	750	2,672	(1,922)
Equipment	500	500	-	500
Total maintenance, parks	<u>\$ 10,523</u>	<u>\$ 10,523</u>	<u>\$ 13,002</u>	<u>\$ (2,479)</u>
Parks and Recreation contributions:				
Boys and Girls Club	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Parks and Recreation	10,750	10,750	8,811	1,939
Warrenton Caboose	1,000	1,000	1,000	-
Total parks and recreation contributions	<u>\$ 23,750</u>	<u>\$ 23,750</u>	<u>\$ 21,811</u>	<u>\$ 1,939</u>

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and culture: (Continued)				
Maintenance, cemetery:				
Wages and extra help	\$ 51,854	\$ 51,854	\$ 52,631	\$ (777)
Fringe benefits	14,005	14,005	12,918	1,087
Repairs and maintenance - contractual	750	750	-	750
Uniform rental	320	320	211	109
Payment on contracts	8,000	8,000	8,370	(370)
Vehicle expenses	3,722	3,722	9,669	(5,947)
Electric current	150	150	135	15
Fuel	600	600	1,685	(1,085)
Fire insurance	57	57	32	25
General liability insurance	31	31	692	(661)
Agricultural supplies	300	300	66	234
Repairs, building and grounds	250	250	8	242
Wearing apparel	208	208	121	87
Tools	100	100	69	31
Materials and supplies	700	700	463	237
Total maintenance, cemetery	<u>\$ 81,047</u>	<u>\$ 81,047</u>	<u>\$ 87,070</u>	<u>\$ (6,023)</u>
Cultural enrichment:				
Blument contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Fauquier Historical	10,000	10,000	10,000	-
First Night Out	3,000	3,000	1,500	1,500
Total cultural enrichment	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 21,500</u>	<u>\$ 1,500</u>
Total parks, recreation, and cultural	<u>\$ 138,320</u>	<u>\$ 138,320</u>	<u>\$ 143,383</u>	<u>\$ (5,063)</u>
Community development:				
Planning and Zoning Department				
Salaries - commission members	\$ 6,300	\$ 6,300	\$ 7,200	\$ (900)
Salaries - town planner	59,779	59,779	61,724	(1,945)
Salary - community development assistant	41,200	41,200	43,963	(2,763)
Salary - secretary	23,069	26,083	20,811	5,272
Salary - zoning inspector	23,311	23,311	24,563	(1,252)
Salary - Planner	28,766	28,766	25,578	3,188
Wages and extra help	10,000	10,000	9,384	616
Fringe benefits	62,489	62,489	50,302	12,187
Professional services	12,000	9,211	6,820	2,391
Professional services - subdivision & zoning ordinances	-	44,693	28,460	16,233
Temporary help services	1,000	1,000	6,893	(5,893)
Contractual repairs and maintenance	250	250	170	80
Maintenance contracts	1,540	1,540	991	549
Printing	4,000	4,000	2,614	1,386
Advertising	11,500	11,500	4,608	6,892
Postage	3,800	3,800	4,302	(502)

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Planning and Zoning Department (Continued)				
Communication	\$ 2,000	\$ 2,000	\$ 1,666	\$ 334
Surety bonds	80	80	117	(37)
Public officials liability insurance	-	-	3,485	(3,485)
General liability insurance	68	68	2,550	(2,482)
Lease of equipment	1,536	1,536	1,217	319
Office supplies	2,750	2,750	1,801	949
Materials and supplies	500	500	181	319
Subscriptions	1,250	1,250	1,345	(95)
Travel	1,900	1,900	699	1,201
Training	1,500	1,500	1,191	309
Contribution - planning district	4,604	4,604	4,602	2
Memberships and dues	1,800	1,800	1,497	303
Furniture and fixtures	750	750	250	500
Support - Partnership for Warrenton	24,000	24,000	24,000	-
Support - Visitor Center	53,000	53,000	53,000	-
Support - Lord Farifax Small Business	2,500	2,500	2,500	-
Total planning and zoning department	<u>\$ 387,242</u>	<u>\$ 432,160</u>	<u>\$ 398,484</u>	<u>\$ 33,676</u>
Zoning Appeals Board:				
Wages & extra help	\$ -	\$ -	\$ 347	\$ (347)
Fringe benefits	-	-	26	(26)
Advertising	800	800	1,233	(433)
Postage	150	150	-	150
Travel	150	150	-	150
Training	500	500	-	500
Temporary services	500	500	-	500
Total zoning appeals board	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 1,606</u>	<u>\$ 494</u>
Architectural Review Board:				
Wages & extra help	\$ -	\$ -	\$ 941	\$ (941)
Fringe benefits	-	-	72	(72)
Professional services	-	-	250	(250)
Printing	2,200	466	466	-
Advertising	100	100	100	-
Postage	250	250	49	201
Office supplies	-	-	59	(59)
Travel	1,000	1,000	905	95
Training	1,500	1,500	615	885
Temporary services	1,000	1,000	-	1,000
Total architectural review board	<u>\$ 6,050</u>	<u>\$ 4,316</u>	<u>\$ 3,457</u>	<u>\$ 859</u>

