

**TOWN OF PURCELLVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**



**YEAR ENDED JUNE 30, 2010**

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**TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010**

**Prepared By:**

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Elizabeth B. Krens  
Director of Finance



TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

---

	<u>Page</u>
<hr/> <b>INTRODUCTORY SECTION</b> <hr/>	
Letter of Transmittal	i-iv
Organizational Chart	v
Directory of Principal Officials	vii
Certificate of Achievement	ix
<hr/> <b>FINANCIAL SECTION</b> <hr/>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
 <b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1    Statement of Net Assets	15
Exhibit 2    Statement of Activities	16-17
 <b>Fund Financial Statements:</b>	
Exhibit 3    Balance Sheet—Governmental Funds	20
Exhibit 4    Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	21
Exhibit 5    Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds	22
Exhibit 6    Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Exhibit 7    Statement of Fund Net Assets—Proprietary Funds	24
Exhibit 8    Statement of Revenues, Expenses, and Changes in Fund Net Assets— Proprietary Funds	25
Exhibit 9    Statement of Cash Flows—Proprietary Funds	26
<b>Notes to Financial Statements</b>	27-49

TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS  
(Continued)

---

	<u>Page</u>	
<b>FINANCIAL SECTION (CONTINUED)</b>		
<b><u>Required Supplementary Information:</u></b>		
Exhibit 10	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund	53
Exhibit 11	Schedules of Funding Progress	54
<b><u>Other Supplementary Information:</u></b>		
<b>Supporting Schedules</b>		
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Funds	59-61
Schedule 2	Schedule of Expenditures—Budget and Actual—Governmental Funds	62-64
Schedule 3	Schedule of Revenues and Expenses—Budget and Actual—Water Fund	65-66
Schedule 4	Schedule of Revenues and Expenses—Budget and Actual—Sewer Fund	67-68
Schedule 5	Capital Assets Used in the Operation of Governmental Funds—Comparative Schedules by Source	69
Schedule 6	Capital Assets Used in the Operation of Governmental Funds—Schedule by Function and Activity	70-71
Schedule 7	Capital Assets Used in the Operation of Governmental Funds— Schedule of Changes by Function and Activity	72
<b><u>STATISICAL SECTION:</u></b>		
Table 1	Net Assets by Component—Last Seven Fiscal Years	74
Table 2	Changes in Net Assets— Last Seven Fiscal Years	75-76
Table 3	Governmental Activities Tax Revenues by Source—Last Seven Fiscal Years	77
Table 4	Fund Balances of Governmental Funds—Last Ten Fiscal Years	78-79
Table 5	Changes in Fund Balances of Governmental Funds—Last Ten Fiscal Years	80-81
Table 6	General Governmental Tax Revenues by Source—Last Ten Fiscal Years	82

TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS  
(Continued)

---

	<u>Page</u>
<b>STATISICAL SECTION:</b>	
Table 7	Assessed Value and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years 83
Table 8	Property Tax Rates-Direct and Overlapping Governments—Last Ten Fiscal Years 84
Table 9	Principal Property Taxpayers—Current Year 85
Table 10	Property Tax Levies and Collections—Last Ten Fiscal Years 86
Table 11	Ratios of Outstanding Debt by Type—Last Nine Fiscal Years 87
Table 12	Legal Debt Margin Information—Last Nine Fiscal Years 88-89
Table 13	Direct and Overlapping Governmental Activities Debt 90
Table 14	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita—Last Ten Fiscal Years 91
Table 15	Demographic and Economic Statistics—Last Ten Calendar Years 92
Table 16	Principal Employers—Current and Previous Year 93
Table 17	Full-time Equivalent Town Government Employees by Function—Last Eight Fiscal Years 94
Table 18	Operating Indicators by Function—Last Six Fiscal Years 95
Table 19	Capital Asset Statistics by Function—Last Ten Fiscal Years 96
<b>COMPLIANCE SECTION</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> 97-98





November 19, 2010

**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, 2010. 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, 2010. 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, 2010 in strong financial condition despite the challenges associated with the current recession. Although the Town made no changes to its "Fiscal Policy Guidelines" in fiscal year 2010, efforts were made to continually monitor policy compliance in light of the changing economic climate and revenue projections.

The Town Manager's "Fiscal Restraint Plan" continued into fiscal year 2010 and called for hiring freezes for vacant positions, deferral of new vehicles and equipment purchases and the elimination of all non-essential departmental expenditures. This action allowed the Town to reduce general fund operating expenditures from the budget amount of \$8.2 million to \$7.7 million. Adjusting for the Loudoun County Settlement funds, the general fund operating revenue exceeded budget by \$572,000. The strongest revenue growth categories were sales tax and business license tax.

Fiscal year 2010 ended with an unreserved, undesignated fund balance in the governmental fund of \$4.4 million, an increase of over \$646,000. This amount exceeds the Town's fund balance policy target of \$3 million or 30% of total general fund revenues. This strong fund balance represents 55% of the general fund fiscal year 2011 expenditures and provides a cushion for the economic challenges expected in the next fiscal year.

The Town's property assessments fell by 1.19% in 2010, much better than the 13% decline experienced in 2009. The Town Council adopted an equalized tax rate of .23 for 2010 and revenues should remain stable. Preliminary forecasts for 2011 show a slight increase in residential assessments but a decline in commercial assessments of approximately 5%.

The Town's utility funds were affected by the significant decline in availability revenue from new connections. In fiscal year 2010, the availability revenue dropped by \$1,227,477 in the water fund and \$1,049,685 in the sewer fund. This led to a decline in nets assets of \$1.2 million in the water fund and \$859,710 in the sewer fund. The Town will continue to work with its rate study consultants to evaluate and modify user fees each year.

The Town experienced tremendous growth over the last decade. 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 Town continues to strive to align capital project needs with debt management policies. In fiscal year 2010, the Town's general fund debt service expenditures represented 10% of general fund expenditures, within the Town's 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 fiscal year 2010:

- Received Town's first GFOA Distinguished Budget Presentation Award for FY10 Budget
- Received Town's second GFOA Certificate of Achievement for FY09 CAFR
- Basham Simms Wastewater Treatment Plant Construction Project completed ahead of time and within budget
- Completed construction of the Maintenance Facility
- Waterworks Department received the Virginia Department of Health Excellence in Waterworks Operations/Performance Award
- Purchased new Town Hall along with completion of Town Hall Relocation Project Design and space plan layout
- Completed the purchase of the Aberdeen Property to meet the Town's intermediate and long-term water resource needs
- Received re-certification in 2009 as a "VML – Certified Green Government" and placed first for the top Go Green Award in 15,000 population category with certification at the Gold level
- Installation of LED Street Lights as a Pilot Project on South 20<sup>th</sup> Street resulting in lower Town street light power bills and use of 66 percent less energy than conventional lights
- Police Department maintained State Accreditation
- Successfully listed the Tabernacle at Fireman's Field and the Purcellville Train Station individually on the National Register of Historic Places
- Awarded a Community Development Block Grant in the amount of \$138,500 for sidewalk and drainage improvements on East D Street
- Federal Funding in the amount of \$500,000 was awarded to the Town for the Main and Maple Intersection Upgrade project
- Award of Transportation Enhancement Program Grant in the amount of \$400,000 to augment funding for the Downtown Streetscape Project
- Completed Water Resources Study
- Managed and maintained Town roadways during the largest regional snow event in recent history
- Completed 32<sup>nd</sup> Street/Nursery Avenue Multi-Utility Project
- Completion of Sanitary Sewer Rehabilitation, Phase II
- Water Conservation Plan has saved about 2,230,000 gallons with the Town saving an estimated 4,300 gallons per day with the present low-flow appliances/devices installed

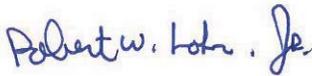
This represents a partial listing of the significant initiatives and achievements accomplished across all departments this fiscal year.

