

TOWN OF PURCELLVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004



# TOWN OF PURCELLVILLE, VIRGINIA

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## COUNCIL

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Karl R. Phillips C. Susie Windham	William T. Druhan, Jr., Mayor Nick W. Pelchar, Vice Mayor	Gregory W. Wagner Beverly B. MacDonald
	Stephen Varnecky	

## OFFICIALS

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Robert W. Lohr, Jr.	Town Manager
Elizabeth B. Krens	Director of Finance
Michael T. Ruddy	Planning and Zoning Director
Karin Franklin	Director of Public Works
David Simpson	Chief of Police



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

### 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, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Purcellville, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, 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 should be considered in assessing the results of our audit.

As described in Note 1 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as of July 1, 2003. This results in a change to the Town's method of accounting and a change in the format and content of the basic financial statements.

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 statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rofinon, Fann, Cox Associates*

Charlottesville, Virginia

August 20, 2004

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

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, 2004. 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 \$54.9 million (*net assets*). Of this amount, \$14.5 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$4.24 million, of which the governmental activities accounted for  $-\$.39$  million of this increase and business-type activities accounted for \$4.63 million of this increase.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2.36 million, an increase of \$.44 million in comparison with the prior year. 100% of this amount, is *available for spending* at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2.36 million, or 56% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt decreased by \$97,061 (9.0%) during the current fiscal year. The key factor in this net decrease was principal payments on outstanding debt.

### **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.

## Overview of the Financial Statements: (Continued)

### 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).

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 11 through 13 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*.

## Overview of the Financial Statements: (Continued)

### Fund financial statements: (Continued)

The Town maintains one governmental 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 14 through 17 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 18 through 21 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 22 through 38 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 39 and 40 of this report.

## 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 \$54.9 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$40.41 million, 74% 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).

This is the first year the Town applied Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Town has not restated prior periods for purposes of providing the comparative data for the Management's Discussion and Analysis (MD&A). However, in future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

## Government-Wide Financial Analysis: (Continued)

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

**Town of Purcellville, Virginia**  
**Summary of Net Assets**  
**As of June 30, 2004**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 2,769,037	\$ 12,434,874	\$ 15,203,911
Capital assets	33,875,985	17,671,291	51,547,276
Total assets	<u>\$ 36,645,022</u>	<u>\$ 30,106,165</u>	<u>\$ 66,751,187</u>
Long-term liabilities outstanding	\$ 924,393	\$ 10,088,431	\$ 11,012,824
Other liabilities	472,596	336,296	808,892
Total liabilities	<u>\$ 1,396,989</u>	<u>\$ 10,424,727</u>	<u>\$ 11,821,716</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 33,014,931	\$ 7,394,123	\$ 40,409,054
Unrestricted	2,233,102	12,287,315	14,520,417
Total net assets	<u>\$ 35,248,033</u>	<u>\$ 19,681,438</u>	<u>\$ 54,929,471</u>

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 net assets increased by \$4.24 million during the current fiscal year, generally due to the availability fees reported in the business-type activities.

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

**Governmental activities** decreased the Town's net assets by \$.39 million thereby accounting for -9% of the total growth in the net assets of the Town. The following table summarizes the Town's Statement of Activities:

**Town of Purcellville, Virginia  
Changes in Net Assets  
As of June 30, 2004**

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 136,264	\$ 1,601,116	\$ 1,737,380
Operating grants and contributions	504,620	11,101	515,721
General revenues:			
Property taxes	1,373,678	-	1,373,678
Other taxes	1,853,901	-	1,853,901
Fines and forfeitures	59,282	-	59,282
Unrestricted revenues	16,693	50,894	67,587
Miscellaneous	64,465	112,717	177,182
Grants and contributions not restricted to specific programs	202,229	-	202,229
Total revenues	<u>\$ 4,211,132</u>	<u>\$ 1,775,828</u>	<u>\$ 5,986,960</u>
Expenses:			
General government administration	\$ 1,824,860	\$ -	\$ 1,824,860
Public safety	613,440	-	613,440
Public works	2,587,276	-	2,587,276
Interest on long-term debt	35,466	-	35,466
Water fund	-	1,228,332	1,228,332
Sewer fund	-	1,314,089	1,314,089
Total expenses	<u>\$ 5,061,042</u>	<u>\$ 2,542,421</u>	<u>\$ 7,603,463</u>
Increase in net assets before transfers and capital contributions	<u>\$ (849,910)</u>	<u>\$ (766,593)</u>	<u>\$ (1,616,503)</u>
Transfers	20,359	(20,359)	-
Capital contributions	434,452	5,419,597	5,854,049
Increase in net assets	<u>\$ (395,099)</u>	<u>\$ 4,632,645</u>	<u>\$ 4,237,546</u>
Net assets - beginning of year	<u>35,643,132</u>	<u>15,048,793</u>	<u>50,691,925</u>
Net assets - end of year	<u>\$ 35,248,033</u>	<u>\$ 19,681,438</u>	<u>\$ 54,929,471</u>

## 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 \$1.2 million of the decrease.

**Business-type activities** increased the Town's net assets by \$4.24 million, accounting for 100% of the total growth in the Town's net assets. 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. The implementation of an availability fee, which is to be used for the expansion and improvement of the public water and sewer system accounts for \$5.4 million of the 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.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$2.36 million, an increase of \$.44 million in comparison with the prior year. The entire amount of this total is reported as unreserved, which is available for spending at the Town's discretion.

At the end of the current fiscal year, unreserved fund balance as well as total fund balance of the General Fund was \$2.36 million. As a measure of the General Fund's liquidity, the fund balance represents 56.0% 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 \$19.68 million. The total growth in net assets was \$4.63 million.

## General Fund Budgetary Highlights

There was a slight increase of \$17,360 between the original budget and the final amended budget expenditures. The increase can be attributed to general and financial administration - \$3,555; public safety - \$4,485; public works - \$23,320 and a decrease in capital outlay appropriations by \$14,000.

## 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, 2004, amounts to \$42.27 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:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 50,000	\$ 842,670	\$ 892,670
Buildings	665,917	-	665,917
Utility plant in service	-	15,798,959	15,798,959
Improvements other than buildings	19,669	346,300	365,969
Infrastructure	32,690,907	-	32,690,907
Machinery & Equipment	323,403	56,241	379,644
Vehicles	126,089	35,000	161,089
Construction in progress	-	592,121	592,121
Total	\$ 33,875,985	\$ 17,671,291	\$ 51,547,276

Additional information on the Town's capital assets can be found in note 4 on pages 29 through 30 of this report.

**Long-term debt:** At the end of the current fiscal year, the Town had total outstanding debt of \$17.9 million and details are summarized in the following table:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Bonds Payable:			
General obligation bonds	\$ 776,173	\$ -	\$ 776,173
Revenue bonds	-	10,277,168	10,277,168
Capital leases	84,881	-	84,881
Compensated absences	147,709	45,039	192,748
Total	\$ 1,008,763	\$ 10,322,207	\$ 11,330,970

Debt associated with governmental activities decreased by \$97,065 while debt associated with business-type activities decreased by \$106,121. The key factors in the governmental activities decrease were principal payments on outstanding debt. The business-type activities issued additional debt of \$115,770. However the overall decrease in debt can be attributed to principal payments on outstanding debt.

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

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, 2004.

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 has continued to feel the effects of the explosive growth of our region which we expect to continue into 2005. Along with new homes and businesses, the Town has seen population increases from 4,686 in July 2003 to 5,500 in July 2004. It can be a difficult balance to manage the soaring operational and capital project costs with the enhanced revenue stream associated with this growth in development. The high cost of living and high employment levels of the region have also impacted the Town's personnel costs. In 2004, the Town contracted a consultant to prepare a personnel study which included comparisons with neighboring localities. This study confirmed the competitive nature of the area's employment market and made recommendations for compensation increases for many job classifications.

The Town again experienced a large real estate assessment increase in tax year 2004 at over 20%. Due to the large assessment increases of the past few years, the Town Council has reduced the tax rate from \$.24 in tax year 2002 to \$.22 in tax year in 2003. The Town Council also implemented another tax rate decrease to \$.21 in tax year 2004. Based on information received from the assessor's office in Loudoun County we expect another 20% increase in assessments in 2005. We have also experienced growth in many other revenue items such as personal property tax assessments, business license tax, and meals tax. These rates remained unchanged for FY04-05.

Utility rates were increased in FY04-05 for the first time in seven years. Water rates increased from \$4.15 per 1,000 gallons to \$4.35 per 1,000 gallons. This rate increase was necessitated by recent cost increases due to capital projects such as storm water drainage, increasing complexity of mandates by regulatory authorities and other environmental concerns.

Even with mixed economic reports, rising interest rates, longer commutes and other similar issues, the Town of Purcellville continues to be a very attractive place to live and shop. Coupled with the increase in demand for services and goods. Purcellville is also becoming a place to start or expand your business. With this in mind, the Town should see sustained growth for the next four years.