Town of Warrenton, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Total community development	\$ 395,392	\$ 438,576	\$ 403,547	\$ 35,029
Nondepartmental:				
Contingencies	\$ 85,000	\$ 85,000	\$ 12,500	\$ 72,500
Total nondepartmental	\$ 85,000	\$ 85,000	\$ 12,500	\$ 72,500
Capital projects:				
Oliver City drainage	\$ -	\$ 198,200	\$ 201,860	\$ (3,660)
Visitor Center/Chamber parking lot	-	-	17,025	(17,025)
Recreational facility	3,500,000	349,122	349,122	-
Police radio system	-	153,956	159,311	(5,355)
Public safety facility	-	6,447	6,447	-
Main St. sidewalk/street repair/lighting	-	-	163	(163)
Madison St. sidewalk/drainage	-	104,030	103,958	72
Landscaping - Broadview Avenue	-	26,400	25,014	1,386
Emergency Power Backup - Public Safety Facility	65,000	65,000	64,985	15
Traffic signal - Lee Hwy/Branch Dr	81,480	91,560	73,579	17,981
Traffic signal - Shirley Ave/Culpeper St	79,920	79,920	90,639	(10,719)
Sidewalk construction	110,746	88,365	56,169	32,196
Academy Hill Park improvements	25,000	-	-	-
Gay Road Park Design	50,000	50,000	3,151	46,849
Total capital projects	\$ 3,912,146	\$ 1,213,000	\$ 1,151,423	\$ 61,577
Debt service:				
Principal retirement	\$ 10,458	\$ 10,458	\$ 5,004	\$ 5,454
Interest and other fiscal charges	137	137	100	37
Total debt service	\$ 10,595	\$ 10,595	\$ 5,104	\$ 5,491
Total General Fund	\$ 9,363,255	\$ 6,733,238	\$ 6,407,856	\$ 325,382

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Revenues:				
Sale of services, commodities and properties:				
Sewer service charges	\$ 2,357,076	\$ 2,357,076	\$ 2,276,273	\$ (80,803)
Sale of water	1,164,448	1,164,448	1,218,226	53,778
Sale of materials and supplies	73,000	73,000	50,584	(22,416)
Late payment charges	32,800	32,800	28,258	(4,542)
Installation fees	7,000	7,000	17,987	10,987
Transfer fees	10,400	10,400	11,257	857
Reconnection fees	12,000	12,000	9,160	(2,840)
Impact fees	67,033	67,033	32,205	(34,828)
Total sale of services, commodities and properties	\$ 3,723,757	\$ 3,723,757	\$ 3,643,950	\$ (79,807)
Miscellaneous revenue:				
Recoveries and rebates	\$ 8,000	\$ 8,000	\$ 6,962	\$ (1,038)
Miscellaneous receipts	500	500	1,761	1,261
Sale of salvage & junk	200	200	-	(200)
Pro-rata share Cedar Run Pump Station	-	-	2,000	2,000
Total miscellaneous revenue	\$ 8,700	\$ 8,700	\$ 10,723	\$ 2,023
Total operating revenue	\$ 3,732,457	\$ 3,732,457	\$ 3,654,673	\$ (77,784)
Operating Expenses:				
Source of supply:				
Salary of superintendent	\$ 33,425	\$ 33,425	\$ 34,248	\$ (823)
Salaries of plant operators	153,869	153,869	159,980	(6,111)
Wages and extra help	46,000	46,000	55,435	(9,435)
Fringe benefits	65,434	65,434	67,275	(1,841)
Laboratory services	4,340	4,340	7,628	(3,288)
Repairs and maintenance - contractual	17,000	31,517	20,653	10,864
Maintenance service contracts	29,220	29,220	29,224	(4)
Advertising	250	250	-	250
Uniform rental	891	891	781	110
Payments on contracts	7,901	7,901	1,674	6,227
Permit fees	7,568	7,568	6,601	967
Vehicle expenses	7,399	7,399	6,478	921
Lease of equipment	1,414	1,414	1,045	369
Electric current	70,000	70,000	74,845	(4,845)
Postage	10	10	154	(144)
Communication	1,690	1,690	2,779	(1,089)
Fire insurance	4,765	4,765	4,262	503
General liability insurance	7,559	7,559	4,693	2,866
Laboratory supplies	3,995	3,995	5,323	(1,328)
Repairs - buildings and grounds	2,600	2,600	47	2,553
Gasoline, grease & oil	200	200	1,271	(1,071)
Repairs equipment	7,600	7,600	4,525	3,075