**Awards and Acknowledgements:**

The Town received its second Certificate of Achievement for the fiscal year 2009 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.

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,

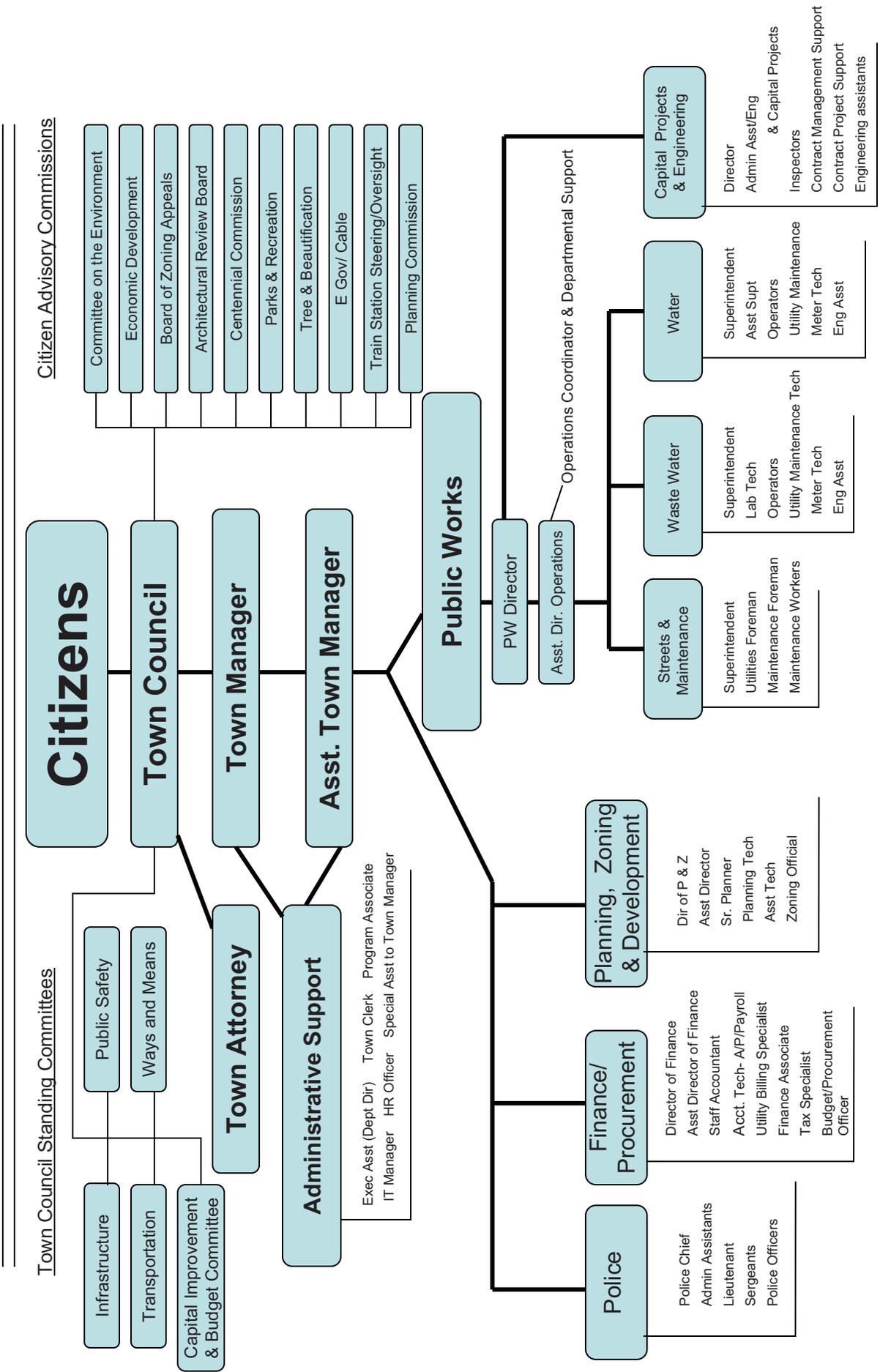


Robert W. Lohr, Jr.  
Town Manager



Elizabeth B. Krens  
Director of Finance

# Town of Purcellville Organization Chart: Effective February 2009





# TOWN OF PURCELLVILLE, VIRGINIA

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## COUNCIL

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

## OFFICIALS

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



# 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, 2009

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of the Town of Purcellville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

October 29, 2010

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

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As management of the Town of Purcellville (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. 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 \$62.5 million (*net assets*). Of this amount, \$18.2 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 \$.73 million, of which the governmental activities accounted for a \$2.8 million increase and business-type activities accounted for \$2.2 million decrease.
- The unreserved, undesignated ending fund balance for the Town's governmental fund is \$4.4 million, an increase of \$.7 million over the prior year. This ending fund balance is equal to 55% of the Town's fiscal year 2011 general fund operating budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4.4 million, or 57% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt increased by \$13 million (26%) 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 49 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 53 and 54 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 \$62.5 million at the close of the most recent fiscal year. A large portion of the Town’s net assets (\$44.3 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, 2010**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 44,320,610	\$ 7,564,832	\$ 56,909,476	\$ 21,149,469	\$ 101,230,086	\$ 28,714,301
Capital assets	10,281,390	37,719,558	16,266,168	47,276,511	26,547,558	84,996,069
Total assets	<u>\$ 54,602,000</u>	<u>\$ 45,284,390</u>	<u>\$ 73,175,644</u>	<u>\$ 68,425,980</u>	<u>\$ 127,777,644</u>	<u>\$ 113,710,370</u>
Long-term liabilities						
outstanding	\$ 15,041,266	\$ 8,500,142	\$ 47,459,885	\$ 40,994,043	\$ 62,501,151	\$ 49,494,185
Other liabilities	1,078,412	1,112,098	1,710,347	1,181,236	2,788,759	2,293,334
Total liabilities	<u>\$ 16,119,678</u>	<u>\$ 9,612,240</u>	<u>\$ 49,170,232</u>	<u>\$ 42,175,279</u>	<u>\$ 65,289,910</u>	<u>\$ 51,787,519</u>
Net assets:						
Invested in capital assets,						
net of related debt	\$ 30,549,900	\$ 30,862,894	\$ 13,731,932	\$ 13,004,232	\$ 44,281,832	\$ 43,867,126
Unrestricted	7,932,422	4,809,256	10,273,480	13,246,469	18,205,902	18,055,725
Total net assets	<u>\$ 38,482,322</u>	<u>\$ 35,672,150</u>	<u>\$ 24,005,412</u>	<u>\$ 26,250,701</u>	<u>\$ 62,487,734</u>	<u>\$ 61,922,851</u>