## **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.

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,894,518	\$ 578,040	\$ 2,472,558
Investments	580,288	11,634,053	12,214,341
Receivables (net of allowance for uncollectibles):			
Taxes receivable	26,327	-	26,327
Accounts receivable	128,027	220,152	348,179
Interest receivable	2,629	2,629	5,258
Due from other governmental units	137,248	-	137,248
Capital assets (net of accumulated depreciation):			
Land	50,000	842,670	892,670
Buildings and system	665,917	-	665,917
Improvements other than buildings	19,669	346,300	365,969
Machinery and equipment	323,403	56,241	379,644
Vehicles	126,089	35,000	161,089
Infrastructure	32,690,907	-	32,690,907
Utility plant in service	-	15,798,959	15,798,959
Construction in progress	-	592,121	592,121
Total assets	\$ 36,645,022	\$ 30,106,165	\$ 66,751,187
<b>LIABILITIES</b>			
Accounts payable	\$ 29,852	\$ 14,271	\$ 44,123
Accrued liabilities	74,064	-	74,064
Customers' deposits	-	18,430	18,430
Accrued interest payable	6,345	44,358	50,703
Due to other funds	-	25,461	25,461
Deferred revenue	34,246	-	34,246
Deposits held in escrow	243,719	-	243,719
Long-term liabilities:			
Due within one year	84,370	233,776	318,146
Due in more than one year	924,393	10,088,431	11,012,824
Total liabilities	\$ 1,396,989	\$ 10,424,727	\$ 11,821,716
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 33,014,931	\$ 7,394,123	\$ 40,409,054
Unrestricted (deficit)	2,233,102	12,287,315	14,520,417
Total net assets	\$ 35,248,033	\$ 19,681,438	\$ 54,929,471

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, 2004

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	\$ 1,824,860	\$ 114,249	\$ -	\$ -
Public safety	613,440	-	104,620	-
Public works	2,587,276	22,015	400,000	434,452
Interest on long-term debt	35,466	-	-	-
Total government activities	<u>\$ 5,061,042</u>	<u>\$ 136,264</u>	<u>\$ 504,620</u>	<u>\$ 434,452</u>
Business-type activities:				
Water	\$ 1,228,332	\$ 690,778	\$ 5,432	\$ 2,916,000
Sewer	1,314,089	910,338	5,669	2,503,597
Total business-type activities	<u>\$ 2,542,421</u>	<u>\$ 1,601,116</u>	<u>\$ 11,101</u>	<u>\$ 5,419,597</u>
Total primary government	<u>\$ 7,603,463</u>	<u>\$ 1,737,380</u>	<u>\$ 515,721</u>	<u>\$ 5,854,049</u>

General revenues:  
 General property taxes  
 Other local taxes:  
     Local sales and use tax  
     Business licenses  
     Utility taxes  
     Restaurant food taxes  
     Other local taxes  
 Fines and forfeitures  
 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 - as adjusted  
 Net assets - ending

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

**Exhibit 2**

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,710,611)	\$ -	\$ (1,710,611)
(508,820)	-	(508,820)
(1,730,809)	-	(1,730,809)
(35,466)	-	(35,466)
<u>\$ (3,985,706)</u>	<u>\$ -</u>	<u>\$ (3,985,706)</u>
\$ -	\$ 2,383,878	\$ 2,383,878
-	2,105,515	2,105,515
<u>\$ -</u>	<u>\$ 4,489,393</u>	<u>\$ 4,489,393</u>
<u>\$ (3,985,706)</u>	<u>\$ 4,489,393</u>	<u>\$ 503,687</u>
\$ 1,373,678	\$ -	\$ 1,373,678
352,816	-	352,816
456,957	-	456,957
259,332	-	259,332
351,554	-	351,554
433,242	-	433,242
59,282	-	59,282
16,693	50,894	67,587
64,465	112,717	177,182
202,229	-	202,229
20,359	(20,359)	-
<u>\$ 3,590,607</u>	<u>\$ 143,252</u>	<u>\$ 3,733,859</u>
(395,099)	4,632,645	4,237,546
<u>35,643,132</u>	<u>15,048,793</u>	<u>50,691,925</u>
<u>\$ 35,248,033</u>	<u>\$ 19,681,438</u>	<u>\$ 54,929,471</u>

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 June 30, 2004

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 1,894,518
Investments	580,288
Receivables (net of allowance for uncollectibles):	
Taxes receivable (Note 1)	26,327
Accounts receivable	128,027
Interest receivable	2,629
Due from other governmental units (Note 3)	137,248
Total assets	<u>\$ 2,769,037</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 29,852
Accrued liabilities	74,064
Deferred revenue	57,928
Customer deposits	243,719
Total liabilities	<u>\$ 405,563</u>
Fund balances:	
Unreserved, reported in:	
General fund	\$ 2,363,474
Total fund balances	<u>\$ 2,363,474</u>
Total liabilities and fund balances	<u>\$ 2,769,037</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  
 June 30, 2004

---

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,363,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,875,985
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	23,682
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,015,108)</u>
Net assets of governmental activities	<u><u>\$ 35,248,033</u></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, 2004

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 1,369,653
Other local taxes	1,853,901
Permits, privilege fees, and regulatory licenses	136,264
Fines and forfeitures	59,282
Revenue from the use of money and property	16,693
Miscellaneous	64,465
Intergovernmental revenues:	-
Local government	400,000
Commonwealth	702,094
Federal	39,207
Total revenues	<u>\$ 4,641,559</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 1,795,888
Public safety	587,969
Public works	1,411,398
Capital outlay	300,707
Debt service:	
Principal retirement	96,648
Interest and other fiscal charges	29,121
Total expenditures	<u>\$ 4,221,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 419,828</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	\$ 20,359
Total other financing sources (uses)	<u>\$ 20,359</u>
Net change in fund balances	\$ 440,187
Fund balances - beginning	<u>1,923,287</u>
Fund balances - ending	<u><u>\$ 2,363,474</u></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, 2004

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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 \$ 440,187

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. (930,027)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 4,025

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. 96,648

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. (5,932)

Change in net assets of governmental activities \$ (395,099)

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

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2004

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 183,425	\$ 394,615	\$ 578,040
Investments	5,145,193	6,488,860	11,634,053
Receivables, net of allowances for uncollectibles			
Accounts	91,618	128,534	220,152
Accrued interest	1,317	1,312	2,629
Total current assets	<u>\$ 5,421,553</u>	<u>\$ 7,013,321</u>	<u>\$ 12,434,874</u>
Capital assets:			
Utility plant in service	\$ 7,099,789	\$ 10,396,885	\$ 17,496,674
Land	475,570	367,100	842,670
Improvements other than buildings	445,000	-	445,000
Vehicles	48,622	36,777	85,399
Machinery and equipment	45,499	31,406	76,905
Construction in progress	592,121	-	592,121
Less accumulated depreciation	(1,140,238)	(727,240)	(1,867,478)
Total capital assets	<u>\$ 7,566,363</u>	<u>\$ 10,104,928</u>	<u>\$ 17,671,291</u>
Total noncurrent assets	<u>\$ 7,566,363</u>	<u>\$ 10,104,928</u>	<u>\$ 17,671,291</u>
Total assets	<u>\$ 12,987,916</u>	<u>\$ 17,118,249</u>	<u>\$ 30,106,165</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 7,721	\$ 6,550	\$ 14,271
Customers' deposits	18,430	-	18,430
Accrued interest payable	39,030	5,328	44,358
Accrued payroll	12,545	12,916	25,461
Bonds payable - current portion	126,525	107,251	233,776
Total current liabilities	<u>\$ 204,251</u>	<u>\$ 132,045</u>	<u>\$ 336,296</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 3,639,822	\$ 6,403,570	\$ 10,043,392
Compensated absences	19,469	25,570	45,039
Total noncurrent liabilities	<u>\$ 3,659,291</u>	<u>\$ 6,429,140</u>	<u>\$ 10,088,431</u>
Total liabilities	<u>\$ 3,863,542</u>	<u>\$ 6,561,185</u>	<u>\$ 10,424,727</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,800,016	\$ 3,594,107	\$ 7,394,123
Unrestricted	5,324,358	6,962,957	12,287,315
Total net assets	<u>\$ 9,124,374</u>	<u>\$ 10,557,064</u>	<u>\$ 19,681,438</u>
Total liabilities and net assets	<u>\$ 12,987,916</u>	<u>\$ 17,118,249</u>	<u>\$ 30,106,165</u>

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, 2004

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 690,778	\$ 837,338	\$ 1,528,116
Other revenues	-	73,000	73,000
Miscellaneous	16,928	4,670	21,598
Total operating revenues	<u>\$ 707,706</u>	<u>\$ 915,008</u>	<u>\$ 1,622,714</u>
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 328,388	\$ 330,632	\$ 659,020
Employee benefits	107,308	110,580	217,888
Plant operations	179,997	193,696	373,693
Well operations	67,265	-	67,265
Pump station operations	-	19,494	19,494
Equipment and vehicles	20,568	15,285	35,853
Depreciation	139,643	190,084	329,727
Other	173,099	128,387	301,486
Total operating expenses	<u>\$ 1,016,268</u>	<u>\$ 988,158</u>	<u>\$ 2,004,426</u>
Operating income (loss)	<u>\$ (308,562)</u>	<u>\$ (73,150)</u>	<u>\$ (381,712)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 23,102	\$ 27,792	\$ 50,894
Cellular lease	91,119	-	91,119
Federal disaster operations	5,432	5,669	11,101
Interest expense	(212,064)	(325,931)	(537,995)
Total nonoperating revenues (expenses)	<u>\$ (92,411)</u>	<u>\$ (292,470)</u>	<u>\$ (384,881)</u>
Income before contributions and transfers	<u>\$ (400,973)</u>	<u>\$ (365,620)</u>	<u>\$ (766,593)</u>
Contributed capital - availability fees	\$ 2,916,000	\$ 2,503,597	\$ 5,419,597
Transfers out	(10,180)	(10,179)	(20,359)
Change in net assets	<u>\$ 2,504,847</u>	<u>\$ 2,127,798</u>	<u>\$ 4,632,645</u>
Total net assets - beginning, as adjusted	6,619,527	8,429,266	15,048,793
Total net assets - ending	<u>\$ 9,124,374</u>	<u>\$ 10,557,064</u>	<u>\$ 19,681,438</u>