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Source of supply: (continued)				
Wearing apparel	\$ 750	\$ 750	\$ 335	\$ 415
Materials and supplies	2,455	2,455	1,965	490
Subscriptions	50	50	-	50
Chemical supplies	51,500	51,500	52,409	(909)
Small Tools	500	500	299	201
Travel	800	800	586	214
Training	2,000	2,000	1,172	828
Memberships and dues	150	150	68	82
Total source of supply	<u>\$ 531,335</u>	<u>\$ 545,852</u>	<u>\$ 545,755</u>	<u>\$ 97</u>
Transmission and distribution:				
Salary of water and sewer superintendent	\$ 57,133	\$ 57,133	\$ 63,435	\$ (6,302)
Wages and extra help	179,806	179,806	190,544	(10,738)
Fringe benefits	89,997	89,997	98,091	(8,094)
Repair and maintenance - contractual	6,600	6,600	4,605	1,995
Maintenance service contracts	1,250	1,250	1,959	(709)
Advertising	300	300	-	300
Uniform rental	1,365	1,365	1,330	35
Payment on contracts	6,800	6,800	450	6,350
Vehicle expenses	37,283	37,283	24,509	12,774
Postage	100	100	13	87
Lease of equipment	2,394	2,394	476	1,918
Communication	4,975	4,975	5,518	(543)
General liability insurance	9,579	9,579	1,967	7,612
Wearing apparel	1,315	1,315	1,788	(473)
Memberships and dues	100	100	65	35
Materials and supplies	20,000	20,000	5,652	14,348
Small tools	900	900	1,615	(715)
Travel	300	300	80	220
Training	400	400	66	334
Total transmission and distribution	<u>\$ 420,597</u>	<u>\$ 420,597</u>	<u>\$ 402,163</u>	<u>\$ 18,434</u>
Meter reading:				
Wages and extra help	\$ 94,308	\$ 94,308	\$ 92,778	\$ 1,530
Fringe benefits	31,284	31,284	31,554	(270)
Repairs and maintenance-contractual	1,000	1,000	-	1,000
Maintenance service contracts	4,191	4,191	4,866	(675)
Advertising	200	200	114	86
Uniform rental	622	622	529	93
Vehicle expenses	14,003	14,003	14,096	(93)
Lease of equipment	587	587	608	(21)
Postage	100	100	146	(46)
Communication	804	804	877	(73)