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

As noted previously, the Town’s overall (government and business-type activities) net assets increased by \$.7 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 \$2.8 million. The following table summarizes the Town's Statement of Activities:

**Town of Purcellville, Virginia  
Changes in Net Assets  
As of June 30, 2010**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 168,769	\$ 258,296	\$ 3,105,899	\$ 2,555,744	\$ 3,274,668	\$ 2,814,040
Operating grants and contributions	254,465	153,278	-	-	254,465	153,278
Capital grants and contributions	949,581	759,030	-	-	949,581	759,030
General revenues:						
Property taxes	3,571,871	2,763,362	-	-	3,571,871	2,763,362
Other taxes	2,881,876	2,787,900	-	-	2,881,876	2,787,900
Unrestricted revenues from the use of money and property	55,765	98,761	92,566	320,633	148,331	419,394
Miscellaneous	2,103,213	1,900,565	161,020	133,621	2,264,233	2,034,186
Grants and contributions not restricted to specific programs	372,869	204,253	-	-	372,869	204,253
Total revenues	\$ 10,358,409	\$ 8,925,445	\$ 3,359,485	\$ 3,009,998	\$ 13,717,894	\$ 11,935,443
Expenses:						
General government administration	\$ 2,472,829	\$ 2,574,927	\$ -	\$ -	\$ 2,472,829	\$ 2,574,927
Public safety	1,692,290	1,696,590	-	-	1,692,290	1,696,590
Public works	3,788,818	4,130,972	-	-	3,788,818	4,130,972
Parks, recreation and culture	124,442	66,748	-	-	124,442	66,748
Community development	461,341	349,850	-	-	461,341	349,850
Interest on long-term debt	228,749	304,336	-	-	228,749	304,336
Water fund	-	-	2,179,820	2,069,090	2,179,820	2,069,090
Sewer fund	-	-	3,069,217	1,726,879	3,069,217	1,726,879
Total expenses	\$ 8,768,469	\$ 9,123,423	\$ 5,249,037	\$ 3,795,969	\$ 14,017,506	\$ 12,919,392
Increase in net assets before transfers and capital contributions	\$ 1,589,940	\$ (197,978)	\$ (1,889,552)	\$ (785,971)	\$ (299,612)	\$ (983,949)
Transfers	\$ 1,220,232	\$ 1,220,232	\$ (1,220,232)	\$ (1,220,232)	\$ -	\$ -
Capital contributions	-	-	1,031,874	5,308,197	1,031,874	5,308,197
Increase in net assets	\$ 2,810,172	\$ 1,022,254	\$ (2,077,910)	\$ 3,301,994	\$ 732,262	\$ 4,324,248
Net assets-beginning of year	\$ 35,672,150	\$ 34,649,896	\$ 26,083,322	\$ 22,948,707	\$ 61,755,472	\$ 57,598,603
Net assets-end of year	\$ 38,482,322	\$ 35,672,150	\$ 24,005,412	\$ 26,250,701	\$ 62,487,734	\$ 61,922,851

## Government-Wide Financial Analysis (Continued)

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

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

**Business-type activities** decreased the Town's net assets by \$2.2 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. A decrease in capital contributions made up of availabilities and grant proceeds and an increase in expenses, primarily debt service, contributed to the decrease in net assets.

## 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 2010 general fund revenues exceeded those of fiscal year 2009 by \$258,580. The miscellaneous revenue category included in the second installment of Loudoun County Settlement funds in the amount of \$2 million, slightly higher than the first installment of \$1,780,000 received in fiscal year 2009.

In fiscal year 2010, the general fund's revenues exceeded expenditures by \$1,487,093. As of June 30, 2010, the ending fund balance of the General Fund was \$8,006,938. The unreserved, undesignated portion of this fund balance was \$4,415,059, an increase of over \$646,000 and the reserved portion was \$3,591,879. 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 57% 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 \$10.3 million. The total net assets decreased by \$2.2 million over the prior year.

## General Fund Budgetary Highlights

There was an increase of \$183,243 between the fiscal year 2010 original budget and the final amended budget expenditures. The increase can primarily be attributed to the public works department for the carryover of fiscal year 2009 unspent State highway funding. During the fiscal year the Town's revenue exceeded budget by \$2,572,111. Over \$2 million of this difference can be attributed to Loudoun County settlement funds and \$173,000 was due to higher than expected sales tax revenue. Fiscal year 2010 expenditures came in under budget by \$485,663 with \$297,000 of this amount from the asphalt category.

## 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, 2010, amounts to \$101.2 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,701,128	\$ 1,751,128	\$ 3,039,509	\$ 857,675	\$ 6,740,637	\$ 2,608,803
Buildings	533,771	565,999	-	-	533,771	565,999
Utility plant in service	-	-	17,296,007	17,693,803	17,296,007	17,693,803
Improvements other than buildings	275,206	297,350	221,500	242,300	496,706	539,650
Infrastructure	29,230,882	30,321,421	-	-	29,230,882	30,321,421
Machinery & Equipment	1,078,960	1,198,619	210,650	238,551	1,289,610	1,437,170
Vehicles	70,871	125,042	38,715	55,609	109,586	180,651
Construction in progress	9,429,792	3,459,999	36,103,095	28,188,573	45,532,887	31,648,572
Total	\$ <u>44,320,610</u>	\$ <u>37,719,558</u>	\$ <u>56,909,476</u>	\$ <u>47,276,511</u>	\$ <u>101,230,086</u>	\$ <u>84,996,069</u>

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 \$62.5 million and details are summarized in the following table:

**Town of Purcellville, Virginia  
Outstanding Debt  
For the Year Ended June 30, 2010**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds Payable:						
General obligation bonds	\$ 12,953,021	\$ 6,483,776	\$ 47,287,639	\$ 40,873,842	\$ 60,240,660	\$ 47,357,618
Notes payable	1,445,000	1,530,000	-	-	1,445,000	1,530,000
Post employment benefits	289,935	139,512	97,413	47,688	387,348	187,200
Compensated absences	353,310	346,854	74,834	72,513	428,144	419,367
Total	\$ <u>15,041,266</u>	\$ <u>8,500,142</u>	\$ <u>47,459,886</u>	\$ <u>40,994,043</u>	\$ <u>62,501,152</u>	\$ <u>49,494,185</u>

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

Debt associated with governmental activities increased by \$6,541,124 while debt associated with business-type activities increased by \$6,465,843. This increase is due to the continued drawdown of the 2008 Rural Development and 2008 VRA loans during the current fiscal year, as well as the issuance of 2009 BB&T and 2010 RBC loans.

