

TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



YEAR ENDED JUNE 30, 2009

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**TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009**

Prepared By:

Elizabeth B. Krens
Director of Finance

TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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Mayor
Robert W. Lazaro, Jr.

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



Town Manager
Robert W. Lohr, Jr.

Assistant Town Manager
J. Patrick Childs

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

November 24, 2009

**To Honorable Mayor, Members of Town Council and Citizens
Town of Purcellville, Virginia**

I am pleased to present the Town of Purcellville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. These statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Town. The report identifies the Town's financial position and results of operations as measured by the financial activity of its various funds over the past fiscal year. We believe the data contained in the report is accurate in all material aspects.

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

The Town Charter and Code of Virginia §15.2-2511 requires an annual audit performed by independent certified public accountants of the Town's financial affairs. The Town has contracted with Robinson, Farmer, Cox and Associates, Certified Public Accountants to provide audit services in a five-year contract. Robinson, Farmer, Cox and Associates has issued an unqualified opinion on the Town's financial statements for the year ended June 30, 2009. The independent auditor's report is located on page 1 and 2 of this report.

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

Profile of the Town:

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

Financial Condition and Economic Outlook:

The Town of Purcellville concluded fiscal year ended June 30, 2009 in strong financial condition despite the challenges associated with the current recession and credit crisis. Although the Town made no changes to its "Fiscal Policy Guidelines" in FY 08/09, efforts were made to continually monitor policy compliance in light of the changing economic climate and revenue projections.

In October 2008, the Town Manager put into action a "Fiscal Restraint Plan" to prepare the Town for forecasted reductions in revenue due to the economic conditions. This plan implemented hiring freezes for vacant positions and new positions budgeted for mid-year start dates, temporarily suspended the purchase of new vehicles and equipment and all departments were asked to eliminate non-essential expenditures. This action allowed the Town to end FY 08/09 with a fund balance in the governmental fund of \$3.7 million, an increase of over \$620,000. This amount exceeds the Town's fund balance policy target of \$3 million or 30% of total general fund revenues and provides a cushion for the economic challenges expected in the next fiscal year. The Town's fiscal policy does permit a draw on fund balance for (1) one time capital needs, (2) offsetting difficult economic times, (3) non-recurring expenditures or (4) providing liquidity in emergency situations.

After experiencing consistent growth in property assessments in the 1990's through the mid 2000's, the Town has experienced declining assessments for the last few years with the highest decline of 13% in 2009. Revenue was not negatively impacted by this decline due to Town Council's commitment to equalize the real estate tax rate in good times and bad. The Town has been able to successfully manage revenue risk by diversifying its revenue structure and reducing dependency on State funding. A major driving force behind the Town's revenue profile is its strong business community. Examples of diversification include cigarette tax, meals tax, communication tax, bank franchise tax, business license tax, utility license tax, user fees for specialized programs and services and grant opportunities.

The recession has impacted the unemployment rate, an increase in Loudoun County from 2.8% in 2008 to 5.2% in 2009. The Northern Virginia area, with its proximity to the nation's capitol, has fared better than many areas of the United States.

Financial Condition and Economic Outlook: (Continued)

The Town experienced tremendous growth over the last 10 years, although this has slowed in the past few years. This growth has driven capital investment needs in the general and utility funds. The Town maintains a 5-year Capital Improvement Plan (CIP) that describes all capital projects and their fiscal impact (cost and funding sources). The FY08/09 CIP included over 50 capital projects. The Town continues to strive to align capital project needs with debt management policies. In FY 08/09, the Town's debt service expenditures were 6% of general fund expenditures, well within the policy limit of 15%. The Town will need to continue to monitor these policy guidelines as new capital project needs arise.

Major Initiatives:

The following is a listing of a few key accomplishments or initiatives for FY 08/09:

- Awarded Town's First GFOA Certificate of Achievement for FY08 CAFR
- Police Department successfully completed the State Accreditation Process
- VML Certified Green Government Award
- Preserved Stream Valley Corridor in the Hirst Road area with a conservation easement
- Continued town-wide collaborative process to implement performance management through refinement of goals, objectives and performance measures in alignment with overall strategic plans- Redesigned budget to include these enhancements
- Completed First OPEB/GASB 45 Actuarial Study
- Began the migration from the County network to an independent entity responsible for its own internet security, virus protection, spam filtering, website access control and internal communications
- Completed Water Resources Study, alternatives evaluation
- Completed sanitary sewer master plan
- Updated water distribution system plan
- Enacting legislation to collect Public Right-of-Way Use Fee for maintenance of our local streets
- Launched the "Western Flyer" Trolley Program with Lovettsville and VRT
- Completion of Urban Tree Canopy Project
- Fields Farm annexation
- Annexed areas from PUGAMP Phase 1 on Hirst Road and Eastern Corridor of Town (approved by Council in December 2008).
- Implemented streamlined development review process
- Adoption of Revised Zoning Map to implement Comprehensive Plan
- Awarded Community Development Block Grant for the D Street Sidewalk & Drainage Project
- Awarded Transportation Enhancement Program to augment funding for the Downtown Streetscapes Project
- Received Community Development Block Grant for 2 new bus shelters
- Established the first Light Emitting Diode (LED) Streetlights Pilot Project in Virginia in conjunction with Dominion Power on South 20th Street

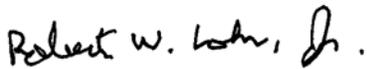
This represents a partial listing of the significant initiatives and achievements accomplished across all departments this fiscal year.

Awards and Acknowledgements:

The Town received its first Certificate of Achievement for the FY 07/08 Comprehensive Annual Financial Report by the Government Finance Officers Association (GFOA), Certificate for Excellence in Financial Reporting Program. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. Of the 32,070 localities with populations between 1,000 and 9,999 including the Town of Purcellville, only 282 or .88 percent received this award.

The preparation of this report on a timely basis could not have been accomplished without the dedicated service of the entire Finance Department. We would also like to thank the Town Council for their interest and commitment regarding the financial management of the Town.

Sincerely,

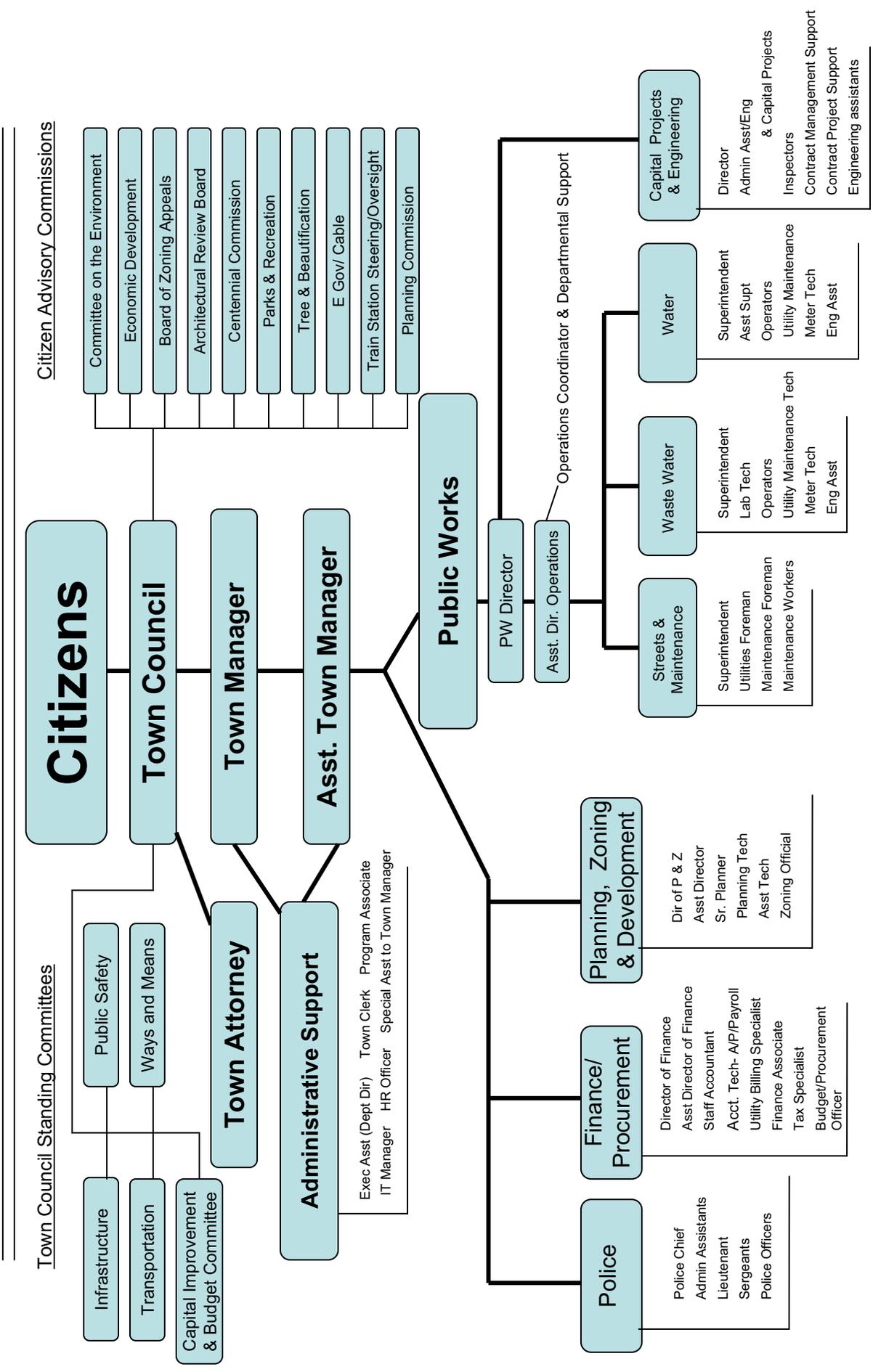


Robert W. Lohr, Jr.
Town Manager



Elizabeth B. Krens
Director of Finance

Town of Purcellville Organization Chart: Effective February 2009



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TOWN OF PURCELLVILLE, VIRGINIA

COUNCIL

Joan Lehr James O. Wiley	Robert W. Lazaro, Jr., Mayor Thomas A. Priscilla, Jr., III, Vice-Mayor	Stephen Varnecky Gregory W. Wagner
	Christopher J. Walker, III	

OFFICIALS

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

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Purcellville
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

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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, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Purcellville, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2009, 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 November 18, 2009 on our consideration of the Town of Purcellville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 18, 2009

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, 2009. 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 \$61.9 million (*net assets*). Of this amount, \$18 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 \$4.3 million, of which the governmental activities accounted for a \$1 million increase and business-type activities accounted for \$3.3 million increase.
- The unreserved, undesignated ending fund balance for the Town's governmental fund is \$3.7 million, an increase of \$.6 million over the prior year. This ending fund balance is equal to 46% of the Town's fiscal year 2010 general fund operating budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3.7 million, or 49% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt increased by \$14.9 million (43%) during the current fiscal year. This is due to the issuance of general obligation bonds during the year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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

Fund financial statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two governmental funds, a General Fund and a Capital Projects fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 20 through 23 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 24 through 26 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 27 through 48 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 51 and 52 of this report.

Overview of the Financial Statements: (Continued)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$61.9 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$43.9 million, 71% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

Town of Purcellville, Virginia
Summary of Net Assets
As of June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 7,564,832	\$ 6,188,319	\$ 21,149,469	\$ 22,919,533	\$ 28,714,301	\$ 29,107,852
Capital assets	37,719,558	36,544,128	47,276,511	29,207,136	84,996,069	65,751,264
Total assets	\$ 45,284,390	\$ 42,732,447	\$ 68,425,980	\$ 52,126,669	\$ 113,710,370	\$ 94,859,116
Long-term liabilities outstanding	\$ 8,500,142	\$ 7,209,805	\$ 40,994,043	\$ 27,190,914	\$ 49,494,185	\$ 34,400,719
Other liabilities	1,112,098	872,746	1,181,236	1,987,048	2,293,334	2,859,794
Total liabilities	\$ 9,612,240	\$ 8,082,551	\$ 42,175,279	\$ 29,177,962	\$ 51,787,519	\$ 37,260,513
Net assets:						
Invested in capital assets, net of related debt	\$ 30,862,894	\$ 31,855,360	\$ 13,004,232	\$ 10,211,089	\$ 43,867,126	\$ 42,066,449
Unrestricted	4,809,256	2,794,536	13,246,469	12,737,618	18,055,725	15,532,154
Total net assets	\$ 35,672,150	\$ 34,649,896	\$ 26,250,701	\$ 22,948,707	\$ 61,922,851	\$ 57,598,603

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

As noted previously, the Town's overall (government and business-type activities) net assets increased by \$4.3 million during the current fiscal year. The overall increase is attributed to an increase in capital assets and revenues.