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Meter reading: (continued)				
General liability insurance	\$ 5,038	\$ 5,038	\$ 1,561	\$ 3,477
Office supplies	260	260	377	(117)
Wearing apparel	542	542	317	225
Meters and supplies	100,470	100,470	89,778	10,692
Materials and supplies	3,000	3,000	5,937	(2,937)
Tools	300	300	748	(448)
Travel	360	360	31	329
Training	750	750	66	684
Memberships and dues	50	50	35	15
Total meter reading	<u>\$ 257,869</u>	<u>\$ 257,869</u>	<u>\$ 244,418</u>	<u>\$ 13,451</u>
Wastewater Treatment Operation:				
Salary of superintendent	\$ 33,425	\$ 33,425	\$ 34,770	\$ (1,345)
Salary of plant operators	233,733	233,733	230,969	2,764
Salary of plant maintenance mechanic	78,784	78,784	81,637	(2,853)
Wages and extra help	35,000	35,000	38,339	(3,339)
Fringe benefits	116,052	116,052	104,788	11,264
Repairs and maintenance - contractual	85,410	124,636	124,217	419
Maintenance contracts	320	31,707	740	30,967
Advertising	400	400	28	372
Uniform rental	563	563	691	(128)
Payments on contracts	29,824	29,824	30,611	(787)
Laboratory testing services	7,580	7,580	9,476	(1,896)
Pretreatment testing	4,000	4,000	-	4,000
Permit fees	-	-	21,900	(21,900)
Vehicle expenses	9,683	9,683	13,845	(4,162)
Lease of equipment	1,873	1,873	1,660	213
Electric current	105,792	105,792	122,562	(16,770)
Fuel	20,000	20,000	21,346	(1,346)
Communications	3,400	3,400	3,553	(153)
Fire insurance	8,408	8,408	8,687	(279)
General liability insurance	15,118	15,118	7,463	7,655
Postage	50	50	13	37
Laboratory supplies	6,920	6,920	4,557	2,363
Repairs - buildings and grounds	2,835	2,835	4,698	(1,863)
Gasoline, grease and oil	4,500	4,500	1,801	2,699
Repair parts - equipment	17,800	17,800	17,320	480
Wearing apparel	1,200	1,200	1,073	127
Office Supplies	200	200	406	(206)
Materials and supplies	4,000	4,000	4,556	(556)
Chemical supplies	139,338	139,338	114,205	25,133
Tools	300	300	696	(396)
Travel	1,200	1,200	1,114	86

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Wastewater Treatment Operation: (continued)				
Training	\$ 1,000	\$ 1,000	\$ 347	\$ 653
Subscriptions	50	50	-	50
Memberships and dues	200	200	203	(3)
Total wastewater treatment operation	<u>\$ 968,958</u>	<u>\$ 1,039,571</u>	<u>\$ 1,008,271</u>	<u>\$ 31,300</u>
Public Utilities Administration:				
Salary of Town manager	\$ 18,100	\$ 18,100	\$ 18,440	\$ (340)
Salary of utilities director	57,122	57,122	59,180	(2,058)
Salary of secretary	30,870	30,870	30,884	(14)
Salary of account clerks	70,371	70,371	72,949	(2,578)
Public utilities technician	50,378	50,378	52,138	(1,760)
Salary of project engineer	23,925	23,925	25,051	(1,126)
Salary of finance director	17,064	17,064	17,093	(29)
Salary of accounting supervisor	20,648	20,648	16,743	3,905
Wages and extra help	15,964	15,964	11,275	4,689
Fringe benefits	88,946	88,946	85,811	3,135
Professional services	30,000	36,824	26,924	9,900
Professional services - legal fees	5,000	5,000	-	5,000
Professional services - recording costs	250	250	-	250
Professional services - independent auditor	5,600	5,600	5,600	-
Professional services - data processing	41,500	41,500	46,799	(5,299)
Temporary help services	200	200	-	200
Repairs and maintenance - contractual	800	800	18	782
Maintenance contracts	11,788	11,788	9,776	2,012
Printing	5,000	5,000	4,558	442
Advertising	500	500	990	(490)
Uniform rental	273	273	269	4
Lease of equipment	2,168	2,168	1,790	378
Vehicle expense	4,173	4,173	4,200	(27)
Postage	12,136	12,136	14,578	(2,442)
Communication	6,000	6,000	6,115	(115)
Surety bond	945	945	976	(31)
General liability insurance	6,719	6,719	4,194	2,525
Office supplies	4,900	4,900	3,911	989
Materials and supplies	-	-	59	(59)
Wearing apparel	-	-	24	(24)
Service charges	9,000	9,000	5,184	3,816
Subscriptions	700	700	1,684	(984)
Travel	1,500	1,500	1,365	135
Training	2,700	2,700	1,630	1,070
Memberships and dues	600	600	1,137	(537)
Bad debt expense	-	-	(3,004)	3,004
Furniture and equipment	-	-	1,026	(1,026)
Data processing equipment	23,800	14,890	9,110	5,780
Total public utilities administration	<u>\$ 569,640</u>	<u>\$ 567,554</u>	<u>\$ 538,477</u>	<u>\$ 29,077</u>