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, 2010.

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 2010, though not as great as the decrease experienced in 2009. The total real property assessments for the Town fell by 1.19%. This total consists of a decrease in existing properties of 2.16% and an increase in new construction of .96%. Preliminary forecasts indicate 2011 assessments will show a slight increase in residential and about a 5% decrease in commercial properties. In 2010, the Town Council adopted an equalized tax rate for real property of \$.23/100. In 2010, the Town's property assessment profile was split at 78% residential and 22% commercial property.

The Town's utility rates were modified in fiscal year 2010 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 modified both the usage tiers and water rates in fiscal year 2010. The usage tiers were changed from 6,000 gallon to 5,000 gallon increments and rates were set at \$4.52/1,000 gallons up to 5,000 gallons, \$6.03 between 5,000 - 10,000 gallons, \$7.53 between 10,000 - 15,000 gallons and \$9.04 over 15,000 gallons. The sewer rate was increased by 4% to \$8.72/1,000 gallons in fiscal year 2010.

The Town expects to receive the final installment of Loudoun County Settlement funds in the amount of \$2 million in fiscal year 2011.

## **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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,966,793	\$ 9,091,100	\$ 16,057,893
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,209,678	-	1,209,678
Accounts receivable	93,379	597,622	691,001
Loans receivable	833,569	2,448,633	3,282,202
Due from other governmental units	415,018	-	415,018
Prepaid expenses	51,782	18,718	70,500
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	627,311	4,110,095	4,737,406
Other assets:			
Unamortized bond issue costs	83,860	-	83,860
Capital assets (net of accumulated depreciation):			
Land	3,701,128	3,039,509	6,740,637
Buildings and system	533,771	-	533,771
Improvements other than buildings	275,206	221,500	496,706
Machinery and equipment	1,078,960	210,650	1,289,610
Vehicles	70,871	38,715	109,586
Infrastructure	29,230,882	-	29,230,882
Utility plant in service	-	17,296,007	17,296,007
Construction in progress	9,429,792	36,103,095	45,532,887
Total assets	\$ 54,602,000	\$ 73,175,644	\$ 127,777,644
<b>LIABILITIES</b>			
Accounts payable	\$ 812,376	\$ 315,223	\$ 1,127,599
Accrued liabilities	124,330	-	124,330
Customers' deposits	-	94,525	94,525
Accrued interest payable	66,951	1,300,599	1,367,550
Unearned revenue	1,819	-	1,819
Deposits held in escrow	72,936	-	72,936
Long-term liabilities:			
Due within one year	378,631	1,148,680	1,527,311
Due in more than one year	14,662,635	46,311,205	60,973,840
Total liabilities	\$ 16,119,678	\$ 49,170,232	\$ 65,289,910
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 30,549,900	\$ 13,731,932	\$ 44,281,832
Unrestricted	7,932,422	10,273,480	18,205,902
Total net assets	\$ 38,482,322	\$ 24,005,412	\$ 62,487,734

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 2,472,829	\$ -	\$ -	\$ -
Public safety	1,692,290	65,268	241,706	-
Public works	3,788,818	103,501	-	949,581
Parks, recreation, and cultural	124,442	-	5,000	-
Community development	461,341	-	7,759	-
Interest on long-term debt	228,749	-	-	-
<b>Total governmental activities</b>	<b>\$ 8,768,469</b>	<b>\$ 168,769</b>	<b>\$ 254,465</b>	<b>\$ 949,581</b>
Business-type activities:				
Water	\$ 2,179,820	\$ 1,372,182	\$ -	\$ 34,469
Sewer	3,069,217	1,733,717	-	997,405
<b>Total business-type activities</b>	<b>\$ 5,249,037</b>	<b>\$ 3,105,899</b>	<b>\$ -</b>	<b>\$ 1,031,874</b>
<b>Total primary government</b>	<b>\$ 14,017,506</b>	<b>\$ 3,274,668</b>	<b>\$ 254,465</b>	<b>\$ 1,981,455</b>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Business licenses

Utility taxes

Restaurant food taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,472,829)	\$ -	\$ (2,472,829)
(1,385,316)	-	(1,385,316)
(2,735,736)	-	(2,735,736)
(119,442)	-	(119,442)
(453,582)	-	(453,582)
(228,749)	-	(228,749)
<u>\$ (7,395,654)</u>	<u>\$ -</u>	<u>\$ (7,395,654)</u>
\$ -	\$ (773,169)	\$ (773,169)
-	(338,095)	(338,095)
<u>\$ -</u>	<u>\$ (1,111,264)</u>	<u>\$ (1,111,264)</u>
<u>\$ (7,395,654)</u>	<u>\$ (1,111,264)</u>	<u>\$ (8,506,918)</u>
\$ 3,571,871	\$ -	\$ 3,571,871
811,566	-	811,566
633,268	-	633,268
204,768	-	204,768
679,083	-	679,083
553,191	-	553,191
55,765	92,566	148,331
2,103,213	161,020	2,264,233
372,869	-	372,869
<u>1,220,232</u>	<u>(1,220,232)</u>	<u>-</u>
\$ 10,205,826	\$ (966,646)	\$ 9,239,180
2,810,172	(2,077,910)	732,262
<u>35,672,150</u>	<u>26,083,322</u>	<u>61,755,472</u>
<u>\$ 38,482,322</u>	<u>\$ 24,005,412</u>	<u>\$ 62,487,734</u>

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## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 As of June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 6,966,793	\$ -	\$ 6,966,793
Receivables (net of allowance for uncollectibles):			
Taxes receivable (Note 1)	1,209,678	-	1,209,678
Accounts receivable	93,379	-	93,379
Loan receivable	-	833,569	833,569
Due from other funds	319,015	-	319,015
Due from other governmental units (Note 3)	353,778	61,240	415,018
Prepaid items	51,782	-	51,782
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	627,311	-	627,311
Total assets	<u>\$ 9,621,736</u>	<u>\$ 894,809</u>	<u>\$ 10,516,545</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 236,582	\$ 575,794	\$ 812,376
Accrued liabilities	124,330	-	124,330
Due to other funds	-	319,015	319,015
Deferred revenue	1,180,950	-	1,180,950
Customer deposits	72,936	-	72,936
Total liabilities	<u>\$ 1,614,798</u>	<u>\$ 894,809</u>	<u>\$ 2,509,607</u>
Fund balances:			
Unreserved, undesignated reported in:			
General fund	\$ 4,415,059	\$ -	\$ 4,415,059
Reserved for:			
State highway maintenance	94,890	-	94,890
Future capital outlay	627,311	-	627,311
Street bonds	28,733	-	28,733
Loudoun County settlement funds	2,840,945	-	2,840,945
Total fund balances	<u>\$ 8,006,938</u>	<u>\$ -</u>	<u>\$ 8,006,938</u>
Total liabilities and fund balances	<u>\$ 9,621,736</u>	<u>\$ 894,809</u>	<u>\$ 10,516,545</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,006,938
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.	44,320,610
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.	(66,951)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,262,991
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>(15,041,266)</u>
Net assets of governmental activities	<u>\$ 38,482,322</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, 2010