Government-Wide Financial Analysis: (Continued)

Governmental activities increased the Town's net assets by \$1 million. The following table summarizes the Town's Statement of Activities:

**Town of Purcellville, Virginia
Changes in Net Assets
As of June 30, 2009**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 258,296	\$ 175,390	\$ 2,555,744	\$ 2,333,265	\$ 2,814,040	\$ 2,508,655
Operating grants and contributions	153,278	294,341	-	-	153,278	294,341
Capital grants and contributions	759,030	777,854	-	-	759,030	777,854
General revenues:						
Property taxes	2,763,362	2,464,023	-	-	2,763,362	2,464,023
Other taxes	2,787,900	2,898,002	-	-	2,787,900	2,898,002
Unrestricted revenues from the use of money and property	98,761	126,148	320,633	478,266	419,394	604,414
Miscellaneous	1,900,565	96,347	133,621	136,193	2,034,186	232,540
Grants and contributions not restricted to specific programs	204,253	208,556	-	-	204,253	208,556
Total revenues	\$ 8,925,445	\$ 7,040,661	\$ 3,009,998	\$ 2,947,724	\$ 11,935,443	\$ 9,988,385
Expenses:						
General government administration	\$ 2,574,927	\$ 2,226,330	\$ -	\$ -	\$ 2,574,927	\$ 2,226,330
Public safety	1,696,590	1,663,801	-	-	1,696,590	1,663,801
Public works	4,130,972	3,472,004	-	-	4,130,972	3,472,004
Parks, recreation and culture	66,748	81,503	-	-	66,748	81,503
Community development	349,850	584,944	-	-	349,850	584,944
Interest on long-term debt	304,336	100,727	-	-	304,336	100,727
Water fund	-	-	2,069,090	2,262,486	2,069,090	2,262,486
Sewer fund	-	-	1,726,879	1,962,968	1,726,879	1,962,968
Total expenses	\$ 9,123,423	\$ 8,129,309	\$ 3,795,969	\$ 4,225,454	\$ 12,919,392	\$ 12,354,763
Increase in net assets before transfers and capital contributions	\$ (197,978)	\$ (1,088,648)	\$ (785,971)	\$ (1,277,730)	\$ (983,949)	\$ (2,366,378)
Transfers	\$ 1,220,232	\$ 217,296	\$ (1,220,232)	\$ (217,296)	\$ -	\$ -
Capital contributions	-	-	5,308,197	1,991,367	5,308,197	1,991,367
Increase in net assets	\$ 1,022,254	\$ (871,352)	\$ 3,301,994	\$ 496,341	\$ 4,324,248	\$ (375,011)
Net assets-beginning of year	\$ 34,649,896	\$ 35,521,248	\$ 22,948,707	\$ 22,452,366	\$ 57,598,603	\$ 57,973,614
Net assets-end of year	\$ 35,672,150	\$ 34,649,896	\$ 26,250,701	\$ 22,948,707	\$ 61,922,851	\$ 57,598,603

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 increase in net assets can be attributed to an increase in property tax collections and receipt of the first Loudoun County Settlement payment.

Business-type activities increased the Town's net assets by \$3.3 million. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. An increase in capital contributions and usage fees contributed to this increase.

Financial Analysis of the Town's Funds

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

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

The Town's fiscal year 2009 general fund revenues exceeded those of fiscal year 2008 by \$1,982,234. Revenue categories of growth included property taxes and miscellaneous revenue. The property tax increase can be attributed to the change in personal property tax payment dates from December 5 to June 5 annually. This change resulted in two tax collection periods during fiscal year 2009. The change in miscellaneous revenue can be attributed to collection of the first installment of \$1,780,000 in Loudoun County Settlement funds. The Town saw modest declines in other tax revenues and State and Federal support.

In fiscal year 2009, the Town increased the transfer or chargeback of expenditures associated with general fund labor used to support proprietary fund operations for tasks such as maintenance and accounting/billing to better reflect actual system costs. In fiscal year 2009, the general fund's revenues exceeded expenditures by \$1,060,991.

As of June 30, 2009, the ending fund balance of the General Fund was \$6,519,845. The unreserved, undesignated portion of this fund balance was \$3,768,574, an increase of over \$622,000 and the reserved portion was \$2,751,271. The fund balance reservation represents unspent proceeds from the issuance of debt and other restricted cash. As a measure of the General Fund's liquidity, the unreserved, undesignated fund balance represents 46% of 2010 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 \$13.2 million. The total net assets increased by \$3.3 million over the prior year.

General Fund Budgetary Highlights

There was an increase of \$319,888 between the fiscal year 2009 original budget and the final amended budget expenditures. The increase can primarily be attributed to legal services. During the fiscal year the Town's revenue exceeded budget by \$613,088. While tax revenue fell short of budget expectations, gains were seen in revenue from local, State and Federal governments. Fiscal year 2009 expenditures came in under budget by \$847,802 due in accordance with the Town Manager's "Fiscal Restraint Plan" implemented in October 2008 to offset conditions associated with the recession.

Capital Asset and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$85 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,751,128	\$ 1,751,128	\$ 857,675	\$ 857,675	\$ 2,608,803	\$ 2,608,803
Buildings	565,999	598,228	-	-	565,999	598,228
Utility plant in service	-	-	17,693,803	17,712,529	17,693,803	17,712,529
Improvements other than buildings	297,350	321,660	242,300	263,100	539,650	584,760
Infrastructure	30,321,421	30,821,959	-	-	30,321,421	30,821,959
Machinery & Equipment	1,198,619	1,178,494	238,551	266,446	1,437,170	1,444,940
Vehicles	125,042	147,802	55,609	82,707	180,651	230,509
Construction in progress	3,459,999	1,724,857	28,188,573	10,024,679	31,648,572	11,749,536
Total	\$ 37,719,558	\$ 36,544,128	\$ 47,276,511	\$ 29,207,136	\$ 84,996,069	\$ 65,751,264

Additional information on the Town's capital assets can be found in Note 4 on pages 36 and 37 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$49.3 million and details are summarized in the following table:

Town of Purcellville, Virginia
Outstanding Debt
For the Year Ended June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2008	2007
Bonds Payable:						
General obligation bonds	\$ 6,483,776	\$ 5,220,223	\$ 40,873,842	\$ 27,122,557	\$ 47,357,618	\$ 32,342,780
Notes payable	1,530,000	1,605,000	-	-	1,530,000	1,605,000
Post employment benefits	139,512		47,688			
Compensated absences	346,854	384,582	72,513	68,357	419,367	452,939
Total	\$ 8,500,142	\$ 7,209,805	\$ 40,994,043	\$ 27,190,914	\$ 49,306,985	\$ 34,400,719

Capital Asset and Debt Administration: (Continued)

Debt associated with governmental activities increased by \$1,301,837 while debt associated with business-type activities increased by \$13,803,129. This increase is due to the issuance of new general obligation bonds during the current fiscal year.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2009.

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

Economic Factors and Next Year's Budgets and Rates

The Town continued to see erosions of real property values in 2009. The total real property assessments for the Town fell by 13%. This total consists of a decrease in existing properties of 14% and an increase in new construction of .6%. There is some expectation that assessments may continue to fall in 2010. In 2009, the Town Council adopted a tax rate for real property of \$.225/100 compared with the equalized rate of \$.22/100. In 2009, the Town's property assessment profile was split at 77% residential and 23% commercial property. The Town expects to see modest declines in State support in 2010 due to economic and budget pressures.

The Town's utility rates were modified in fiscal year 2009 based on models prepared by the Town's utility rate consultant. Factors such as forecasted new connections, operating expenditures, capital improvement plan expenditures and debt service, and historical usage trends were analyzed to update the Town's rate structure. The Town's water rates were increased by 15% to \$4.35/1,000 gallons up to 6,000 gallons, \$5.79 between 6,000 - 12,000 gallons, \$7.24 between 12,000 - 18,000 gallons and \$8.69 over 18,000 gallons. The sewer rate was increased by 10% to \$8.38/1,000 gallons in fiscal year 2009.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
As of June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,741,251	\$ 13,912,529	\$ 19,653,780
Receivables (net of allowance for uncollectibles):			
Taxes receivable	138,298	-	138,298
Accounts receivable	105,905	618,452	724,357
Loans receivable	230,091	-	230,091
Due from other governmental units	143,278	-	143,278
Prepaid expenses	48,897	16,925	65,822
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	1,157,112	6,601,563	7,758,675
Capital assets (net of accumulated depreciation):			
Land	1,751,128	857,675	2,608,803
Buildings and system	565,999	-	565,999
Improvements other than buildings	297,350	242,300	539,650
Machinery and equipment	1,198,619	238,551	1,437,170
Vehicles	125,042	55,609	180,651
Infrastructure	30,321,421	-	30,321,421
Utility plant in service	-	17,693,803	17,693,803
Construction in progress	3,459,999	28,188,573	31,648,572
Total assets	\$ 45,284,390	\$ 68,425,980	\$ 113,710,370
LIABILITIES			
Accounts payable	\$ 678,706	\$ 983,730	\$ 1,662,436
Accrued liabilities	123,249	-	123,249
Customers' deposits	-	76,013	76,013
Accrued interest payable	161,522	121,493	283,015
Unearned revenue	11,210	-	11,210
Deposits held in escrow	137,411	-	137,411
Long-term liabilities:			
Due within one year	507,784	899,039	1,406,823
Due in more than one year	7,992,358	40,095,004	48,087,362
Total liabilities	\$ 9,612,240	\$ 42,175,279	\$ 51,787,519
NET ASSETS			
Invested in capital assets, net of related debt	\$ 30,862,894	\$ 13,004,232	\$ 43,867,126
Unrestricted	4,809,256	13,246,469	18,055,725
Total net assets	\$ 35,672,150	\$ 26,250,701	\$ 61,922,851

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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,574,927	\$ -	\$ -	\$ -
Public safety	1,696,590	66,087	139,412	-
Public works	4,130,972	192,209	8,866	759,030
Parks, recreation, and cultural	66,748	-	5,000	-
Community development	349,850	-	-	-
Interest on long-term debt	304,336	-	-	-
Total governmental activities	\$ 9,123,423	\$ 258,296	\$ 153,278	\$ 759,030
Business-type activities:				
Water	\$ 2,069,090	\$ 1,083,580	\$ -	\$ 1,261,946
Sewer	1,726,879	1,472,164	-	4,046,251
Total business-type activities	\$ 3,795,969	\$ 2,555,744	\$ -	\$ 5,308,197
Total primary government	\$ 12,919,392	\$ 2,814,040	\$ 153,278	\$ 6,067,227
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility taxes				
Restaurant food taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,574,927)	\$ -	\$ (2,574,927)
(1,491,091)	-	(1,491,091)
(3,170,867)	-	(3,170,867)
(61,748)	-	(61,748)
(349,850)	-	(349,850)
(304,336)	-	(304,336)
<u>\$ (7,952,819)</u>	<u>\$ -</u>	<u>\$ (7,952,819)</u>
\$ -	\$ 276,436	\$ 276,436
-	3,791,536	3,791,536
<u>\$ -</u>	<u>\$ 4,067,972</u>	<u>\$ 4,067,972</u>
<u>\$ (7,952,819)</u>	<u>\$ 4,067,972</u>	<u>\$ (3,884,847)</u>
\$ 2,763,362	\$ -	\$ 2,763,362
688,327	-	688,327
534,537	-	534,537
201,503	-	201,503
689,856	-	689,856
673,677	-	673,677
98,761	320,633	419,394
1,900,565	133,621	2,034,186
204,253	-	204,253
1,220,232	(1,220,232)	-
<u>\$ 8,975,073</u>	<u>\$ (765,978)</u>	<u>\$ 8,209,095</u>
1,022,254	3,301,994	4,324,248
34,649,896	22,948,707	57,598,603
<u>\$ 35,672,150</u>	<u>\$ 26,250,701</u>	<u>\$ 61,922,851</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 5,698,380	\$ 42,871	\$ 5,741,251
Receivables (net of allowance for uncollectibles):			
Taxes receivable (Note 1)	138,298	-	138,298
Accounts receivable	105,905	-	105,905
Loan receivable	-	230,091	230,091
Due from other funds	-	185,236	185,236
Due from other governmental units (Note 3)	143,278	-	143,278
Prepaid items	48,897	-	48,897
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,157,112	-	1,157,112
Total assets	<u>\$ 7,291,870</u>	<u>\$ 458,198</u>	<u>\$ 7,750,068</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 220,508	\$ 458,198	\$ 678,706
Accrued liabilities	123,249	-	123,249
Due to other funds	185,236	-	185,236
Deferred revenue	105,621	-	105,621
Customer deposits	137,411	-	137,411
Total liabilities	<u>\$ 772,025</u>	<u>\$ 458,198</u>	<u>\$ 1,230,223</u>
Fund balances:			
Unreserved, undesignated reported in:			
General fund	\$ 3,768,574	\$ -	\$ 3,768,574
Reserved for:	-	-	-
State highway maintenance	170,807	-	170,807
Future capital outlay	1,157,112	-	1,157,112
Other reservations	1,423,352	-	1,423,352
Total fund balances	<u>\$ 6,519,845</u>	<u>\$ -</u>	<u>\$ 6,519,845</u>
Total liabilities and fund balances	<u>\$ 7,291,870</u>	<u>\$ 458,198</u>	<u>\$ 7,750,068</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 As of June 30, 2009

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 6,519,845
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.	37,719,558
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.	(161,522)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	94,411
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long term - are reported in the Statement of Net Assets.	<u>(8,500,142)</u>
Net assets of governmental activities	<u>\$ 35,672,150</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, 2009