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, 2004

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 707,706	\$ 915,008	\$ 1,622,714
Payments to suppliers	(480,050)	(370,586)	(850,636)
Payments to and on behalf of employees	(435,696)	(441,212)	(876,908)
Net cash provided (used by) operating activities	\$ (208,040)	\$ 103,210	\$ (104,830)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cellular lease	\$ 91,119	\$ -	\$ 91,119
Transfers to other funds	(10,180)	(10,179)	(20,359)
Operating subsidy from federal grant	5,432	5,669	11,101
Net cash provided (used) by noncapital financing activities	\$ 86,371	\$ (4,510)	\$ 81,861
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	\$ (296,251)	\$ (298,213)	\$ (594,464)
Availability fees	2,916,000	2,503,597	5,419,597
Retirements of long-term indebtedness	(120,659)	(104,426)	(225,085)
Proceeds from indebtedness	-	115,770	115,770
Interest payments	(174,344)	(320,616)	(494,960)
Net cash provided (used) by capital and related financing activities	\$ 2,324,746	\$ 1,896,112	\$ 4,220,858
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 23,102	\$ 27,792	\$ 50,894
Net cash provided (used) by investing activities	\$ 23,102	\$ 27,792	\$ 50,894
Net increase (decrease) in cash and cash equivalents	\$ 2,226,179	\$ 2,022,604	\$ 4,248,783
Cash and cash equivalents - beginning	3,102,439	4,860,871	7,963,310
Cash and cash equivalents - ending	\$ 5,328,618	\$ 6,883,475	\$ 12,212,093

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

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (308,562)	\$ (73,150)	\$ (381,712)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	139,643	190,084	329,727
(Increase) decrease in accounts receivable	10,722	60,434	71,156
(Increase) decrease in accrued interest receivable	(699)	(282)	(981)
Increase (decrease) in payroll liabilities	13,575	15,081	28,656
Increase (decrease) in accounts payable	(64,939)	(88,957)	(153,896)
Increase (decrease) customer deposits	2,220	-	2,220
Total adjustments	\$ 100,522	\$ 176,360	\$ 276,882
Net cash provided (used) by operating activities	\$ (208,040)	\$ 103,210	\$ (104,830)

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, 2004

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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, effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. 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.

Statement of Activities - The new 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).

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (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)**

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.

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.

## TOWN OF PURCELLVILLE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2004 (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)**

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.

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.

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 and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### **D. 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.

## TOWN OF PURCELLVILLE, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2004 (CONTINUED)

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

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##### **D. Budgets and Budgetary Accounting: (Continued)**

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.

##### **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. 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.

##### **G. 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, 2004 was immaterial.

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

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**G. Capital Assets: (Continued)**

Donated fixed assets are valued at their estimated fair market value at the date of donation. 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

**H. 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.

**I. 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.

**J. 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 \$4,096 at June 30, 2004 for uncollectible local property taxes.

**K. 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.

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

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**L. 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.

**M. 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.

**N. 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.

***Note 2—Deposits and Investments:***

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Deposits:

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the positions in the LGIP are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasurer.

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

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

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase Agreement	\$ 9,597,617	\$ -	\$ -	\$ 9,597,617
Investments not subject to categorization:				
Local Government Investment Pool				<u>2,616,724</u>
Total Investments				\$ 12,214,341
Total Deposits				<u>2,472,008</u>
Total Deposits and Investments				\$ 14,686,349
Adjustments:				
Cash on Hand				<u>550</u>
Per Statement of Net Assets				<u>\$ 14,686,899</u>

Reconciliation of Deposits and Investments to Statement of Net Assets:

Deposits and investments in custody of Treasurer	\$ 14,686,349
Deposits and investments in custody of others	550
Total	<u>\$ 14,686,899</u>
Per Statement of Net Assets	
Governmental activities:	
Cash and cash equivalents	\$ 1,894,518
Investments	580,288
Total Governmental activities	<u>\$ 2,474,806</u>
Business-type activities:	
Cash and cash equivalents	\$ 578,040
Investments	11,634,053
Total Business-type activities	<u>\$ 12,212,093</u>
Total Per Statement of Net Assets	<u>\$ 14,686,899</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

County of Loudoun:		
Local Sales Tax	\$	55,404
Commonwealth of Virginia:		
Highway Maintenance		81,805
Rolling Stock Tax		<u>39</u>
Total	\$	<u><u>137,248</u></u>

**Note 4—Capital Assets:**

Governmental Funds

A summary of changes in capital assets at June 30, 2004 follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets not being depreciated	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Capital assets being depreciated:				
Buildings	\$ 839,847	\$ 149,250	\$ -	\$ 989,097
Improvements other than buildings	88,887	-	-	88,887
Machinery and equipment	574,361	108,800	-	683,161
Vehicles	260,962	21,505	-	282,467
Infrastructure	46,407,414	-	-	46,407,414
Subtotal	<u>\$ 48,171,471</u>	<u>\$ 279,555</u>	<u>\$ -</u>	<u>\$ 48,451,026</u>
Less: accumulated depreciation	<u>(13,415,459)</u>	<u>(1,209,582)</u>	<u>-</u>	<u>(14,625,041)</u>
Net capital assets being depreciated	<u>\$ 34,756,012</u>	<u>\$ (930,027)</u>	<u>\$ -</u>	<u>\$ 33,825,985</u>
Capital assets, net	<u><u>\$ 34,806,012</u></u>	<u><u>\$ (930,027)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,875,985</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

**Note 4—Capital Assets: (Continued)**

Enterprise Funds (Business Type Activities)

A summary of changes in capital assets at June 30, 2004 follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 842,670	\$ -	\$ -	\$ 842,670
Construction in progress	<u>340,061</u>	<u>297,559</u>	<u>45,499</u>	<u>592,121</u>
Total capital assets not being depreciated	<u>\$ 1,182,731</u>	<u>\$ 297,559</u>	<u>\$ 45,499</u>	<u>\$ 1,434,791</u>
Capital assets being depreciated:				
Utility plant in service	\$ 17,152,949	\$ 343,725	\$ -	\$ 17,496,674
Improvements other than buildings	445,000	-	-	445,000
Vehicles	85,399	-	-	85,399
Machinery and equipment	<u>76,905</u>	<u>-</u>	<u>-</u>	<u>76,905</u>
Subtotal	<u>\$ 17,760,253</u>	<u>\$ 343,725</u>	<u>\$ -</u>	<u>\$ 18,103,978</u>
Less: accumulated depreciation	<u>(1,537,751)</u>	<u>(329,727)</u>	<u>-</u>	<u>(1,867,478)</u>
Net capital assets being depreciated	<u>\$ 16,222,502</u>	<u>\$ 13,998</u>	<u>\$ -</u>	<u>\$ 16,236,500</u>
Capital assets, net	<u>\$ 17,405,233</u>	<u>\$ 311,557</u>	<u>\$ 45,499</u>	<u>\$ 17,671,291</u>

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

Governmental activities:

General government	\$ 69,193
Public safety	26,136
Public works (Highways and streets)	<u>1,114,253</u>
Total governmental activities	<u>\$ 1,209,582</u>
Enterprise funds	<u>\$ 329,727</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (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,	Capital Leases		Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 39,768	\$ 4,565	\$ 44,602	\$ 24,562
2006	41,966	2,367	46,060	23,169
2007	3,147	74	47,566	21,639
2008	-	-	49,122	20,058
2009	-	-	50,728	18,425
2010-2014	-	-	279,634	65,707
2015-2019	-	-	258,461	17,242
Total	\$ <u>84,881</u>	\$ <u>7,006</u>	\$ <u>776,173</u>	\$ <u>190,802</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, 2004:

	Capital Leases	Bonds Payable	Compensated Absences	Total
Long term debt payable at July 1, 2003	\$ 122,569	\$ 835,133	\$ 148,122	\$ 1,105,824
Increases:				
Issuances	-	-	-	-
Decreases:				
Retirements	<u>37,688</u>	<u>58,960</u>	<u>413</u>	<u>97,061</u>
Long Term Debt payable at June 30, 2004	\$ <u>84,881</u>	\$ <u>776,173</u>	\$ <u>147,709</u>	\$ <u>1,008,763</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

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Governmental Activities: (Continued)