	General	Capital Projects	Total
<b>REVENUES</b>			
General property taxes	\$ 2,487,151	\$ -	\$ 2,487,151
Other local taxes	2,881,876	-	2,881,876
Permits, privilege fees, and regulatory licenses	103,501	-	103,501
Fines and forfeitures	65,268	-	65,268
Revenue from the use of money and property	55,765	-	55,765
Miscellaneous	2,082,073	21,140	2,103,213
Intergovernmental revenues:			
Local government	165,000	-	165,000
Commonwealth	1,058,896	223,843	1,282,739
Federal	121,417	7,759	129,176
Total revenues	<u>\$ 9,020,947</u>	<u>\$ 252,742</u>	<u>\$ 9,273,689</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,109,213	\$ -	\$ 2,109,213
Public safety	1,606,485	-	1,606,485
Public works	2,724,992	-	2,724,992
Parks, recreation, and cultural	33,063	-	33,063
Community development	486,933	-	486,933
Capital outlay	-	7,966,091	7,966,091
Debt service:			
Principal retirement	448,699	-	448,699
Interest and other fiscal charges	318,906	-	318,906
Total expenditures	<u>\$ 7,728,291</u>	<u>\$ 7,966,091</u>	<u>\$ 15,694,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,292,656</u>	<u>\$ (7,713,349)</u>	<u>\$ (6,420,693)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 1,220,232	\$ 4,003,323	\$ 5,223,555
Transfers out	(4,003,323)	-	(4,003,323)
Issuance of debt	2,977,528	3,798,300	6,775,828
Bond issuance costs	-	(88,274)	(88,274)
Total other financing sources (uses)	<u>\$ 194,437</u>	<u>\$ 7,713,349</u>	<u>\$ 7,907,786</u>
Net change in fund balances	\$ 1,487,093	\$ -	\$ 1,487,093
Fund balances - beginning	6,519,845	-	6,519,845
Fund balances - ending	<u>\$ 8,006,938</u>	<u>\$ -</u>	<u>\$ 8,006,938</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, 2010

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

Net change in fund balances - total governmental funds \$ 1,487,093

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	\$ 7,934,522	
Depreciation expense	<u>(1,333,470)</u>	6,601,052

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,084,720

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	(6,832,944)	
Bond issuance costs	88,274	
Principal retired on general obligation bonds	363,699	
Principal retired on notes payable	85,000	
Amortization of bond issuance costs	<u>(4,414)</u>	(6,300,385)

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	(6,456)	
(Increase)/decrease in other post retirement benefit obligations	(149,175)	
(Increase)/decrease in accrued interest payable	<u>94,571</u>	<u>(61,060)</u>

Change in net assets of governmental activities \$ 2,811,420

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

Statement of Net Assets  
 Proprietary Funds  
 As of June 30, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,813,052	\$ 7,278,048	\$ 9,091,100
Prepaid expenses	11,004	7,714	18,718
Receivables, net of allowances for uncollectibles			
Accounts	240,517	357,105	597,622
Loans	2,200,100	248,533	2,448,633
Total current assets	\$ 4,264,673	\$ 7,891,400	\$ 12,156,073
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents (in custody of others)	\$ 3,261,187	\$ 848,908	\$ 4,110,095
Capital assets:			
Utility plant in service	9,543,636	11,652,113	21,195,749
Land	2,672,409	367,100	3,039,509
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	4,047,085	32,056,010	36,103,095
Less accumulated depreciation	(2,413,775)	(2,048,489)	(4,462,264)
Total capital assets	\$ 14,518,603	\$ 42,390,873	\$ 56,909,476
Total noncurrent assets	\$ 17,779,790	\$ 43,239,781	\$ 61,019,571
Total assets	\$ 22,044,463	\$ 51,131,181	\$ 73,175,644
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 128,218	\$ 187,005	\$ 315,223
Customers' deposits	94,525	-	94,525
Accrued interest payable	182,849	1,117,750	1,300,599
Bonds payable - current portion	589,962	551,235	1,141,197
Total current liabilities	\$ 995,554	\$ 1,855,990	\$ 2,851,544
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 12,736,462	\$ 33,409,980	\$ 46,146,442
Compensated absences	26,675	48,159	74,834
Other post employment benefits	48,706	48,706	97,412
Total noncurrent liabilities	\$ 12,811,843	\$ 33,506,845	\$ 46,318,688
Total liabilities	\$ 13,807,397	\$ 35,362,835	\$ 49,170,232
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 4,453,366	\$ 9,278,566	\$ 13,731,932
Unrestricted	3,783,700	6,489,780	10,273,480
Total net assets	\$ 8,237,066	\$ 15,768,346	\$ 24,005,412
Total liabilities and net assets	\$ 22,044,463	\$ 51,131,181	\$ 73,175,644

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, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 1,348,681	\$ 1,710,226	\$ 3,058,907
Other revenues	23,501	23,491	46,992
Miscellaneous	4,067	32,855	36,922
Total operating revenues	<u>\$ 1,376,249</u>	<u>\$ 1,766,572</u>	<u>\$ 3,142,821</u>
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 589,370	\$ 580,663	\$ 1,170,033
Employee benefits	236,983	197,212	434,195
Plant operations	167,383	394,598	561,981
Well operations	156,879	-	156,879
Pump station operations	-	40,180	40,180
Equipment and vehicles	47,123	17,607	64,730
Depreciation	235,895	227,497	463,392
Capital outlay - non-capitalizable expenses	-	28,695	28,695
Other	107,073	50,777	157,850
Total operating expenses	<u>\$ 1,540,706</u>	<u>\$ 1,537,229</u>	<u>\$ 3,077,935</u>
Operating income (loss)	<u>\$ (164,457)</u>	<u>\$ 229,343</u>	<u>\$ 64,886</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 36,920	\$ 55,646	\$ 92,566
Cellular lease	124,098	-	124,098
Interest expense	(639,114)	(1,531,988)	(2,171,102)
Total nonoperating revenues (expenses)	<u>\$ (478,096)</u>	<u>\$ (1,476,342)</u>	<u>\$ (1,954,438)</u>
Income before contributions and transfers	<u>\$ (642,553)</u>	<u>\$ (1,246,999)</u>	<u>\$ (1,889,552)</u>
Contributed capital - availability fees	\$ 34,469	\$ 997,405	\$ 1,031,874
Transfers out	(610,116)	(610,116)	(1,220,232)
Change in net assets	<u>\$ (1,218,200)</u>	<u>\$ (859,710)</u>	<u>\$ (2,077,910)</u>
Total net assets - beginning, as restated	<u>9,455,266</u>	<u>16,628,056</u>	<u>26,083,322</u>
Total net assets - ending	<u><u>\$ 8,237,066</u></u>	<u><u>\$ 15,768,346</u></u>	<u><u>\$ 24,005,412</u></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, 2010