	General	Capital Projects	Total
REVENUES			
General property taxes	\$ 2,728,737	\$ -	\$ 2,728,737
Other local taxes	2,787,900	-	2,787,900
Permits, privilege fees, and regulatory licenses	192,209	-	192,209
Fines and forfeitures	66,087	-	66,087
Revenue from the use of money and property	98,761	-	98,761
Miscellaneous	1,875,307	25,258	1,900,565
Intergovernmental revenues:			
Local government	150,000	-	150,000
Commonwealth	853,572	103,195	956,767
Federal	9,794	-	9,794
Total revenues	<u>\$ 8,762,367</u>	<u>\$ 128,453</u>	<u>\$ 8,890,820</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,342,444	\$ -	\$ 2,342,444
Public safety	1,566,094	-	1,566,094
Public works	2,812,620	-	2,812,620
Parks, recreation, and cultural	27,794	-	27,794
Community development	517,069	-	517,069
Capital outlay	-	2,626,704	2,626,704
Debt service:			
Principal retirement	265,970	-	265,970
Interest and other fiscal charges	169,385	-	169,385
Total expenditures	<u>\$ 7,701,376</u>	<u>\$ 2,626,704</u>	<u>\$ 10,328,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,060,991</u>	<u>\$ (2,498,251)</u>	<u>\$ (1,437,260)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,220,232	\$ 1,043,728	\$ 2,263,960
Transfers out	(1,043,728)	-	(1,043,728)
Proceeds of issuance of debt	-	1,454,523	1,454,523
Total other financing sources (uses)	<u>\$ 176,504</u>	<u>\$ 2,498,251</u>	<u>\$ 2,674,755</u>
Net change in fund balances	\$ 1,237,495	\$ -	\$ 1,237,495
Fund balances - beginning	5,282,350	-	5,282,350
Fund balances - ending	<u>\$ 6,519,845</u>	<u>\$ -</u>	<u>\$ 6,519,845</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, 2009

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

Net change in fund balances - total governmental funds	\$	1,237,495
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	2,561,168	
Depreciation expense		<u>(1,385,746)</u>	1,175,422

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	34,625
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Proceeds from the issuance of general obligation bonds	(1,454,523)	
Principal retired on general obligation bonds	190,970	
Principal retired on notes payable	<u>75,000</u>	(1,188,553)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase)/decrease in compensated absences	37,728	
(Increase)/decrease in other post retirement benefit obligations	(139,512)	
(Increase)/decrease in accrued interest payable	<u>(134,951)</u>	<u>(236,735)</u>

Change in net assets of governmental activities	\$	<u><u>1,022,254</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 As of June 30, 2009

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,508,338	\$ 8,404,191	\$ 13,912,529
Prepaid expenses	9,950	6,975	16,925
Receivables, net of allowances for uncollectibles			
Accounts	175,083	443,369	618,452
Total current assets	\$ 5,693,371	\$ 8,854,535	\$ 14,547,906
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents (in custody of others)	\$ 4,993,768	\$ 1,607,795	\$ 6,601,563
Capital assets:			
Utility plant in service	9,543,636	11,652,113	21,195,749
Land	490,575	367,100	857,675
Improvements other than buildings	445,000	-	445,000
Vehicles	98,441	128,077	226,518
Machinery and equipment	125,807	236,062	361,869
Construction in progress	2,335,095	25,853,478	28,188,573
Less accumulated depreciation	(2,177,880)	(1,820,993)	(3,998,873)
Total capital assets	\$ 10,860,674	\$ 36,415,837	\$ 47,276,511
Total noncurrent assets	\$ 15,854,442	\$ 38,023,632	\$ 53,878,074
Total assets	\$ 21,547,813	\$ 46,878,167	\$ 68,425,980
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 203,905	\$ 779,825	\$ 983,730
Customers' deposits	76,013	-	76,013
Accrued interest payable	73,680	47,813	121,493
Bonds payable - current portion	561,679	282,421	844,100
Total current liabilities	\$ 915,277	\$ 1,110,059	\$ 2,025,336
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 11,126,323	\$ 28,903,419	\$ 40,029,742
Compensated absences	27,103	45,410	72,513
Other post employment benefits	23,844	23,844	47,688
Total noncurrent liabilities	\$ 11,177,270	\$ 28,972,673	\$ 40,149,943
Total liabilities	\$ 12,092,547	\$ 30,082,732	\$ 42,175,279
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,166,440	\$ 8,837,792	\$ 13,004,232
Unrestricted	5,288,826	7,957,643	13,246,469
Total net assets	\$ 9,455,266	\$ 16,795,435	\$ 26,250,701
Total liabilities and net assets	\$ 21,547,813	\$ 46,878,167	\$ 68,425,980

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, 2009

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,062,803	\$ 1,442,397	\$ 2,505,200
Other revenues	20,777	29,767	50,544
Miscellaneous	7,961	1,377	9,338
Total operating revenues	<u>\$ 1,091,541</u>	<u>\$ 1,473,541</u>	<u>\$ 2,565,082</u>
OPERATING EXPENSES			
Personnel services	\$ 582,872	\$ 560,072	\$ 1,142,944
Employee benefits	232,189	192,952	425,141
Plant operations	188,854	303,092	491,946
Well operations	232,985	-	232,985
Pump station operations	-	21,764	21,764
Equipment and vehicles	39,332	14,416	53,748
Depreciation	240,997	232,599	473,596
Capital outlay - non-capitalizable expenses	(3,968)	5,158	1,190
Other	120,398	45,197	165,595
Total operating expenses	<u>\$ 1,633,659</u>	<u>\$ 1,375,250</u>	<u>\$ 3,008,909</u>
Operating income (loss)	<u>\$ (542,118)</u>	<u>\$ 98,291</u>	<u>\$ (443,827)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 180,349	\$ 140,284	\$ 320,633
Cellular lease	124,283	-	124,283
Interest expense	(435,431)	(351,629)	(787,060)
Total nonoperating revenues (expenses)	<u>\$ (130,799)</u>	<u>\$ (211,345)</u>	<u>\$ (342,144)</u>
Income before contributions and transfers	<u>\$ (672,917)</u>	<u>\$ (113,054)</u>	<u>\$ (785,971)</u>
Contributed capital - availability fees	\$ 1,261,946	\$ 4,046,251	\$ 5,308,197
Transfers out	(610,116)	(610,116)	(1,220,232)
Change in net assets	<u>\$ (21,087)</u>	<u>\$ 3,323,081</u>	<u>\$ 3,301,994</u>
Total net assets - beginning	<u>9,476,353</u>	<u>13,472,354</u>	<u>22,948,707</u>
Total net assets - ending	<u>\$ 9,455,266</u>	<u>\$ 16,795,435</u>	<u>\$ 26,250,701</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, 2009

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,088,188	\$ 1,438,013	\$ 2,526,201
Payments to suppliers	(450,883)	(1,383,585)	(1,834,468)
Payments to and on behalf of employees	(791,089)	(725,152)	(1,516,241)
Net cash provided (used) by operating activities	\$ (153,784)	\$ (670,724)	\$ (824,508)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cellular lease	\$ 124,283	\$ -	\$ 124,283
Transfers from other funds	-	-	-
Transfers to other funds	(610,116)	(610,116)	(1,220,232)
Net cash provided (used) by noncapital financing activities	\$ (485,833)	\$ (610,116)	\$ (1,095,949)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (1,093,509)	\$ (17,449,462)	\$ (18,542,971)
Capital contributions	1,261,946	4,046,251	5,308,197
Retirements of long-term indebtedness	(253,100)	(307,200)	(560,300)
Proceeds from indebtedness	-	15,115,493	15,115,493
Interest payments	(417,319)	(328,680)	(745,999)
Net cash provided (used) by capital and related financing activities	\$ (501,982)	\$ 1,076,402	\$ 574,420
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 180,349	\$ 140,284	\$ 320,633
Net cash provided (used) by investing activities	\$ 180,349	\$ 140,284	\$ 320,633
Net increase (decrease) in cash and cash equivalents	\$ (961,250)	\$ (64,154)	\$ (1,025,404)
Cash and cash equivalents - beginning (including restricted)	11,463,356	10,076,140	21,539,496
Cash and cash equivalents - ending (including restricted)	\$ 10,502,106	\$ 10,011,986	\$ 20,514,092
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (542,118)	\$ 98,291	\$ (443,827)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	240,997	232,599	473,596
(Increase) decrease in accounts receivable	(22,886)	(35,332)	(58,218)
(Increase) decrease in prepaid expenses	(834)	(196)	(1,030)
Increase (decrease) in compensated absences	128	4,028	4,156
Increase (decrease) in other post-employment benefits	23,844	23,844	47,688
Increase (decrease) in accounts payable	126,718	(993,958)	(867,240)
Increase (decrease) customer deposits	20,367	-	20,367
Total adjustments	\$ 388,334	\$ (769,015)	\$ (380,681)
Net cash provided (used) by operating activities	\$ (153,784)	\$ (670,724)	\$ (824,508)

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 1—Summary of Significant Accounting Policies:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are 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. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes which are collected by the state or utilities and subsequently remitted to the Town are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

General Fund

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

Capital Project Fund

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

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

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

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

D. Budgets and Budgetary Accounting:

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

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.

D. Cash and Cash Equivalents:

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

F. Restricted Assets

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

G. Investments:

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

H. Capital Assets:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

H. Capital Assets: (Continued)

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, 2009 was immaterial.

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

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

I. Compensated Absences:

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

J. Long-term Obligations:

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

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

K. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to approximately \$5,276 at June 30, 2009 for uncollectible local property taxes.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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

L. Property Taxes

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

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Restricted & Unrestricted Net Assets

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

O. Net Assets

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

P. Prepaid Items

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

Note 2—Deposits and Investments:

Deposits:

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 2—Deposits and Investments: (Continued)

Investments:

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

Custodial Credit Risk (Investments):

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

The Town’s investments at June 30, 2009 were held by the Town or in the Town’s name by the Town’s custodial banks.

Credit Risk of Debt Securities:

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

The Town’s rated debt investments as of June 30, 2009 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

<u>Locality's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 9,294,588
State Non-Arbitrage Pool	<u>7,758,675</u>
Total	<u>\$ 17,053,263</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk:

The Town does not have an investment policy regarding the interest rate risk of investments.

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5 Years</u>
Local Government Investment Pool	\$ 9,294,588	\$ 9,294,588
State Non-Arbitrage Pool	<u>7,758,675</u>	<u>7,758,675</u>
Total	\$ <u>17,053,263</u>	\$ <u>17,053,263</u>

Concentration of Credit Risk:

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

The Town had investments at June 30, 2009, with more than 5 percent of the total in the Local Government Investment Pool and the State Non-Arbitrage Pool. These investments represented 55 percent and 45 percent, respectively of total investments.

External Investment Pools

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

Note 3—Due from Other Governmental Units:

Commonwealth of Virginia:	
VDOT Revenue Sharing	\$ <u>8,870</u>
County of Loudoun:	
Local Sales Tax	\$ <u>134,478</u>
Total	\$ <u>143,348</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets at June 30, 2009 follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 1,751,128	\$ -	\$ -	\$ 1,751,128
Construction in progress	<u>1,724,857</u>	<u>2,411,896</u>	<u>676,754</u>	<u>3,459,999</u>
Total capital assets not being depreciated	<u>\$ 3,475,985</u>	<u>\$ 2,411,896</u>	<u>\$ 676,754</u>	<u>\$ 5,211,127</u>
Capital assets being depreciated:				
Buildings	\$ 1,047,880	\$ -	\$ -	\$ 1,047,880
Improvements other than buildings	460,027	-	-	460,027
Machinery and equipment	2,030,800	150,831	-	2,181,631
Vehicles	647,025	85,202	-	732,227
Infrastructure	<u>48,905,853</u>	<u>590,001</u>	<u>-</u>	<u>49,495,854</u>
Subtotal	\$ 53,091,585	\$ 826,034	\$ -	\$ 53,917,619
Less: accumulated depreciation for:				
Buildings	\$ (449,652)	\$ (32,229)	\$ -	\$ (481,881)
Improvements other than buildings	(138,367)	(24,310)	-	(162,677)
Machinery and equipment	(852,306)	(130,706)	-	(983,012)
Vehicles	(499,223)	(107,962)	-	(607,185)
Infrastructure	<u>(18,083,894)</u>	<u>(1,090,539)</u>	<u>-</u>	<u>(19,174,433)</u>
Total accumulated depreciation	<u>\$ (20,023,442)</u>	<u>\$ (1,385,746)</u>	<u>\$ -</u>	<u>\$ (21,409,188)</u>
Net capital assets being depreciated	<u>\$ 33,068,143</u>	<u>\$ (559,712)</u>	<u>\$ -</u>	<u>\$ 32,508,431</u>
Capital assets, net	<u>\$ 36,544,128</u>	<u>\$ 1,852,184</u>	<u>\$ 676,754</u>	<u>\$ 37,719,558</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business-type Activities)

A summary of changes in capital assets at June 30, 2009 follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 857,675	\$ -	\$ -	\$ 857,675
Construction in progress	<u>10,024,679</u>	<u>18,163,894</u>	<u>-</u>	<u>28,188,573</u>
Total capital assets not being depreciated	<u>\$ 10,882,354</u>	<u>\$ 18,163,894</u>	<u>\$ -</u>	<u>\$ 29,046,248</u>
Capital assets being depreciated:				
Utility plant in service	\$ 20,816,672	\$ 379,077	\$ -	\$ 21,195,749
Improvements other than buildings	445,000	-	-	445,000
Vehicles	226,518	-	-	226,518
Machinery and equipment	<u>361,869</u>	<u>-</u>	<u>-</u>	<u>361,869</u>
Subtotal	\$ 21,850,059	\$ 379,077	\$ -	\$ 22,229,136
Less: accumulated depreciation for:				
Utility plant in service	\$ (3,104,143)	\$ (397,798)	\$ -	\$ (3,501,941)
Improvements other than buildings	(181,900)	(20,800)	-	(202,700)
Vehicles	(143,811)	(27,098)	-	(170,909)
Machinery and equipment	<u>(95,423)</u>	<u>(27,900)</u>	<u>-</u>	<u>(123,323)</u>
Total accumulated depreciation	<u>\$ (3,525,277)</u>	<u>\$ (473,596)</u>	<u>\$ -</u>	<u>\$ (3,998,873)</u>
Net capital assets being depreciated	<u>\$ 18,324,782</u>	<u>\$ (94,519)</u>	<u>\$ -</u>	<u>\$ 18,230,263</u>
Capital assets, net	<u>\$ 29,207,136</u>	<u>\$ 18,069,375</u>	<u>\$ -</u>	<u>\$ 47,276,511</u>