Town of Warrenton, Virginia
 Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operating Expenses: (Continued)				
Capital Outlay:				
Laboratory equipment	\$ -	\$ -	\$ 950	\$ (950)
Machinery/equipment - water	-	-	435	(435)
Machinery/equipment - sewer	35,000	35,000	435	34,565
Machinery/equipment - transmission and distribution	55,396	55,396	-	55,396
Water plant improvements	660,000	248,637	-	248,637
Sewer plant improvements	443,000	416,075	-	416,075
Sewer line rehabilitation	125,000	125,000	-	125,000
Water line replacement	128,570	81,163	-	81,163
Cedar Run pump station	-	769,598	-	769,598
Waterloo Rd Water Line	-	-	9,501	(9,501)
Culpeper St. Waterline Project	-	-	4,402	(4,402)
Oliver City Drainage	-	-	895	(895)
Total capital outlay	<u>\$ 1,446,966</u>	<u>\$ 1,730,869</u>	<u>\$ 16,618</u>	<u>\$ 1,714,251</u>
Depreciation	\$ -	\$ -	\$ 947,874	\$ (947,874)
Amortization of bond issue costs	-	-	50,924	(50,924)
Total operating expenses	<u>\$ 4,195,365</u>	<u>\$ 4,562,312</u>	<u>\$ 3,754,500</u>	<u>\$ 807,812</u>
Net operating income	<u>\$ (462,908)</u>	<u>\$ (829,855)</u>	<u>\$ (99,827)</u>	<u>\$ (885,596)</u>
Non-operating revenues (expenses):				
Interest revenue	\$ 70,000	\$ 70,000	\$ 113,763	\$ (43,763)
Rental revenue	133,000	133,000	126,582	6,418
Water/sewer connection fees	3,623,750	3,623,750	1,791,625	1,832,125
Developer contributions	-	-	299,000	(299,000)
Interest expense	(158,501)	(158,501)	(83,903)	(74,598)
Service charges	(500)	(500)	(3,658)	3,158
Net non-operating revenues (expenses)	<u>\$ 3,667,749</u>	<u>\$ 3,667,749</u>	<u>\$ 2,243,409</u>	<u>\$ 1,424,340</u>
Net income (loss)	<u>\$ 3,204,841</u>	<u>\$ 2,837,894</u>	<u>\$ 2,143,582</u>	<u>\$ 538,744</u>
Net assets, beginning of year	-	-	23,760,308	(23,760,308)
Net assets, end of year	<u><u>\$ 3,204,841</u></u>	<u><u>\$ 2,837,894</u></u>	<u><u>\$ 25,903,890</u></u>	<u><u>\$ (23,221,564)</u></u>

Town of Warrenton, Virginia
 Schedule of Changes in Designated Fund Balance
 General Fund
 For the Year Ended June 30, 2004