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,452,371	\$ 1,684,567	\$ 3,136,938
Payments to suppliers	(554,145)	(1,124,677)	(1,678,822)
Payments to and on behalf of employees	(801,919)	(750,264)	(1,552,183)
Net cash provided (used) by operating activities	\$ 96,307	\$ (190,374)	\$ (94,067)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	\$ (610,116)	\$ (610,116)	\$ (1,220,232)
Net cash provided (used) by noncapital financing activities	\$ (610,116)	\$ (610,116)	\$ (1,220,232)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	\$ (3,893,823)	\$ (6,202,533)	\$ (10,096,356)
Capital contributions	34,469	997,405	1,031,874
Retirements of long-term indebtedness	(561,679)	(282,421)	(844,100)
Proceeds from indebtedness	-	4,809,414	4,809,414
Interest payments	(529,945)	(462,051)	(991,996)
Net cash provided (used) by capital and related financing activities	\$ (4,950,978)	\$ (1,140,186)	\$ (6,091,164)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 36,920	\$ 55,646	\$ 92,566
Net cash provided (used) by investing activities	\$ 36,920	\$ 55,646	\$ 92,566
Net increase (decrease) in cash and cash equivalents	\$ (5,427,867)	\$ (1,885,030)	\$ (7,312,897)
Cash and cash equivalents - beginning (including restricted)	10,502,106	10,011,986	20,514,092
Cash and cash equivalents - ending (including restricted)	\$ 5,074,239	\$ 8,126,956	\$ 13,201,195
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (164,457)	\$ 229,343	\$ 64,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	235,895	227,497	463,392
Cellular lease revenue	124,098	-	124,098
(Increase) decrease in accounts receivable	(65,434)	(81,266)	(146,700)
(Increase) decrease in prepaid expenses	(1,054)	(739)	(1,793)
Increase (decrease) in compensated absences	(428)	2,749	2,321
Increase (decrease) in other post-employment benefits	24,862	24,862	49,724
Increase (decrease) in accounts payable	(75,687)	(592,820)	(668,507)
Increase (decrease) customer deposits	18,512	-	18,512
Total adjustments	\$ 260,764	\$ (419,717)	\$ (158,953)
Net cash provided (used) by operating activities	\$ 96,307	\$ (190,374)	\$ (94,067)

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

# TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010

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## Note 1—Summary of Significant Accounting Policies:

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### A. Financial Reporting Entity

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

#### Individual Component Unit Disclosures

The Town has no component units.

#### Related Organizations

The Town has no related organizations.

#### Jointly Governed Organizations

The Town has no jointly governed organizations.

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements with the exception of the amounts related to interfund services provided and used. 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, 2010 (Continued)

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

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

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

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

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 GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a 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, 2010 (Continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are 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, 2010 (Continued)

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

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

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, 2010 (Continued)

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

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#### 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, 2010 (Continued)

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

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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, 2010 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 \$10,517 at June 30, 2009 for uncollectible local property taxes.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### 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:

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#### Deposits:

All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. 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, 2010 (Continued)

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

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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, 2010 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, 2010 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	\$ 2,001,227
State Non-Arbitrage Pool	<u>4,737,406</u>
Total	<u>\$ 6,738,633</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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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	\$ 2,001,227	\$ 2,001,227
State Non-Arbitrage Pool	<u>4,737,406</u>	<u>4,737,406</u>
Total	<u>\$ 6,738,633</u>	<u>\$ 6,738,633</u>

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:**

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Commonwealth:	
VDOT	\$ 61,240
Communications Tax	<u>28,461</u>
Due from Commonwealth	<u>\$ 89,701</u>
Federal Government:	
FEMA	<u>\$ 110,382</u>
County of Loudoun:	
Local Sales Tax	<u>\$ 214,935</u>
Total	<u>\$ 415,018</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

**Note 4—Capital Assets:**

Governmental Funds

A summary of changes in capital assets at June 30, 2010 follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 1,751,128	\$ 1,950,000	\$ -	\$ 3,701,128
Construction in progress	<u>3,459,999</u>	<u>5,969,793</u>	<u>-</u>	<u>9,429,792</u>
Total capital assets not being depreciated	<u>\$ 5,211,127</u>	<u>\$ 7,919,793</u>	<u>\$ -</u>	<u>\$ 13,130,920</u>
Capital assets being depreciated:				
Buildings	\$ 1,047,880	\$ -	\$ -	\$ 1,047,880
Improvements other than buildings	460,027	-	-	460,027
Machinery and equipment	2,181,631	14,729	-	2,196,360
Vehicles	732,227	-	-	732,227
Infrastructure	<u>49,495,854</u>	<u>-</u>	<u>-</u>	<u>49,495,854</u>
Subtotal	<u>\$ 53,917,619</u>	<u>\$ 14,729</u>	<u>\$ -</u>	<u>\$ 53,932,348</u>
Less: accumulated depreciation for:				
Buildings	\$ (481,881)	\$ (32,228)	\$ -	\$ (514,109)
Improvements other than buildings	(162,677)	(22,144)	-	(184,821)
Machinery and equipment	(983,012)	(134,388)	-	(1,117,400)
Vehicles	(607,185)	(54,171)	-	(661,356)
Infrastructure	<u>(19,174,433)</u>	<u>(1,090,539)</u>	<u>-</u>	<u>(20,264,972)</u>
Total accumulated depreciation	<u>\$ (21,409,188)</u>	<u>\$ (1,333,470)</u>	<u>\$ -</u>	<u>\$ (22,742,658)</u>
Net capital assets being depreciated	<u>\$ 32,508,431</u>	<u>\$ (1,318,741)</u>	<u>\$ -</u>	<u>\$ 31,189,690</u>
Capital assets, net	<u>\$ 37,719,558</u>	<u>\$ 6,601,052</u>	<u>\$ -</u>	<u>\$ 44,320,610</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 857,675	\$ 2,181,834	\$ -	\$ 3,039,509
Construction in progress	<u>28,188,573</u>	<u>7,914,522</u>	<u>-</u>	<u>36,103,095</u>
Total capital assets not being depreciated	\$ <u>29,046,248</u>	\$ <u>10,096,356</u>	\$ <u>-</u>	\$ <u>39,142,604</u>
Capital assets being depreciated:				
Utility plant in service	\$ 21,195,749	\$ -	\$ -	\$ 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	\$ 22,229,136	\$ -	\$ -	\$ 22,229,136
Less: accumulated depreciation for:				
Utility plant in service	\$ (3,501,941)	\$ (397,801)	\$ -	\$ (3,899,742)
Improvements other than buildings	(202,700)	(20,800)	-	(223,500)
Vehicles	(170,909)	(16,894)	-	(187,803)
Machinery and equipment	<u>(123,323)</u>	<u>(27,896)</u>	<u>-</u>	<u>(151,219)</u>
Total accumulated depreciation	\$ <u>(3,998,873)</u>	\$ <u>(463,391)</u>	\$ <u>-</u>	\$ <u>(4,462,264)</u>
Net capital assets being depreciated	\$ <u>18,230,263</u>	\$ <u>(463,391)</u>	\$ <u>-</u>	\$ <u>17,766,872</u>
Capital assets, net	\$ <u><u>47,276,511</u></u>	\$ <u><u>9,632,965</u></u>	\$ <u><u>-</u></u>	\$ <u><u>56,909,476</u></u>

