

# **TOWN OF PURCELLVILLE, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**YEAR ENDED JUNE 30, 2008**



**TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008**

**Prepared By:**

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Elizabeth B. Krens  
Director of Finance



TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

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*Mayor*  
Robert W. Lazaro, Jr.



*Town Manager*  
Robert W. Lohr, Jr.

*Council*  
Gregory W. Wagner  
Christopher J. Walker, III  
Thomas A. Priscilla, Jr.  
Stephen Varnecky  
James O. Wiley  
Joan Lehr

*Assistant Town Manager*  
J. Patrick Childs

130 E. Main Street  
Purcellville, VA 20132  
(540) 338-7421  
Fax: (540) 338-6205  
www.purcellvilleva.gov

October 13, 2008

To Honorable Mayor, Members of Town Council and Citizens of the Town of Purcellville:

I am pleased to present the Town of Purcellville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. These statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The report, prepared by the Town's Finance Department, identifies the Town's financial position and results of operations of the Town as measured by the financial activity of its various funds over the past fiscal year. The required disclosure statements are also set forth in this document. We believe the data contained in the report is accurate in all material aspects.

The Town Charter and Code of Virginia §15.2-2511 require an annual audit performed by independent certified public accountants of the Town's financial affairs. The Town has contracted with Robinson, Farmer, Cox and Associates, Certified Public Accountants to provide audit services in a five-year contract. Robinson, Farmer, Cox and Associates has issued an unqualified opinion on the Town's financial statements for the year ended June 30, 2008. The independent auditor's report is located on page 1 and 2 of this report.

The management of the Town is responsible for establishing and maintaining an internal control structure to ensure the protection of Town assets. These controls are evaluated each year by both the independent auditors and management staff. The Town also maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the Town Council no later than the close of the previous fiscal year. Activities of the general fund, two utility enterprise funds and capital project funds are included in the Town's annual budget. When necessary, the Town Council approves amendments to the adopted budget. Budgetary compliance is reported and monitored at the departmental level.

### **Profile of the Town:**

The Town of Purcellville was incorporated in 1908 and celebrated its centennial this past year. The Town's corporate limits encompass approximately 2.6 miles located in Northern Virginia about 60 miles west of Washington, D.C. with a population of approximately 7,000. The Town is operated based on a council-manager form of government. The Town provides a full range of municipal services including police protection, refuse collection, construction and maintenance of streets and other infrastructure, parks and recreational facilities, zoning inspection services and general administrative services. The Town also maintains and operates two enterprise funds for the purpose of production, distribution and treatment of water and wastewater on behalf of the residents of the Town.

## **Economic Condition and Outlook:**

The Town of Purcellville concluded fiscal year ended June 30, 2008 in strong financial condition in an economy that required many jurisdictions to cut or reduce spending significantly. Unfortunately, during this fiscal year, the Town continued to see a significant deterioration in the national, regional and local real estate market as a result of sub-prime mortgages and other economic factors. The cascading effect of these poor investments has impacted the region and our local community at unprecedented levels:

- 1) The value of real property and improvements for both the residential and commercial assessments fell by 7-12% throughout the year.
- 2) The number of foreclosures and properties for sale within the community hit the highest level on record. Compared to other communities, the Town weathered this storm fairly well as new homes continued to sell even though sales of older or existing homes slowed more dramatically.
- 3) The vacancy rate for leased business properties in the Town increased for the first time in 10 years. Until last year, there were typically waiting lists for shopping center and commercial leases. In fact, it now takes months to fill some leases. Even though these vacancies are minimal compared to those experienced in other jurisdictions in our region, the rental rates have been impacted. As a result, the average rental rate has dropped by \$5.00 to \$10.00 per square foot.

While the Town's real estate and personal property values are key indicators of the local economy, the major driving force behind the Town's revenue profile is its strong business community. The Town experienced growth or maintained budget projections in almost all revenue categories in FY 07/08. However, as the economy continues to deteriorate, there is concern that impacts to the business sector will result in decrease in the Town's revenue collection for business license tax, meals tax, sales tax and permit fees.

Given the uncertainty of a changing economy, the Town Council and Management Team made a conscientious decision to closely monitor both revenue and expenditure streams throughout the entire FY 07/08 budget. Extensive review occurred during the mid-year budget cycle as we began the new calendar year. In February 2008, the Town Manager's Office issued a memorandum requiring budget cuts of 5% in all departments. Both revenue collections and purchases were closely scrutinized and, as a result, the Town was able to bring the General Fund in under budget and ending the year with an operating surplus. In addition to these measures, the Management Team implemented hiring freezes and delayed new capital projects in May 2008 which further prepared the Town for slowing economic trends into FY 08/09.

### **Major Initiatives:**

The Council accomplished 141 major projects and initiatives during FY 07/08. A copy of these accomplishments was developed and circulated to the public and used as a planning document at the most recent Council Retreat. Included below are a few key initiatives undertaken or started in this fiscal year:

- Purchased Fireman's Field from Purcellville Volunteer Fire Department.
- Adopted a Capital Staffing Plan.
- Implemented a Performance Management and Pay for Performance Program for the first time in Purcellville.
- Reorganized the Town's operations from a staffing and departmental standpoint to better serve our community and serve as a Model for Success.
- Expanded the use of our new informative Budget and CIP documents.
- Developed a Debt Management Plan to address the need to deal with the Town's 60+ Capital Projects.
- Expanded Water Resources in the wake of an extensive and severe drought.
- Began the ENR expansions at the Basham Simms Wastewater Facility.
- Completed the first phase of the Sewer Grid Replacement Construction Schedule.
- Assisted with the design and development of the new Purcellville Public Safety Center.
- Entered into an agreement to lease/purchase a new Town Hall facility located at Purcellville Baptist Church on Nursery Avenue.
- Completed design on a new Maintenance Facility and went out to bid.
- Installed 2 new traffic lights on Main Street while completing pedestrian sidewalk improvements throughout Town.
- Initiated first Regional Transit Bus Stop with expanded plans to create 2 additional stops within the next year.
- Began the year long Centennial Celebration for our community.
- Received VML Achievement Award for the Police Department's Community Engagement Program with our youth.
- Updated Zoning Ordinance with significant amendments that were more community and business friendly.
- Completed a re-mapping of our community with the creation of new Zoning Districts which eliminated more than 1,000 additional housing units within the community.

This represents a partial listing of the significant initiatives and achievements accomplished across all departments this fiscal year.

### **General Fund Balance:**

I am pleased to report that the Town's unreserved, undesignated General Fund balance increased by \$546,501 to \$3,145,905 this year. This increase was a result of strong oversight and control of operating expenditures and diversified revenue sources.

**Water and Wastewater Operations:**

The Town’s utility operations were significantly impacted as a result of two noteworthy issues. The first involved a slowing in growth for both the residential and commercial new connections. The second issue was a one hundred year drought that affected our region and resulted in a reduction in operational income from user fees. This condition required the Town to put an aggressive conservation program and mandatory water restrictions in place which led to lower water demand and operational income. Although revenues were impacted in both utility funds by both of these factors, expenditure controls allowed the Town to finish FY08 in good standing. However, if economic conditions and building continues to slow, further budgetary adjustments may be required in the utility operations.

**Cash Management:**

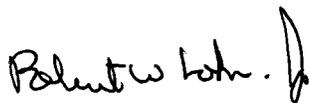
The Town’s investment policy is in compliance with the Virginia Security for Deposits Act (SPDA). The Town utilizes interest-bearing deposit accounts to manage operating funds in qualified depositories. Accordingly, all deposits were either insured by the FDIC insurance coverage or highly collateralized. The Town’s idle cash reserves were primarily invested in the Local Government Investment Pool (LGIP), managed by the Virginia Department of Treasury, and interest-bearing deposit accounts. On June 30, 2008, \$11,122,683 was invested in the LGIP an earned an effective yield of 2.625%.

Also included in this report is a section titled Management’s Discussion and Analysis (MD&A) which begins on page 3. The MD&A will provide additional analysis and overview of the financial statements contained in this report.

**Acknowledgements**

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Town Council for their interest and support in planning and conducting the financial operation of the Town in a responsible and progressive manner.

Sincerely,

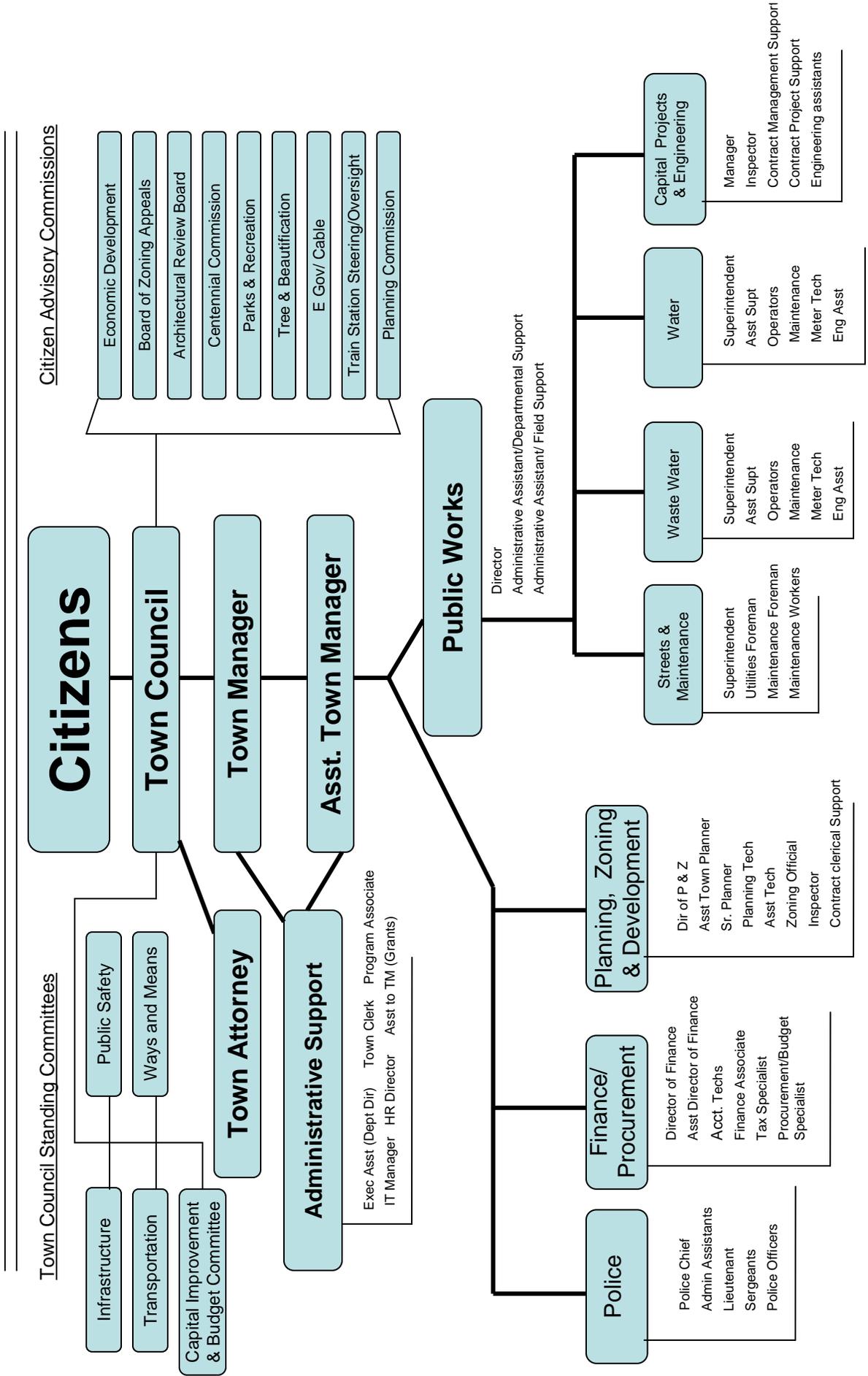


Robert W. Lohr, Jr.  
Town Manager



Elizabeth B. Krens  
Director of Finance

# Town of Purcellville Organization Chart (3/07)



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# TOWN OF PURCELLVILLE, VIRGINIA

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## COUNCIL

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Janet S. Clarke James O. Wiley	Robert W. Lazaro, Jr., Mayor Christopher J. Walker, III, Vice-Mayor  Thomas A. Priscilla, Jr.	Stephen Varnecky Gregory W. Wagner
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## OFFICIALS

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Robert W. Lohr, Jr.	Town Manager
Patrick Childs	Assistant Town Manager
Elizabeth B. Krens	Director of Finance
Martha Mason Semmes	Director of Planning and Zoning
Samer S. Beidas	Director of Public Works
Vadah McCann	Executive Assistant to Town Manager
Darryl C. Smith, Sr.	Chief of Police

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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### TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF PURCELLVILLE, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2008, 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 Purcellville, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2008, 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 October 13, 2008 on our consideration of the Town of Purcellville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Purcellville, Virginia's basic financial statements. The accompanying financial information listed as supporting schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Purcellville, Virginia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 13, 2008

## Town of Purcellville, Virginia Management's Discussion and Analysis

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As management of the Town of Purcellville (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$57.6 million (*net assets*). Of this amount, \$15.5 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$.38 million, of which the governmental activities accounted for a \$.87 million decrease and business-type activities accounted for \$.5 million increase.
- The unreserved, undesignated ending fund balance for the Town's governmental fund is \$3.1 million, an increase of \$1.5 million over the prior year. This ending fund balance is equal to 38% of the Town's fiscal year 2009 general fund operating budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3.1 million, or 46% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt increased by \$17.9 million (108%) during the current fiscal year. This is due to the issuance of refunding bonds, general obligation bonds, and a note payable during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise 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.

#### Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets may reflect a changing manner in which the Town may have used previously accumulated funds.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

## Overview of the Financial Statements: (Continued)

### Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 15 through 17 of this report.

### Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 Town'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 maintains two governmental funds, a General Fund and a Capital Projects fund. The Town 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. The basic governmental fund financial statements can be found on pages 21 through 24 of this report.

The Town maintains one type of **Proprietary Fund**. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 45 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 49 and 50 of this report.

## Overview of the Financial Statements: (Continued)

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$57.6 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$42.1 million, 71% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, 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 (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Assets:

**Town of Purcellville, Virginia**  
**Summary of Net Assets**  
**As of June 30, 2008**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 6,188,319	\$ 4,678,122	\$ 22,919,533	\$ 12,818,563	\$ 29,107,852	\$ 17,496,685
Capital assets	36,544,128	34,742,978	29,207,136	23,424,363	65,751,264	58,167,341
Total assets	\$ 42,732,447	\$ 39,421,100	\$ 52,126,669	\$ 36,242,926	\$ 94,859,116	\$ 75,664,026
Long-term liabilities outstanding	\$ 7,209,805	\$ 2,906,306	\$ 27,190,914	\$ 13,112,147	\$ 34,400,719	\$ 16,018,453
Other liabilities	872,746	993,546	1,987,048	678,413	2,859,794	1,671,959
Total liabilities	\$ 8,082,551	\$ 3,899,852	\$ 29,177,962	\$ 13,790,560	\$ 37,260,513	\$ 17,690,412
Net assets:						
Invested in capital assets, net of related debt	\$ 31,855,360	\$ 32,879,544	\$ 10,211,089	\$ 10,214,935	\$ 42,066,449	\$ 43,094,479
Unrestricted	2,794,536	2,641,704	12,737,618	12,237,431	15,532,154	14,879,135
Total net assets	\$ 34,649,896	\$ 35,521,248	\$ 22,948,707	\$ 22,452,366	\$ 57,598,603	\$ 57,973,614

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

As noted previously, the Town's overall (government and business-type activities) net assets decreased by \$.38 million during the current fiscal year. The overall decrease is attributed to an increase in capital projects financed with debt issuances.

**Government-Wide Financial Analysis: (Continued)**

Governmental activities decreased the Town's net assets by \$.87 million. The following table summarizes the Town's Statement of Activities:

**Town of Purcellville, Virginia  
Changes in Net Assets  
As of June 30, 2008**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 175,390	\$ 219,995	\$ 2,333,265	\$ 2,602,852	\$ 2,508,655	\$ 2,822,847
Operating grants and contributions	294,341	247,883	-	-	294,341	247,883
Capital grants and contributions	777,854	574,687	-	-	777,854	574,687
General revenues:						
Property taxes	2,464,023	2,428,380	-	-	2,464,023	2,428,380
Other taxes	2,898,002	2,799,546	-	-	2,898,002	2,799,546
Unrestricted revenues from the use of money and property	126,148	151,842	478,266	661,445	604,414	813,287
Miscellaneous	96,347	52,916	136,193	135,860	232,540	188,776
Grants and contributions not restricted to specific programs	208,556	210,019	-	-	208,556	210,019
Total revenues	\$ 7,040,661	\$ 6,685,268	\$ 2,947,724	\$ 3,400,157	\$ 9,988,385	\$ 10,085,425
Expenses:						
General government administration	\$ 2,226,330	\$ 1,876,356	\$ -	\$ -	\$ 2,226,330	\$ 1,876,356
Public safety	1,663,801	1,466,000	-	-	1,663,801	1,466,000
Public works	3,472,004	3,286,874	-	-	3,472,004	3,286,874
Parks, recreation and culture	81,503	35,241	-	-	81,503	35,241
Community development	584,944	526,780	-	-	584,944	526,780
Interest on long-term debt	100,727	113,602	-	-	100,727	113,602
Water fund	-	-	2,262,486	2,449,890	2,262,486	2,449,890
Sewer fund	-	-	1,962,968	1,868,553	1,962,968	1,868,553
Total expenses	\$ 8,129,309	\$ 7,304,853	\$ 4,225,454	\$ 4,318,443	\$ 12,354,763	\$ 11,623,296
Increase in net assets before transfers and capital contributions	\$ (1,088,648)	\$ (619,585)	\$ (1,277,730)	\$ (918,286)	\$ (2,366,378)	\$ (1,537,871)
Transfers	\$ 217,296	\$ 167,302	\$ (217,296)	\$ (167,302)	\$ -	\$ -
Capital contributions	-	-	1,991,367	2,076,400	1,991,367	2,076,400
Increase in net assets	\$ (871,352)	\$ (452,283)	\$ 496,341	\$ 990,812	\$ (375,011)	\$ 538,529
Net assets-beginning of year	\$ 35,521,248	\$ 35,973,531	\$ 22,452,366	\$ 21,461,554	\$ 57,973,614	\$ 57,435,085
Net assets-end of year	\$ 34,649,896	\$ 35,521,248	\$ 22,948,707	\$ 22,452,366	\$ 57,598,603	\$ 57,973,614

## Government-Wide Financial Analysis (Continued)

Generally, net asset changes are for the difference between revenues and expenses. A key element of this decrease follows:

- The decrease in net assets can be attributed to the reporting of depreciation expense, a non-cash expense, in relation to the Town's capital assets. Depreciation expense accounted for \$1.3 million of the decrease.

**Business-type activities** increased the Town's net assets by \$.5 million. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. An increase in capital contributions and usage fees contributed to this increase.

## Financial Analysis of the Town's Funds

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

**Governmental fund:** The focus of the Town's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *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.

The Town's fiscal year 2008 general fund operating revenues exceeded those of fiscal year 2007 by \$642,000. Revenue categories of growth included property taxes, other taxes, and State and Federal funding. As indicative of slowing residential development, permit revenues fell.

In fiscal year 2008, the general fund's operating revenues exceeded expenditures by \$84,000. The capital project expansion was evident and over 60 projects were included in the Town's fiscal year 2008 Capital Improvement Plan. The total general fund outlay for capital projects was \$1.4 million in fiscal year 2008, while debt issuances for these projects resulted in proceeds of \$2.6 million. This resulted in an overall increase in fund balance of \$1.5 million.

At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,145,905 while reserved fund balance was \$2,136,455. The fund balance reservation represents unspent proceeds from the issuance of debt. As a measure of the General Fund's liquidity, the unreserved fund balance represents 47% of total General Fund expenditures.

**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 funds at the end of the year amounted to \$12.7 million. The total net assets increased by \$.45 million from the prior year.

## General Fund Budgetary Highlights

There was an increase of \$393,304 between the original budget and the final amended budget expenditures. The increase can primarily be attributed to capital projects. During the fiscal year the Town's revenue exceeded budget by \$260,913. Operational cost management was demonstrated by the fact that fiscal year 2008 expenditures were under budget by \$85,434.

## Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$65.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

**Town of Purcellville, Virginia  
Capital Assets  
(net of depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 1,751,128	\$ 50,000	\$ 857,675	\$ 857,675	\$ 2,608,803	\$ 907,675
Buildings	598,228	630,456	-	-	598,228	630,456
Utility plant in service	-	-	17,712,529	17,015,623	17,712,529	17,015,623
Improvements other than buildings	321,660	345,942	263,100	283,900	584,760	629,842
Infrastructure	30,821,959	31,904,631	-	-	30,821,959	31,904,631
Machinery & Equipment	1,178,494	511,552	266,446	74,351	1,444,940	585,903
Vehicles	147,802	218,028	82,707	69,646	230,509	287,674
Construction in progress	<u>1,724,857</u>	<u>1,082,369</u>	<u>10,024,679</u>	<u>5,123,168</u>	<u>11,749,536</u>	<u>6,205,537</u>
Total	\$ <u>36,544,128</u>	\$ <u>34,742,978</u>	\$ <u>29,207,136</u>	\$ <u>23,424,363</u>	\$ <u>65,751,264</u>	\$ <u>58,167,341</u>

Additional information on the Town's capital assets can be found in Note 4 on pages 37 and 38 of this report.

**Long-term debt:** At the end of the current fiscal year, the Town had total outstanding debt of \$34.4 million and details are summarized in the following table:

**Town of Purcellville, Virginia  
Outstanding Debt  
For the Year Ended June 30, 2008**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bonds Payable:						
General obligation bonds	\$ 5,220,223	\$ 2,783,945	\$ 27,122,557	\$ 13,380,615	\$ 32,342,780	\$ 16,164,560
Notes payable	1,605,000	-	-	-	1,605,000	0
Compensated absences	<u>384,582</u>	<u>256,927</u>	<u>68,357</u>	<u>110,730</u>	<u>452,939</u>	<u>367,657</u>
Total	\$ <u>7,209,805</u>	\$ <u>3,040,872</u>	\$ <u>27,190,914</u>	\$ <u>13,491,345</u>	\$ <u>34,400,719</u>	\$ <u>16,532,217</u>

## **Capital Asset and Debt Administration: (Continued)**

Debt associated with governmental activities increased by \$4,168,933 while debt associated with business-type activities increased by \$13,699,569. This increase is due to the issuance of new notes payable, refunding, and general obligation bonds during the current fiscal year.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2008.

Additional information on the Town's long-term debt and compliance can be found in Note 5.

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

The Town continued to see erosions of real property values in 2008. The total real property assessments for the Town fell by 5.2%. This total consists of a decrease in existing properties of 6.4% and an increase in new construction of 1.2%. There is some expectation that residential assessments may continue to fall in 2009. In 2008, the Town Council reduced the tax rate for real property to \$.19/100 from the equalized rate of \$.1922/100. In 2008, the Town's property assessment profile was split at 80% residential and 20% commercial property.

The Town's utility rates were modified in fiscal year 2008 based on models prepared by the Town's utility rate consultant. Factors such as forecasted new connections, operating expenditures, expenditures, and debt service associated with the capital improvement plan and historical usage trends were analyzed to update the Town's rate structure. The Town's water rate of \$3.44 per 1,000 gallons in fiscal year 2007 was changed to \$3.78/1,000 gallons up to 6,000 gallons in fiscal year 2008, \$5.04 between 6,000 - 12,000 gallons, \$6.30 between 12,000 - 18,000 gallons and \$7.56 over 18,000 gallons. The sewer rate was increased to \$7.61/1,000 gallons in fiscal year 2008 from \$7.25 in fiscal year 2007.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Purcellville, 130 East Main Street, Purcellville, VA 20132.

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**BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
As of June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,648,094	\$ 13,412,986	\$ 17,061,080
Receivables (net of allowance for uncollectibles):			
Taxes receivable	73,288	-	73,288
Accounts receivable	115,309	560,234	675,543
Loans receivable	-	803,908	803,908
Due from other governmental units	171,977	-	171,977
Prepaid expenses	43,196	15,895	59,091
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	2,136,455	8,126,510	10,262,965
Capital assets (net of accumulated depreciation):			
Land	1,751,128	857,675	2,608,803
Buildings and system	598,228	-	598,228
Improvements other than buildings	321,660	263,100	584,760
Machinery and equipment	1,178,494	266,446	1,444,940
Vehicles	147,802	82,707	230,509
Infrastructure	30,821,959	-	30,821,959
Utility plant in service	-	17,712,529	17,712,529
Construction in progress	1,724,857	10,024,679	11,749,536
Total assets	\$ 42,732,447	\$ 52,126,669	\$ 94,859,116
<b>LIABILITIES</b>			
Accounts payable	\$ 329,406	\$ 1,850,970	\$ 2,180,376
Accrued liabilities	117,353	-	117,353
Customers' deposits	-	55,646	55,646
Accrued interest payable	26,571	80,432	107,003
Deposits held in escrow	399,416	-	399,416
Long-term liabilities:			
Due within one year	247,286	567,136	814,422
Due in more than one year	6,962,519	26,623,778	33,586,297
Total liabilities	\$ 8,082,551	\$ 29,177,962	\$ 37,260,513
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 31,855,360	\$ 10,211,089	\$ 42,066,449
Unrestricted	2,794,536	12,737,618	15,532,154
Total net assets	\$ 34,649,896	\$ 22,948,707	\$ 57,598,603

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

TOWN OF PURCELLVILLE, VIRGINIA

Statement of Activities  
 For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 2,226,330	\$ 91,069	\$ -	\$ -
Public safety	1,663,801	83,729	160,398	-
Public works	3,472,004	592	128,943	777,854
Parks, recreation, and cultural	81,503	-	5,000	-
Community development	584,944	-	-	-
Interest on long-term debt	100,727	-	-	-
<b>Total governmental activities</b>	<b>\$ 8,129,309</b>	<b>\$ 175,390</b>	<b>\$ 294,341</b>	<b>\$ 777,854</b>
Business-type activities:				
Water	\$ 2,262,486	\$ 975,004	\$ -	\$ 561,696
Sewer	1,962,968	1,358,261	-	1,429,671
<b>Total business-type activities</b>	<b>\$ 4,225,454</b>	<b>\$ 2,333,265</b>	<b>\$ -</b>	<b>\$ 1,991,367</b>
<b>Total primary government</b>	<b>\$ 12,354,763</b>	<b>\$ 2,508,655</b>	<b>\$ 294,341</b>	<b>\$ 2,769,221</b>

General revenues:  
 General property taxes  
 Other local taxes:  
     Local sales and use tax  
     Business licenses  
     Utility taxes  
     Restaurant food taxes  
     Other local taxes  
 Unrestricted revenues from use of money and property  
 Miscellaneous  
 Grants and contributions not restricted to specific programs  
 Transfers