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

Governmental activities:

General government	\$ 75,094
Public safety	73,042
Public works (Highways and streets)	1,237,088
Parks and recreation	<u>522</u>
Total governmental activities	<u>\$ 1,385,746</u>
Enterprise funds	<u>\$ 473,596</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 5—Long—Term Debt:

Governmental Activities:

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

Year Ending June 30,	Bonds	
	Principal	Interest
2010	\$ 363,784	\$ 258,310
2011	390,756	269,574
2012	466,510	225,996
2013	485,409	207,002
2014	505,016	187,233
2015-2019	2,080,614	939,431
2020-2024	1,512,742	275,005
2025-2029	678,945	93,914
Total	\$ <u>6,483,776</u>	\$ <u>2,456,465</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, 2009:

	Notes Payable	Bonds Payable	Compensated Absences	Other Post Employment Benefits	Total
Long-term debt payable at July 1, 2008	\$ 1,605,000	\$ 5,220,223	\$ 384,582	\$ -	\$ 7,209,805
Increases:					
Issuances	-	1,454,523	376,848	139,512	1,970,883
Decreases:					
Retirements	<u>75,000</u>	<u>190,970</u>	<u>414,576</u>	<u>-</u>	<u>680,546</u>
Long-term debt payable at June 30, 2009	\$ <u>1,530,000</u>	\$ <u>6,483,776</u>	\$ <u>346,854</u>	\$ <u>139,512</u>	\$ <u>8,500,142</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 5—Long—Term Debt: (Continued)

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Bonds Payable:		
\$835,133 General Obligation 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.	\$ 538,095	\$ 52,387
\$2,233,000 General Obligation Bond Series 2005A maturing annually in payments of \$127,853 initially with increases of \$5,000 to \$10,000 until the final installment of \$856,590 due 2020 including interest at 3.659%, interest only payments, at 3.659%, are also due annually with the amount determined by the outstanding balance.	1,982,700	86,100
\$2,576,261 General Obligation Refunding Bonds Series 2008 dated May 21, 2008 with principal payable annually and interest payable semi-annually, bonds bearing interest at 4.46% maturing January 15, 2029	2,565,600	110,100
\$4,591,000 General Obligation Bond Series 2008 dated December 16, 2008 maturing annually in payments of \$19,971, beginning November 1, 2011 including interest at 4.125%. Interest only payments due December 16, 2009 and 2010. Final maturity of November 1, 2029. At June 30, 2009 only \$1,223,952 of this bond had been received.	1,223,952	-
\$1,332,840 General Obligation Bond Series 2008 dated December 16, 2008 maturing monthly in payments of \$9,943 bearing interest at 4.125%, with final maturity being in 2024. At June 30, 2009 only \$208,099 of this bond had been received.	150,957	115,197
\$3,000,000 General Obligation Bonds Series 2009 dated July 24, 2009 with principal payable annually and interest payable semi-annually, bonds bearing interest at 4.87% maturing January 15, 2029. At June 30, 2009 only \$22,472 of this bond had been received.	<u>22,472</u>	<u>-</u>
Total Bonds Payable	\$ <u>6,483,776</u>	\$ <u>248,587</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 5—Long—Term Debt: (Continued)

Details of Long-term Indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Notes Payable:		
\$1,700,000 note payable dated July 18, 2007 for the purchase of Fireman's Field (land). Payments of \$75,000 (increased to \$85,000 in 2010) due annually with the final installment due 2027, bearing interest at 0%.	\$ 1,530,000	\$ 85,000
Total Notes Payable	<u>\$ 1,530,000</u>	<u>\$ 85,000</u>
Compensated Absences (Note 6)	\$ 346,854	\$ 34,685
Other post employment benefits (Note 12)	\$ 139,512	\$ 139,512
Total general long-term obligation debt	<u>\$ 8,500,142</u>	<u>\$ 507,784</u>

Enterprise Activities:

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

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 844,100	\$ 991,995
2011	1,141,197	2,207,238
2012	1,459,295	2,074,313
2013	1,537,290	1,997,567
2014	1,618,960	1,916,553
2015-2019	9,469,490	8,202,874
2020-2023	9,336,658	5,569,224
2024-2059	14,643,715	2,997,248
2030	823,137	26,335
Total	<u>\$ 40,873,842</u>	<u>\$ 25,983,347</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, 2009:

	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
Long-Term Debt payable at July 1, 2008	\$ 27,122,557	\$ 68,357	\$ -	\$ 27,190,914
Increases:				
Issuances	14,311,585	96,141	47,688	14,455,414
Retirements:				
General Obligation Bonds	<u>560,300</u>	<u>91,985</u>	<u>-</u>	<u>652,285</u>
Long-Term Debt Payable at June 30, 2009	<u>\$ 40,873,842</u>	<u>\$ 72,513</u>	<u>\$ 47,688</u>	<u>\$ 40,994,043</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 5—Long—Term Debt: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$17,384,839 General Obligation Refunding Bonds Series 2008 dated May 21, 2008 with principal payable annually and interest payable semi-annually, bonds bearing interest at 4.46% maturing January 15, 2029	\$ 17,103,800	\$ 565,600
\$24,944,377 General Obligation Bond, Series 2008 (VRA) maturing annually with payments at \$849,472 beginning in 2001, due March 2030 bearing interest at 3%. At June 30, 2009 \$18,527,842 of this bond had been received.	18,527,842	-
\$2,865,000 General Obligation Water and Sewer Bond, Series 2000 (VRA) maturing annually with principal payable at 100,000 initially, with increases in \$5,000-\$10,000 intervals until the final principal payment installments of \$240,000, due 2020 with interest rates ranging from 4.80%-5.60%, payable from the water fund.	2,055,000	140,000
\$5,822,500 General Obligation Bond Series 2005B maturing in payments of \$205,470 annually initially with increases in \$5,000 to \$10,000 intervals until the final installment of \$1,376,939, due 2020 including 3.659% interest. Interest only payments, at 3.659% are also due annually in an amount determined by the outstanding bond balance. Both are payable from the water and sewer funds.	<u>3,187,200</u>	<u>138,500</u>
Total	\$ 40,873,842	\$ 844,100
Compensated Absences (Note 6)	<u>\$ 72,513</u>	<u>\$ 7,251</u>
Other post employment benefits (Note 12)	<u>\$ 47,688</u>	<u>\$ 47,688</u>
Total enterprise debt	<u>\$ 40,994,043</u>	<u>\$ 899,039</u>

Defeased Debt - Current Refundings

On May 21, 2008 the Town issued General Obligation Public Improvement and Refunding Bonds, Series 2008 in the amount of \$19,961,100 to current refund the 1999 and 1996 General Obligation Bonds and provide financing for general government and enterprise fund capital projects. The refunding Series 2008 bonds were issued at an interest rate of 4.46% to refund the Series 1999 and 1996 bonds with interest rate of 5.00% and 5.75%, respectively. The refunding portion of the new bonds amounted to \$7,535,398 to defease the outstanding debt of the Series 1999 and 1996 bonds in the amount of \$6,529,101 and \$1,006,297. As a result of the current refunding, the Town reduced its future debt service requirements for the 1999 and 1996 bonds in the amount of \$1,400,720 and \$227,909, respectively which resulted in an economic gain of \$401,202 and \$88,100.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 6—Claims, Judgments and Compensated Absences:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination, except for employees who retire under VRS from the Town in good standing are paid for 25% of their sick leave balance. Accumulated vacation is paid upon termination. The Town's General Fund has outstanding accrued leave pay totaling \$346,854 and the Enterprise Funds have outstanding accrued leave pay of \$72,513.

Note 7—Defined Benefit Pension Plan:

A. Plan Description:

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. 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, 2009 was 7.84% of the annual covered payroll.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 7—Defined Benefit Pension Plan: (Continued)

B. Funding Policy: (Continued)

For fiscal year ended 2009, the Town’s annual pension cost of \$308,944 (does not include the portion of the employee share assumed by the Town which was \$196,907) was equal to the Town’s required and actual contributions.

C. Annual Pension Cost and Net Pension Obligation:

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>
06/30/09	\$ 308,944	100%	\$ -
06/30/08	277,121	100%	-
06/30/07	253,431	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 89.69% funded. The actuarial accrued liability for benefits was \$5,899,695 and the actuarial value of assets was \$5,291,278, resulting in an unfunded actuarial liability (UAAL) of \$608,417. The covered payroll (annual payroll of active employees covered by the plan) was \$3,661,763, and the ratio of the UAAL to covered payroll was 16.62%.

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

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 is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$94,411 at June 30, 2009.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2009, but paid in advance by the taxpayers totaled \$11,210 at June 30, 2009.

Note 9—Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the association for its workers compensation insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

Note 10—Interfund Transfers:

Interfund transfers for the year ended June 30, 2009 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,220,232	\$ 1,043,728
Capital Projects Fund	1,043,728	-
Water Fund	-	610,116
Sewer Fund	-	610,116
Total	<u>\$ 2,263,960</u>	<u>\$ 2,263,960</u>

Transfers were made for capital projects, debt service, and administrative charge-backs.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 11—Commitments:

At June 30, 2009 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
Pizzagalli Construction	BSWF ENR Upgrade	\$ 3,271,107
CH2M Hill	BSWF ENR Upgrade	1,166,881
Webb Construction	Maintenance facility	2,921,560
RK&K	BSWF ENR Upgrade	537,544
CH2M Hill	Water Resource Implementation	1,265,140
Kimley Horn	Downtown Streetscape	109,956
RK&K	Maintenance facility	215,643

Note 12—Other Post-Employment Benefits Program:

Background

Beginning in fiscal year 2009, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and non-pension benefits, such as the Town's retiree health benefit subsidy. Historically, the Town's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the Town accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Town. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description:

In addition to the pension benefits described in Note 9, the Town provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from Town service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 15 years of service with the Town, will receive a subsidy contribution from 50% - 100% based on years of service, for their health insurance. The retiree's spouse can also receive benefits under the plan.

B. Funding Policy:

The Town establishes employer contribution rates for plan participants as part of the budgetary process each year. The Town also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the Town pays 50%, 75%, or 100% of the health insurance premium for retirees with 15-19, 20-24, or 25 plus years of service, respectively. For retirees at levels of service less than 25 years, the retiree pays 100% of spousal premiums. The Town pays 100% of spousal premiums for retirees with more than 25 years of service.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 12—Other Post-Employment Benefits Program: (Continued)

C. Annual Required Contribution (ARC):

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$198,700 for fiscal year 2009. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation

The estimated contributions are based on projected medical premium payments, Town contributions, and credit for the implicit rate subsidy made during the year for the retirees of the Town. The following table shows the components of the Town's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the Town's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 198,700
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	\$ 198,700
Estimated contributions made	<u>(11,500)</u>
Increase in net OPEB obligation	\$ <u>187,200</u>
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	\$ <u><u>187,200</u></u>

For 2009, the Town's expected cash payment of \$11,500 was \$187,200 less than the OPEB cost. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 198,700	6% \$	187,200

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 12—Other Post-Employment Benefits Program:

C. Annual Required Contribution (ARC): (Continued)

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009 is as follows:

Actuarial accrued liability (AAL)	\$	1,341,400
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,341,400
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		4,465,300
UAAL as a percentage of covered payroll		30.04%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Cost Method

The projected unit credit (PUC) cost method is used to determine the plan's funding liabilities and costs. A PUC accrued benefit is determined for each active member of the Plan on the basis of the member's benefit projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined to be the actuarial present value of the pension and supplemental benefits expected to be paid.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2009 (Continued)

Note 12—Other Post-Employment Benefits Program:

C. Annual Required Contribution (ARC): (Continued)

Interest Assumptions

	<u>Unfunded</u>
Investment rate of return	4.00%
Health cost trend assumption	5.10%
Payroll growth	3.75%

Note 13—Operating Leases:

The Town has operating leases with various companies for cell towers. Future minimum lease payment receipts are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 124,033
2011	96,266
2012	63,066
2013	<u>30,126</u>
Total	<u>\$ 313,491</u>

Note 14—Reserved Fund Balance:

Fund balance in the general fund are reserved for the following purposes:

State highway maintenance	\$ 170,807
Unspent bond proceeds	1,157,112
Loudoun county settlement	1,394,619
Veterinary clinic cash bonds	<u>28,733</u>
Total	<u>\$ 2,751,271</u>