Schedule 4

	Balances		Transfers		Balances June 30, 2004
	July 1, 2003		In	Out	
Academy Hill Park Improvements	\$ 25,000	\$	25,000	\$ -	\$ 50,000
Business directional sign	3,100		-	-	3,100
Cemetery street improvement	5,000		-	-	5,000
Data processing equipment	5,407		-	-	5,407
Driveway culvert Evans	5,400		-	-	5,400
Driveway culverts	8,642		-	-	8,642
Gay Road Park design	50,000		-	-	50,000
Haiti St. sidewalk	23,400		-	-	23,400
Highland Proffers	79,164		858	-	80,022
Landscaping Rt 29 bypass	26,400		-	26,400	-
Lee Hwy/Branch Traffic Signal	10,080		-	10,080	-
Light installation	21,701		-	-	21,701
Madison St. sidewalk	104,030		-	104,030	-
Microfilm records	4,102		-	-	4,102
Oliver City drainage	197,567		-	197,567	-
Park site improvements	21,669		-	-	21,669
Parking lot improvements	3,760		-	-	3,760
Planning department printing	8,500		1,734	-	10,234
Police department radio	163,000		-	153,956	9,044
Professional services - data processing	55,555		-	-	55,555
Professional services - planning	3,585		8,197	-	11,782
Public Safety facility	10,336		-	10,336	-
Recreation	90,680		-	-	90,680
Recreational facility design	2,216		-	2,216	-
Repairs municipal building	62,678		-	-	62,678
Recreation Center	-		5,307,045	-	5,307,045
Sidewalk curb and gutter	9,432		-	-	9,432
Sidewalk construction	-		22,381	-	22,381
Storm sewers	190,200		-	-	190,200
Street improvements/painting	7,872		-	-	7,872
Subdivision and zoning ordinance	44,312		-	44,312	-
SWMM upgrade	15,000		-	-	15,000
Trash Truck	95,000		-	-	95,000
Wherehouse improvements	14,882		-	-	14,882
Winchester Street drainage	75,170		-	-	75,170
Totals	\$ 1,442,840	\$	5,365,215	\$ 548,897	\$ 6,259,158

Town of Warrenton, Virginia
 Schedule of Changes in Restricted Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

Schedule 5

	Balances	Transfers		Balances
	July 1, 2003	In	Out	June 30, 2004
Building modifications	\$ 12,000	\$ -	\$ -	\$ 12,000
Caustic feed system	51,834	-	-	51,834
Culpeper Street water line	19,748	-	-	19,748
Data processing equipment	7,391	8,911	-	16,302
Furniture and fixtures	2,615	-	-	2,615
Lift station upgrade	830,318	-	769,598	60,720
Lines and services	318,603	127,408	-	446,011
Professional services - data processing	45,690	-	-	45,690
Professional services - adm	-	10,000	-	10,000
Sewer Plant contractual repairs	31,387	-	31,387	-
Sewer plant improvements	679,594	-	-	679,594
Sewer rehabilitation	282,956	-	-	282,956
Tank maintenance contracts	14,517	-	14,517	-
Water plant improvements	566,922	413,592	-	980,514
Totals	\$ 2,863,575	\$ 559,911	\$ 815,502	\$ 2,607,984

Total Assessed Value of Real Estate	\$ <u>754,879,500</u>
Legal Debt Margin:	\$ 75,487,950
Less: Existing Bonded Debt Subject to Limitation	<u>-</u>
Legal Margin for Creation of Additional Debt	\$ <u>75,487,950</u>

STATISTICAL SECTION

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development
2002-03	\$ 801,322	\$ 2,010,689	\$ 2,872,899	\$ 58,350	\$ 251,035	\$ 429,669
2003-04	865,020	2,044,514	2,425,711	60,986	165,968	407,819

(1) Information has only been available for 2 years.

Table 1

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

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

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

(1) Information has only been available for 2 years.

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

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
1994-95	\$ 67,602	\$ 142,727	\$ 141,084	\$ 296,676	\$ 2,620	\$ 1,504,475
1995-96	77,121	147,974	129,261	286,304	6,516	1,492,504
1996-97	78,103	153,835	130,823	328,702	2,982	1,535,401
1997-98	87,551	160,101	99,832	399,530	3,069	1,599,638
1998-99	102,602	150,440	162,416	337,139	3,423	1,711,155
1999-00	95,578	156,487	159,919	370,636	3,556	1,822,997
2000-01	95,574	160,666	128,508	400,467	3,686	1,938,025
2001-02	120,895	174,669	109,071	416,468	10,229	1,839,211
2002-03	114,117	146,096	72,661	427,912	5,079	1,973,466
2003-04	109,096	143,692	86,784	492,185	5,555	1,956,619

(1) Includes General Fund.