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$174,680 Capital Lease through Ford Motor Credit for Vac truck payable annually in installments of \$38,524 (including interest at 5.15%) through September 1, 2005	\$ 71,489	\$ 34,848
\$24,400 Capital Lease through Xerox for copier payable in monthly installments of \$484 (including interest at 8.5%) through November 15, 2006	<u>13,392</u>	<u>4,920</u>
Sub-Total	\$ <u>84,881</u>	\$ <u>39,768</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	\$ <u>776,173</u>	\$ <u>44,602</u>
Compensated Absence (Note 6)	\$ <u>147,709</u>	\$ <u>-</u>
Total general long term obligation debt	\$ <u><u>1,008,763</u></u>	\$ <u><u>84,370</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (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
2005	\$ 233,776	\$ 530,468
2006	245,172	518,571
2007	256,902	505,402
2008	268,978	491,606
2009	286,421	477,163
2010-2014	1,667,936	2,139,024
2015-2019	2,166,041	1,640,079
2020-2024	1,701,762	1,081,398
2025-2029	1,880,952	648,768
2030-2033	<u>1,569,228</u>	<u>142,077</u>
Total	\$ <u>10,277,168</u>	\$ <u>8,174,556</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, 2004:

	General Obligation Bonds	Compensated Absences	Total
Long-Term Debt payable at July 1, 2003	\$ 10,386,483	\$ 41,844	\$ 10,428,327
Increases	115,770	3,195	118,965
Retirements:			
Revenue Bonds	<u>225,085</u>	<u>-</u>	<u>225,085</u>
Long-Term Debt Payable at June 30, 2004	\$ <u>10,277,168</u>	\$ <u>45,039</u>	\$ <u>10,322,207</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

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Enterprise Activities: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$1,230,080 General Obligation Water and Sewer Bond, Series 1996 (Rural Development) maturing monthly in payments of \$6,299 through October 18, 2036 including 5.375% interest, payable from the water fund	\$ 1,106,347	\$ 16,525
\$7,304,000 General Obligation Water and Sewer Bond, Series 1999 (Rural Development) maturing monthly in payments of \$35,863 through June 24, 2039 including 5% interest, payable from the sewer fund	6,510,821	107,251
\$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	<u>2,660,000</u>	<u>110,000</u>
Total	\$ 10,277,168	\$ 233,776
Compensated Absence (Note 6)	\$ <u>45,039</u>	\$ <u>-</u>
Total enterprise debt	\$ <u><u>10,322,207</u></u>	\$ <u><u>233,776</u></u>

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

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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 \$147,709 and the Enterprise Funds have outstanding accrued leave pay of \$45,039.

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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***Note 7—Defined Benefit Pension Plan:***

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**A. Plan Description:**

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. 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, 2004 was 6.5% of the annual covered payroll.

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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

**C. Annual Pension Cost and Net Pension Obligation:**

The Town’s annual pension cost and net pension obligation to VRS for the current year were as follows:

Contribution rates:	
Employer	6.50%
Plan members	5.00%
Annual pension cost	\$233,449
Contributions made	\$233,449
Actuarial valuation date	06/30/03
Actuarial cost method	Entry age, normal
Amortization method	Level percentage of pay, open
Payroll growth rate	3.00%
Remaining amortization period	16 Years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return <sup>1</sup>	8.00%
Projected salary increase: <sup>1</sup>	4.25% to 6.10%
Cost-of-living adjustments	3.00%
<sup>1</sup> Includes inflation at	3.00%

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$ 233,449	100%	\$ 0
06/30/03	217,743	100%	0
06/30/02	194,752	100%	0

Annual pension costs include employer contributions and employee contributions assumed by the employer.

**Note 8—Deferred Revenue:**

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 totaling \$57,251 is comprised of the following:

**A. Deferred Highway Maintenance Revenue**

Deferred revenue representing unexpended highway maintenance funds totaled \$34,246 at June 30, 2004.

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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**Note 9—Risk Management:**

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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—Accounting Changes:**

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During fiscal year 2003 the Town adopted Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government." This statement was not required to be implemented for the Town until fiscal year 2004. The following table displays net assets restated for the effects of implementation of GASB Statement No. 34.

	<u>Primary Government</u>
Fund Balances at June 30, 2003	
Governmental activities:	
Governmental fund types	\$ 1,923,287
Total Governmental Activities	\$ <u>1,923,287</u>
Adjustments for:	
Capital assets	\$ 34,806,112
Long-term liabilities	(1,105,824)
Deferred revenue	19,557
Total Adjustments	\$ <u>33,719,845</u>
Net assets, as adjusted July 1, 2003	\$ <u><u>35,643,132</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004 (CONTINUED)

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**Note 11—Net Assets Adjustment:**

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The beginning net assets have been adjusted in the water and sewer fund for capital asset valuation changes. The following table depicts the adjustment to the water and sewer funds.

	<u>Adjustment</u>	
	<u>Water</u>	<u>Sewer</u>
Retained Earnings, June 30, 2003	\$ 6,089,969	\$ 7,852,593
Contributed Capital, June 30, 2003	<u>1,284,839</u>	<u>1,279,606</u>
Subtotal	<u>\$ 7,374,808</u>	<u>\$ 9,132,199</u>
Adjustment: capital asset valuations	<u>\$ (755,281)</u>	<u>(702,933)</u>
Net assets, as adjusted July 1, 2003	<u><u>\$ 6,619,527</u></u>	<u><u>8,429,266</u></u>

**Note 12—Commitment and Contingencies:**

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As of June 30, 2004, an engineering contract in the approximate amount of \$150,000 was outstanding for the development of the Centennial Reservoir.

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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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 1,207,000	\$ 1,207,000	\$ 1,369,653	\$ 162,653
Other local taxes	1,582,250	1,582,250	1,853,901	271,651
Permits, privilege fees, and regulatory licenses	125,000	125,000	136,264	11,264
Fines and forfeitures	50,000	50,000	59,282	9,282
Revenue from the use of money and property	14,500	14,500	16,693	2,193
Miscellaneous	139,500	139,500	64,465	(75,035)
Intergovernmental revenues:				
Local government	400,000	400,000	400,000	-
Commonwealth	583,300	586,534	702,094	115,560
Federal	-	14,126	39,207	25,081
Total revenues	\$ 4,101,550	\$ 4,118,910	\$ 4,641,559	\$ 522,649
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,899,091	\$ 1,902,646	\$ 1,795,888	\$ 106,758
Public safety	606,956	611,441	587,969	23,472
Public works	1,294,028	1,317,348	1,411,398	(94,050)
Capital projects	1,807,000	1,793,000	300,707	1,492,293
Debt service:				
Principal retirement	100,642	100,642	96,648	3,994
Interest and other fiscal charges	36,922	36,922	29,121	7,801
Total expenditures	\$ 5,744,639	\$ 5,761,999	\$ 4,221,731	\$ 1,540,268
Excess (deficiency) of revenues over (under) expenditures	\$ (1,643,089)	\$ (1,643,089)	\$ 419,828	\$ 2,062,917
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ -	\$ -	\$ 20,359	\$ 20,359
Proceeds of general obligation bonds	805,000	805,000	-	(805,000)
Total other financing sources and uses	\$ 805,000	\$ 805,000	\$ 20,359	\$ (784,641)
Net change in fund balances	\$ (838,089)	\$ (838,089)	\$ 440,187	\$ 1,278,276
Fund balances - beginning	838,089	838,089	1,923,287	1,085,198
Fund balances - ending	\$ -	\$ -	\$ 2,363,474	\$ 2,363,474

Virginia Retirement System  
 Schedule of Pension Funding Progress

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)</u>	<u>Funded Ratio (a/b) (d)</u>	<u>Annual Covered Payroll (e)</u>	<u>UAAL as % of Covered Payroll (c/e) (f)</u>
06/30/00	\$ 1,809,527	\$ 1,843,428	\$ 33,901	98.2%	\$ 1,143,874	3.0%
06/30/01	2,040,856	2,078,691	37,835	98.2%	1,514,821	2.5%
06/30/02	2,329,879	2,480,825	150,946	93.9%	1,670,623	9.0%
06/30/03	2,598,878	3,046,924	448,046	85.3%	1,966,161	22.8%

## Supporting Schedules

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,080,000	\$ 1,080,000	\$ 1,220,011	\$ 140,011
Personal property taxes	115,000	115,000	137,119	22,119
Penalties and interest	12,000	12,000	12,523	523
Total general property taxes	<u>\$ 1,207,000</u>	<u>\$ 1,207,000</u>	<u>\$ 1,369,653</u>	<u>\$ 162,653</u>
Other local taxes:				
Local sales and use taxes	\$ 364,000	\$ 364,000	\$ 352,816	\$ (11,184)
Cigarette taxes	187,500	187,500	171,080	(16,420)
Business license taxes	340,000	340,000	456,957	116,957
Utility license taxes	218,000	218,000	259,332	41,332
Auto decals	90,000	90,000	108,322	18,322
Bank franchise taxes	90,000	90,000	123,793	33,793
Cable franchise taxes	34,000	34,000	30,047	(3,953)
Restaurant food taxes	258,750	258,750	351,554	92,804
Total other local taxes	<u>\$ 1,582,250</u>	<u>\$ 1,582,250</u>	<u>\$ 1,853,901</u>	<u>\$ 271,651</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 105,000	\$ 105,000	\$ 114,249	\$ 9,249
Proffers	20,000	20,000	22,015	2,015
Total permits, privilege fees, and regulatory licenses	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 136,264</u>	<u>\$ 11,264</u>
Fines and forfeitures:				
Police fines	\$ 50,000	\$ 50,000	\$ 59,282	\$ 9,282
Total fines and forfeitures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 59,282</u>	<u>\$ 9,282</u>
Revenue from use of money and property:				
Rent	\$ 4,500	\$ 4,500	\$ 2,250	\$ (2,250)
Interest	10,000	10,000	14,443	4,443
Total revenue from use of money and property	<u>\$ 14,500</u>	<u>\$ 14,500</u>	<u>\$ 16,693</u>	<u>\$ 2,193</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 22,058	\$ 12,058
Proceeds from sales of property	10,000	10,000	7,812	(2,188)
Special meetings	700	700	-	(700)
Charette donations	-	-	12,700	12,700
James Building grant	35,000	35,000	-	(35,000)
Insurance dividend	25,000	25,000	6,578	(18,422)
Employee health insurance reimbursement	-	-	12,237	12,237
Community events sign	2,300	2,300	1,235	(1,065)