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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,765,062	\$ 2,765,062	\$ 2,728,737	\$ (36,325)
Other local taxes	2,814,000	2,814,000	2,787,900	(26,100)
Permits, privilege fees, and regulatory licenses	110,000	110,000	192,209	82,209
Fines and forfeitures	78,000	78,000	66,087	(11,913)
Revenue from the use of money and property	80,000	80,000	98,761	18,761
Miscellaneous	1,294,150	1,325,650	1,875,307	549,657
Intergovernmental revenues:				
Local government	126,000	126,000	150,000	24,000
Commonwealth	836,648	848,067	853,572	5,505
Federal	2,500	2,500	9,794	7,294
Total revenues	\$ 8,106,360	\$ 8,149,279	\$ 8,762,367	\$ 613,088
EXPENDITURES				
Current:				
General government administration	\$ 2,150,617	\$ 2,478,303	\$ 2,342,444	\$ 135,859
Public safety	1,597,030	1,636,897	1,566,094	70,803
Public works	2,984,944	3,083,743	2,812,620	271,123
Parks, recreation, and cultural	51,500	51,500	27,794	23,706
Community development	885,879	739,415	517,069	222,346
Debt service:				
Principal retirement	341,704	341,704	265,970	75,734
Interest and other fiscal charges	217,616	217,616	169,385	48,231
Total expenditures	\$ 8,229,290	\$ 8,549,178	\$ 7,701,376	\$ 847,802
Excess (deficiency) of revenues over (under) expenditures	\$ (122,930)	\$ (399,899)	\$ 1,060,991	\$ 1,460,890
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,220,232	\$ 1,220,232	\$ 1,220,232	\$ -
Transfers out	(1,513,702)	(1,316,400)	(1,043,728)	272,672
Total other financing sources (uses)	\$ (293,470)	\$ (96,168)	\$ 176,504	\$ 272,672
Net change in fund balances	\$ (416,400)	\$ (496,067)	\$ 1,237,495	\$ 1,733,562
Fund balances - beginning	5,282,350	5,282,350	5,282,350	-
Fund balances - ending	\$ 4,865,950	\$ 4,786,283	\$ 6,519,845	\$ 1,733,562

Schedules of Funding Progress
As of June 30, 2009

Virginia Retirement System - Schedule of Pension Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll (e)	UAAL as % of Covered Payroll (c/e) (f)
06/30/05	\$ 3,274,014	\$ 4,514,146	\$ 1,240,132	72.53%	\$ 2,282,942	54.32%
06/30/06	3,766,752	4,043,056	276,304	93.17%	2,984,061	9.26%
06/30/07	4,476,529	4,876,234	399,705	91.80%	3,149,690	12.69%
06/30/08	5,291,278	5,899,695	608,417	89.69%	3,661,763	16.62%

Other Post-Employment Benefits - Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets (AVA) (a)	Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll (e)	of Covered Payroll (c/e) (f)
01/01/09	\$ -	\$ 1,341,400	\$ 1,341,400	0.0%	\$ 4,465,300	30.04%

OTHER SUPPLEMENTARY INFORMATION

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,079,062	\$ 2,079,062	\$ 2,093,704	\$ 14,642
Personal property taxes	670,000	670,000	609,416	(60,584)
Penalties and interest	16,000	16,000	25,617	9,617
Total general property taxes	<u>\$ 2,765,062</u>	<u>\$ 2,765,062</u>	<u>\$ 2,728,737</u>	<u>\$ (36,325)</u>
Other local taxes:				
Local sales and use taxes	\$ 660,000	\$ 660,000	\$ 688,327	\$ 28,327
Communications tax	174,000	174,000	167,915	(6,085)
Cigarette taxes	246,000	246,000	221,422	(24,578)
Business license taxes	525,000	525,000	534,537	9,537
Utility license taxes	200,000	200,000	201,503	1,503
Auto decals	135,000	135,000	126,268	(8,732)
Bank franchise taxes	170,000	170,000	151,328	(18,672)
Cable franchise taxes	4,000	4,000	6,744	2,744
Restaurant food taxes	700,000	700,000	689,856	(10,144)
Total other local taxes	<u>\$ 2,814,000</u>	<u>\$ 2,814,000</u>	<u>\$ 2,787,900</u>	<u>\$ (26,100)</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 110,000	\$ 110,000	\$ 190,466	\$ 80,466
Proffers	-	-	1,743	1,743
Total permits, privilege fees, and regulatory licenses	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 192,209</u>	<u>\$ 82,209</u>
Fines and forfeitures:				
Police fines	\$ 78,000	\$ 78,000	\$ 66,087	\$ (11,913)
Total fines and forfeitures	<u>\$ 78,000</u>	<u>\$ 78,000</u>	<u>\$ 66,087</u>	<u>\$ (11,913)</u>
Revenue from use of money and property:				
Interest	\$ 60,000	\$ 60,000	\$ 93,950	\$ 33,950
Revenue from use of property	20,000	20,000	4,811	(15,189)
Total revenue from use of money and property	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 98,761</u>	<u>\$ 18,761</u>
Miscellaneous revenue:				
Miscellaneous	\$ 27,750	\$ 59,250	\$ 1,816,874	\$ 1,757,624
Proceeds from sales of property	1,240,000	1,240,000	10	(1,239,990)
Community events sign	1,300	1,300	875	(425)
Law enforcement and safety reimbursement from Loudoun County	24,000	24,000	55,656	31,656
Vehicle compensation reimbursement	1,100	1,100	1,892	792
Total miscellaneous revenue	<u>\$ 1,294,150</u>	<u>\$ 1,325,650</u>	<u>\$ 1,875,307</u>	<u>\$ 549,657</u>

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenue:				
Gasoline tax funding from Loudoun County	\$ 126,000	\$ 126,000	\$ 150,000	\$ 24,000
Total revenue from local sources	\$ 7,267,212	\$ 7,298,712	\$ 7,899,001	\$ 600,289
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Wine taxes	-	-	-	-
Personal property tax relief funds	201,000	201,000	201,753	753
Total noncategorical aid	\$ 205,000	\$ 205,000	\$ 201,753	\$ (3,247)
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 128,000	\$ 139,419	\$ 128,348	\$ (11,071)
Total shared expenses	\$ 128,000	\$ 139,419	\$ 128,348	\$ (11,071)
Other categorical aid:				
Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fire programs fund	9,448	9,448	9,753	305
Highway maintenance funds	487,000	487,000	505,835	18,835
Litter control grant	2,200	2,200	2,866	666
Other categorical aid	-	-	17	17
Total other categorical aid	\$ 503,648	\$ 503,648	\$ 523,471	\$ 19,823
Total categorical aid	\$ 631,648	\$ 643,067	\$ 651,819	\$ 8,752
Total revenue from the Commonwealth	\$ 836,648	\$ 848,067	\$ 853,572	\$ 5,505
Revenue from the federal government:				
Payments in lieu of taxes	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Categorical aid:				
Other categorical	\$ -	\$ -	\$ 7,294	\$ 7,294
Total categorical aid	\$ -	\$ -	\$ 7,294	\$ 7,294
Total revenue from the federal government	\$ 2,500	\$ 2,500	\$ 9,794	\$ 7,294
Total General Fund	\$ 8,106,360	\$ 8,149,279	\$ 8,762,367	\$ 613,088

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
General Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 1,315,000	\$ 385,990	\$ 25,258	\$ (360,732)
Total revenue from local sources	\$ 1,315,000	\$ 385,990	\$ 25,258	\$ (360,732)
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 184,542	\$ 1,133,990	\$ 103,195	\$ (1,030,795)
Total revenue from the Commonwealth	\$ 184,542	\$ 1,133,990	\$ 103,195	\$ (1,030,795)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 8,600	\$ 8,600	\$ -	\$ (8,600)
Total County Capital Improvements Fund	\$ 1,508,142	\$ 1,528,580	\$ 128,453	\$ (1,400,127)
Total Primary Government	\$ 9,614,502	\$ 9,677,859	\$ 8,890,820	\$ (787,039)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 48,398	\$ 48,398	\$ 45,521	\$ 2,877
General and financial administration:				
Administration	\$ 948,217	\$ 967,668	\$ 935,494	\$ 32,174
Building administration	75,300	75,300	70,052	5,248
Legal services	150,000	440,000	408,381	31,619
Independent auditor	53,000	53,000	25,103	27,897
Information technology	173,614	175,684	135,635	40,049
Finance	702,088	718,253	722,258	(4,005)
Total general and financial administration	\$ 2,102,219	\$ 2,429,905	\$ 2,296,923	\$ 132,982
Total general government administration	\$ 2,150,617	\$ 2,478,303	\$ 2,342,444	\$ 135,859
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,497,582	\$ 1,537,449	\$ 1,466,341	\$ 71,108
Fire and rescue services:				
Fire department	\$ 54,448	\$ 54,448	\$ 54,753	\$ (305)
Ambulance and rescue services	45,000	45,000	45,000	-
Total fire and rescue services	\$ 99,448	\$ 99,448	\$ 99,753	\$ (305)
Total public safety	\$ 1,597,030	\$ 1,636,897	\$ 1,566,094	\$ 70,803
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 565,525	\$ 618,425	\$ 513,366	\$ 105,059
Administration	939,630	972,513	887,314	85,199
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,505,155	\$ 1,590,938	\$ 1,400,680	\$ 190,258
Maintenance of general buildings and grounds:				
General properties	\$ 1,006,789	\$ 1,019,805	\$ 952,766	\$ 67,039
Refuse	460,000	460,000	459,174	826
Total maintenance of general buildings and grounds	\$ 1,466,789	\$ 1,479,805	\$ 1,411,940	\$ 67,865
Mass transit	\$ 13,000	\$ 13,000	-	\$ 13,000
Total public works	\$ 2,984,944	\$ 3,083,743	\$ 2,812,620	\$ 271,123

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 45,500	\$ 45,500	\$ 22,044	\$ 23,456
Recreation facilities	6,000	6,000	5,750	250
Total parks and recreation	\$ 51,500	\$ 51,500	\$ 27,794	\$ 23,706
Total parks, recreation, and cultural	\$ 51,500	\$ 51,500	\$ 27,794	\$ 23,706
Community development:				
Planning and community development:				
Planning	\$ 614,544	\$ 629,226	\$ 442,049	\$ 187,177
Planning commission	18,137	18,137	12,205	5,932
Board of architectural review	4,480	4,480	2,414	2,066
Tree and beautification commission	18,000	18,000	5,040	12,960
Train station	16,900	16,900	15,777	1,123
Centennial commission	5,000	8,307	8,307	-
Total planning and community development	\$ 677,061	\$ 695,050	\$ 485,792	\$ 209,258
Retiree benefits	\$ 10,921	\$ 10,921	\$ 9,307	\$ 1,614
Compensation adjustment	\$ 161,147	\$ -	\$ -	\$ -
Board of zoning and appeals	\$ 2,750	\$ 2,750	\$ 1,150	\$ 1,600
Economic development:				
Economic development	\$ 34,000	\$ 30,694	\$ 20,820	\$ 9,874
Total community development	\$ 885,879	\$ 739,415	\$ 517,069	\$ 222,346
Debt service:				
Principal retirement and interest	\$ 341,704	\$ 341,704	\$ 265,970	\$ 75,734
Interest and other fiscal charges	217,616	217,616	169,385	48,231
Total debt service	\$ 559,320	\$ 559,320	\$ 435,355	\$ 123,965
Total General Fund	\$ 8,229,290	\$ 8,549,178	\$ 7,701,376	\$ 847,802

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
Capital projects expenditures:				
General capital projects	\$ 705,178	\$ 858,700	\$ 557,627	\$ 301,073
Maintenance facility	3,534,979	3,905,287	1,326,905	2,578,382
Stormwater inventory	125,000	121,938	109,709	12,229
14th Street widening	-	80,778	81,310	(532)
Main and Maple improvements	1,830,000	651,800	15,349	636,451
Main Street sidewalks	96,000	149,600	83,662	65,938
S. Nursery Avenue sidewalk	61,224	67,224	724	66,500
N. 21st Street sidewalk	48,600	100,100	55,687	44,413
S. 32nd Street sidewalk	24,900	46,200	60,947	(14,747)
Traffic signal - 23rd	-	1,562	1,561	1
Maple and A round-about	-	27,240	2,606	24,634
West Main and 32nd Street	220,000	-	-	-
Traffic signal - Hatch	-	2,599	2,599	-
Nursery avenue storm sewer	190,000	24,000	8,965	15,035
D Street drainage and sidewalk	35,000	43,000	29,048	13,952
Relocation of town hall	1,230,000	695,108	59,911	635,197
West Main Street - 28th to 33rd	155,000	200,000	76,511	123,489
Fireman's field renovation	50,000	50,000	49,528	472
Park maintenance and replacement fund	20,000	20,000	387	19,613
Maple to W and OD Trail	520,000	180,000	90,709	89,291
Bus shelters	10,000	16,500	12,959	3,541
Total Capital Projects Fund	<u>\$ 8,855,881</u>	<u>\$ 7,241,636</u>	<u>\$ 2,626,704</u>	<u>\$ 4,614,932</u>
Total Primary Government	<u>\$ 17,085,171</u>	<u>\$ 15,790,814</u>	<u>\$ 10,328,080</u>	<u>\$ 5,462,734</u>

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund:				
Operating revenues:				
Water meter fees	\$ 6,989	\$ 6,989	\$ 10,152	\$ 3,163
Water fees	1,188,000	1,188,000	1,052,027	(135,973)
Miscellaneous income	6,900	6,900	7,961	1,061
Penalties and interest	20,000	20,000	20,777	777
Water flushing	500	500	624	124
Total operating revenues	\$ 1,222,389	\$ 1,222,389	\$ 1,091,541	\$ (130,848)
Operating expenses:				
Personnel:				
Water staff	\$ 503,941	\$ 516,957	\$ 555,338	\$ (38,381)
Overtime - Water	35,000	35,000	27,534	7,466
Plant operations:				
Electricity	18,000	18,000	20,982	(2,982)
Telephone	7,500	7,500	6,359	1,141
Supplies	25,500	28,500	10,006	18,494
Contracts	21,000	21,000	25,111	(4,111)
Uniforms	9,450	9,450	8,641	809
Safety	11,500	11,500	7,205	4,295
Sludge disposal	8,000	8,000	-	8,000
Cross connections	2,000	2,000	1,589	411
Plant repairs	44,000	14,000	20,890	(6,890)
Water line repairs	29,000	29,000	21,659	7,341
Leak detection	3,000	3,000	3,000	-
Meter repairs & testing	3,500	3,500	2,121	1,379
New water meters	37,000	7,000	1,792	5,208
Computer upgrades	5,000	5,000	803	4,197
Chemicals - plant	33,000	33,000	45,699	(12,699)
Generator WTP	6,000	6,000	5,853	147
Permits	6,800	6,800	1,200	5,600
Touch read HDW & SFTW	6,000	6,000	-	6,000
Public education	3,000	3,000	-	3,000
VDH operations fee	13,600	13,600	5,944	7,656
Well operations:				
Electricity	35,000	45,000	61,001	(16,001)
Telephone	1,500	1,500	1,137	363
Supplies	35,000	29,000	32,596	(3,596)
Contracts	10,000	10,000	50,393	(40,393)
Spare parts	4,000	4,000	2,819	1,181
Repairs	38,000	44,000	40,573	3,427
Chemicals	15,000	15,000	14,914	86
Carbon change-out	22,000	30,000	29,552	448
Equipment and vehicles expenses:				
New equipment & tools	39,000	20,580	17,555	3,025
Vehicle repairs and maintenance	13,500	13,500	14,779	(1,279)
Propane	3,500	8,500	6,998	1,502