Total general revenues and transfers

Change in net 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
\$ (2,135,261)	\$ -	\$ (2,135,261)
(1,419,674)	-	(1,419,674)
(2,564,615)	-	(2,564,615)
(76,503)	-	(76,503)
(584,944)	-	(584,944)
(100,727)	-	(100,727)
<u>\$ (6,881,724)</u>	<u>\$ -</u>	<u>\$ (6,881,724)</u>
\$ -	\$ (725,786)	\$ (725,786)
-	824,964	824,964
<u>\$ -</u>	<u>\$ 99,178</u>	<u>\$ 99,178</u>
<u>\$ (6,881,724)</u>	<u>\$ 99,178</u>	<u>\$ (6,782,546)</u>
\$ 2,464,023	\$ -	\$ 2,464,023
678,260	-	678,260
625,138	-	625,138
200,387	-	200,387
682,534	-	682,534
711,683	-	711,683
126,148	478,266	604,414
96,347	136,193	232,540
208,556	-	208,556
217,296	(217,296)	-
<u>\$ 6,010,372</u>	<u>\$ 397,163</u>	<u>\$ 6,407,535</u>
(871,352)	496,341	(375,011)
<u>35,521,248</u>	<u>22,452,366</u>	<u>57,973,614</u>
<u>\$ 34,649,896</u>	<u>\$ 22,948,707</u>	<u>\$ 57,598,603</u>

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## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 As of June 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 3,508,611	\$ 139,483	\$ 3,648,094
Receivables (net of allowance for uncollectibles):			
Taxes receivable (Note 1)	73,288	-	73,288
Accounts receivable	115,309	-	115,309
Due from other governmental units (Note 3)	115,382	56,595	171,977
Prepaid expenses	43,196	-	43,196
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	<u>2,136,455</u>	<u>-</u>	<u>2,136,455</u>
Total assets	<u>\$ 5,992,241</u>	<u>\$ 196,078</u>	<u>\$ 6,188,319</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 133,338	\$ 196,078	\$ 329,416
Accrued liabilities	117,341	-	117,341
Unearned revenue	59,786	-	59,786
Customer deposits	<u>399,416</u>	<u>-</u>	<u>399,416</u>
Total liabilities	<u>\$ 709,881</u>	<u>\$ 196,078</u>	<u>\$ 905,959</u>
Fund balances:			
Unreserved, undesignated reported in:			
General fund	\$ 3,145,905	\$ -	\$ 3,145,905
Reserved for future capital outlay	<u>2,136,455</u>	<u>-</u>	<u>2,136,455</u>
Total fund balances	<u>\$ 5,282,360</u>	<u>\$ -</u>	<u>\$ 5,282,360</u>
Total liabilities and fund balances	<u>\$ 5,992,241</u>	<u>\$ 196,078</u>	<u>\$ 6,188,319</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 As of June 30, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 5,282,360
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.	36,544,128
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.	(26,571)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	59,784
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long term - are reported in the Statement of Net Assets.	<u>(7,209,805)</u>
Net assets of governmental activities	<u>\$ 34,649,896</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2008

	General	Capital Projects	Total
<b>REVENUES</b>			
General property taxes	\$ 2,469,194	\$ -	\$ 2,469,194
Other local taxes	2,898,002	-	2,898,002
Permits, privilege fees, and regulatory licenses	91,661	-	91,661
Fines and forfeitures	83,729	-	83,729
Revenue from the use of money and property	126,148	-	126,148
Miscellaneous	94,254	2,093	96,347
Intergovernmental revenues:			
Local government	126,000	-	126,000
Commonwealth	875,612	209,606	1,085,218
Federal	15,533	54,000	69,533
Total revenues	<u>\$ 6,780,133</u>	<u>\$ 265,699</u>	<u>\$ 7,045,832</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,096,975	\$ -	\$ 2,096,975
Public safety	1,506,641	-	1,506,641
Public works	2,120,074	-	2,120,074
Parks, recreation, and cultural	41,174	-	41,174
Community development	607,290	-	607,290
Capital outlay	-	3,329,921	3,329,921
Debt service:			
Principal retirement	224,322	-	224,322
Interest and other fiscal charges	100,002	-	100,002
Total expenditures	<u>\$ 6,696,478</u>	<u>\$ 3,329,921</u>	<u>\$ 10,026,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 83,655</u>	<u>\$ (3,064,222)</u>	<u>\$ (2,980,567)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 312,296	\$ 1,459,222	\$ 1,771,518
Transfers out	(1,459,222)	(95,000)	(1,554,222)
Proceeds of general obligation bonds	2,565,600	-	2,565,600
Proceeds of notes payable	-	1,700,000	1,700,000
Total other financing sources (uses)	<u>\$ 1,418,674</u>	<u>\$ 3,064,222</u>	<u>\$ 4,482,896</u>
Net change in fund balances	\$ 1,502,329	\$ -	\$ 1,502,329
Fund balances - beginning	3,780,031	-	3,780,031
Fund balances - ending	<u>\$ 5,282,360</u>	<u>\$ -</u>	<u>\$ 5,282,360</u>

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

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds	\$	1,502,329
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	3,200,823	
Depreciation expense		<u>(1,399,673)</u>	1,801,150

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,304
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Proceeds from the issuance of general obligation bonds	(2,565,600)	
Proceeds from the issuance of notes payable	(1,700,000)	
Principal retired on general obligation bonds	129,322	
Principal retired on notes payable	<u>95,000</u>	(4,041,278)

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.

(Increase)/decrease in compensated absences	(134,132)	
(Increase)/decrease in accrued interest payable	<u>(725)</u>	<u>(134,857)</u>

Change in net assets of governmental activities	\$	<u><u>(871,352)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Fund Net Assets  
 Proprietary Funds  
 As of June 30, 2008

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,628,592	\$ 7,784,394	\$ 13,412,986
Prepaid expenses	9,116	6,779	15,895
Receivables, net of allowances for uncollectibles			
Accounts	152,197	408,037	560,234
Loans	-	803,908	803,908
Total current assets	\$ 5,789,905	\$ 9,003,118	\$ 14,793,023
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents (in custody of others)	\$ 5,834,764	\$ 2,291,746	\$ 8,126,510
Capital assets:			
Utility plant in service	9,164,559	11,652,113	20,816,672
Land	490,575	367,100	857,675
Improvements other than buildings	445,000	-	445,000
Vehicles	98,441	128,077	226,518
Machinery and equipment	125,807	236,062	361,869
Construction in progress	1,620,663	8,404,016	10,024,679
Less accumulated depreciation	(1,936,883)	(1,588,394)	(3,525,277)
Total capital assets	\$ 10,008,162	\$ 19,198,974	\$ 29,207,136
Total noncurrent assets	\$ 15,842,926	\$ 21,490,720	\$ 37,333,646
Total assets	\$ 21,632,831	\$ 30,493,838	\$ 52,126,669
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 77,187	\$ 1,773,783	\$ 1,850,970
Customers' deposits	55,646	-	55,646
Accrued interest payable	55,568	24,864	80,432
Bonds payable - current portion	253,100	307,200	560,300
Total current liabilities	\$ 441,501	\$ 2,105,847	\$ 2,547,348
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 11,688,002	\$ 14,874,255	\$ 26,562,257
Compensated absences	26,975	41,382	68,357
Total noncurrent liabilities	\$ 11,714,977	\$ 14,915,637	\$ 26,630,614
Total liabilities	\$ 12,156,478	\$ 17,021,484	\$ 29,177,962
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,901,824	\$ 6,309,265	\$ 10,211,089
Unrestricted	5,574,529	7,163,089	12,737,618
Total net assets	\$ 9,476,353	\$ 13,472,354	\$ 22,948,707
Total liabilities and net assets	\$ 21,632,831	\$ 30,493,838	\$ 52,126,669

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2008

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 952,417	\$ 1,322,697	\$ 2,275,114
Other revenues	22,587	35,564	58,151
Miscellaneous	5,030	11,126	16,156
Total operating revenues	\$ 980,034	\$ 1,369,387	\$ 2,349,421
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 640,693	\$ 633,866	\$ 1,274,559
Employee benefits	252,197	231,626	483,823
Plant operations	209,881	334,649	544,530
Well operations	201,675	-	201,675
Pump station operations	-	35,238	35,238
Equipment and vehicles	50,030	20,187	70,217
Depreciation	237,163	240,596	477,759
Capital outlay - non-capitalizable expenses	281,117	12,618	293,735
Other	89,806	50,664	140,470
Total operating expenses	\$ 1,962,562	\$ 1,559,444	\$ 3,522,006
Operating income (loss)	\$ (982,528)	\$ (190,057)	\$ (1,172,585)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 220,893	\$ 257,373	\$ 478,266
Cellular lease	120,037	-	120,037
Interest expense	(299,924)	(403,524)	(703,448)
Total nonoperating revenues (expenses)	\$ 41,006	\$ (146,151)	\$ (105,145)
Income before contributions and transfers	\$ (941,522)	\$ (336,208)	\$ (1,277,730)
Contributed capital - availability fees	\$ 561,696	\$ 1,429,671	\$ 1,991,367
Transfers in	-	84,497	84,497
Transfers out	(193,145)	(108,648)	(301,793)
Change in net assets	\$ (572,971)	\$ 1,069,312	\$ 496,341
Total net assets - beginning	10,049,324	12,403,042	22,452,366
Total net assets - ending	\$ 9,476,353	\$ 13,472,354	\$ 22,948,707

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

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2008

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,036,020	\$ 1,226,231	\$ 2,262,251
Payments to suppliers	(813,152)	(479,607)	(1,292,759)
Payments to and on behalf of employees	(875,773)	(881,988)	(1,757,761)
Net cash provided (used) by operating activities	\$ (652,905)	\$ (135,364)	\$ (788,269)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cellular lease	\$ 120,037	\$ -	\$ 120,037
Transfers from other funds	-	84,497	84,497
Transfers to other funds	(193,145)	(108,648)	(301,793)
Net cash provided (used) by noncapital financing activities	\$ (73,108)	\$ (24,151)	\$ (97,259)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	\$ (593,217)	\$ (3,999,894)	\$ (4,593,111)
Capital contributions	561,696	1,429,671	1,991,367
Retirements of long-term indebtedness	(1,217,968)	(7,455,758)	(8,673,726)
Proceeds from indebtedness	8,003,700	13,608,057	21,611,757
Interest payments	(341,000)	(405,481)	(746,481)
Net cash provided (used) by capital and related financing activities	\$ 6,413,211	\$ 3,176,595	\$ 9,589,806
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 220,893	\$ 257,373	\$ 478,266
Net cash provided (used) by investing activities	\$ 220,893	\$ 257,373	\$ 478,266
Net increase (decrease) in cash and cash equivalents	\$ 5,908,091	\$ 3,274,453	\$ 9,182,544
Cash and cash equivalents - beginning	5,555,265	6,801,687	12,356,952
Cash and cash equivalents - ending	\$ 11,463,356	\$ 10,076,140	\$ 21,539,496
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (982,528)	\$ (190,057)	\$ (1,172,585)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	237,163	240,596	477,759
(Increase) decrease in accounts receivable	27,798	(144,880)	(117,082)
(Increase) decrease in accrued interest receivable	1,317	1,724	3,041
Increase (decrease) in compensated absences	17,117	(16,496)	621
Increase (decrease) in accounts payable	19,357	(26,251)	(6,894)
Increase (decrease) customer deposits	26,871	-	26,871
Total adjustments	\$ 329,623	\$ 54,693	\$ 384,316
Net cash provided (used) by operating activities	\$ (652,905)	\$ (135,364)	\$ (788,269)

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

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008

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### Note 1—Summary of Significant Accounting Policies:

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#### A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Purcellville, Virginia.

#### Individual Component Unit Disclosures

The Town has no component units.

#### Related Organizations

The Town has no related organizations.

#### Jointly Governed Organizations

The Town has no jointly governed organizations.

#### B. Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its components unit. 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 services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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 timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

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

1. Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Similar Trust Funds. The Governmental Fund measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The individual Governmental Funds are:

#### General Fund

The General Fund is the general operating fund of the Town. The fund accounts for all revenues and expenditures of the Town which are not accounted for in other funds.

#### Capital Project Fund

The Capital Projects Fund accounts for all capital related expenditures of the Town.

2. Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

#### Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Currently the Town's Water and Sewer Funds are accounted for as enterprise funds.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

##### Enterprise Funds: (Continued)

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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. Budgets and Budgetary Accounting:

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

1. Prior to March 30, 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 June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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**Note 1—Summary of Significant Accounting Policies: (Continued)**

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E. Cash and Cash Equivalents:

For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

F. Restricted Assets

Proceeds from bonds issued for general and enterprise funds are classified as restricted assets on the Balance Sheet and Statement of Net Assets because their use is limited to future capital outlay. These funds are maintained in a separate bank account under the care of a trustee.

G. Investments:

Investments are stated at fair market value. Certificates of deposits, money market mutual funds and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

H. Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, infrastructure, vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not included in the capital assets of the Government-wide statements or capitalized in the proprietary funds.

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. Interest attributable to capitalized assets for the year ended June 30, 2008 was immaterial.

Depreciation for capital assets is computed over the following useful lives using the straight line method.

Buildings	50 Years
Utility Plant & Lines	50 Years
Automobiles	5-7 Years
Equipment	7-10 Years
Infrastructure	75 Years

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### I. Compensated Absences:

Vested or accumulated vacation leave is reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

#### J. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is 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.

#### K. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to approximately \$6,526 at June 30, 2008 for uncollectible local property taxes.

#### L. Property Taxes

Real property is assessed by Loudoun County, Virginia at its value on January 1 and is payable semi-annually on December 5th and June 5th. Personal property taxes are assessed by Loudoun County, Virginia as of January 1 and are payable on December 5th. Taxes attach as an enforceable lien as of the date assessed. The Town bills and collects its own property taxes based on the assessed values provided by the County.