Table 3

	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Boards and Commissions	Non- departmental	Debt Service & Capital Outlay Unallocated	Total
\$	1,977,049	\$ -	\$ -	\$ 396,326	\$ -	\$ 755,997	\$ 5,284,556
	1,947,429	-	-	399,992	-	839,649	5,326,750
	1,919,503	-	-	410,541	-	661,488	5,221,378
	1,946,781	-	-	467,308	-	1,309,459	6,073,269
	1,944,714	-	-	512,011	-	1,469,562	6,393,462
	2,019,495	-	-	652,702	-	1,415,593	6,696,963
	1,988,867	-	-	648,885	-	532,835	5,897,513
	2,151,562	47,200	144,464	436,114	-	2,192,946	7,642,829
	2,005,221	58,350	149,321	438,994	19,900	1,392,979	6,804,096
	1,836,982	60,986	143,383	403,547	12,500	1,156,527	6,407,856

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
1994-95	\$ 1,468,480	\$ 2,708,602	\$ 126,713	\$ 68,120	\$ 123,795	\$ 1,014,010	\$ 165,598
1995-96	1,546,250	2,677,104	87,020	77,591	152,898	767,266	195,286
1996-97	2,058,698	3,480,602	91,864	87,144	236,841	1,191,895	223,144
1997-98	1,675,689	3,232,114	125,678	110,940	244,565	1,047,433	189,521
1998-99	1,643,425	3,482,397	109,343	106,942	302,289	1,169,012	36,698
1999-00	1,597,539	3,550,359	134,462	104,505	292,579	1,042,664	174,071
2000-01	1,211,312	4,191,058	214,220	73,808	458,405	1,276,329	942,784
2001-02	605,363	4,695,289	273,780	88,950	229,157	1,538,954	379,256
2002-03	570,204	4,884,107	255,724	155,070	259,302	1,655,584	40,596
2003-04	649,312	5,182,700	323,960	136,605	105,682	3,154,407	85,460

(1) Includes General Fund.

Table 4

	Recovered Costs	Total
\$	33,429	\$ 5,708,747
	47,011	5,550,426
	57,234	7,427,422
	31,124	6,657,064
	23,527	6,873,633
	25,004	6,921,183
	24,285	8,392,201
	22,377	7,833,126
	72,298	7,892,885
	57,225	9,695,351

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
1994-95	\$ 1,468,480	\$ 136,840	\$ 551,251	\$ 266,227	\$ 784,715	\$ 84,718	\$ 559,798
1995-96	1,546,250	147,669	568,906	212,381	769,446	79,554	568,504
1996-97	2,058,698	175,642	608,324	400,043	815,876	92,106	1,070,772
1997-98	1,675,689	176,806	614,057	403,473	864,012	101,620	743,466
1998-99	1,643,425	206,139	641,291	436,984	952,222	99,342	802,613
1999-00	1,597,539	244,592	680,214	424,963	977,125	125,937	750,026
2000-01	1,211,312	275,335	912,010	529,008	1,082,000	121,620	923,169
2001-02	605,363	293,596	964,261	669,381	1,289,265	112,318	987,283
2002-03	570,204	332,040	907,930	783,908	1,366,248	105,536	1,017,011
2003-04	649,312	390,691	938,384	880,875	1,494,046	132,663	1,023,571

(1) Includes General Fund and Special Revenue funds.

Table 5

Motor Vehicle Licenses	Motor Vehicle Rental Tax	Cigarette Tax	Total
\$ 88,084	\$ 8,375	\$ 236,969	\$ 4,185,457
90,540	29,026	240,104	4,252,380
97,406	25,358	220,433	5,564,658
103,694	40,867	224,986	4,948,670
110,116	39,295	233,690	5,165,117
118,153	68,103	229,349	5,216,001
129,051	66,588	218,865	5,468,958
132,298	73,334	246,887	5,373,986
139,315	76,742	232,119	5,531,053
91,278	87,384	231,192	5,919,396

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

Table 6

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2003-04	1,240,467	1,210,246	97.56%	23,472	1,233,718	99.46%

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

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

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

Table 7

Fiscal Year	Real Estate (1)	Personal Property	Public Service Corporation (2)		Total	Assessed vs Fair Market Value
			Real Estate	Personal Property		
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%
2003-04	754,879,500	72,564,642	33,632,102	-	861,076,244	100.00%

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

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

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

Table 8

Fiscal Year	County of Fauquier	Town Real Estate	County of Fauquier	Town Personal Property	Town Public Service Corporation	
	Real Estate	Estate	PP & MT		Real	Personal
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
2003-04	0.99	0.03	4.65	1.00	0.03	1.00