Schedule of Revenues and Expenses - Budget and Actual
 Water Fund
 For the Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund: (Continued)				
Operating expenses: (Continued)				
Other:				
Advertisements	\$ 4,100	\$ 4,100	\$ 2,127	\$ 1,973
Water samples	38,500	30,500	16,840	13,660
Training	10,500	10,500	5,794	4,706
Dues & subscriptions	960	960	695	265
Consumer reports	3,700	3,700	2,088	1,612
General expenses	-	-	3,212	(3,212)
Postage/mailings	7,500	7,500	6,074	1,426
Miscellaneous	3,500	3,500	1,014	2,486
Professional services	40,000	40,000	-	40,000
Watershed management	4,500	4,500	3,876	624
Forestry management	3,000	3,000	-	3,000
Environmental compliance	4,500	4,500	-	4,500
Mowing	11,000	11,000	7,630	3,370
Administrative supplies	3,000	3,000	-	3,000
Water department emergency	4,000	4,000	1,121	2,879
Small projects	-	80,420	69,927	10,493
Employee benefits:				
Health insurance	111,750	111,750	103,922	7,828
Retirement	67,984	67,984	66,821	1,163
Workers' compensation	20,387	20,387	11,120	9,267
Payroll taxes	42,381	42,381	43,064	(683)
Compensation adjustment	15,058	2,042	-	2,042
Drug testing	450	450	555	(105)
Life insurance	5,838	5,838	4,267	1,571
Deferred compensation match	2,860	2,860	2,440	420
Depreciation	-	-	240,997	(240,997)
Capital outlay - non-capitalizable expenses	3,852,000	3,337,850	(3,968)	3,341,818
Total operating expenses	\$ 5,305,759	\$ 4,811,609	\$ 1,633,659	\$ 3,177,950
Operating income (loss)	\$ (4,083,370)	\$ (3,589,220)	\$ (542,118)	\$ 3,047,102
Nonoperating revenues (expenses):				
Interest earned	\$ 200,000	\$ 200,000	\$ 180,349	\$ (19,651)
Cellular lease	118,000	118,000	124,283	6,283
Interest expense	(725,180)	(725,180)	(435,431)	289,749
Total nonoperating revenues (expenses)	\$ (407,180)	\$ (407,180)	\$ (130,799)	\$ 276,381
Net income (loss) before operating transfers and contributions	\$ (4,490,550)	\$ (3,996,400)	\$ (672,917)	\$ 3,323,483
Other financing sources (uses):				
Contributed capital - availability fees	\$ 901,390	\$ 901,390	\$ 1,261,946	\$ 360,556
Proceeds from the issuance of debt	3,807,000	3,292,850	-	(3,292,850)
Transfers in	45,000	45,000	-	(45,000)
Transfers out	(675,116)	(675,116)	(610,116)	65,000
Total other financing sources (uses)	\$ 4,078,274	\$ 3,564,124	\$ 651,830	\$ (2,912,294)
Net income	\$ (412,276)	\$ (432,276)	\$ (21,087)	\$ 411,189

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2009

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund:				
Operating revenues:				
Sewer fees	\$ 1,520,000	\$ 1,520,000	\$ 1,442,397	\$ (77,603)
Penalties and interest	20,000	20,000	20,767	767
Miscellaneous income	800	800	1,377	577
Proffers	8,000	8,000	9,000	1,000
Total operating revenues	\$ 1,548,800	\$ 1,548,800	\$ 1,473,541	\$ (75,259)
Operating expenses:				
Personnel:				
Sewer staff	\$ 493,874	\$ 505,817	\$ 524,971	\$ (19,154)
Overtime - Sewer	35,000	35,000	35,101	(101)
Plant operations:				
Electricity	78,109	83,359	99,120	(15,761)
Telephone	11,000	11,000	5,302	5,698
Supplies	-	-	4,227	(4,227)
Plant supplies	7,500	7,500	19,528	(12,028)
Contracts	-	-	6,850	(6,850)
Permits	7,500	7,500	-	7,500
Uniforms	10,107	10,107	7,150	2,957
Plant repairs	37,000	37,000	10,871	26,129
Sewer line repairs	15,000	15,000	13,267	1,733
Safety	12,500	12,500	6,366	6,134
Lab supplies	16,100	16,100	-	16,100
New equipment & tools	21,000	21,000	5,684	15,316
Sludge removal	106,800	106,800	103,406	3,394
Chemicals	14,400	14,400	15,248	(848)
Lab certification	4,750	4,750	1,580	3,170
Sample analysis	4,200	4,200	2,754	1,446
Waste disposal	1,500	1,500	1,739	(239)
Contracts	1,000	1,000	-	1,000
Meter repairs, tools, and equipment	3,500	3,500	-	3,500
New water meters	21,000	10,500	-	10,500
Touch read HDW	6,000	6,000	-	6,000
Pump station operations:				
Electricity	10,300	10,300	13,153	(2,853)
Telephone	930	930	1,155	(225)
Repairs	20,000	20,000	7,245	12,755
Contracts	10,000	10,000	164	9,836
Equipment	7,500	7,500	47	7,453
Equipment and vehicles expenses:				
Equipment - plant	12,500	12,500	10,956	1,544
Gas and oil	3,500	3,500	244	3,256
Vehicle repairs	8,000	8,000	3,216	4,784

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2009 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund: (Continued)				
Other expenses:				
Dues & subscriptions	\$ 500	\$ 500	\$ 160	\$ 340
Advertisements	3,100	3,100	998	2,102
Training	4,250	4,250	-	4,250
Postage/mailings	1,750	7,000	9,260	(2,260)
Other expenses	6,000	6,000	-	6,000
Engineering	35,000	35,000	24,751	10,249
Mowing	12,000	12,000	5,475	6,525
Environmental compliance	3,200	3,200	1,500	1,700
Sewer department emergency	3,000	3,000	1,031	1,969
Administrative supplies	2,700	2,700	-	2,700
Public education	2,000	2,000	63	1,937
Employee benefits:				
Health insurance	81,897	81,897	72,780	81,834
Compensation adjustment	14,815	2,872	-	2,872
Retirement	66,628	66,628	62,365	4,263
Workers' compensation	12,940	12,940	9,275	3,665
Payroll taxes	41,592	41,592	41,221	371
Drug testing	500	500	728	(228)
Deferred compensation match	2,860	2,860	2,600	260
Life insurance	5,721	5,721	3,983	1,738
Depreciation	-	-	232,599	(232,599)
Capital outlay - non-capitalizable expenses	23,037,976	21,266,526	5,158	21,261,368
Total operating expenses	\$ 24,318,999	\$ 22,547,549	\$ 1,375,250	\$ 21,245,016
Operating income	\$ (22,770,199)	\$ (20,998,749)	\$ 98,291	\$ 21,169,757
Nonoperating revenues (expenses):				
Interest earned	\$ 280,000	\$ 280,000	\$ 140,284	\$ (139,716)
BSWF study grant	3,900,000	5,571,710	-	(5,571,710)
Interest expense	(640,068)	(640,068)	(351,629)	288,439
Total nonoperating revenues (expenses)	\$ 3,539,932	\$ 5,211,642	\$ (211,345)	\$ (5,422,987)
Net income before operating transfers	\$ (19,230,267)	\$ (15,787,107)	\$ (113,054)	\$ 15,746,770
Other financing sources (uses):				
Contributed capital - availability fees	\$ 756,000	\$ 756,000	\$ 4,046,251	\$ 3,290,251
Proceeds from the issuance of debt	19,018,976	15,428,316	-	(15,428,316)
Transfers in	119,000	266,500	-	(266,500)
Transfers out	(714,116)	(714,116)	(610,116)	104,000
Total operating transfers	\$ 19,179,860	\$ 15,736,700	\$ 3,436,135	\$ (12,300,565)
Net income	\$ (50,407)	\$ (50,407)	\$ 3,323,081	\$ 3,446,205

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 As of June 30, 2009

	<u>2009</u>	<u>2008</u>
Governmental funds capital assets:		
Land	\$ 1,751,128	\$ 1,751,128
Buildings	1,047,880	1,047,880
Improvements other than buildings	460,027	460,027
Machinery and equipment	2,181,631	2,030,800
Vehicles	732,227	647,025
Infrastructure	49,495,854	48,905,853
Construction in progress	<u>3,459,999</u>	<u>1,724,857</u>
Total governmental funds capital assets	<u>\$ 59,128,746</u>	<u>\$ 56,567,570</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 59,128,746</u>	<u>\$ 56,567,570</u>
Total governmental funds capital assets	<u>\$ 59,128,746</u>	<u>\$ 56,567,570</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of June 30, 2009

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 1,750,000	\$ 71,542	\$ 903,128
Finance and administration	-	-	-
Total general government administration	<u>\$ 1,750,000</u>	<u>\$ 71,542</u>	<u>\$ 903,128</u>
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ 1,128	\$ 3,338,930	\$ 144,752
Maintenance of buildings and grounds	-	-	-
Total public works	<u>\$ 1,128</u>	<u>\$ 3,338,930</u>	<u>\$ 144,752</u>
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ 49,527	\$ -
Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ 49,527</u>	<u>\$ -</u>
Total governmental funds capital assets	<u><u>\$ 1,751,128</u></u>	<u><u>\$ 3,459,999</u></u>	<u><u>\$ 1,047,880</u></u>

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ 50,735	\$ 177,549	\$ 25,392	\$ -	\$ 2,978,346
<u>-</u>	<u>342,676</u>	<u>157,037</u>	<u>-</u>	<u>499,713</u>
\$ <u>50,735</u>	\$ <u>520,225</u>	\$ <u>182,429</u>	\$ <u>-</u>	\$ <u>3,478,059</u>
\$ <u>3,850</u>	\$ <u>243,733</u>	\$ <u>349,927</u>	\$ <u>-</u>	\$ <u>597,510</u>
\$ <u>3,850</u>	\$ <u>243,733</u>	\$ <u>349,927</u>	\$ <u>-</u>	\$ <u>597,510</u>
\$ 394,994	\$ 873,813	\$ 199,871	\$ 49,495,854	\$ 54,449,342
<u>-</u>	<u>543,860</u>	<u>-</u>	<u>-</u>	<u>543,860</u>
\$ <u>394,994</u>	\$ <u>1,417,673</u>	\$ <u>199,871</u>	\$ <u>49,495,854</u>	\$ <u>54,993,202</u>
\$ <u>10,448</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>59,975</u>
\$ <u>10,448</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>59,975</u>
\$ <u><u>460,027</u></u>	\$ <u><u>2,181,631</u></u>	\$ <u><u>732,227</u></u>	\$ <u><u>49,495,854</u></u>	\$ <u><u>59,128,746</u></u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2009

Function and Activity	Governmental Funds Capital Assets July 1, 2008	Additions	Deductions	Governmental Funds Capital Assets June 30, 2009
General government administration:				
Town council	\$ 2,928,819	\$ 59,910	\$ -	\$ 2,988,729
Finance and administration	499,713	-	-	499,713
Total general government administration	<u>\$ 3,428,532</u>	<u>\$ 59,910</u>	<u>\$ -</u>	<u>\$ 3,488,442</u>
Public safety:				
Police department	\$ 570,790	\$ 26,720	\$ -	\$ 597,510
Total public safety	<u>\$ 570,790</u>	<u>\$ 26,720</u>	<u>\$ -</u>	<u>\$ 597,510</u>
Public works:				
Highways and roads	\$ 52,013,940	\$ 894,243	\$ -	\$ 52,908,183
Maintenance of buildings and grounds	543,860	1,530,776	-	2,074,636
Total public works	<u>\$ 52,557,800</u>	<u>\$ 2,425,019</u>	<u>\$ -</u>	<u>\$ 54,982,819</u>
Parks, recreation, and cultural:				
Parks and recreation	\$ 10,448	\$ 49,527	\$ -	\$ 59,975
Total parks, recreation, and cultural	<u>\$ 10,448</u>	<u>\$ 49,527</u>	<u>\$ -</u>	<u>\$ 59,975</u>
Total governmental funds capital assets	<u><u>\$ 56,567,570</u></u>	<u><u>\$ 2,561,176</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,128,746</u></u>