#### M. 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.

#### N. Restricted & Unrestricted Net Assets

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.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### O. 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.

#### P. Prepaid Items

Certain payment to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Note 2—Deposits and Investments:

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#### Deposits:

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

#### Investments:

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

#### Custodial Credit Risk (Investments):

To protect the Town against potential fraud, the investment policy states that the assets of the Town shall be secured through third-party custody and safe-keeping procedures. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

The Town’s investments at June 30, 2008 were held by the Town or in the Town’s name by the Town’s custodial banks.

#### Credit Risk of Debt Securities:

The Town’s investment policy states that no individual investment shall be undertaken that jeopardizes the capital position of the Town or does not bear the full faith and credit of the United States government or is not fully collateralized or insured.

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 2—Deposits and Investments: (Continued)**

Credit Risk of Debt Securities: (Continued)

The Town’s rated debt investments as of June 30, 2008 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

**Locality's Rated Debt Investments**

<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>				
	<u>AAAm</u>	<u>AAA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 11,122,683	\$ -	\$ -	\$ -	\$ -
State Non-Arbitrage Pool	<u>10,262,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 21,385,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk:

The Town does not have an investment policy regarding the concentration of credit risk.

The Town had investments at June 30, 2008, with more than 5 percent of the total in the Local Government Investment Pool and the State Non-Arbitrage Pool. These investments represented 52 percent and 48 percent, respectively of total investments.

External Investment Pools

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

**Note 3—Due from Other Governmental Units:**

Commonwealth of Virginia:	
VDOT Revenue Sharing	\$ <u>56,595</u>
County of Loudoun:	
Local Sales Tax	\$ <u>115,382</u>
Total	\$ <u><u>171,977</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 4—Capital Assets:**

Governmental Funds

A summary of changes in capital assets at June 30, 2008 follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 50,000	\$ 1,701,128	\$ -	\$ 1,751,128
Construction in progress	<u>1,082,369</u>	<u>1,188,733</u>	<u>546,245</u>	<u>1,724,857</u>
Total capital assets not being depreciated	<u>\$ 1,132,369</u>	<u>\$ 2,889,861</u>	<u>\$ 546,245</u>	<u>\$ 3,475,985</u>
Capital assets being depreciated:				
Buildings	\$ 1,047,880	\$ -	\$ -	\$ 1,047,880
Improvements other than buildings	460,027	-	-	460,027
Machinery and equipment	1,217,788	813,012	-	2,030,800
Vehicles	602,830	44,195	-	647,025
Infrastructure	<u>48,905,853</u>	<u>-</u>	<u>-</u>	<u>48,905,853</u>
Subtotal	<u>\$ 52,234,378</u>	<u>\$ 857,207</u>	<u>\$ -</u>	<u>\$ 53,091,585</u>
Less: accumulated depreciation for:				
Buildings	\$ (417,424)	\$ (32,228)	\$ -	\$ (449,652)
Improvements other than buildings	(114,085)	(24,282)	-	(138,367)
Machinery and equipment	(706,236)	(146,070)	-	(852,306)
Vehicles	(384,802)	(114,421)	-	(499,223)
Infrastructure	<u>(17,001,222)</u>	<u>(1,082,672)</u>	<u>-</u>	<u>(18,083,894)</u>
Total accumulated depreciation	<u>\$ (18,623,769)</u>	<u>\$ (1,399,673)</u>	<u>\$ -</u>	<u>\$ (20,023,442)</u>
Net capital assets being depreciated	<u>\$ 33,610,609</u>	<u>\$ (542,466)</u>	<u>\$ -</u>	<u>\$ 33,068,143</u>
Capital assets, net	<u>\$ 34,742,978</u>	<u>\$ 2,347,395</u>	<u>\$ 546,245</u>	<u>\$ 36,544,128</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business-type Activities)

A summary of changes in capital assets at June 30, 2008 follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 857,675	\$ -	\$ -	\$ 857,675
Construction in progress	<u>5,123,168</u>	<u>5,984,641</u>	<u>1,083,130</u>	<u>10,024,679</u>
Total capital assets not being depreciated	\$ <u>5,980,843</u>	\$ <u>5,984,641</u>	\$ <u>1,083,130</u>	\$ <u>10,882,354</u>
Capital assets being depreciated:				
Utility plant in service	\$ 19,729,544	\$ 1,087,128	\$ -	\$ 20,816,672
Improvements other than buildings	445,000	-	-	445,000
Vehicles	180,760	45,758	-	226,518
Machinery and equipment	<u>135,739</u>	<u>226,130</u>	<u>-</u>	<u>361,869</u>
Subtotal	\$ 20,491,043	\$ 1,359,016	\$ -	\$ 21,850,059
Less: accumulated depreciation for:				
Utility plant in service	\$ (2,713,921)	\$ (390,222)	\$ -	\$ (3,104,143)
Improvements other than buildings	(161,100)	(20,800)	-	(181,900)
Vehicles	(111,114)	(32,697)	-	(143,811)
Machinery and equipment	<u>(61,383)</u>	<u>(34,040)</u>	<u>-</u>	<u>(95,423)</u>
Total accumulated depreciation	\$ <u>(3,047,518)</u>	\$ <u>(477,759)</u>	\$ <u>-</u>	\$ <u>(3,525,277)</u>
Net capital assets being depreciated	\$ <u>17,443,525</u>	\$ <u>881,257</u>	\$ <u>-</u>	\$ <u>18,324,782</u>
Capital assets, net	\$ <u>23,424,368</u>	\$ <u>6,865,898</u>	\$ <u>1,083,130</u>	\$ <u>29,207,136</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 98,150
Public safety	70,685
Public works (Highways and streets)	1,230,316
Parks and recreation	<u>522</u>
Total governmental activities	\$ <u>1,399,673</u>
Enterprise funds	\$ <u>477,759</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 5—Long—Term Debt:**

Governmental Activities:

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

Year Ending June 30,	Bonds	
	Principal	Interest
2009	\$ 208,828	\$ 92,492
2010	333,587	202,137
2011	343,300	192,276
2012	353,469	182,026
2013	364,096	171,367
2014-2018	1,994,443	681,386
2019-2023	2,095,500	336,988
2024-2028	985,200	121,580
2029	146,800	6,547
Total	\$ <u>6,825,223</u>	\$ <u>1,986,799</u>

Changes in Long—term Obligations:

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2008:

	Notes Payable	Bonds Payable	Compensated Absences	Total
Long-term debt payable at July 1, 2007	\$ -	\$ 2,783,945	\$ 256,927	\$ 3,040,872
Increases:				
Issuances	1,700,000	2,565,600	430,709	4,696,309
Decreases:				
Retirements	<u>95,000</u>	<u>129,322</u>	<u>303,054</u>	<u>527,376</u>
Long-term debt payable at June 30, 2008	\$ <u>1,605,000</u>	\$ <u>5,220,223</u>	\$ <u>384,582</u>	\$ <u>7,209,805</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

Note 5—Long—Term Debt: (Continued)

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Bonds Payable:		
\$835,133 General Obligation Refunding Bond Series 2003 dated May 22, 2003 with principal payable annually and interest payable semi-annually, bonds bearing interest at 3.27% maturing October 1, 2017.	\$ 588,823	\$ 50,728
\$2,233,000 General Obligation Bond Series 2005A maturing annually in payments of \$127,853 initially with increases of \$5,000 to \$10,000 until the final installment of \$856,590 due 2020 including interest at 3.659%, interest only payments, at 3.659%, are also due annually with the amount determined by the outstanding balance.	2,065,800	83,100
\$2,576,261 General Obligation Bonds Series 2008 dated May 21, 2008 with principal payable annually and interest payable semi-annually, bonds bearing interest at 4.46% maturing January 15, 2029	<u>2,565,600</u>	<u>-</u>
Total Bonds Payable	\$ <u>5,220,223</u>	\$ <u>133,828</u>
Notes Payable:		
\$1,700,000 note payable dated July 18, 2007 for the purchase of Fireman's Field (land). Payments of \$75,000 (increased to \$85,000 in 2010) due annually with the final installment due 2027, bearing interest at 0%.	\$ <u>1,605,000</u>	\$ <u>75,000</u>
Total Notes Payable	\$ <u>1,605,000</u>	\$ <u>75,000</u>
Compensated Absences (Note 6)	\$ <u>384,582</u>	\$ <u>38,458</u>
Total general long-term obligation debt	\$ <u><u>7,209,805</u></u>	\$ <u><u>247,286</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 5—Long—Term Debt: (Continued)**

Enterprise Activities:

Annual requirements to amortize the Town’s enterprise indebtedness and related interest are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2009	\$ 560,300	\$ 746,000
2010	844,100	991,995
2011	964,684	1,300,573
2012	1,085,017	1,037,297
2013	1,133,006	990,557
2014-2018	6,441,835	4,174,295
2019-2023	6,058,985	2,720,920
2023-2028	4,193,204	1,774,117
2029-2030	5,841,426	256,880
Total	\$ <u>27,122,557</u>	\$ <u>13,992,634</u>

Changes in Long-term Obligations:

The following is a summary of long-term debt transactions of the Town’s enterprise activities for the year ended June 30, 2008:

	General Obligation Bonds	Compensated Absences	Total
Long-Term Debt payable at July 1, 2007	\$ 13,380,618	\$ 110,730	\$ 13,491,348
Increases:			
Issuances	21,611,757	92,118	21,703,875
Retirements:			
General Obligation Bonds	<u>7,869,818</u>	<u>134,491</u>	<u>8,004,309</u>
Long-Term Debt Payable at June 30, 2008	\$ <u>27,122,557</u>	\$ <u>68,357</u>	\$ <u>27,190,914</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 5—Long—Term Debt: (Continued)**

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$17,384,839 General Obligation Bonds Series 2008 dated May 21, 2008 with principal payable annually and interest payable semi-annually, bonds bearing interest at 4.46% maturing January 15, 2029	\$ 17,395,500	\$ 291,700
\$24,944,377 General Obligation Bond, Series 2008 (VRA) maturing annually with payments at \$849,472 beginning in 2001, due March 2030 bearing interest at 3%. At June 30, 2008 \$4,216,257 of this bond had been received.	4,216,257	-
\$2,865,000 General Obligation Water and Sewer Bond, Series 2000 (VRA) maturing annually with principal payable at 100,000 initially, with increases in \$5,000-\$10,000 intervals until the final principal payment installments of \$240,000, due 2020 with interest rates ranging from 4.80%-5.60%, payable from the water fund.	2,190,000	135,000
\$5,822,500 General Obligation Bond Series 2005B maturing in payments of \$205,470 annually initially with increases in \$5,000 to \$10,000 intervals until the final installment of \$1,376,939, due 2020 including 3.659% interest. Interest only payments, at 3.659% are also due annually in an amount determined by the outstanding bond balance. Both are payable from the water and sewer funds.	<u>3,320,800</u>	<u>133,600</u>
Total	\$ 27,122,557	\$ 560,300
Compensated Absences (Note 6)	\$ <u>68,357</u>	\$ <u>6,836</u>
Total enterprise debt	\$ <u><u>27,190,914</u></u>	\$ <u><u>567,136</u></u>

**Note 6—Claims, Judgments and Compensated Absences:**

In accordance with GASB Statement 16 "Accounting for Compensated Absences," the Town has accrued liabilities arising from compensated absences.

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination, except for employees who retire under VRS from the Town in good standing are paid for 25% of their sick leave balance. Accumulated vacation is paid upon termination. The Town's General Fund has outstanding accrued leave pay totaling \$384,582 and the Enterprise Funds have outstanding accrued leave pay of \$68,357.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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### Note 7—Defined Benefit Pension Plan:

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#### A. Plan Description:

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

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. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters 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, Virginia 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume 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 June 30, 2008 was 7.85% of the annual covered payroll.

For fiscal year ended 2008, the Town's annual pension cost of \$277,121 (does not include the portion of the employee share assumed by the Town which was \$176,510) was equal to the Town's required and actual contributions. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

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**Note 7—Defined Benefit Pension Plan: (Continued)**

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C. Annual Pension Cost and Net Pension Obligation:

For fiscal year 2008, the Town’s annual pension cost of \$277,121 was equal to the Town’s required and actual contributions.

<b>Three-Year Trend Information</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
06/30/08	\$ 277,121	100%	\$ -
06/30/07	253,431	100%	-
06/30/06	288,580	100%	-

The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.73% (3.50% to 4.71% for LEO employees), and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Authority’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 91.80% funded. The actuarial accrued liability for benefits was \$4,876,234 and the actuarial value of assets was \$4,476,529, resulting in an unfunded actuarial liability (UAAL) of \$399,705. The covered payroll (annual payroll of active employees covered by the plan) was \$3,149,690, and the ratio of the UAAL to covered payroll was 12.69%.

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

**Note 8—Deferred Revenue:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$59,786 at June 30, 2008.

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2008 (Continued)

**Note 9—Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the association for its workers compensation insurance coverage. 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.

The Town continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 10—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2008 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 312,296	\$ 1,459,222
Capital Projects Fund	1,459,222	95,000
Water Fund	-	193,145
Sewer Fund	84,497	108,648
Total	<u>\$ 1,856,015</u>	<u>\$ 1,856,015</u>

Transfers were made for capital projects and debt service.

**Note 11—Commitments:**

At June 30, 2008 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
CH2M Hill	BSWF ENR Upgrade	\$ 1,831,011
GeoConcepts	BSWF ENR Upgrade	205,180
Pizzagalli Construction	BSWF ENR Upgrade	19,195,000
RK&K	BSWF ENR Upgrade	997,257
RK&K	Maintenance facility	215,643
E.E. Lyons Construction	I & I Improvements	236,990
CH2M Hill	Water resources study	11,311
A&H Environmental	Water distribution evaluation	96,250

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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.