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

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

Table 9

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
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%	-
2003-04	8,174	861,076	-	0.00%	-

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

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

Table 10

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2003-04	5,004	100	5,104	6,407,856	0.08%

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

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest
1993-94	\$ 2,668,431	\$ 2,256,227	\$ 412,204	\$ 470,777	\$ 404,676
1994-95	2,752,739	1,815,800	936,939	445,000	498,500
1995-96	2,774,206	1,801,247	972,959	472,732	375,385
1996-97	2,858,907	1,883,751	975,156	483,505	348,826
1997-98	2,944,537	1,811,984	1,132,553	535,000	314,116
1998-99	2,966,545	2,046,230	920,315	540,000	284,100
1999-00	3,051,693	2,137,227	914,466	550,000	259,530
2000-01	3,124,992	2,310,892	814,100	555,000	230,695
2001-02	3,303,374	2,507,983	795,391	610,000	204,479
2002-03	3,552,542	2,772,599	779,943	615,000	177,186
2003-04	3,654,673	2,755,702	898,971	3,375,000	83,903

(1) Includes all operating revenues.

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

Table 11

	<u>Total Debt Service Requirements</u>	<u>Debt Service Coverage</u>
\$	875,453	0.47
	943,500	0.99
	848,117	1.15
	832,331	1.17
	849,116	1.33
	824,100	1.12
	809,530	1.13
	785,695	1.04
	814,479	0.98
	792,186	0.98
	3,458,903	0.26

Town of Warrenton, Virginia
 Computation of Direct and Overlapping Bonded Debt
 At June 30, 2004

Table 12

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

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

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

Table 13

Fiscal Year	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
2003-04	14,855,175	55,109,699	69,964,874	171	52,906,600	12	11,067,610	969,102

(1) Source-Town of Warrenton Planning Department

Population (1)	8,174
Unemployment Rate (County of Fauquier, Virginia) (2)	2.10%
Number of School Age Children (3)	1,297
Per Capita Personal Income (4)	\$ 23,552
Median Age (4)	38

(1) Weldon Cooper Center for Public Service

(2) Virginia Employment Commission

(3) Fauquier County

(4) 2000 Census

Town of Warrenton, Virginia
Principal Taxpayers (1)
At June 30, 2004

Table 15

Company	Industry	Assessed Valuation	% of Total Assessed Valuation (2)
Jefferson Associates	Shopping Center	20,190,600	3.74%
Verizon Virginia	Utility	11,298,178	1.44%
Warrenton Development Company	Developer	10,099,500	1.29%
Warrenton Village	Shopping Center	9,445,000	1.20%
Walmart	Retail Store	8,991,800	1.14%
Highland Commons, LP	Developer	7,619,000	0.97%
Kmart Corporation	Retail Store	6,872,000	0.87%
Oak Springs Nursing Home	Health Care	6,807,500	0.86%
Kalis Holdings, Inc	Shopping Center	6,175,000	0.78%
Virginia Electric Power	Utility	5,932,332	0.75%
	Total		13.04%

(1) Rankings based on total property assessed.

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

Town of Warrenton, Virginia
Miscellaneous Statistics
At June 30, 2004

Table 16

Date of incorporation	1810
Form of government	Council/Manager
Number of employees (excluding police and fire):	
Classified	70
Exempt	8
Area in square miles	4.35
Town of Warrenton, Virginia facilities and services:	
Miles of streets	85.16
Number of street lights	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	471
Traffic violations	1,566
Parking violations	3,765
Sewage System:	
Miles of sanitary sewers	58.56
Miles of storm sewers	15.44
Number of treatment plants	1
Number of service connections	3,591
Daily average treatment in gallons	2,005,757
Maximum daily capacity of plant in gallons	2,500,000
Water System:	
Miles of water mains	69.70
Number of service connections	4,049
Number of fire hydrants	578
Daily average consumption in gallons	1,225,310
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	1,297
Hospitals	
Number of hospitals	1
Number of patient beds	86

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warrenton, Virginia as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audit of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the Town of Warrenton, Virginia in a separate letter dated September 1, 2004.

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

Robinson, Farmer, Cox Associates

Verona, Virginia
September 1, 2004

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