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2004 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Law enforcement reimbursement from Loudoun County	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Vehicle compensation reimbursement	1,500	1,500	1,845	345
Other street funds	5,000	5,000	-	(5,000)
Total miscellaneous revenue	<u>\$ 139,500</u>	<u>\$ 139,500</u>	<u>\$ 64,465</u>	<u>\$ (75,035)</u>
Intergovernmental revenue:				
Gasoline tax funding from Loudoun County	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Total local intergovernmental revenue	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 3,518,250</u>	<u>\$ 3,518,250</u>	<u>\$ 3,900,258</u>	<u>\$ 382,008</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 4,300	\$ 4,300	\$ 8,854	\$ 4,554
Personal property tax relief funds	160,000	160,000	161,934	1,934
Total noncategorical aid	<u>\$ 164,300</u>	<u>\$ 164,300</u>	<u>\$ 170,788</u>	<u>\$ 6,488</u>
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 100,000	\$ 100,000	\$ 87,620	\$ (12,380)
Total shared expenses	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 87,620</u>	<u>\$ (12,380)</u>
Other categorical aid:				
Disaster operations funds	\$ -	\$ 3,234	\$ 3,234	\$ -
Fire programs fund	6,000	6,000	6,000	-
Highway maintenance funds	313,000	313,000	434,452	121,452
Total other categorical aid	<u>\$ 319,000</u>	<u>\$ 322,234</u>	<u>\$ 443,686</u>	<u>\$ 121,452</u>
Total categorical aid	<u>\$ 419,000</u>	<u>\$ 422,234</u>	<u>\$ 531,306</u>	<u>\$ 109,072</u>
Total revenue from the Commonwealth	<u>\$ 583,300</u>	<u>\$ 586,534</u>	<u>\$ 702,094</u>	<u>\$ 115,560</u>
Revenue from the federal government:				
Categorical aid:				
COPS FAST grant	\$ -	\$ -	\$ 11,000	\$ 11,000
Disaster operations funds	-	14,126	14,126	-
SLEP grant	-	-	14,081	14,081
Total categorical aid	<u>\$ -</u>	<u>\$ 14,126</u>	<u>\$ 39,207</u>	<u>\$ 25,081</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 14,126</u>	<u>\$ 39,207</u>	<u>\$ 25,081</u>
Total General Fund	<u><u>\$ 4,101,550</u></u>	<u><u>\$ 4,118,910</u></u>	<u><u>\$ 4,641,559</u></u>	<u><u>\$ 522,649</u></u>