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## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 2,480,270	\$ 2,480,270	\$ 2,469,194	\$ (11,076)
Other local taxes	2,708,000	2,708,000	2,898,002	190,002
Permits, privilege fees, and regulatory licenses	115,000	115,000	91,661	(23,339)
Fines and forfeitures	74,000	74,000	83,729	9,729
Revenue from the use of money and property	60,000	60,000	126,148	66,148
Miscellaneous	52,950	52,950	94,254	41,304
Intergovernmental revenues:				
Local government	108,000	126,000	126,000	-
Commonwealth	881,900	900,500	875,612	(24,888)
Federal	2,500	2,500	15,533	13,033
Total revenues	\$ 6,482,620	\$ 6,519,220	\$ 6,780,133	\$ 260,913
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,776,447	\$ 1,940,711	\$ 2,096,975	\$ (156,264)
Public safety	1,484,211	1,532,090	1,506,641	25,449
Public works	2,211,427	2,368,792	2,120,074	248,718
Parks, recreation, and cultural	29,000	43,200	41,174	2,026
Community development	678,357	670,657	607,290	63,367
Debt service:				
Principal retirement	209,140	226,436	224,322	2,114
Interest and other fiscal charges	-	-	100,002	(100,002)
Total expenditures	\$ 6,388,582	\$ 6,781,886	\$ 6,696,478	\$ 85,408
Excess (deficiency) of revenues over (under) expenditures	\$ 94,038	\$ (262,666)	\$ 83,655	\$ 346,321
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 200,000	\$ 217,296	\$ 312,296	\$ 95,000
Transfers out	(321,303)	(132,395)	(1,459,222)	(1,326,827)
Proceeds from the issuance of debt	-	-	2,565,600	2,565,600
Total other financing sources (uses)	\$ (121,303)	\$ 84,901	\$ 1,418,674	\$ 1,333,773
Net change in fund balances	\$ (27,265)	\$ (177,765)	\$ 1,502,329	\$ 1,680,094
Fund balances - beginning, adjusted	27,265	177,765	3,780,031	3,602,266
Fund balances - ending	\$ -	\$ -	\$ 5,282,360	\$ 5,282,360

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

Virginia Retirement System  
 Schedule of Pension Funding Progress  
 For the Year Ended June 30, 2008

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Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll (e)	UAAL as % of Covered Payroll (c/e) (f)
06/30/05	\$ 3,274,014	\$ 4,514,146	\$ 1,240,132	72.53%	\$ 2,282,942	54.32%
06/30/06	3,766,752	4,043,056	276,304	93.17%	2,984,061	9.26%
06/30/07	4,476,529	4,876,234	399,705	91.80%	3,149,690	12.69%

**OTHER SUPPLEMENTARY INFORMATION**

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## Supporting Schedules

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,129,270	\$ 2,129,270	\$ 2,109,935	\$ (19,335)
Personal property taxes	335,000	335,000	329,794	(5,206)
Penalties and interest	16,000	16,000	29,465	13,465
Total general property taxes	<u>\$ 2,480,270</u>	<u>\$ 2,480,270</u>	<u>\$ 2,469,194</u>	<u>\$ (11,076)</u>
Other local taxes:				
Local sales and use taxes	\$ 620,000	\$ 620,000	\$ 678,260	\$ 58,260
Communications tax	174,000	174,000	184,810	10,810
Cigarette taxes	242,000	242,000	238,446	(3,554)
Business license taxes	525,000	525,000	625,138	100,138
Utility license taxes	192,000	192,000	200,387	8,387
Auto decals	135,000	135,000	134,023	(977)
Bank franchise taxes	160,000	160,000	151,156	(8,844)
Cable franchise taxes	-	-	3,248	3,248
Restaurant food taxes	660,000	660,000	682,534	22,534
Total other local taxes	<u>\$ 2,708,000</u>	<u>\$ 2,708,000</u>	<u>\$ 2,898,002</u>	<u>\$ 190,002</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 115,000	\$ 115,000	\$ 91,069	\$ (23,931)
Proffers	-	-	592	592
Total permits, privilege fees, and regulatory licenses	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 91,661</u>	<u>\$ (23,339)</u>
Fines and forfeitures:				
Police fines	\$ 74,000	\$ 74,000	\$ 83,729	\$ 9,729
Total fines and forfeitures	<u>\$ 74,000</u>	<u>\$ 74,000</u>	<u>\$ 83,729</u>	<u>\$ 9,729</u>
Revenue from use of money and property:				
Interest	\$ 60,000	\$ 60,000	\$ 126,148	\$ 66,148
Total revenue from use of money and property	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 126,148</u>	<u>\$ 66,148</u>
Miscellaneous revenue:				
Miscellaneous	\$ 15,850	\$ 15,850	\$ 59,171	\$ 43,321
Proceeds from sales of property	10,000	10,000	8,354	(1,646)
Community events sign	2,000	2,000	1,455	(545)
Law enforcement reimbursement from Loudoun County	24,000	24,000	24,156	156
Vehicle compensation reimbursement	1,100	1,100	1,118	18
Total miscellaneous revenue	<u>\$ 52,950</u>	<u>\$ 52,950</u>	<u>\$ 94,254</u>	<u>\$ 41,304</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental revenue:				
Gasoline tax funding from Loudoun County	\$ 108,000	\$ 126,000	\$ 126,000	\$ -
Total revenue from local sources	<u>\$ 5,598,220</u>	<u>\$ 5,616,220</u>	<u>\$ 5,888,988</u>	<u>\$ 272,768</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 4,000	\$ 4,000	\$ 2,101	\$ (1,899)
Wine taxes	-	-	2,202	2,202
Personal property tax relief funds	<u>201,000</u>	<u>201,000</u>	<u>201,753</u>	<u>753</u>
Total noncategorical aid	<u>\$ 205,000</u>	<u>\$ 205,000</u>	<u>\$ 206,056</u>	<u>\$ 1,056</u>
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 126,000	\$ 144,600	\$ 137,785	\$ (6,815)
Total shared expenses	<u>\$ 126,000</u>	<u>\$ 144,600</u>	<u>\$ 137,785</u>	<u>\$ (6,815)</u>
Other categorical aid:				
Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fire programs fund	8,700	8,700	9,448	748
Highway maintenance funds	535,000	535,000	514,248	(20,752)
Litter control grant	2,200	2,200	2,943	743
Other categorical aid	<u>-</u>	<u>-</u>	<u>132</u>	<u>132</u>
Total other categorical aid	<u>\$ 550,900</u>	<u>\$ 550,900</u>	<u>\$ 531,771</u>	<u>\$ (19,129)</u>
Total categorical aid	<u>\$ 676,900</u>	<u>\$ 695,500</u>	<u>\$ 669,556</u>	<u>\$ (25,944)</u>
Total revenue from the Commonwealth	<u>\$ 881,900</u>	<u>\$ 900,500</u>	<u>\$ 875,612</u>	<u>\$ (24,888)</u>
Revenue from the federal government:				
Payments in lieu of taxes	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Categorical aid:				
Other categorical	\$ -	\$ -	\$ 13,033	\$ 13,033
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,033</u>	<u>\$ 13,033</u>
Total revenue from the federal government	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 15,533</u>	<u>\$ 13,033</u>
Total General Fund	<u><u>\$ 6,482,620</u></u>	<u><u>\$ 6,519,220</u></u>	<u><u>\$ 6,780,133</u></u>	<u><u>\$ 260,913</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Fund:</b>				
<b>General Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 2,093	\$ 2,093
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,093</u>	<u>\$ 2,093</u>
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 366,460	\$ 366,460	\$ 209,606	\$ (156,854)
Total revenue from the Commonwealth	<u>\$ 366,460</u>	<u>\$ 366,460</u>	<u>\$ 209,606</u>	<u>\$ (156,854)</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 305,838	\$ 305,838	\$ 54,000	\$ (251,838)
Total revenue from the federal government	<u>\$ 305,838</u>	<u>\$ 305,838</u>	<u>\$ 54,000</u>	<u>\$ (251,838)</u>
Total County Capital Improvements Fund	<u>\$ 672,298</u>	<u>\$ 672,298</u>	<u>\$ 265,699</u>	<u>\$ (406,599)</u>
Total Primary Government	<u>\$ 7,154,918</u>	<u>\$ 7,191,518</u>	<u>\$ 7,045,832</u>	<u>\$ (145,686)</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 47,398	\$ 47,398	\$ 47,044	\$ 354
General and financial administration:				
Administration	\$ 836,271	\$ 853,097	\$ 924,298	\$ (71,201)
Building administration	67,800	67,800	65,774	2,026
Legal services	115,000	253,738	389,060	(135,322)
Independent auditor	25,000	25,000	16,527	8,473
Information technology	177,481	177,931	136,649	41,282
Finance	507,497	515,747	517,623	(1,876)
Total general and financial administration	\$ 1,729,049	\$ 1,893,313	\$ 2,049,931	\$ (156,618)
Total general government administration	\$ 1,776,447	\$ 1,940,711	\$ 2,096,975	\$ (156,264)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,386,211	\$ 1,434,090	\$ 1,407,193	\$ 26,897
Fire and rescue services:				
Fire department	\$ 53,000	\$ 53,000	\$ 54,448	\$ (1,448)
Ambulance and rescue services	45,000	45,000	45,000	-
Total fire and rescue services	\$ 98,000	\$ 98,000	\$ 99,448	\$ (1,448)
Total public safety	\$ 1,484,211	\$ 1,532,090	\$ 1,506,641	\$ 25,449
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 528,000	\$ 546,000	\$ 298,587	\$ 247,413
Administration	387,159	506,455	526,489	(20,034)
Total maintenance of highways, streets, bridges & sidewalks	\$ 915,159	\$ 1,052,455	\$ 825,076	\$ 227,379
Maintenance of general buildings and grounds:				
General properties	\$ 847,268	\$ 867,337	\$ 853,531	\$ 13,806
Refuse	444,000	444,000	441,467	2,533
Total maintenance of general buildings and grounds	\$ 1,291,268	\$ 1,311,337	\$ 1,294,998	\$ 13,806
Mass transit	\$ 5,000	\$ 5,000	-	\$ 2,533
Total public works	\$ 2,211,427	\$ 2,368,792	\$ 2,120,074	\$ 243,718

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 25,000	\$ 39,200	\$ 37,174	\$ 2,026
Recreation facilities	4,000	4,000	4,000	-
Total parks and recreation	<u>\$ 29,000</u>	<u>\$ 43,200</u>	<u>\$ 41,174</u>	<u>\$ 2,026</u>
Total parks, recreation, and cultural	<u>\$ 29,000</u>	<u>\$ 43,200</u>	<u>\$ 41,174</u>	<u>\$ 4,052</u>
Community development:				
Planning and community development:				
Planning	\$ 531,169	\$ 544,169	\$ 514,583	\$ 29,586
Planning commission	17,387	17,387	14,493	2,894
Board of architectural review	3,730	3,730	3,122	608
Tree and beautification commission	13,000	13,000	15,217	(2,217)
Train station	15,900	15,900	9,930	5,970
Centennial commission	5,000	5,000	5,000	-
Total planning and community development	<u>\$ 586,186</u>	<u>\$ 599,186</u>	<u>\$ 562,345</u>	<u>\$ 36,841</u>
Environmental management:				
Environmental service	\$ 15,000	\$ 15,000	\$ 8,251	\$ 6,749
Retiree benefits	\$ 10,921	\$ 10,921	\$ 9,660	\$ 1,261
Compensation adjustment	\$ 20,000	\$ -	\$ -	\$ -
Board of zoning and appeals	\$ 3,250	\$ 3,250	\$ -	\$ 3,250
Economic development:				
Economic development	\$ 43,000	\$ 42,300	\$ 27,034	\$ 15,266
Total community development	<u>\$ 678,357</u>	<u>\$ 670,657</u>	<u>\$ 607,290</u>	<u>\$ 63,367</u>
Debt service:				
Principal retirement and interest	\$ 209,140	\$ 226,436	\$ 224,322	\$ 2,114
Interest and other fiscal charges	-	-	100,002	(100,002)
Total debt service	<u>\$ 209,140</u>	<u>\$ 226,436</u>	<u>\$ 324,324</u>	<u>\$ (97,888)</u>
Total General Fund	<u><u>\$ 6,388,582</u></u>	<u><u>\$ 6,781,886</u></u>	<u><u>\$ 6,696,478</u></u>	<u><u>\$ 82,434</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
General capital projects	\$ 892,006	\$ 915,091	\$ 413,123	\$ 501,968
Maintenance facility	3,575,978	3,575,978	136,081	3,439,897
Town Hall generator	-	-	10,215	(10,215)
Stormwater inventory	110,000	110,000	82,000	28,000
Recreation and beautification	-	110,000	1,716,541	(1,606,541)
14th Street widening	139,000	139,000	231,636	(92,636)
Main and Maple improvements	60,000	60,000	71,683	(11,683)
Main Street sidewalks	158,800	158,800	263	158,537
20th Street sidewalk	76,700	76,700	175,226	(98,526)
S. Nusery Avenue sidewalk	60,750	60,750	5,159	55,591
N. 21st Street sidewalk	105,300	105,300	1,626	103,674
S. 32nd Street sidewalk	36,450	36,450	677	35,773
Traffic signal - 23rd	15,000	15,000	258,858	(243,858)
Maple and A round-about	-	-	636	(636)
Emergency vehicle	10,000	10,000	63,273	(53,273)
N. 21st Street guardrail	-	-	1,307	(1,307)
Traffic signal - Hatch	305,000	305,000	161,617	143,383
<b>Total Capital Projects Fund</b>	<u>\$ 5,544,984</u>	<u>\$ 5,678,069</u>	<u>\$ 3,329,921</u>	<u>\$ 2,348,148</u>
<b>Total Primary Government</b>	<u>\$ 11,933,566</u>	<u>\$ 12,459,955</u>	<u>\$ 10,026,399</u>	<u>\$ 2,430,582</u>