Statistical Section

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Tables

Financial Trends

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

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Revenue Capacity

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

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 33,014,931	\$ 32,119,537	\$ 31,508,203	\$ 32,879,544	\$ 31,855,360	\$ 30,874,394
Unrestricted	<u>2,233,102</u>	<u>2,137,252</u>	<u>2,199,446</u>	<u>2,641,704</u>	<u>2,794,536</u>	<u>4,797,756</u>
Total governmental activities net assets	<u>\$ 35,248,033</u>	<u>\$ 34,256,789</u>	<u>\$ 33,707,649</u>	<u>\$ 35,521,248</u>	<u>\$ 34,649,896</u>	<u>\$ 35,672,150</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 7,394,123	\$ 8,538,644	\$ 9,222,830	\$ 10,214,935	\$ 10,211,089	\$ 13,004,232
Unrestricted	<u>12,287,315</u>	<u>12,838,372</u>	<u>12,076,802</u>	<u>12,237,431</u>	<u>12,737,618</u>	<u>13,246,469</u>
Total business-type activities net assets	<u>\$ 19,681,438</u>	<u>\$ 21,377,016</u>	<u>\$ 21,299,632</u>	<u>\$ 22,452,366</u>	<u>\$ 22,948,707</u>	<u>\$ 26,250,701</u>
Primary government						
Invested in capital assets, net of related debt	\$ 40,409,054	\$ 40,658,181	\$ 40,731,033	\$ 43,094,479	\$ 42,066,449	\$ 43,878,626
Unrestricted	<u>14,520,417</u>	<u>14,975,624</u>	<u>14,276,248</u>	<u>14,879,135</u>	<u>15,532,154</u>	<u>18,044,225</u>
Total primary government net assets	<u>\$ 54,929,471</u>	<u>\$ 55,633,805</u>	<u>\$ 55,007,281</u>	<u>\$ 57,973,614</u>	<u>\$ 57,598,603</u>	<u>\$ 61,922,851</u>

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

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Expenses						
Governmental activities:						
General government	\$ 1,824,860	\$ 1,450,167	\$ 1,451,606	\$ 1,876,357	\$ 2,226,330	\$ 2,574,927
Public safety	613,440	987,686	1,367,893	1,466,000	1,663,801	1,696,590
Public works	2,587,276	2,979,121	3,474,333	3,286,874	3,472,004	4,130,972
Parks, recreation and cultural	-	17,077	32,704	35,241	81,503	66,748
Community development	-	451,194	455,350	526,780	584,944	349,850
Interest on long-term debt	35,466	28,853	104,799	113,602	100,727	304,336
Total governmental activities expenses	\$ 5,061,042	\$ 5,914,098	\$ 6,886,685	\$ 7,304,854	\$ 8,129,309	\$ 9,123,423
Business-type activities:						
Water	\$ 1,228,332	\$ 1,221,858	\$ 1,845,569	\$ 2,449,890	\$ 2,262,486	\$ 2,069,090
Sewer	1,314,089	1,531,506	1,704,589	1,868,553	1,962,968	1,726,879
Total business-type activities expenses	\$ 2,542,421	\$ 2,753,364	\$ 3,550,158	\$ 4,318,443	\$ 4,225,454	\$ 3,795,969
Total primary government expenses	\$ 7,603,463	\$ 8,667,462	\$ 10,436,843	\$ 11,623,297	\$ 12,354,763	\$ 12,919,392
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 114,249	\$ 175,596	\$ 145,948	\$ 140,718	\$ 91,069	\$ -
Public safety	59,282	66,885	78,732	77,431	83,729	66,087
Public works	22,015	2,500	2,819	1,846	592	192,209
Operating grants and contributions	504,620	114,921	233,193	247,883	294,341	153,278
Capital grants and contributions	434,452	342,297	518,521	574,687	777,854	759,030
Total governmental activities program revenues	\$ 1,134,618	\$ 702,199	\$ 979,213	\$ 1,042,565	\$ 1,247,585	\$ 1,170,604
Business-type activities:						
Charges for services:						
Water	\$ 690,778	\$ 829,368	\$ 801,186	\$ 1,028,062	\$ 975,004	\$ 1,083,580
Sewer	910,338	1,142,949	1,100,214	1,574,790	1,358,261	1,472,164
Operating grants and contributions	11,101	-	-	-	-	-
Capital grants and contributions	5,419,597	2,199,000	893,000	2,076,400	1,032,096	5,308,197
Total business-type activities program revenues	\$ 7,031,814	\$ 4,171,317	\$ 2,794,400	\$ 4,679,252	\$ 3,365,361	\$ 7,863,941
Total primary government program revenues	\$ 8,166,432	\$ 4,873,516	\$ 3,773,613	\$ 5,721,817	\$ 4,612,946	\$ 9,034,545
Net (expense) / revenue						
Governmental activities	\$ (3,926,424)	\$ (5,211,899)	\$ (5,907,472)	\$ (6,262,289)	\$ (6,881,724)	\$ (7,952,819)
Business-type activities	4,489,393	1,417,953	(755,758)	360,809	(860,093)	4,067,972
Total primary government net (expense) / revenue	\$ 562,969	\$ (3,793,946)	\$ (6,663,230)	\$ (5,901,480)	\$ (7,741,817)	\$ (3,884,847)

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	\$ 1,373,678	\$ 1,677,627	\$ 2,102,097	\$ 2,428,380	\$ 2,464,023	\$ 2,763,362
Local sales and use taxes	352,816	404,052	616,091	652,195	678,260	688,327
Restaurant food taxes	351,554	459,910	638,441	699,300	625,138	689,856
Consumer utility taxes	259,332	287,238	301,533	256,927	200,387	201,503
Business licenses	456,957	585,062	572,165	525,813	682,534	534,537
Other local taxes	433,242	488,405	531,590	665,311	711,683	673,677
Unrestricted grants and contributions	202,229	194,092	400,881	210,019	208,556	204,253
Unrestricted revenues from use of money and property	16,693	29,961	105,679	151,843	126,148	98,761
Miscellaneous	64,465	76,994	72,547	52,916	96,347	1,900,565
Transfers	20,359	17,314	17,308	167,302	217,296	1,220,232
Total governmental activities	\$ 3,531,325	\$ 4,220,655	\$ 5,358,332	\$ 5,810,006	\$ 6,010,372	\$ 8,975,073
Business-type activities:						
Miscellaneous	\$ 112,717	\$ 119,670	\$ 162,433	\$ 135,860	\$ 1,095,464	\$ 133,621
Unrestricted revenues from use of money and property	50,894	175,270	533,249	661,445	478,266	320,633
Transfers	(20,359)	(17,314)	(17,308)	(167,302)	(217,296)	(1,220,232)
Total business-type activities	\$ 143,252	\$ 277,626	\$ 678,374	\$ 630,003	\$ 1,356,434	\$ (765,978)
Total primary government	\$ 3,674,577	\$ 4,498,281	\$ 6,036,706	\$ 6,440,009	\$ 7,366,806	\$ 8,209,095
Change in Net Assets						
Governmental activities	\$ (395,099)	\$ (991,244)	\$ (549,140)	\$ (452,283)	\$ (871,352)	\$ 1,022,254
Business-type activities	4,632,645	1,695,579	(77,384)	990,812	496,341	3,301,994
Total primary government	\$ 4,237,546	\$ 704,335	\$ (626,524)	\$ 538,529	\$ (375,011)	\$ 4,324,248

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

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Restaurant Food Tax	Business Licenses	Other Local Taxes	Total
2009	\$ 2,763,362	\$ 688,327	\$ 201,503	\$ 689,856	\$ 534,537	\$ 673,677	\$ 5,551,262
2008	2,464,023	678,260	200,387	625,138	682,534	711,683	\$ 5,362,025
2007	2,428,380	652,195	256,927	699,300	525,813	665,311	5,227,926
2006	2,102,097	616,091	301,533	638,441	572,165	531,590	4,761,917
2005	1,677,627	404,052	287,238	459,910	585,062	488,405	3,902,294
2004	1,373,678	352,816	259,332	351,554	456,957	433,242	3,227,579

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund:							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 920,511	\$ 2,136,455	\$ 2,751,271
Unreserved	<u>1,923,287</u>	<u>2,363,474</u>	<u>2,298,757</u>	<u>4,073,343</u>	<u>2,859,520</u>	<u>3,145,905</u>	<u>3,768,574</u>
Total general fund	<u>\$ 1,923,287</u>	<u>\$ 2,363,474</u>	<u>\$ 2,298,757</u>	<u>\$ 4,073,343</u>	<u>\$ 3,780,031</u>	<u>\$ 5,282,360</u>	<u>\$ 6,519,845</u>

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

	2003	2004	2005	2006	2007	2008	2009
Revenues							
General property taxes	\$ 1,168,307	\$ 1,369,653	\$ 1,663,988	\$ 2,092,568	\$ 2,409,596	\$ 2,469,194	\$ 2,728,737
Other local taxes	1,613,577	1,853,901	2,224,667	2,659,820	2,799,546	2,898,002	2,787,900
Permits, privilege fees and regulatory licenses	276,743	136,264	178,096	148,767	142,564	91,661	192,209
Fines and forfeitures	36,791	59,282	66,885	78,732	77,431	83,729	66,087
Revenue from use of money and property	24,221	16,693	29,961	105,679	151,842	126,148	98,761
Miscellaneous	70,547	64,465	76,994	79,747	52,917	96,347	1,900,565
Pass-through grant	505,666	-	-	-	-	-	-
Intergovernmental:							
Local government	-	400,000	-	89,500	204,000	126,000	150,000
Commonwealth	415,947	702,094	636,121	900,310	824,384	1,294,824	956,767
Federal	176,275	39,207	15,189	155,585	4,205	123,533	9,794
Total revenues	\$ 4,288,074	\$ 4,641,559	\$ 4,891,901	\$ 6,310,708	\$ 6,666,485	\$ 7,309,438	\$ 8,890,820
Expenditures							
General government administration	\$ 1,657,140	\$ 1,795,888	\$ 1,225,017	\$ 1,462,066	\$ 1,903,006	\$ 2,096,975	\$ 2,342,444
Public safety	650,147	587,969	921,222	1,128,938	1,393,867	1,506,641	1,566,094
Public works	1,066,145	1,411,398	1,707,738	2,152,098	2,093,861	2,120,074	2,812,620
Parks, recreation and cultural	-	-	17,077	17,806	21,720	41,174	27,794
Community development	-	-	431,104	665,467	529,779	607,290	517,069
Capital projects	419,826	300,707	558,864	1,201,440	993,440	3,329,921	2,626,704
Pass-through grant	505,666	-	-	-	-	-	-
Debt service							
Principal	53,844	96,648	84,370	73,865	125,752	224,322	265,970
Interest and other fiscal charges	60,845	29,121	29,217	84,750	113,786	100,002	169,385
Total expenditures	\$ 4,413,613	\$ 4,221,731	\$ 4,974,609	\$ 6,786,430	\$ 7,175,211	\$ 10,026,399	\$ 10,328,080
Excess of revenues over (under) expenditures	\$ (125,539)	\$ 419,828	\$ (82,708)	\$ (475,722)	\$ (508,726)	\$ (2,716,961)	\$ (1,437,260)
Other financing sources (uses)							
Transfers in	\$ 17,590	\$ 20,359	\$ 17,314	\$ 17,308	\$ 1,160,741	\$ 1,771,518	\$ 2,263,960
Transfers out	-	-	-	-	(993,440)	(1,554,222)	(1,043,728)
Proceeds from refunding bonds	835,133	-	-	-	-	2,565,600	-
Proceeds from issuance of bonds	-	-	-	2,233,000	-	-	1,454,523
Proceeds from issuance of notes	-	-	-	-	-	1,700,000	-
Payments to refunded bond escrow agent	(835,133)	-	-	-	-	-	-
Total other financing sources (uses)	\$ 17,590	\$ 20,359	\$ 17,314	\$ 2,250,308	\$ 167,301	\$ 4,482,896	\$ 2,674,755
Net change in fund balances	\$ (107,949)	\$ 440,187	\$ (65,394)	\$ 1,774,586	\$ (341,425)	\$ 1,765,935	\$ 1,237,495
Debt service as a percentage of noncapital expenditures	2.96%	3.31%	2.64%	2.92%	4.03%	3.39%	4.43%

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Restau- rant Food Tax	Business Licenses	Other Local Taxes	Total
2009	\$ 2,728,737	\$ 688,327	\$ 201,503	\$ 126,268	\$ 689,856	\$ 534,537	\$ 547,409	\$ 5,516,637
2008	2,469,194	678,260	200,387	134,023	682,534	625,138	577,660	5,367,196
2007	2,409,596	652,195	256,927	128,959	699,300	525,813	536,352	5,209,142
2006	2,092,568	616,091	301,533	130,093	638,441	572,165	401,497	4,752,388
2005	1,663,988	404,052	287,238	124,902	459,910	585,062	363,503	3,888,655
2004	1,369,653	352,816	259,332	108,322	351,554	456,957	324,920	3,223,554
2003	1,168,307	328,193	230,107	90,768	339,569	379,268	245,672	2,781,884

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

Fiscal Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Direct Tax Rate
2009	\$ 1,047,281,345	\$ 51,469,370	\$ 12,226,592	\$ 1,110,977,307	\$ 1,110,977,307	100.00%	\$ 0.53
2008	1,156,483,415	56,347,033	11,912,214	1,224,742,662	1,224,742,662	100.00%	0.23
2007	1,177,808,110	55,619,860	11,220,869	1,244,648,839	1,244,648,839	100.00%	0.22
2006	1,019,172,825	49,728,198	9,652,257	1,078,553,280	1,078,553,280	100.00%	0.25
2005	739,972,175	36,787,240	9,280,605	786,040,020	786,040,020	100.00%	0.26
2004	568,438,265	31,157,197	10,493,964	610,089,426	610,089,426	100.00%	0.28
2003	452,511,560	26,962,736	8,750,945	488,225,241	488,225,241	100.00%	0.30
2002	411,026,000	23,590,902	10,419,804	445,036,706	445,036,706	100.00%	0.30
2001	313,513,634	20,803,922	7,885,696	342,203,252	342,203,252	100.00%	0.31
2000	251,437,692	17,044,884	6,975,208	275,457,784	275,457,784	100.00%	0.31