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

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Mayor and Council:				
Mayor salary	\$ 5,525	\$ 5,525	\$ 6,021	\$ (496)
Council salary	25,500	25,500	27,788	(2,288)
Travel and general expenses	6,000	6,000	2,783	3,217
Special meetings	700	700	96	604
Total Mayor and Council	<u>\$ 37,725</u>	<u>\$ 37,725</u>	<u>\$ 36,688</u>	<u>\$ 1,037</u>
General and financial administration:				
Planning Commission:				
Commission salaries	\$ 12,900	\$ 12,900	\$ 14,057	\$ (1,157)
Travel and training	1,000	1,000	387	613
General expense	700	700	175	525
Certification programs	700	700	-	700
Total Planning Commission	<u>\$ 15,300</u>	<u>\$ 15,300</u>	<u>\$ 14,619</u>	<u>\$ 681</u>
Planning Department:				
Planning staff	\$ 167,391	\$ 167,391	\$ 176,547	\$ (9,156)
Overtime-planning	4,000	4,597	4,539	58
Dues & subscriptions	1,500	1,500	1,500	-
Travel/training	4,000	4,000	3,896	104
General expense	3,500	3,500	3,686	(186)
Plan review/field inspect	20,000	20,000	16,570	3,430
Consulting/engineering	5,000	5,000	2,755	2,245
Annexation/Comp Plan	30,000	30,000	476	29,524
Legal ads/planning	11,000	11,000	2,047	8,953
Vehicle maint/gas	3,000	3,000	1,844	1,156
Charrette expenses	-	-	26,422	(26,422)
Total Planning Department	<u>\$ 249,391</u>	<u>\$ 249,988</u>	<u>\$ 240,282</u>	<u>\$ 9,706</u>
Economic Development Commission:				
Travel	\$ 500	\$ 500	\$ -	\$ 500
General expense	1,500	1,500	2,369	(869)
Special projects	17,000	17,000	14,024	2,976
Total Economic Development Commission	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 16,393</u>	<u>\$ 2,607</u>
Board of Zoning Appeals:				
Salaries	\$ 2,000	\$ 2,000	\$ 200	\$ 1,800
Travel	300	300	-	300
General expense	750	750	263	487
Total Board of Zoning Appeals	<u>\$ 3,050</u>	<u>\$ 3,050</u>	<u>\$ 463</u>	<u>\$ 2,587</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2004 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
General government administration: (Continued)				
Park Commission:				
General expense	\$ 7,000	\$ 7,000	\$ 4,606	\$ 2,394
Master plan consulting	20,000	20,000	5,137	14,863
Total Park Commission	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 9,743</u>	<u>\$ 17,257</u>
Administration Personnel:				
Administrative staff	\$ 243,443	\$ 243,443	\$ 259,685	\$ (16,242)
Overtime - administration	3,000	4,020	607	3,413
Total Administration Personnel	<u>\$ 246,443</u>	<u>\$ 247,463</u>	<u>\$ 260,292</u>	<u>\$ (12,829)</u>
Building Maintenance:				
Cleaning	\$ 12,000	\$ 12,000	\$ 12,678	\$ (678)
Electricity	10,500	10,500	10,323	177
Telephone	18,000	18,000	16,567	1,433
Building supplies	2,000	2,000	80	1,920
Repairs	6,000	6,000	5,390	610
Pest control	400	400	318	82
	<u>\$ 48,900</u>	<u>\$ 48,900</u>	<u>\$ 45,356</u>	<u>\$ 3,544</u>
Miscellaneous:				
Travel/training	\$ 5,000	\$ 5,000	\$ 6,062	\$ (1,062)
Equipment/supplies	35,000	35,000	34,733	267
Postage	10,000	10,000	11,274	(1,274)
Special programs	5,000	5,000	3,833	1,167
Election expense	6,000	6,000	1,715	4,285
Equipment contracts	21,000	21,000	15,322	5,678
Dues and subscriptions	3,000	3,000	2,715	285
Town Manager - travel and expenses	6,300	6,300	7,155	(855)
Legal ads	16,000	16,000	19,307	(3,307)
Computer operations	8,000	8,000	14,367	(6,367)
Computer software operations	7,000	7,000	1,735	5,265
Vehicle maint/gas	1,000	1,000	156	844
Administrative emergency	-	180	235	(55)
	<u>\$ 123,300</u>	<u>\$ 123,480</u>	<u>\$ 118,609</u>	<u>\$ 4,926</u>
Finance Personnel:				
Finance staff	\$ 186,858	\$ 186,858	\$ 195,507	\$ (8,649)
Overtime - finance	3,000	4,758	4,275	483
Credit collection	2,000	2,000	-	2,000
Total Finance Personnel	<u>\$ 191,858</u>	<u>\$ 193,616</u>	<u>\$ 199,782</u>	<u>\$ (6,166)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2004 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
General government administration: (Continued)				
Employee Benefits:				
Health insurance	\$ 274,679	\$ 274,679	\$ 241,175	\$ 33,504
Retirement	173,904	173,904	170,043	3,861
Workers' compensation	31,841	31,841	21,814	10,027
Payroll taxes	131,170	131,170	135,474	(4,304)
Unemployment compensation	1,500	1,500	17,670	(16,170)
Performance bonuses	17,300	17,300	-	17,300
Drug testing	750	750	600	150
Deferred comp match	18,480	18,480	18,500	(20)
Total Employee benefits	<u>\$ 649,624</u>	<u>\$ 649,624</u>	<u>\$ 605,276</u>	<u>\$ 44,348</u>
Other:				
Insurance - municipal	\$ 75,000	\$ 75,000	\$ 67,164	\$ 7,836
Contributions:				
Purcellville Business and Professional Association	2,000	2,000	-	2,000
Community Center	2,000	2,000	2,000	-
Fire Department	20,000	20,000	20,000	-
Rescue Squad	20,000	20,000	20,000	-
Miscellaneous	1,000	1,000	-	1,000
Community Events Sign	1,500	1,500	1,380	120
Firemen's fund	6,000	6,000	-	6,000
James Building project	35,000	35,000	20,975	14,025
Legal services	85,000	85,000	83,118	1,882
Auditing services	20,000	20,000	14,531	5,469
Environmental audit and compliance	20,000	20,000	19,217	783
Total Other	<u>\$ 287,500</u>	<u>\$ 287,500</u>	<u>\$ 248,385</u>	<u>\$ 39,115</u>
Total general and financial administration	<u>\$ 1,861,366</u>	<u>\$ 1,864,921</u>	<u>\$ 1,759,200</u>	<u>\$ 105,776</u>
Total general government administration	<u>\$ 1,899,091</u>	<u>\$ 1,902,646</u>	<u>\$ 1,795,888</u>	<u>\$ 106,813</u>
Public safety:				
Police Personnel:				
Police staff	\$ 448,536	\$ 448,536	\$ 473,414	\$ (24,878)
Overtime - police	30,000	33,449	35,476	(2,027)
Total Police Personnel	<u>\$ 478,536</u>	<u>\$ 481,985</u>	<u>\$ 508,890</u>	<u>\$ (26,905)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2004 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Administration:				
Technical support	\$ 4,500	\$ 4,500	\$ 1,581	\$ 2,919
Telephone	5,000	5,000	4,825	175
Supplies	10,000	10,000	8,781	1,219
Equipment	10,520	10,520	20,227	(9,707)
Equipment repairs	5,500	5,500	3,776	1,724
Dues and subscriptions	1,000	1,000	816	184
Travel and training	5,800	5,800	5,508	292
Public education	3,000	3,000	2,425	575
Uniforms	6,000	6,000	5,237	763
Grant expenditures	5,000	5,000	-	5,000
SLEP grant expenditures	-	-	6,391	(6,391)
Capital projects	50,000	50,000	-	50,000
Citizen support group	3,000	3,000	2,895	105
Police emergency	-	1,036	3,077	(2,041)
Total Administration	<u>\$ 109,320</u>	<u>\$ 110,356</u>	<u>\$ 65,539</u>	<u>\$ 46,858</u>
Police Vehicle expenses:				
Repairs	\$ 6,000	\$ 6,000	\$ 3,752	\$ 2,248
Tires	3,100	3,100	-	3,100
Gas and oil	10,000	10,000	9,788	212
Total Vehicle Expenses	<u>\$ 19,100</u>	<u>\$ 19,100</u>	<u>\$ 13,540</u>	<u>\$ 5,560</u>
Total public safety	<u>\$ 606,956</u>	<u>\$ 611,441</u>	<u>\$ 587,969</u>	<u>\$ 25,513</u>
Public works:				
Public works/engineering:				
Public works/engineering staff	\$ 225,644	\$ 239,644	\$ 236,672	\$ 2,972
Overtime - public works/engineering	6,000	7,864	6,026	1,838
Dues and subscriptions	500	500	717	(217)
Travel and training	4,250	4,250	2,596	1,654
General expense	2,500	2,500	2,499	1
Field inspections	8,000	8,000	3,900	4,100
Engineering/consulting	15,000	15,000	13,973	1,027
Equipment/field supplies	5,000	5,000	4,301	699
Vehicle maintenance/gas	4,500	4,500	4,068	432
Total public works/engineering	<u>\$ 271,394</u>	<u>\$ 287,258</u>	<u>\$ 274,752</u>	<u>\$ 12,506</u>
Maintenance personnel:				
Maintenance staff	\$ 343,334	\$ 343,334	\$ 359,066	\$ (15,732)
Overtime - maintenance	12,000	17,509	9,306	8,203
Total maintenance personnel	<u>\$ 355,334</u>	<u>\$ 360,843</u>	<u>\$ 368,372</u>	<u>\$ (7,529)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2004 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Administration:				
Safety	\$ 8,000	\$ 8,000	\$ 8,033	\$ (33)
Electricity/heating	5,000	5,000	(452)	5,452
Waste disposal	5,000	5,000	833	4,167
Telephone	3,600	3,600	4,176	(576)
Supplies	10,000	10,000	10,632	(632)
Building expenses	2,000	2,000	1,613	387
New equipment & tools	6,000	6,000	5,198	802
Dues and subscriptions	600	600	64	536
Travel & training	3,750	3,750	3,025	725
Uniforms	8,750	8,750	12,866	(4,116)
Total administration	<u>\$ 52,700</u>	<u>\$ 52,700</u>	<u>\$ 45,988</u>	<u>\$ 6,712</u>
Vehicle expenses:				
Repairs	\$ 6,000	\$ 6,000	\$ 13,711	\$ (7,711)
Tires	2,200	2,200	2,670	(470)
Gas and oil	10,000	10,000	10,481	(481)
Equipment repairs	12,500	12,500	16,481	(3,981)
Total Vehicle expenses	<u>\$ 30,700</u>	<u>\$ 30,700</u>	<u>\$ 43,343</u>	<u>\$ (12,643)</u>
Streets:				
Street repair (town)	\$ 10,000	\$ 10,000	\$ 11,528	\$ (1,528)
Street repair (state)	175,000	175,000	284,656	(109,656)
Sidewalk repair (town)	5,000	5,000	4,125	875
Sidewalk repair (state)	13,000	13,000	5,068	7,932
Snow removal (town)	5,000	5,000	1,106	3,894
Snow removal (state)	15,000	15,000	12,518	2,482
Storm drain/inside (town)	4,000	4,000	997	3,003
Storm drain/inside (state)	10,000	10,000	8,189	1,811
Street inspections (town)	2,500	2,500	-	2,500
Street inspections (state)	2,500	2,500	32	2,468
Landscaping/mowing (town)	7,500	7,500	4,342	3,158
Landscaping/mowing (state)	13,000	13,000	10,638	2,362
Street lights	45,000	45,000	35,876	9,124
Signs	20,000	20,000	25,821	(5,821)
Land use permits	400	400	-	400
Parking lot maintenance	6,000	6,000	126	5,874
Miss Utility	4,000	4,000	2,989	1,011
Tree removal contract	6,000	6,000	13,430	(7,430)
Maintenance emergency	-	1,947	542	1,405
Total streets	<u>\$ 343,900</u>	<u>\$ 345,847</u>	<u>\$ 421,983</u>	<u>\$ (76,136)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2004 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Waste collection:				
Refuse contract	\$ 240,000	\$ 240,000	\$ 256,960	\$ (16,960)
Total waste collection	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 256,960</u>	<u>\$ (16,960)</u>
 Total public works	 <u>\$ 1,294,028</u>	 <u>\$ 1,317,348</u>	 <u>\$ 1,411,398</u>	 <u>\$ (94,050)</u>
Capital improvements:				
Public safety capital	\$ 12,500	\$ 12,500	\$ 6,165	\$ 6,335
Public works capital	199,500	185,500	108,928	76,572
Storm water mgt. capital	100,000	100,000	-	100,000
Transportation	550,000	550,000	43,568	506,432
Beautification / parks & recreation	105,000	105,000	350	104,650
Administration capital	840,000	840,000	141,696	698,304
Total capital improvements	<u>\$ 1,807,000</u>	<u>\$ 1,793,000</u>	<u>\$ 300,707</u>	<u>\$ 1,492,293</u>
Debt service:				
Principal retirement	\$ 100,642	\$ 100,642	\$ 96,648	\$ 3,994
Interest and other fiscal charges	36,922	36,922	29,121	7,801
Total debt service	<u>\$ 137,564</u>	<u>\$ 137,564</u>	<u>\$ 125,769</u>	<u>\$ 11,795</u>
 Total General Fund	 <u><u>\$ 5,744,639</u></u>	 <u><u>\$ 5,761,999</u></u>	 <u><u>\$ 4,221,731</u></u>	 <u><u>\$ 1,542,364</u></u>

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2004

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	\$ 35,250	\$ 35,250	\$ 75,299	\$ 40,049
Water fees	600,000	600,000	577,722	(22,278)
Miscellaneous income	2,800	2,800	16,928	14,128
Service charge	15,000	15,000	20,119	5,119
Penalties and interest	9,800	9,800	10,479	679
Water flushing	6,000	6,000	7,159	1,159
Total operating revenues	<u>\$ 668,850</u>	<u>\$ 668,850</u>	<u>\$ 707,706</u>	<u>\$ 38,856</u>
Operating expenses:				
Personnel:				
Water Staff	\$ 281,319	\$ 281,319	\$ 274,812	\$ 6,507
Overtime - Water	32,000	32,000	53,576	(21,576)
Plant Operations:				
Electricity	27,000	27,000	17,700	9,300
Telephone	3,500	3,500	3,686	(186)
Supplies	12,000	12,000	5,758	6,242
Lab Equipment	12,000	12,000	3,741	8,259
Contracts	8,000	8,000	7,712	288
Uniforms	5,000	5,000	1,026	3,974
Safety	2,000	2,000	3,744	(1,744)
Spare parts	6,000	6,000	1,211	4,789
Cross connections	500	500	5,922	(5,422)
Plant repairs	35,000	35,000	13,978	21,022
Water line repairs	20,000	20,000	5,747	14,253
Leak detection	4,000	4,000	1,049	2,951
Meter repairs & testing	4,500	4,500	20,083	(15,583)
New water meters	18,000	18,000	71,070	(53,070)
Lab certification	3,000	3,000	-	3,000
Computer upgrades	3,000	3,000	1,775	1,225
Chemicals - plant	37,000	37,000	9,407	27,593
Generator WTP	5,000	5,000	4,099	901
Permits	5,000	5,000		5,000
Touch read HDW & SFTW	5,500	5,500	2,289	3,211