Schedule of Revenues and Expenses - Budget and Actual  
Water Fund  
For the Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund:</b>				
Operating revenues:				
Water meter fees	\$ 7,800	\$ 7,800	\$ 3,437	\$ (4,363)
Water fees	1,252,592	1,252,592	947,456	(305,136)
Miscellaneous income	9,000	9,000	5,030	(3,970)
Service charge	-	-	-	-
Penalties and interest	14,000	14,000	22,587	8,587
Water flushing	300	300	1,524	1,224
	\$ 1,283,692	\$ 1,283,692	\$ 980,034	\$ (303,658)
Total operating revenues				
Operating expenses:				
Personnel:				
Water staff	\$ 590,962	\$ 601,512	\$ 600,699	\$ 813
Overtime - Water	32,000	32,000	39,994	(7,994)
Plant operations:				
Electricity	23,990	23,990	24,499	(509)
Telephone	7,500	7,500	5,126	2,374
Supplies	14,000	14,000	23,365	(9,365)
Lab Equipment	8,500	8,500	-	8,500
Contracts	11,000	11,000	9,904	1,096
Uniforms	9,450	9,450	8,487	963
Safety	11,500	11,500	7,732	3,768
Sludge disposal	5,970	5,970	-	5,970
Cross connections	2,000	2,000	-	2,000
Plant repairs	44,000	44,000	33,738	10,262
Water line repairs	32,000	32,000	17,659	14,341
Leak detection	3,000	3,000	270	2,730
Meter repairs & testing	3,500	3,500	1,195	2,305
New water meters	37,000	37,000	38,295	(1,295)
Computer upgrades	5,000	5,000	1,415	3,585
Chemicals - plant	36,380	36,380	28,775	7,605
Generator WTP	6,000	6,000	2,510	3,490
Permits	6,800	6,800	1,267	5,533
Touch read HDW & SFTW	8,800	8,800	-	8,800
Public education	3,500	3,500	-	3,500
VDH operations fee	4,400	4,400	5,644	(1,244)
Well operations:				
Electricity	31,930	31,930	49,202	(17,272)
Telephone	3,500	3,500	1,187	2,313
Supplies	33,000	33,000	28,542	4,458
Contracts	10,000	10,000	40,001	(30,001)
Spare parts	3,000	3,000	1,871	1,129
Repairs	39,000	39,000	41,538	(2,538)
Chemicals	20,160	20,160	20,873	(713)
Carbon change-out	25,000	25,000	18,461	6,539
Equipment and vehicles expenses:				
New equipment & tools	38,000	38,000	30,947	7,053
Vehicle repairs and maintenance	9,500	9,500	18,222	(8,722)
Propane	3,500	3,500	861	2,639

Schedule of Revenues and Expenses - Budget and Actual  
Water Fund  
For the Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund: (Continued)</b>				
Operating expenses: (Continued)				
Other:				
Advertisements	\$ 6,000	\$ 6,000	\$ 3,506	\$ 2,494
Water samples	43,500	43,500	26,903	16,597
Training	10,300	10,300	9,012	1,288
Dues & subscriptions	300	300	680	(380)
Consumer reports	3,700	3,700	3,396	304
General expenses	3,500	3,500	1,252	2,248
Postage/mailings	7,500	7,500	6,575	925
Miscellaneous	10,003	10,003	-	10,003
Professional services	40,000	40,000	-	40,000
Watershed management	3,500	3,500	7,350	(3,850)
Forestry management	3,000	3,000	-	3,000
Environmental compliance	3,500	3,500	372	3,128
Mowing	11,000	11,000	4,535	6,465
Administrative supplies	7,000	7,000	-	7,000
Water department emergency	4,000	4,000	10,517	(6,517)
Small projects	-	-	15,708	(15,708)
Employee benefits:				
Health insurance	115,969	115,969	110,243	5,726
Retirement	71,834	71,834	71,742	92
Workers' compensation	19,672	19,672	13,634	6,038
Payroll taxes	48,422	48,422	47,990	432
Drug testing	450	450	785	(335)
Life insurance	6,317	6,317	5,583	734
Deferred compensation match	2,600	2,600	2,220	380
Depreciation		-	237,163	(237,163)
Capital outlay - non-capitalizable expenses	1,915,290	1,915,290	281,117	1,634,173
Total operating expenses	\$ 3,461,199	\$ 3,471,749	\$ 1,962,562	\$ 1,509,187
Operating income (loss)	\$ (2,177,507)	\$ (2,188,057)	\$ (982,528)	\$ 1,205,529
Nonoperating revenues (expenses):				
Interest earned	\$ 200,000	\$ 200,000	\$ 220,893	\$ 20,893
Cellular lease	110,000	110,000	120,037	10,037
Interest expense	(671,881)	(663,233)	(299,924)	363,309
Total nonoperating revenues (expenses)	\$ (361,881)	\$ (353,233)	\$ 41,006	\$ 394,239
Net income (loss) before operating transfers and contributions	\$ (2,539,388)	\$ (2,541,290)	\$ (941,522)	\$ 1,599,768
Other financing sources (uses):				
Contributed capital - availability fees	\$ 850,460	\$ 850,460	\$ 561,696	\$ (288,764)
Proceeds from the issuance of debt	1,915,290	1,915,290	-	(1,915,290)
Transfers in	-	10,550	-	(10,550)
Transfers out	(100,000)	(108,648)	(193,145)	(84,497)
Total other financing sources (uses)	\$ 2,665,750	\$ 2,667,652	\$ 368,551	\$ (2,299,101)
Net income	\$ 126,362	\$ 126,362	\$ (572,971)	\$ (699,333)

## Schedule of Revenues and Expenses - Budget and Actual

## Sewer Fund

For the Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund:</b>				
Operating revenues:				
Sewer fees	\$ 1,480,070	\$ 1,480,070	\$ 1,322,697	\$ (157,373)
Penalties and interest	14,000	14,000	22,564	8,564
Miscellaneous income	560	560	11,126	10,566
Proffers	-	-	13,000	13,000
<b>Total operating revenues</b>	<b>\$ 1,494,630</b>	<b>\$ 1,494,630</b>	<b>\$ 1,369,387</b>	<b>\$ (125,243)</b>
Operating expenses:				
Personnel:				
Sewer staff	\$ 633,444	\$ 642,544	\$ 605,195	\$ 37,349
Overtime - Sewer	35,000	35,000	28,671	6,329
Plant operations:				
Electricity	74,304	74,304	85,230	(10,926)
Telephone	11,000	11,000	4,298	6,702
Supplies	-	-	4,956	(4,956)
Plant supplies	7,500	7,500	23,843	(16,343)
Contracts	-	-	5,600	(5,600)
Permits	7,000	7,000	194	6,806
Uniforms	9,804	9,804	10,813	(1,009)
Plant repairs	37,000	37,000	26,920	10,080
Sewer line repairs	15,000	15,000	33,347	(18,347)
Safety	13,500	13,500	9,320	4,180
Lab supplies	20,000	20,000	-	20,000
New equipment & tools	20,000	20,000	10,677	9,323
Sludge removal	75,500	75,500	100,034	(24,534)
Chemicals	12,360	12,360	13,691	(1,331)
Lab certification	5,300	5,300	1,402	3,898
Sample analysis	3,200	3,200	4,324	(1,124)
Waste disposal	2,500	2,500	-	2,500
Contracts	1,000	1,000	-	1,000
Meter repairs, tools, and equipment	4,500	4,500	-	4,500
Touch read HDW	8,800	8,800	-	8,800
Pump station operations:				
Electricity	11,700	11,700	10,500	1,200
Telephone	1,500	1,500	1,688	(188)
Repairs	20,000	20,000	17,364	2,636
Contracts	10,000	10,000	4,669	5,331
Equipment	7,500	7,500	1,017	6,483
Equipment and vehicles expenses:				
Equipment - plant	12,500	12,500	8,427	4,073
Gas and oil	3,500	3,500	5,373	(1,873)
Vehicle repairs	8,000	8,000	6,387	1,613

Schedule of Revenues and Expenses - Budget and Actual  
 Sewer Fund  
 For the Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund: (Continued)</b>				
Other expenses:				
Dues & subscriptions	\$ 750	\$ 750	\$ -	\$ 750
Advertisements	3,100	3,100	3,689	(589)
Training	5,000	5,000	-	5,000
Postage/mailings	7,500	7,500	10,594	(3,094)
Other expenses	14,944	14,944	-	14,944
Engineering	30,000	30,000	26,157	3,843
Mowing	12,000	12,000	6,466	5,534
Environmental compliance	4,000	4,000	1,372	2,628
Sewer department emergency	3,000	3,000	2,370	630
Administrative supplies	2,500	2,500	16	2,484
Public education	2,500	2,500	-	2,500
Employee benefits:				
Health insurance	103,315	103,315	88,240	103,315
Retirement	78,171	78,171	71,525	6,646
Workers' compensation	14,781	14,781	9,989	4,792
Payroll taxes	51,246	51,246	52,001	(755)
Drug testing	500	500	1,006	(506)
Deferred compensation match	4,680	4,680	3,300	1,380
Life insurance	6,874	6,874	5,565	1,309
Depreciation	-	-	240,596	(240,596)
Capital outlay - non-capitalizable expenses	10,779,000	10,779,000	12,618	10,766,382
<b>Total operating expenses</b>	<b>\$ 12,195,273</b>	<b>\$ 12,204,373</b>	<b>\$ 1,559,444</b>	<b>\$ 10,733,169</b>
<b>Operating income</b>	<b>\$ (10,700,643)</b>	<b>\$ (10,709,743)</b>	<b>\$ (190,057)</b>	<b>\$ 10,607,926</b>
Nonoperating revenues (expenses):				
Interest earned	\$ 290,000	\$ 290,000	\$ 257,373	\$ (32,627)
BSWF study grant	2,200,000	2,200,000	-	(2,200,000)
Interest expense	(618,765)	(610,117)	(403,524)	206,593
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 1,871,235</b>	<b>\$ 1,879,883</b>	<b>\$ (146,151)</b>	<b>\$ (2,026,034)</b>
<b>Net income before operating transfers</b>	<b>\$ (8,829,408)</b>	<b>\$ (8,829,860)</b>	<b>\$ (336,208)</b>	<b>\$ 8,581,892</b>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 617,630	\$ 617,630	\$ 1,429,671	\$ 812,041
Proceeds from the issuance of debt	8,579,000	8,579,000	-	(8,579,000)
Transfers in	-	9,100	84,497	75,397
Transfers out	(100,000)	(108,648)	(108,648)	-
<b>Total operating transfers</b>	<b>\$ 9,096,630</b>	<b>\$ 9,097,082</b>	<b>\$ 1,405,520</b>	<b>\$ (7,691,562)</b>
<b>Net income</b>	<b>\$ 267,222</b>	<b>\$ 267,222</b>	<b>\$ 1,069,312</b>	<b>\$ 890,330</b>

Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 As of June 30, 2008

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 1,751,128	\$ 50,000
Buildings	1,047,880	1,047,880
Improvements other than buildings	460,027	460,027
Machinery and equipment	2,030,800	1,217,788
Vehicles	647,025	602,830
Infrastructure	48,905,853	48,905,853
Construction in progress	<u>1,724,857</u>	<u>1,082,369</u>
Total governmental funds capital assets	<u>\$ 56,567,570</u>	<u>\$ 53,366,747</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 56,567,570</u>	<u>\$ 53,366,747</u>
Total governmental funds capital assets	<u>\$ 56,567,570</u>	<u>\$ 53,366,747</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 As of June 30, 2008

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 1,750,000	\$ 22,015	\$ 903,128
Finance and administration	-	-	-
Total general government administration	<u>\$ 1,750,000</u>	<u>\$ 22,015</u>	<u>\$ 903,128</u>
Public safety:			
Police department	\$ -	\$ 86,753	\$ -
Total public safety	<u>\$ -</u>	<u>\$ 86,753</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ 1,128	\$ 1,616,089	\$ 144,752
Maintenance of buildings and grounds	-	-	-
Total public works	<u>\$ 1,128</u>	<u>\$ 1,616,089</u>	<u>\$ 144,752</u>
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ -	\$ -
Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total governmental funds capital assets</b>	<u><u>\$ 1,751,128</u></u>	<u><u>\$ 1,724,857</u></u>	<u><u>\$ 1,047,880</u></u>

Schedule 6

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ 50,735	\$ 177,549	\$ 25,392	\$ -	\$ 2,928,819
<u>-</u>	<u>342,676</u>	<u>157,037</u>	<u>-</u>	<u>499,713</u>
\$ <u>50,735</u>	\$ <u>520,225</u>	\$ <u>182,429</u>	\$ <u>-</u>	\$ <u>3,428,532</u>
<u>\$ 3,850</u>	<u>\$ 156,980</u>	<u>\$ 323,207</u>	<u>\$ -</u>	<u>\$ 570,790</u>
<u>\$ 3,850</u>	<u>\$ 156,980</u>	<u>\$ 323,207</u>	<u>\$ -</u>	<u>\$ 570,790</u>
\$ 394,994	\$ 809,735	\$ 141,389	\$ 48,905,853	\$ 52,013,940
<u>-</u>	<u>543,860</u>	<u>-</u>	<u>-</u>	<u>543,860</u>
\$ <u>394,994</u>	\$ <u>1,353,595</u>	\$ <u>141,389</u>	\$ <u>48,905,853</u>	\$ <u>52,557,800</u>
<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448</u>
<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448</u>
<u>\$ 460,027</u>	<u>\$ 2,030,800</u>	<u>\$ 647,025</u>	<u>\$ 48,905,853</u>	<u>\$ 56,567,570</u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2008

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Additions	Deductions	Governmental Funds Capital Assets June 30, 2008
General government administration:				
Town council	\$ 1,218,604	\$ 1,710,215	\$ -	\$ 2,928,819
Finance and administration	431,014	68,699	-	499,713
Total general government administration	<u>\$ 1,649,618</u>	<u>\$ 1,778,914</u>	<u>\$ -</u>	<u>\$ 3,428,532</u>
Public safety:				
Police department	\$ 471,000	\$ 99,790	\$ -	\$ 570,790
Total public safety	<u>\$ 471,000</u>	<u>\$ 99,790</u>	<u>\$ -</u>	<u>\$ 570,790</u>
Public works:				
Highways and roads	\$ 50,692,661	\$ 1,867,524	\$ (546,245)	\$ 52,013,940
Maintenance of buildings and grounds	543,020	840	-	543,860
Total public works	<u>\$ 51,235,681</u>	<u>\$ 1,868,364</u>	<u>\$ (546,245)</u>	<u>\$ 52,557,800</u>
Parks, recreation, and cultural:				
Parks and recreation	\$ 10,448	\$ -	\$ -	\$ 10,448
Total parks, recreation, and cultural	<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448</u>
Total governmental funds capital assets	<u><u>\$ 53,366,747</u></u>	<u><u>\$ 3,747,068</u></u>	<u><u>\$ (546,245)</u></u>	<u><u>\$ 56,567,570</u></u>

## Statistical Section

### Contents

### Tables

#### Financial Trends

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

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#### Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

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#### Debt Capacity

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

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#### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

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#### Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs.