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

Governmental activities:

General government	\$ 70,217
Public safety	50,348
Public works (Highways and streets)	1,212,383
Parks and recreation	<u>522</u>
Total governmental activities	<u>\$ 1,333,470</u>
Enterprise funds	<u>\$ 463,391</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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		Notes
	Principal	Interest	Principal
2011	\$ 401,127	\$ 625,988	\$ 85,000
2012	430,770	607,234	85,000
2013	478,595	588,997	85,000
2014	496,872	568,726	85,000
2015	535,709	547,673	85,000
2016-2020	2,937,694	2,381,521	425,000
2021-2025	3,052,905	1,394,853	425,000
2026-2030	1,956,939	867,234	170,000
2031-2035	621,977	576,282	-
2036-2040	764,178	434,082	-
2041-2045	938,889	259,371	-
2046-2047	337,366	56,557	-
Total	\$ <u>12,953,021</u>	\$ <u>8,908,518</u>	\$ <u>1,445,000</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, 2010:

	Notes Payable	Bonds Payable	Compensated Absences	Other Post Employment Benefits	Total
Long-term debt payable at July 1, 2009	\$ 1,530,000	\$ 6,483,776	\$ 346,854	\$ 139,512	\$ 8,500,142
Increases:					
Issuances	-	6,832,944	236,121	150,423	7,219,488
Decreases:					
Retirements	85,000	363,699	229,665	-	678,364
Long-term debt payable at June 30, 2010	\$ <u>1,445,000</u>	\$ <u>12,953,021</u>	\$ <u>353,310</u>	\$ <u>289,935</u>	\$ <u>15,041,266</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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.	\$ 485,708	\$ 54,100
\$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.	1,896,600	89,300
\$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.	2,455,500	114,900
\$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 \$4,164,172 of this bond had been received.	4,164,171	25,354
\$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 \$232,585 of this bond had been received.	117,473	117,473
\$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.	3,000,000	-
\$2,155,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bonds bearing interest at 4.23% maturing July 15, 2020. At June 30, 2010 only \$833,569 of this bond had been received.	833,569	-
Total Bonds Payable	<u>\$ 12,953,021</u>	<u>\$ 258,300</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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%.	\$ 1,445,000	\$ 85,000
Compensated Absences (Note 6)	\$ 353,310	\$ 35,331
Other post employment benefits (Note 12)	\$ 289,935	\$ -
Total general long-term obligation debt	<u>\$ 15,041,266</u>	<u>\$ 378,631</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>
2011	\$ 1,357,968	\$ 1,474,112
2012	1,930,395	1,698,177
2013	2,094,096	1,625,725
2014	2,175,132	1,546,538
2015	2,253,530	1,464,126
2016-2020	12,175,191	5,968,913
2021-2025	12,354,189	3,472,098
2026-2029	12,947,138	1,478,050
Total	<u>\$ 47,287,639</u>	<u>\$ 18,727,739</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, 2010:

	<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, 2009	\$ 40,873,842	\$ 72,513	\$ 47,688	\$ 40,994,043
Increases:				
Issuances	7,257,897	80,478	49,724	7,388,099
Retirements:				
General Obligation Bonds	<u>844,100</u>	<u>78,157</u>	<u>-</u>	<u>922,257</u>
Long-Term Debt Payable at June 30, 2010	<u>\$ 47,287,639</u>	<u>\$ 74,834</u>	<u>\$ 97,412</u>	<u>\$ 47,459,885</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (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.	\$ 16,538,200	\$ 590,900
\$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 \$23,585,639 of this bond had been received.	23,585,639	256,697
\$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.	1,915,000	150,000
\$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.	3,048,700	143,600
\$2,245,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bonds bearing interest at 4.23% maturing July 15, 2020. At June 30, 2010 only \$2,200,100 of this bond had been received.	<u>2,200,100</u>	<u>-</u>
Total	\$ 47,287,639	\$ 1,141,197
Compensated Absences (Note 6)	<u>74,834</u>	<u>7,483</u>
Other post employment benefits (Note 12)	<u>97,412</u>	<u>-</u>
Total enterprise debt	<u>\$ 47,459,885</u>	<u>\$ 1,148,680</u>

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### 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.

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

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination, except for employees who retire under VRS from the Town in good standing are paid for 25% of their sick leave balance. Accumulated vacation is paid upon termination. The Town's General Fund has outstanding accrued leave pay totaling \$353,310 and the Enterprise Funds have outstanding accrued leave pay of \$74,834.

### Note 7—Defined Benefit Pension Plan:

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#### A. Plan Description:

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

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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

**A. Plan Description: (Continued)**

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.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, 2010 was 7.84% of the annual covered payroll.

For fiscal year ended 2010, the Town’s annual pension cost of \$306,643 (does not include the portion of the employee share assumed by the Town which was \$195,563) was equal to the Town’s required and actual contributions.

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

<b>Three-Year Trend Information</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
06/30/10	\$ 306,643	100%	\$ -
06/30/09	308,944	100%	-
06/30/08	277,121	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. The 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.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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#### D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 87.28% funded. The actuarial accrued liability for benefits was \$6,803,010 and the actuarial value of assets was \$5,937,882, resulting in an unfunded actuarial liability (UAAL) of \$865,128. The covered payroll (annual payroll of active employees covered by the plan) was \$4,011,763, and the ratio of the UAAL to covered payroll was 21.56%.

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.

### Note 8—Deferred Revenue:

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

#### A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$1,179,131 at June 30, 2010.

#### B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$1,819 at June 30, 2010.

### Note 9—Risk Management:

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

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

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2010 (Continued)

**Note 10—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,220,232	\$ 4,003,323
Capital Projects Fund	4,003,323	
Water Fund	-	610,116
Sewer Fund	-	610,116
	<u>5,223,555</u>	<u>5,223,555</u>
Total	\$ <u>5,223,555</u>	\$ <u>5,223,555</u>

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

**Note 11—Commitments:**

At June 30, 2010 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
Pizzagalli Construction	BSWF ENR Upgrade	\$ 350,847
CH2M Hill	BSWF ENR Upgrade	258,103
Webb Construction	Maintenance facility	385,262
RK&K	BSWF ENR Upgrade	69,879
CH2M Hill	Water Resource Implementation	446,332
Kimley Horn	Downtown Streetscape	924
RK&K	Maintenance facility	32,051

**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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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A. Plan Description:

In addition to the pension benefits described in Note 9, the Town provides a single-employer defined benefit 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.