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2004 (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)				
Well Operations:				
Electricity	\$ 25,000	\$ 25,000	\$ 15,754	\$ 9,246
Telephone	1,400	1,400	485	915
Supplies	5,000	5,000	383	4,617
Contracts	3,000	3,000	1,880	1,120
Spare parts	4,000	4,000	3,699	301
Repairs	36,000	36,000	25,832	10,168
Chemicals	18,000	18,000	5,132	12,868
Carbon change-out	38,000	38,000	14,100	23,900
Equipment and vehicles expenses:				
New equipment & tools	8,500	8,500	1,230	7,270
Vehicle repairs	2,400	2,400	4,763	(2,363)
Gas and oil	7,400	7,400	8,060	(660)
Propane	10,800	10,800	6,515	4,285
Other:				
Advertisements	4,300	4,300	3,675	625
Water samples	48,000	48,000	41,333	6,667
Training	8,750	8,750	1,996	6,754
Dues & subscriptions	250	250	-	250
Consumer reports	2,000	2,000	3,291	(1,291)
General expenses	1,000	1,000	1,272	(272)
Postage/mailings	3,000	3,000	2,501	499
Miscellaneous	4,500	4,500	3,745	755
Engineering	30,000	30,000	2,676	27,324
Watershed management	5,000	5,000	1,574	3,426
Forestry management	10,000	10,000	-	10,000
Envir Audit & Comp	5,000	5,000	-	5,000
Mowing	5,000	5,000	2,550	2,450
Water department emergency	-	-	2,639	(2,639)
Small projects	2,016,124	2,009,124	105,847	1,903,277

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2004 (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)				
Employee benefits:				
Health insurance	\$ 51,391	\$ 51,391	\$ 40,488	\$ 10,903
Retirement	32,352	32,352	29,053	3,299
Workers' compensation	13,688	13,688	9,398	4,290
Payroll taxes	23,969	23,969	24,415	(446)
Performance bonuses	3,500	3,500	2,370	1,130
Drug testing	500	500	150	350
Deferred compensation match	2,080	2,080	1,434	646
Depreciation		-	139,643	(139,643)
Total operating expenses	<u>\$ 2,959,223</u>	<u>\$ 2,952,223</u>	<u>\$ 1,016,268</u>	<u>\$ 1,935,955</u>
Operating income (loss)	<u>\$ (2,290,373)</u>	<u>\$ (2,283,373)</u>	<u>\$ (308,562)</u>	<u>\$ 1,974,811</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 16,000	\$ 16,000	\$ 21,785	\$ 5,785
Cellular lease	68,000	68,000	91,119	23,119
Federal disaster operations funds	-	5,432	5,432	-
Interest expense	-	-	(212,064)	(212,064)
Total nonoperating revenues (expenses)	<u>\$ 84,000</u>	<u>\$ 89,432</u>	<u>\$ (93,728)</u>	<u>\$ (183,160)</u>
Net income (loss) before operating transfers and contributions	<u>\$ (2,206,373)</u>	<u>\$ (2,193,941)</u>	<u>\$ (402,290)</u>	<u>\$ 1,791,651</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,200,000	\$ 1,200,000	\$ 2,916,000	\$ 1,716,000
Transfers out	-	-	(10,180)	(10,180)
Total operating transfers	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ 2,905,820</u>	<u>\$ 1,705,820</u>
Net income	<u><u>\$ (1,006,373)</u></u>	<u><u>\$ (993,941)</u></u>	<u><u>\$ 2,503,530</u></u>	<u><u>\$ 3,497,471</u></u>

## Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2004

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	\$ 810,000	\$ 810,000	\$ 805,806	\$ (4,194)
Penalties and interest	9,800	9,800	10,479	679
Service charge	15,000	15,000	21,053	6,053
Miscellaneous income	400	400	4,670	4,270
Proffers	40,000	40,000	73,000	33,000
Total operating revenues	<u>\$ 875,200</u>	<u>\$ 875,200</u>	<u>\$ 915,008</u>	<u>\$ 39,808</u>
Operating expenses:				
Personnel:				
Sewer Staff	\$ 295,383	\$ 302,383	\$ 312,356	\$ (9,973)
Overtime - Sewer	32,000	35,424	18,276	17,148
Plant Operations:				
Electricity	83,000	83,000	72,841	10,159
Telephone	3,500	3,500	5,025	(1,525)
Supplies	18,195	18,195	1,371	16,824
Plant supplies	2,500	2,500	3,268	(768)
Contracts	20,367	20,367	9,622	10,745
Permits	5,000	5,000	21,905	(16,905)
Uniforms	5,500	5,500	5,887	(387)
Plant repairs	20,000	20,000	8,725	11,275
Sewer line repairs	15,000	15,000	10,026	4,974
Safety	2,000	2,000	1,372	628
I and I detection	2,000	2,000	1,143	857
New equipment & tools	500	500	65	435
Sludge removal	52,000	52,000	49,418	2,582
Chemicals	20,000	20,000	3,028	16,972
Pump station operations:				
Electricity	10,250	10,250	11,757	(1,507)
Telephone	1,500	1,500	1,118	382
Repairs	10,000	10,000	5,160	4,840
Contracts	2,800	2,800	1,400	1,400
Equipment	5,000	5,000	59	4,941
Equipment and vehicles expenses:				
Equipment - plant	17,632	17,632	11,572	6,060
Gas and oil	4,000	4,000	2,564	1,436
Vehicle repairs	2,500	2,500	1,149	1,351

Schedule of Revenues and Expenses - Budget and Actual  
 Sewer Fund  
 For the Year Ended June 30, 2004 (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	\$ 250	\$ 250	\$ 102	\$ 148
Advertisements	1,500	1,500	1,543	(43)
Training	6,000	6,000	1,875	4,125
Postage/mailings	3,500	3,500	2,090	1,410
Other expenses	3,000	3,000	-	3,000
Engineering	9,500	9,500	5,639	3,861
Mowing	5,000	5,000	3,060	1,940
Envir Audit & Comp	5,000	5,000	2,077	2,923
Sewer department emergency	-	2,245	957	1,288
Small projects	1,217,500	1,210,500	111,044	1,099,456
Employee benefits:				
Health insurance	51,601	51,601	40,939	10,662
Retirement	33,969	33,969	34,353	(384)
Workers' compensation	6,962	6,962	4,796	2,166
Payroll taxes	25,045	25,045	24,836	209
Performance bonuses	4,000	4,000	3,030	970
Drug testing	500	500	100	400
Deferred compensation match	3,120	3,120	2,526	594
Depreciation	-	-	190,084	(190,084)
Total operating expenses	<u>\$ 2,007,074</u>	<u>\$ 2,012,743</u>	<u>\$ 988,158</u>	<u>\$ 1,024,585</u>
Operating income	<u>\$ (1,131,874)</u>	<u>\$ (1,137,543)</u>	<u>\$ (73,150)</u>	<u>\$ 1,064,393</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 18,000	\$ 18,000	\$ 27,792	\$ 9,792
Federal disaster operations funds	5,669	5,669	5,669	-
Interest expense	-	-	(325,931)	(325,931)
Total nonoperating revenues (expenses)	<u>\$ 23,669</u>	<u>\$ 23,669</u>	<u>\$ (292,470)</u>	<u>\$ (316,139)</u>
Net income before operating transfers	<u>\$ (1,108,205)</u>	<u>\$ (1,113,874)</u>	<u>\$ (365,620)</u>	<u>\$ 748,254</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,050,000	\$ 1,050,000	\$ 2,558,500	\$ 2,447,668
Transfers in	157,347	157,347	-	1,508,500
Transfers out	-	-	(10,179)	(157,347)
Total operating transfers	<u>\$ 1,207,347</u>	<u>\$ 1,207,347</u>	<u>\$ 2,548,321</u>	<u>\$ 1,340,974</u>
Net income	<u>\$ 99,142</u>	<u>\$ 93,473</u>	<u>\$ 2,182,701</u>	<u>\$ 2,089,228</u>

Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 June 30, 2004

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	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land	\$ 50,000	\$ 50,000
Buildings	989,097	839,847
Improvements other than buildings	88,887	88,887
Machinery and equipment	683,161	574,361
Vehicles	282,467	260,962
Infrastructure	46,407,414	46,407,414
Total governmental funds capital assets	<u>\$ 48,501,026</u>	<u>\$ 48,221,471</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 48,501,026</u>	<u>\$ 48,221,471</u>
Total governmental funds capital assets	<u><u>\$ 48,501,026</u></u>	<u><u>\$ 48,221,471</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

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

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>
General government administration:			
Town council	\$ 50,000	\$ 880,957	\$ -
Finance and administration	-	-	-
Total general government administration	<u>\$ 50,000</u>	<u>\$ 880,957</u>	<u>\$ -</u>
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ -	\$ 108,140	\$ 88,887
Maintenance of buildings and grounds	-	-	-
Total public works	<u>\$ -</u>	<u>\$ 108,140</u>	<u>\$ 88,887</u>
Total governmental funds capital assets	<u><u>\$ 50,000</u></u>	<u><u>\$ 989,097</u></u>	<u><u>\$ 88,887</u></u>