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2004; schedules presenting government-wide information include information beginning in that year.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 33,014,931	\$ 32,119,537	\$ 31,508,203	\$ 32,879,544	\$ 31,855,360
Unrestricted	<u>2,233,102</u>	<u>2,137,252</u>	<u>2,199,446</u>	<u>2,641,704</u>	<u>2,794,536</u>
Total governmental activities net assets	<u>\$ 35,248,033</u>	<u>\$ 34,256,789</u>	<u>\$ 33,707,649</u>	<u>\$ 35,521,248</u>	<u>\$ 34,649,896</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 7,394,123	\$ 8,538,644	\$ 9,222,830	\$ 10,214,935	\$ 10,211,089
Unrestricted	<u>12,287,315</u>	<u>12,838,372</u>	<u>12,076,802</u>	<u>12,237,431</u>	<u>12,737,618</u>
Total business-type activities net assets	<u>\$ 19,681,438</u>	<u>\$ 21,377,016</u>	<u>\$ 21,299,632</u>	<u>\$ 22,452,366</u>	<u>\$ 22,948,707</u>
Primary government					
Invested in capital assets, net of related debt	\$ 40,409,054	\$ 40,658,181	\$ 40,731,033	\$ 43,094,479	\$ 42,066,449
Unrestricted	<u>14,520,417</u>	<u>14,975,624</u>	<u>14,276,248</u>	<u>14,879,135</u>	<u>15,532,154</u>
Total primary government net assets	<u>\$ 54,929,471</u>	<u>\$ 55,633,805</u>	<u>\$ 55,007,281</u>	<u>\$ 57,973,614</u>	<u>\$ 57,598,603</u>

Note: Accrual-basis financial information is available back to fiscal year 2004 when the Town implemented GASB 34.

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Expenses</b>					
Governmental activities:					
General government	\$ 1,824,860	\$ 1,450,167	\$ 1,451,606	\$ 1,876,357	\$ 2,226,330
Public safety	613,440	987,686	1,367,893	1,466,000	1,663,801
Public works	2,587,276	2,979,121	3,474,333	3,286,874	3,472,004
Parks, recreation and cultural	-	17,077	32,704	35,241	81,503
Community development	-	451,194	455,350	526,780	584,944
Interest on long-term debt	35,466	28,853	104,799	113,602	100,727
Total governmental activities expenses	\$ 5,061,042	\$ 5,914,098	\$ 6,886,685	\$ 7,304,854	\$ 8,129,309
Business-type activities:					
Water	\$ 1,228,332	\$ 1,221,858	\$ 1,845,569	\$ 2,449,890	\$ 2,262,486
Sewer	1,314,089	1,531,506	1,704,589	1,868,553	1,962,968
Total business-type activities expenses	\$ 2,542,421	\$ 2,753,364	\$ 3,550,158	\$ 4,318,443	\$ 4,225,454
Total primary government expenses	\$ 7,603,463	\$ 8,667,462	\$ 10,436,843	\$ 11,623,297	\$ 12,354,763
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 114,249	\$ 175,596	\$ 145,948	\$ 140,718	\$ 91,069
Public safety	59,282	66,885	78,732	77,431	83,729
Public works	22,015	2,500	2,819	1,846	592
Operating grants and contributions	504,620	114,921	233,193	247,883	294,341
Capital grants and contributions	434,452	342,297	518,521	574,687	777,854
Total governmental activities program revenues	\$ 1,134,618	\$ 702,199	\$ 979,213	\$ 1,042,565	\$ 1,247,585
Business-type activities:					
Charges for services:					
Water	\$ 690,778	\$ 829,368	\$ 801,186	\$ 1,028,062	\$ 975,004
Sewer	910,338	1,142,949	1,100,214	1,574,790	1,358,261
Operating grants and contributions	11,101	-	-	-	-
Capital grants and contributions	5,419,597	2,199,000	893,000	2,076,400	1,032,096
Total business-type activities program revenues	\$ 7,031,814	\$ 4,171,317	\$ 2,794,400	\$ 4,679,252	\$ 3,365,361
Total primary government program revenues	\$ 8,166,432	\$ 4,873,516	\$ 3,773,613	\$ 5,721,817	\$ 4,612,946
Net (expense) / revenue					
Governmental activities	\$ (3,926,424)	\$ (5,211,899)	\$ (5,907,472)	\$ (6,262,289)	\$ (6,881,724)
Business-type activities	4,489,393	1,417,953	(755,758)	360,809	(860,093)
Total primary government net (expense) / revenue	\$ 562,969	\$ (3,793,946)	\$ (6,663,230)	\$ (5,901,480)	\$ (7,741,817)

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 1,373,678	\$ 1,677,627	\$ 2,102,097	\$ 2,428,380	\$ 2,464,023
Local sales and use taxes	352,816	404,052	616,091	652,195	678,260
Restaurant food taxes	351,554	459,910	638,441	699,300	625,138
Consumer utility taxes	259,332	287,238	301,533	256,927	200,387
Business licenses	456,957	585,062	572,165	525,813	682,534
Other local taxes	433,242	488,405	531,590	665,311	711,683
Unrestricted grants and contributions	202,229	194,092	400,881	210,019	208,556
Unrestricted revenues from use of money and property	16,693	29,961	105,679	151,843	126,148
Miscellaneous	64,465	76,994	72,547	52,916	96,347
Transfers	20,359	17,314	17,308	167,302	217,296
Total governmental activities	\$ 3,531,325	\$ 4,220,655	\$ 5,358,332	\$ 5,810,006	\$ 6,010,372
Business-type activities:					
Miscellaneous	\$ 112,717	\$ 119,670	\$ 162,433	\$ 135,860	\$ 1,095,464
Unrestricted revenues from use of money and property	50,894	175,270	533,249	661,445	478,266
Transfers	(20,359)	(17,314)	(17,308)	(167,302)	(217,296)
Total business-type activities	\$ 143,252	\$ 277,626	\$ 678,374	\$ 630,003	\$ 1,356,434
Total primary government	\$ 3,674,577	\$ 4,498,281	\$ 6,036,706	\$ 6,440,009	\$ 7,366,806
<b>Change in Net Assets</b>					
Governmental activities	\$ (395,099)	\$ (991,244)	\$ (549,140)	\$ (452,283)	\$ (871,352)
Business-type activities	4,632,645	1,695,579	(77,384)	990,812	496,341
Total primary government	\$ 4,237,546	\$ 704,335	\$ (626,524)	\$ 538,529	\$ (375,011)

Note: Accrual-basis financial information is available back to fiscal year 2004 when the Town implemented GASB 34.

Governmental Activities Tax Revenues by Source  
 Last Five Fiscal Years  
*(accrual basis of accounting)*

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Restaurant Food Tax	Business Licenses	Other Local Taxes	Total
2008	\$ 2,464,023	\$ 678,260	\$ 200,387	\$ 625,138	\$ 682,534	\$ 711,683	\$ 5,362,025
2007	2,428,380	652,195	256,927	699,300	525,813	665,311	5,227,926
2006	2,102,097	616,091	301,533	638,441	572,165	531,590	4,761,917
2005	1,677,627	404,052	287,238	459,910	585,062	488,405	3,902,294
2004	1,373,678	352,816	259,332	351,554	456,957	433,242	3,227,579

Note: Accrual-basis financial information is available back to fiscal year 2004 when the Town implemented GASB 34.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund:						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 920,511	\$ 2,136,455
Unreserved	<u>1,923,287</u>	<u>2,363,474</u>	<u>2,298,757</u>	<u>4,073,343</u>	<u>2,859,520</u>	<u>3,145,905</u>
Total general fund	<u>\$ 1,923,287</u>	<u>\$ 2,363,474</u>	<u>\$ 2,298,757</u>	<u>\$ 4,073,343</u>	<u>\$ 3,780,031</u>	<u>\$ 5,282,360</u>

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

	2003	2004	2005	2006	2007	2008
<b>Revenues</b>						
General property taxes	\$ 1,168,307	\$ 1,369,653	\$ 1,663,988	\$ 2,092,568	\$ 2,409,596	\$ 2,469,194
Other local taxes	1,613,577	1,853,901	2,224,667	2,659,820	2,799,546	2,898,002
Permits, privilege fees and regulatory licenses	276,743	136,264	178,096	148,767	142,564	91,661
Fines and forfeitures	36,791	59,282	66,885	78,732	77,431	83,729
Revenue from use of money and property	24,221	16,693	29,961	105,679	151,842	126,148
Miscellaneous	70,547	64,465	76,994	79,747	52,917	96,347
Pass-through grant	505,666	-	-	-	-	-
Intergovernmental:						
Local government	-	400,000	-	89,500	204,000	126,000
Commonwealth	415,947	702,094	636,121	900,310	824,384	1,294,824
Federal	176,275	39,207	15,189	155,585	4,205	123,533
Total revenues	\$ 4,288,074	\$ 4,641,559	\$ 4,891,901	\$ 6,310,708	\$ 6,666,485	\$ 7,309,438
<b>Expenditures</b>						
General government administration	\$ 1,657,140	\$ 1,795,888	\$ 1,225,017	\$ 1,462,066	\$ 1,903,006	\$ 2,096,975
Public safety	650,147	587,969	921,222	1,128,938	1,393,867	1,506,641
Public works	1,066,145	1,411,398	1,707,738	2,152,098	2,093,861	2,120,074
Parks, recreation and cultural	-	-	17,077	17,806	21,720	41,174
Community development	-	-	431,104	665,467	529,779	607,290
Capital projects	419,826	300,707	558,864	1,201,440	993,440	3,329,921
Pass-through grant	505,666	-	-	-	-	-
Debt service						
Principal	53,844	96,648	84,370	73,865	125,752	224,322
Interest and other fiscal charges	60,845	29,121	29,217	84,750	113,786	100,002
Total expenditures	\$ 4,413,613	\$ 4,221,731	\$ 4,974,609	\$ 6,786,430	\$ 7,175,211	\$ 10,026,399
Excess of revenues over (under) expenditures	\$ (125,539)	\$ 419,828	\$ (82,708)	\$ (475,722)	\$ (508,726)	\$ (2,716,961)
<b>Other financing sources (uses)</b>						
Transfers in	\$ 17,590	\$ 20,359	\$ 17,314	\$ 17,308	\$ 1,160,741	\$ 1,771,518
Transfers out	-	-	-	-	(993,440)	(1,554,222)
Refunding bonds issued	835,133	-	-	-	-	2,565,600
Bonds issued	-	-	-	2,233,000	-	-
Notes payable issued	-	-	-	-	-	1,700,000
Payments to refunded bond escrow agent	(835,133)	-	-	-	-	-
Total other financing sources (uses)	\$ 17,590	\$ 20,359	\$ 17,314	\$ 2,250,308	\$ 167,301	\$ 4,482,896
Net change in fund balances	\$ (107,949)	\$ 440,187	\$ (65,394)	\$ 1,774,586	\$ (341,425)	\$ 1,765,935
Debt service as a percentage of noncapital expenditures	2.96%	3.31%	2.64%	2.92%	4.03%	5.09%

General Governmental Tax Revenues by Source  
 Last Six Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Restau- rant Food Tax	Business Licenses	Other Local Taxes	Total
2008	\$ 2,469,194	\$ 678,260	\$ 200,387	\$ 134,023	\$ 682,534	\$ 625,138	\$ 577,660	\$ 5,367,196
2007	2,409,596	652,195	256,927	128,959	699,300	525,813	536,352	5,209,142
2006	2,092,568	616,091	301,533	130,093	638,441	572,165	401,497	4,752,388
2005	1,663,988	404,052	287,238	124,902	459,910	585,062	363,503	3,888,655
2004	1,369,653	352,816	259,332	108,322	351,554	456,957	324,920	3,223,554
2003	1,168,307	328,193	230,107	90,768	339,569	379,268	245,672	2,781,884

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

Fiscal Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2008	\$ 1,156,483,415	\$ 56,347,033	\$ 11,912,214	\$ 1,224,742,662	1,224,742,662	100.00%
2007	1,177,808,110	55,619,860	11,220,869	1,244,648,839	1,244,648,839	100.00%
2006	1,019,172,825	49,728,198	9,652,257	1,078,553,280	1,078,553,280	100.00%
2005	739,972,175	36,787,240	9,280,605	786,040,020	786,040,020	100.00%
2004	568,438,265	31,157,197	10,493,964	610,089,426	610,089,426	100.00%
2003	452,511,560	26,962,736	8,750,945	488,225,241	488,225,241	100.00%
2002	411,026,000	23,590,902	10,419,804	445,036,706	445,036,706	100.00%
2001	313,513,634	20,803,922	7,885,696	342,203,252	342,203,252	100.00%
2000	251,437,692	17,044,884	6,975,208	275,457,784	275,457,784	100.00%
1999	215,680,750	13,225,209	5,448,750	234,354,709	234,354,709	100.00%

Source: Commissioner of Revenue of Loudoun County

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

Fiscal Years	Direct Rates					Overlapping Rates County of Loudoun, Virginia		
	Real Estate	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property	Machinery and Tools
2008	\$ 0.18/.019	\$ 1.05	\$ 0.01	\$ 0.55	\$ 0.55	\$ 1.14	\$ 4.20	\$ 2.75
2007	0.17/0.18	1.05	0.01	0.55	0.55	0.92	4.20	2.75
2006	0.20/0.17	1.05	0.01	0.55	0.55	0.89	4.20	2.75
2005	0.21/0.20	1.05	0.01	0.55	0.55	1.04	4.20	2.75
2004	0.22/0.21	1.05	0.01	0.55	0.55	1.11	4.20	2.75
2003	0.24/0.22	1.05	0.01	0.55	0.55	1.11	4.20	2.75
2002	0.24	1.05	0.01	0.55	0.55	1.05	4.20	2.75
2001	0.24	1.05	0.01	0.55	0.55	1.08	4.20	2.75
2000	0.24	1.05	0.01	1.05	1.05	1.08	4.20	2.75
1999	0.24	1.05	0.01	1.05	1.05	1.11	4.20	2.75

(1) Per \$100 of assessed value

Source: Town Finance Director and the Commissioner of Revenue of Loudoun County.