Source: Loudoun County Commissioner of Revenue and Assessor of Real Estate

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

Fiscal Years	Direct Rates					Overlapping Rates County of Loudoun, Virginia		
	Real Estate	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property	Machinery and Tools
2009	\$ 0.19/.225	\$ 1.05	\$ 0.01	\$ 0.55	\$ N/A	\$ 1.245	\$ 4.20	\$ 2.75
2008	0.18/0.19	1.05	0.01	0.55	N/A	1.14	4.20	2.75
2007	0.17/0.18	1.05	0.01	0.55	N/A	0.92	4.20	2.75
2006	0.20/0.17	1.05	0.01	0.55	N/A	0.89	4.20	2.75
2005	0.21/0.20	1.05	0.01	0.55	N/A	1.04	4.20	2.75
2004	0.22/0.21	1.05	0.01	0.55	N/A	1.11	4.20	2.75
2003	0.24/0.22	1.05	0.01	0.55	N/A	1.11	4.20	2.75
2002	0.24	1.05	0.01	0.55	N/A	1.05	4.20	2.75
2001	0.24	1.05	0.01	0.55	N/A	1.08	4.20	2.75
2000	0.24	1.05	0.01	1.05	N/A	1.08	4.20	2.75

(1) Per \$100 of assessed value

Source: Town Finance Department and Treasurer of Loudoun County

Principal Property Taxpayers
Current Year

Taxpayer	Type Business	Fiscal Year 2009		Fiscal Year 2000	
		2009 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
ZP No. 124 LLC	Shopping Center (1000 E Main St)	\$ 13,419,300	1.28%	\$ 881,800	0.35%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	10,984,600	1.05%	4,330,500	1.72%
Valley Medical Center LLC	Medical Center (205 Hirst Rd)	8,009,700	0.76%	148,700	0.06%
Purcellville Plaza LLC	Shopping Center (201 N Maple Ave)	5,962,500	0.57%	472,600	0.19%
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,949,500	0.57%	183,600	0.07%
Main Street Associates LP	Apartments (123 16th St)	5,683,800	0.54%	348,200	0.14%
Jordan River Acquisitions LLC	House/15 acres (1251 E Main St)	4,669,600	0.45%	696,370	0.28%
S R B Enterprises LLC	Shopping Center (711 E Main St)	4,623,800	0.44%	3,321,000	1.32%
Loudoun Medical Property Mgt LLC	Medical Center (17336 Pickwick Dr)	4,055,000	0.39%	993,200	0.40%
C K D Purcellville LLC	Office Building (400 Browning Ct)	4,047,300	0.39%	N/A	N/A
		<u>\$ 67,405,100</u>	<u>1.80%</u>	<u>\$ 11,375,970</u>	<u>0.30%</u>

Source: Loudoun County Assessor of Real Estate

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	RE Tax Levy for Fiscal Year	PP Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2009*	\$ 2,183,022	\$ 633,639	\$ 2,816,661	\$ 2,725,048	96.75%	\$ N/A	\$ 2,725,048	96.75%
2008	2,140,074	343,137	2,483,211	2,435,698	98.09%	29,786.32	2,465,484	99.29%
2007	2,075,831	336,483	2,412,314	2,347,023	97.29%	58,629.50	2,405,652	99.72%
2006	1,855,964	478,090	2,334,054	2,284,033	97.86%	78,579.41	2,329,386	99.80%
2005	1,552,514	356,666	1,909,180	1,813,721	95.00%	N/A	1,905,127	99.79%
2004	1,280,899	306,309	1,587,208	1,570,824	98.97%	N/A	1,583,860	99.79%
2003	1,096,430	141,159	1,237,589	N/A	N/A	N/A	1,237,201	99.97%
2002	881,013	122,895	1,003,908	N/A	N/A	N/A	1,003,521	99.96%
2001	704,232	67,612	771,844	N/A	N/A	N/A	771,676	99.98%
2000	567,873	30,904	598,777	N/A	N/A	N/A	N/A	N/A

Source: Town Finance Department and Loudoun County Commissioner of Revenue

Ratios of Outstanding Debt by Type
Last Eight Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Other Notes/ Bonds	Capital Leases	General Obligation Bonds				
2009	\$ 6,483,776	\$ 1,530,000	\$ -	\$ 40,873,842	\$ 48,887,618	13.77%	\$ 7,667	
2008	5,220,223	1,605,000	-	27,122,557	33,947,780	9.69%	5,324	
2007	2,783,945	-	-	13,380,619	16,164,564	4.91%	2,535	
2006	2,906,550	-	3,147	13,758,440	16,668,137	5.42%	2,470	
2005	731,571	-	45,113	10,349,788	11,126,472	4.11%	1,678	
2004	776,173	-	84,881	10,277,168	11,138,222	5.06%	1,753	
2003	835,133	-	122,569	10,386,483	11,344,185	6.09%	2,015	
2002	825,506	-	158,264	10,266,131	11,249,901	7.00%	2,302	

Notes:

Debt information is only available back to 2002.

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

(1) - Personal income figures are derived from the Loudoun County Department of Management and Financial Services.

TOWN OF PURCELLVILLE, VIRGINIA

Legal Debt Margin Information
Last Seven Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 44,503,671	\$ 48,822,524	\$ 61,008,943	\$ 78,604,002	\$ 107,885,328
Total net debt applicable to limit	<u>11,249,901</u>	<u>11,344,185</u>	<u>11,138,222</u>	<u>11,126,472</u>	<u>16,668,137</u>
Legal debt margin	\$ <u><u>33,253,770</u></u>	\$ <u><u>37,478,339</u></u>	\$ <u><u>49,870,721</u></u>	\$ <u><u>67,477,530</u></u>	\$ <u><u>91,217,191</u></u>
Total net debt applicable to the limit as a percentage of debt limit	25.28%	23.24%	18.26%	14.16%	15.45%

Legal Debt Margin Calculation for Fiscal Year 2008

Total assessed value

Debt limit (10% of total assessed value)

Net debt applicable to limit

Legal debt margin

Table 12

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 124,464,884	\$ 122,474,266	\$ 111,097,731
<u>16,164,564</u>	<u>33,947,780</u>	<u>33,947,780</u>
\$ <u>108,300,320</u>	\$ <u>88,526,486</u>	\$ <u>77,149,951</u>
12.99%	27.72%	30.56%

\$ 1,110,977,307
111,097,731
<u>33,947,780</u>
\$ <u>77,149,951</u>

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County of Loudoun Subtotal, overlapping debt	\$ 919,280,193	\$ 1.66%	\$ 15,221,276
Town of Purcellville, direct debt			\$ 8,013,776
Total direct and overlapping debt			<u>\$ 23,235,052</u>

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

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

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

Fiscal Year	Net Bonded Debt (1)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita
2009	\$ 6,483,776	0.58%	963
2008	5,220,223	0.43%	775
2007	2,783,945	0.22%	413
2006	2,906,550	0.27%	431
2005	731,571	0.09%	110
2004	776,173	0.13%	122
2003	835,133	0.17%	148
2002	825,506	0.19%	169
2001	845,783	0.25%	193
2000	864,741	0.31%	219

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

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

Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	Purcellville Population (1)	Loudoun County Per Capita Income (2)	Purcellville Personal Income (3)	Loudoun County Median Age (4)	Purcellville School Enrollment (5)	Loudoun County Unemployment Rate (6)
2009	6,948	\$ 51,083	\$ 354,924,684	N/A	2,105	5.2
2008	6,884	50,884	350,285,456	32.8	2,105	2.8
2007	6,747	48,789	329,179,383	32.7	1,511	2.1
2006	6,630	46,350	307,300,500	32.8	1,511	2.1
2005	6,354	42,613	270,763,002	32.8	1,511	2.4
2004	5,631	39,091	220,121,421	32.9	792	2.6
2003	4,887	38,115	186,268,005	33.1	792	3.2
2002	4,379	38,419	168,236,801	33.2	792	3.7
2001	3,949	40,700	160,724,300	33.3	N/A	2.5
2000	3,584	41,145	147,463,680	33.6	N/A	1.4
1999	2,812	39,674	111,563,288	33.9	N/A	1.1

Sources:

- (1) 2000 US Bureau of Census, Loudoun County Department of Finance Management Services
- (2) Bureau of Economic Analysis, US Department of Commerce, April 23, 2009.
- (3) Personal income is derived from information received from Loudoun County.
- (4) U.S. Census Bureau, *2008 Time Series Estimates*.
- (5) Count of Loudoun School Census (triannual), Loudoun County Public Schools
- (6) Local Area Unemployment Statistics, Virginia Employment Commission

Principal Employers
Current Year

Employer	Fiscal Year 2009	
	Employees	Rank
Loudoun County Schools	485	1
Giant	145	2
RCD Electric	130	3
Virginia Regional Transportation Center	129	4
Patrick Henry College	85	5
Bloom	81	6
Town of Purcellville, VA	75	7
Magnolia's at the Mill	71	8
Home School Legal Defense	70	9
Blue Ridge Veterinary Assoc., Inc.	70	10

Source: Town Business License Renewal

Note:

Information unavailable for the period nine years prior.

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

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Administration	4.5	6.75	6.3	7.75	7.75	7.75	7.50
Finance Administration	3.0	4.5	6.0	5.50	6.50	7.50	7.50
Public Safety/Police	10.0	11.0	14.0	14.50	15.50	14.50	14.00
Public Works	5.0	5.0	4.0	4.00	7.00	8.00	8.00
General Maintenance	8.5	8.25	10.0	9.25	10.00	10.00	10.00
Planning & Zoning	3.5	3.75	4.0	4.75	6.75	4.75	4.75
Water Treatment	6.0	6.0	9.5	10.00	9.00	9.00	9.00
Wastewater Treatment	6.0	6.0	10.5	10.00	9.00	9.00	9.00
Totals	<u>46.5</u>	<u>51.25</u>	<u>64.25</u>	<u>65.75</u>	<u>71.50</u>	<u>70.50</u>	<u>69.75</u>

Source: IRS Form 941s

Operating Indicators by Function
Last Five Fiscal Years

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Administration</u>					
Citizen Inquiries	655	715	646	654	875
Special Events	19	22	18	19	17
FOIA Requests Processed	N/A	90	116	160	75
<u>Finance</u>					
Utility Bills Processed	15,309	15,168	15,096	15,188	15,392
Tax Bills Processed	10,906	10,532	11,517	11,757	19,366
Accounts Payable Transactions	N/A	N/A	5,885	6,157	6,139
<u>Public Safety</u>					
Parking Violations	151	170	316	183	163
Traffic violations	1,386	1,579	1,637	1,618	1,356
Incident Reports	586	739	856	912	829
<u>Public Works</u>					
<u>Maintenance Dept.</u>					
Work Orders, number of	N/A	570	264	596	890
New Meters Installed	N/A	N/A	14	53	22
Miss Utility's Processed	N/A	N/A	711	1,355	830
<u>Water Dept.</u>					
Total Gallons Treated (millions)	N/A	N/A	190	206	207
Samples in Compliance, % of	N/A	N/A	100%	100%	100%
Violations, number of	N/A	N/A	-	1	1
<u>Wastewater Dept.</u>					
Daily average of gallons treated	593,300	593,900	622,400	625,400	536,500
Complaints, number of	N/A	N/A	-	3	2
<u>Planning and Zoning</u>					
Occupancy Permits Issued	294	144	92	120	98
Zoning Permits Issued	676	436	375	286	178
Development Plans Processed	N/A	54	63	85	103

Source: Individual town departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration										
Administration Buildings	1	1	1	1	1	2	2	2	2	2
Bus Stops for Public Transportation	-	-	-	-	-	-	-	1	1	1
Public Parking Lots	2	2	2	2	2	2	2	2	2	2
Recreation Facilities - Buildings	-	-	-	1	1	1	1	1	2	2
Recreation Facilities - Fields, Parks	-	-	-	-	-	-	-	-	1	1
Vehicles	1	1	3	1	1	1	2	2	2	2
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	-	-	-	3	3	3	3	3	3	3
Vehicles	4	4	5	5	5	7	9	12	13	11
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	2	5	5	7	7	9	11	11	13	14
Maintenance Facility	1	1	1	1	1	1	1	1	1	1
Message Boards	-	-	-	-	-	2	2	2	2	2
Traffic Signals	-	-	-	-	-	-	-	-	2	2
Vehicles	5	7	6	8	10	13	14	16	16	18
<u>Water Dept.</u>										
Chlorine Facility	1	1	1	1	1	1	1	1	1	1
Elevated Water Tanks	2	2	2	2	2	2	2	2	2	2
Filter Buildings	1	1	1	2	2	2	2	2	2	2
Vehicles	1	1	2	3	3	3	3	3	4	4
Water Reservoir(s)	1	1	1	1	1	1	1	1	1	1
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
Modular Bldg @ Plant	-	-	-	-	-	-	-	-	1	1
Wells/Well Houses	2	2	2	3	3	3	4	4	4	4
<u>Wastewater Dept.</u>										
Pump Stations	7	8	10	11	11	11	11	11	11	8
Vehicles	2	2	2	2	2	2	3	3	4	4
Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Planning and Zoning										
Vehicles	1	1	1	1	1	1	1	1	1	1

Source: Depreciation Schedule

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 TOWN COUNCIL
TOWN OF PURCELLVILLE, VIRGINIA
PURCELLVILLE, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon, dated November 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Town* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 18, 2009