Schedule 6

<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ 5,884	\$ -	\$ 936,841
159,390	149,360	-	308,750
<u>\$ 159,390</u>	<u>\$ 155,244</u>	<u>\$ -</u>	<u>\$ 1,245,591</u>
\$ 99,871	\$ 105,719	\$ -	\$ 205,590
<u>\$ 99,871</u>	<u>\$ 105,719</u>	<u>\$ -</u>	<u>\$ 205,590</u>
\$ 68,800	\$ 21,504	\$ 46,407,414	\$ 46,694,745
355,100	-	-	355,100
<u>\$ 423,900</u>	<u>\$ 21,504</u>	<u>\$ 46,407,414</u>	<u>\$ 47,049,845</u>
<u>\$ 683,161</u>	<u>\$ 282,467</u>	<u>\$ 46,407,414</u>	<u>\$ 48,501,026</u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2004

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2004</u>
General government administration:				
Town council	\$ 737,591	\$ 149,250	\$ -	\$ 886,841
Finance and administration	268,750	40,000	-	308,750
Total general government administration	<u>\$ 1,006,341</u>	<u>\$ 189,250</u>	<u>\$ -</u>	<u>\$ 1,195,591</u>
Public safety:				
Police department	\$ 205,590	\$ -	\$ -	\$ 205,590
Total public safety	<u>\$ 205,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,590</u>
Public works:				
Highways and roads	\$ 46,604,440	\$ 90,305	\$ -	\$ 46,694,745
Maintenance of buildings and grounds	405,100	-	-	405,100
Total public works	<u>\$ 47,009,540</u>	<u>\$ 90,305</u>	<u>\$ -</u>	<u>\$ 47,099,845</u>
Total governmental funds capital assets	<u><u>\$ 48,221,471</u></u>	<u><u>\$ 279,555</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,501,026</u></u>

## Statistical Tables

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Government-Wide Expenses by Function  
 Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Interest on Long-Term Debt</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
2003-04 \$	1,824,860 \$	613,440 \$	2,587,276 \$	35,466 \$	1,228,332 \$	1,314,089 \$	7,603,463

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

**TOWN OF PURCELLVILLE, VIRGINIA**

Government-Wide Revenues  
Last Ten Fiscal Years (1)

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<u>Fiscal Year</u>	<u>PROGRAM REVENUES</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
2003-04	\$ 1,737,380	\$ 515,721	\$ 5,854,049

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

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes	Fines and Forfeitures	Unrestricted Revenues from the use of Money and Property	Miscella- neous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 1,373,678	\$ 1,853,901	\$ 59,282	\$ 67,587	\$ 177,182	\$ 202,229	\$ 11,841,009

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General Governmental Expenditures by Function  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Other</u>	<u>Pass-Through Grants</u>	<u>(1) Total</u>
1994-95	\$ 568,404	\$ 189,079	\$ 270,124	\$ 844	\$ -	1,028,451
1995-96	650,856	217,778	302,412	-	-	1,171,046
1996-97	639,498	246,285	341,548	-	16,425	1,243,756
1997-98	655,630	262,564	358,585	-	-	1,276,779
1998-99	813,829	304,764	389,624	-	151,544	1,659,761
1999-00	1,094,976	399,176	466,320	-	27,522	1,987,994
2000-01	1,470,413	475,223	545,883	-	230,688	2,722,207
2001-02	1,564,194	485,791	885,605	-	438,028	3,373,618
2002-03	1,657,140	650,147	1,066,145	-	505,666	3,879,098
2003-04	1,795,888	587,969	1,411,398	-	-	3,795,255

(1) Excludes capital outlays and debt service.

**TOWN OF PURCELLVILLE, VIRGINIA**

General Governmental Revenues by Source  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Other Local Taxes (1)</b>	<b>Permits, Privilege Fees, Regulatory Licenses</b>	<b>Fines and Forfeitures</b>	<b>Revenue from the Use of Money and Property</b>
1994-95	\$ 507,582	\$ 654,494	\$ 17,465	\$ 13,389	\$ 31,003
1995-96	543,494	682,620	11,610	8,636	40,360
1996-97	572,758	751,239	55,628	11,191	51,910
1997-98	577,481	823,906	145,210	13,134	59,284
1998-99	631,462	893,473	163,826	5,734	76,284
1999-00	745,648	1,149,794	260,698	13,660	97,002
2000-01	894,057	1,382,201	416,384	25,511	130,871
2001-02	1,123,957	1,513,606	478,134	48,791	60,029
2002-03	1,168,307	1,613,577	276,743	36,791	24,221
2003-04	1,369,653	1,853,901	136,264	59,282	16,693

(1) In fiscal year 1993-94 and 1999-00 the Town commenced meals and cigarette taxes, respectively.

(2) Fiscal year 1994-95 included the sale of the old town hall. Fiscal year 2000-01 included federal funds received for TEA-21 grant and a called developer performance bond.

**Table 4**

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<u>Miscellaneous (2)</u>	<u>Inter- governmental</u>	<u>Pass- Through Grants</u>	<u>Total</u>
\$ 177,171	\$ 29,015	\$ -	\$ 1,430,119
42,994	53,665	-	1,383,379
73,957	58,364	16,425	1,591,472
42,348	45,469	-	1,706,832
74,090	51,165	151,544	2,047,578
72,859	104,784	27,522	2,471,967
292,944	100,065	230,688	3,472,721
170,758	95,562	438,028	3,928,865
70,547	592,224	505,666	4,288,076
64,465	741,301	400,000	4,641,559

Assessed Value of Taxable Property  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property (1)</b>	<b>Public Utility</b>	<b>Total</b>
1994-95	\$ 177,538,300	\$ 9,125,734	\$ 5,181,043	\$ 191,845,077
1995-96	182,556,400	10,013,254	5,206,177	197,775,831
1996-97	184,164,720	12,149,080	5,219,047	201,532,847
1997-98	203,342,106	12,243,331	5,231,916	220,817,353
1998-99	215,680,750	13,225,209	5,448,750	234,354,709
1999-00	251,437,692	17,044,884	6,975,208	275,457,784
2000-01	313,513,634	20,803,922	7,885,696	342,203,252
2001-02	411,026,000	23,590,902	10,419,804	445,036,706
2002-03	452,511,560	26,962,736	8,750,945	488,225,241
2003-04	568,438,265	31,157,197	10,493,964	610,089,426

Note: (1) Includes personal property tax relief from the Commonwealth of Virginia.

Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Public Utility	Personal Property (2)			
			Motor Vehicles (1)	Volunteers (2)	Merchant's Capital	Machinery and Tools
1994-95	\$ 0.24	\$ 0.24	\$ 1.05	\$ 0.01	\$ 1.05	1.05
1995-96	0.24	0.24	1.05	0.01	1.05	1.05
1996-97	0.24	0.24	1.05	0.01	1.05	1.05
1997-98	0.24	0.24	1.05	0.01	1.05	1.05
1998-99	0.24	0.24	1.05	0.01	1.05	1.05
1999-00	0.24	0.24	1.05	0.01	1.05	1.05
2000-01	0.24	0.24	1.05	0.01	0.55	0.55
2001-02	0.24	0.24	1.05	0.01	0.55	0.55
2002-03	0.24/0.22	0.24	1.05	0.01	0.55	0.55
2003-04	0.22/0.21	.22	1.05	0.01	0.55	0.55

Note: (1) Includes personal property tax relief from the Commonwealth of Virginia.  
(2) Fire department and rescue squad members.

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Less: Debt Payable from Enterprise Revenues (4)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
1994-95	2,392	\$ 191,845,077	\$ 1,581,700	\$ 638,352	\$ 943,348	0.0049%	\$ 394
1995-96	2,408	197,775,831	1,509,498	582,200	927,298	0.0047%	385
1996-97	2,883	201,532,847	1,900,042	995,357	904,685	0.0045%	314
1997-98	3,143	220,817,353	2,011,859	1,113,048	898,811	0.0041%	286
1998-99	3,476	234,354,709	2,856,810	1,974,346	882,464	0.0038%	254
1999-00	3,584	275,457,784	2,989,534	2,124,793	864,741	0.0031%	241
2000-01	3,842	342,203,252	8,425,690	7,579,907	845,783	0.0025%	220
2001-02	4,231	445,036,706	11,091,637	10,266,131	825,506	0.0019%	195
2002-03	4,686	488,225,241	11,344,185	10,386,483	957,702	0.0020%	204
2003-04	5,462	610,089,426	11,138,222	10,277,168	861,054	0.0014%	158

Note: (1) Included all long-term general obligation debt except claims and compensated absences.  
(2) These amounts include the general obligation that is being repaid from the water and sewer revenues.

Computation of Legal Debt Margin  
At June 30, 2003

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Total assessed value of taxed real property (1)		\$	<u>578,932,229</u>
Debt limit - 10 percent of total assessed value		\$	57,893,223
Amount of debt applicable to debt limit:			
Gross debt (2)	\$	861,054	
Less:			
Amount available in Debt Service Fund		<u>-</u>	
Total amount of debt applicable to debt limit			<u>861,054</u>
Legal debt margin		\$	<u>57,032,169</u>

(1) Includes public utility real property.

(2) Includes bonded debt and long-term notes payable except for enterprise indebtedness.

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## **Compliance**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon dated August 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of 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 of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

August 20, 2004

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