Principal Property Taxpayers  
Current Year

Taxpayer	Type Business	Fiscal Year 2007		Fiscal Year 1999	
		2007 Assessed Valuation	% of Total Assessed Valuation	1998 Assessed Valuation	% of Total Assessed Valuation
ZP No. 124 LLC	Giant Grocery Store	\$ 13,158,000	1.17%	\$ 881,800	0.44%
Purcellville Shopping Center LLC	Shopping Center (Food Lion)	10,754,500	0.96%	4,330,500	2.15%
Toll Land X LP	8.45 acres	6,400,000	0.57%	4,540	0.00%
S R B Enterprises LLC	Shopping Center (Pville Mrktplace, etc)	6,213,500	0.55%	2,882,600	1.43%
Maple Avenue Apartments LP	Apartments	5,931,700	0.53%	183,600	0.09%
Purcellville Plaza LLC	Strip Mall (Mario's, etc)	5,928,900	0.53%	472,600	-
Main Street Associates LP	Apartments	5,699,300	0.51%	348,200	0.17%
Valley Medical Center	205 Hirst Rd.	5,100,100	0.45%	148,700	0.07%
Jordan River Acquisitions LLC	house on 15.58 acres	4,674,600	0.42%	1,005,900	0.50%
Catoctin Meadows	9.87 acres Case Property	4,200,000	0.37%	691,000	
		<u>\$ 68,060,600</u>	<u>1.82%</u>	<u>\$ 10,949,440</u>	<u>0.29%</u>

Source: Commissioner of Revenue of Loudoun County

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	RE Tax Levy for Fiscal Year (1)	PP Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 2,140,074	\$ 343,137	\$ 2,483,211	\$ 2,435,698	98.09%	\$ N/A	\$ 2,435,698	98.09%
2007	2,075,831	336,483	2,412,314	2,347,023	97.29%	55,244.67	2,402,268	99.58%
2006	1,855,964	478,090	2,334,054	2,284,033	97.86%	77,299.00	2,329,386	99.80%
2005	1,552,514	356,666	1,909,180	1,813,721	95.00%	N/A	1,905,127	99.79%
2004	1,280,899	306,309	1,587,208	1,570,824	98.97%	N/A	1,583,860	99.79%
2003	1,096,430	141,159	1,237,589	N/A	N/A	N/A	1,237,201	99.97%
2002	881,013	122,895	1,003,908	N/A	N/A	N/A	1,003,521	99.96%
2001	704,232	67,612	771,844	N/A	N/A	N/A	771,676	99.98%
2000	567,873	30,904	598,777	N/A	N/A	N/A	N/A	N/A
1999	511,678	N/A	511,678	N/A	N/A	N/A	N/A	N/A

Source: Commissioner of Revenue (Loudoun County), Town Finance Director

(1) Exclusive of penalties and interest

Ratios of Outstanding Debt by Type  
Last Seven Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Assessed Value	Per Capita
	General Obligation Bonds	Other Notes/ Bonds	Capital Leases	General Obligation Bonds				
2008	\$ 5,220,223	\$ 1,605,000	\$ -	\$ 27,122,557	\$ 33,947,780	2.77%	\$ 5,324	
2007	2,783,945	-	-	13,380,619	16,164,564	1.30%	2,535	
2006	2,906,550	-	3,147	13,758,440	16,668,137	1.55%	2,470	
2005	731,571	-	45,113	10,349,788	11,126,472	1.42%	1,678	
2004	776,173	-	84,881	10,277,168	11,138,222	1.83%	1,753	
2003	835,133	-	122,569	10,386,483	11,344,185	2.32%	2,015	
2002	825,506	-	158,264	10,266,131	11,249,901	2.53%	2,302	

## Notes:

Debt information is only available back to 2002.

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

Legal Debt Margin Information  
Last Seven Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 44,503,671	\$ 48,822,524	\$ 61,008,943	\$ 78,604,002	\$ 107,885,328	\$ 124,464,884	\$ 122,474,266
Total net debt applicable to limit	<u>11,249,901</u>	<u>11,344,185</u>	<u>11,138,222</u>	<u>11,126,472</u>	<u>16,668,137</u>	<u>16,164,564</u>	<u>33,947,780</u>
Legal debt margin	<u>\$ 33,253,770</u>	<u>\$ 37,478,339</u>	<u>\$ 49,870,721</u>	<u>\$ 67,477,530</u>	<u>\$ 91,217,191</u>	<u>\$ 108,300,320</u>	<u>\$ 88,526,486</u>
Total net debt applicable to the limit as a percentage of debt limit	25.28%	23.24%	18.26%	14.16%	15.45%	12.99%	27.72%

Legal Debt Margin Calculation for Fiscal Year 2008

Total assessed value	\$ 1,224,742,662
Debt limit (10% of total assessed value)	122,474,266
Net debt applicable to limit	<u>33,947,780</u>
Legal debt margin	<u>\$ 88,526,486</u>

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County of Loudoun Subtotal, overlapping debt	\$ 1,065,682,187	\$ 1.80%	\$ 19,215,800
Town of Purcellville, direct debt			\$ 6,825,223
Total direct and overlapping debt			\$ 26,041,023

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

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

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

Fiscal Year	Net Bonded Debt (1)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita
2008	\$ 5,220,223	0.43%	775
2007	2,783,945	0.22%	413
2006	2,906,550	0.27%	431
2005	731,571	0.09%	110
2004	776,173	0.13%	122
2003	835,133	0.17%	148
2002	825,506	0.19%	169
2001	845,783	0.25%	193
2000	864,741	0.31%	219
1999	882,464	0.38%	246

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

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

Demographic and Economic Statistics  
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Purcellville Population (1)</u>	<u>Loudoun County Per Capita Income (2)</u>	<u>Loudoun County Median Age (3)</u>	<u>Purcellville School Enrollment (4)</u>	<u>Loudoun County Unemployment Rate (5)</u>
2008	6,873	\$ N/A	N/A	2,105	N/A
2007	6,747	N/A	N/A	2,105	2.2
2006	6,630	44,617	33.2	2,105	2.1
2005	6,354	42,607	34.4	1,511	2.0
2004	5,631	39,014	33.3	1,511	2.2
2003	4,887	38,057	33.5	1,511	2.8
2002	4,379	38,377	34.3	1,511	3.5
2001	3,949	40,679	33.9	1,511	2.5
2000	3,584	41,143	33.6	1,124	1.4
1999	2,812	39,674	33.9	1,124	1.1

## Sources:

- (1) 2000 US Bureau of Census, Loudoun County Department of Finance Management Services
- (2) Bureau of Economic Analysis, US Department of Commerce
- (3) Loudoun County Growth Summary
- (4) Count of Loudoun School Census (triannual)
- (5) Virginia Workforce Connection, [www.vawc.virginia.gov](http://www.vawc.virginia.gov)

Principal Employers (1) (2)  
 Current Year and Previous Year

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Employer	Fiscal Year 2008	
	Employees	Rank
Loudoun Valley High School	273	1
Blue Ridge Middle School	150	2
Giant	147	3
RCD Electric	136	4
Virginia Regional Transportation Center	131	5
Patrick Henry College	100+	6
Home School Legal Defense	90	7
Blue Ridge Veterinary Assoc., Inc.	90	7
Bloom	80	8
Town of Purcellville, VA	75	9
Emerick Elementary School	60	10

Source: Town businesses

(1) Total Town workforce figures unavailable.

(2) A comparison of each employer to total workforce was unavailable.

Full/Time Equivalent Town Government Employees by Function  
Last Six Fiscal Years

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Administration	4.5	6.75	6.3	7.75	7.75	7.75
Finance Administration	3.0	4.5	6.0	5.50	6.50	7.50
Public Safety/Police	10.0	11.0	14.0	14.50	15.50	14.50
Public Works	5.0	5.0	4.0	4.00	7.00	8.00
General Maintenance	8.5	8.25	10.0	9.25	10.00	10.00
Planning & Zoning	3.5	3.75	4.0	4.75	6.75	4.75
Water Treatment	6.0	6.0	9.5	10.00	9.00	9.00
Wastewater Treatment	6.0	6.0	10.5	10.00	9.00	9.00
Totals	<u>46.5</u>	<u>51.25</u>	<u>64.25</u>	<u>65.75</u>	<u>71.50</u>	<u>70.50</u>

Source: IRS Form 941s

Operating Indicators by Function  
Last Four Fiscal Years

Function	2005	2006	2007	2008
<b>Administration</b>				
Citizen Inquiries	655	715	646	654
Special Events	19	22	18	19
FOIA Requests Processed	N/A	90	116	160
<b>Finance</b>				
Utility Bills Processed	15,309	15,168	15,096	15,188
Tax Bills Processed	10,906	10,532	11,517	11,757
<b>Public safety</b>				
Parking Violations	151	170	316	183
Traffic violations	1,386	1,579	1,637	1,618
Incident Reports	586	739	856	912
<b>Public works</b>				
<u>Maintenance Dept.</u>				
Work Orders, numer of	N/A	570	264	596
New Meters Installed	N/A	N/A	14	53
Miss Utility's Processed	N/A	N/A	711	1,355
<u>Water Dept.</u>				
Total Gallons Treated	N/A	N/A	190,133,684	206,830,364
Samples in Compliance, % of	N/A	N/A	100%	100%
Violations, number of	N/A	N/A	-	1
<u>Wastewater Dept.</u>				
Daily average of gallons treated	N/A	N/A	593,000	662,400
Complaints, number of	N/A	N/A	-	3
<b>Planning and Zoning</b>				
Occupancy Permits Issued	294	144	92	120
Zoning Permits Issued	676	436	375	286
Development Plans Processed	N/A	54	63	85

Source: Individual town departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administration										
Administration Buildings	1	1	1	1	1	1	2	2	2	2
Bus Stops for Public Transportation	-	-	-	-	-	-	-	-	1	1
Public Parking Lots	2	2	2	2	2	2	2	2	2	2
Recreation Facilities - Buildings	-	-	-	-	1	1	1	1	1	2
Recreation Facilities - Fields, Parks	-	-	-	-	-	-	-	-	-	1
Vehicles	1	1	1	3	1	1	1	2	2	2
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	-	-	-	-	3	3	3	3	3	3
Vehicles	3	4	4	5	5	5	7	9	12	13
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	2	2	5	5	7	7	9	11	11	13
Maintenance Facility	1	1	1	1	1	1	1	1	1	1
Message Boards	-	-	-	-	-	-	2	2	2	2
Traffic Signals	-	-	-	-	-	-	-	-	-	2
Vehicles	5	5	7	6	8	10	13	14	16	16
<u>Water Dept.</u>										
Chlorine Facility	1	1	1	1	1	1	1	1	1	1
Elevated Water Tanks	2	2	2	2	2	2	2	2	2	2
Filter Buildings	1	1	1	1	2	2	2	2	2	2
Vehicles	1	1	1	2	3	3	3	3	3	4
Water Reservoir(s)	1	1	1	1	1	1	1	1	1	1
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
Modular Bldg @ Plant	-	-	-	-	-	-	-	-	-	1
Wells/Well Houses	2	2	2	2	3	3	3	4	4	4
<u>Wastewater Dept.</u>										
Pump Stations	7	7	8	10	11	11	11	11	11	11
Vehicles	2	2	2	2	2	2	2	3	3	4
Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Planning and Zoning										
Vehicles	1	1	1	1	1	1	1	1	1	1

Source: Depreciation Schedule

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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

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TO THE TOWN COUNCIL  
TOWN OF PURCELLVILLE, VIRGINIA  
PURCELLVILLE, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon, dated October 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Town* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Purcellville, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Purcellville, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Purcellville, Virginia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Purcellville, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Purcellville, 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*.

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 13, 2008