C. Annual OPEB Cost and Net OPEB Obligation:

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 2010. 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) as a level percentage of payroll or an open basis over a period not to exceed thirty years.

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	\$ 211,300
Interest on net OPEB obligation	7,487
Adjustment to annual required contribution	<u>(6,240)</u>
Annual OPEB cost (expense)	\$ 212,547
Estimated contributions made	<u>(12,400)</u>
Increase in net OPEB obligation	\$ <u>200,147</u>
Net OPEB obligation - beginning of year	<u>187,200</u>
Net OPEB obligation - end of year	\$ <u><u>387,347</u></u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

**C. Annual OPEB Cost and Net OPEB Obligation: (Continued)**

For 2010, the Town’s expected cash payment of \$12,400 was \$200,148 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 2010 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	6.00%	\$ 187,200
June 30, 2010	212,547	5.83%	387,347

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2010 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 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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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

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C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Actuarial Methods and Assumptions: (Continued)

In the January 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.7% initially, reduced by decrements to an ultimate rate of 5.10% after 80 years. Both rates included a 3.75% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2009, was 30 years.

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.

Interest Assumptions

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2010 (Continued)

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**Note 13—Operating Leases:**

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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>
2011	\$ 96,266
2012	63,066
2013	<u>30,126</u>
Total	<u>\$ 189,458</u>

**Note 14—Reserved Fund Balance:**

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

State highway maintenance	\$ 94,890
Unspent bond proceeds	4,737,406
Loudoun county settlement	2,840,945
Veterinary clinic cash bonds	<u>28,733</u>
Total	<u>\$ 7,701,974</u>

**Note 15—Restatement of Beginning Net Assets:**

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Beginning net assets of the Sewer Fund were adjusted as follows:

Net assets, June 30, 2009	\$ 16,795,435
Adjustment:	
Write-off grant receivable	<u>(167,379)</u>
Net assets, June 30, 2009, as adjusted	<u>\$ 16,628,056</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

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## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 2,408,000	\$ 2,408,000	\$ 2,487,151	\$ 79,151
Other local taxes	2,495,500	2,495,500	2,881,876	386,376
Permits, privilege fees, and regulatory licenses	90,000	90,000	103,501	13,501
Fines and forfeitures	77,000	77,000	65,268	(11,732)
Revenue from the use of money and property	136,500	136,500	55,765	(80,735)
Miscellaneous	40,400	43,400	2,082,073	2,038,673
Intergovernmental revenues:				
Local government	160,000	160,000	165,000	5,000
Commonwealth	1,023,500	1,032,936	1,058,896	25,960
Federal	5,500	5,500	121,417	115,917
Total revenues	\$ 6,436,400	\$ 6,448,836	\$ 9,020,947	\$ 2,572,111
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,153,249	\$ 2,147,609	\$ 2,109,213	\$ 38,396
Public safety	1,571,158	1,584,694	1,606,485	(21,791)
Public works	2,851,546	3,022,353	2,724,992	297,361
Parks, recreation, and cultural	37,450	38,990	33,063	5,927
Community development	572,530	575,530	486,933	88,597
Debt service:				
Principal retirement	493,810	493,810	448,699	45,111
Interest and other fiscal charges	350,968	350,968	318,906	32,062
Total expenditures	\$ 8,030,711	\$ 8,213,954	\$ 7,728,291	\$ 485,663
Excess (deficiency) of revenues over (under) expenditures	\$ (1,594,311)	\$ (1,765,118)	\$ 1,292,656	\$ 3,057,774
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,220,232	\$ 1,220,232	\$ 1,220,232	\$ -
Transfers out	(150,242)	(150,242)	(4,003,323)	(3,853,081)
Issuance of debt	-	-	2,977,528	2,977,528
Total other financing sources (uses)	\$ 1,069,990	\$ 1,069,990	\$ 194,437	\$ (875,553)
Net change in fund balances	\$ (524,321)	\$ (695,128)	\$ 1,487,093	\$ 2,182,221
Fund balances - beginning	6,519,845	6,519,845	6,519,845	-
Fund balances - ending	\$ 5,995,524	\$ 5,824,717	\$ 8,006,938	\$ 2,182,221

Schedules of Funding Progress  
As of June 30, 2010

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%
06/30/09	5,937,882	6,803,010	865,128	87.28%	4,011,763	21.56%

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%
01/01/10	-	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, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,073,000	\$ 2,073,000	\$ 2,172,443	\$ 99,443
Personal property taxes	310,000	310,000	289,728	(20,272)
Penalties and interest	25,000	25,000	24,980	(20)
Total general property taxes	<u>\$ 2,408,000</u>	<u>\$ 2,408,000</u>	<u>\$ 2,487,151</u>	<u>\$ 79,151</u>
Other local taxes:				
Local sales and use taxes	\$ 638,000	\$ 638,000	\$ 811,566	\$ 173,566
Cigarette taxes	230,000	230,000	202,844	(27,156)
Business license taxes	509,000	509,000	633,268	124,268
Utility license taxes	190,000	190,000	204,768	14,768
Auto decals	130,000	130,000	127,915	(2,085)
Bank franchise taxes	150,000	150,000	216,971	66,971
Cable franchise taxes	6,500	6,500	5,461	(1,039)
Restaurant food taxes	642,000	642,000	679,083	37,083
Total other local taxes	<u>\$ 2,495,500</u>	<u>\$ 2,495,500</u>	<u>\$ 2,881,876</u>	<u>\$ 386,376</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 90,000	\$ 90,000	\$ 98,051	\$ 8,051
Proffers	-	-	5,450	5,450
Total permits, privilege fees, and regulatory licenses	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 103,501</u>	<u>\$ 13,501</u>
Fines and forfeitures:				
Police fines	\$ 77,000	\$ 77,000	\$ 65,268	\$ (11,732)
Total fines and forfeitures	<u>\$ 77,000</u>	<u>\$ 77,000</u>	<u>\$ 65,268</u>	<u>\$ (11,732)</u>
Revenue from use of money and property:				
Interest	\$ 121,000	\$ 121,000	\$ 54,645	\$ (66,355)
Revenue from use of property	15,500	15,500	1,120	(14,380)
Total revenue from use of money and property	<u>\$ 136,500</u>	<u>\$ 136,500</u>	<u>\$ 55,765</u>	<u>\$ (80,735)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 38,800	\$ 41,800	\$ 2,067,834	\$ 2,026,034
Proceeds from sales of property	1,000	1,000	2,099	1,099
Charette donations	-	-	3,000	3,000
Community events sign	600	600	730	130
Law enforcement and safety reimbursement from Loudoun County	-	-	6,552	6,552
Vehicle compensation reimbursement	-	-	1,858	1,858
Total miscellaneous revenue	<u>\$ 40,400</u>	<u>\$ 43,400</u>	<u>\$ 2,082,073</u>	<u>\$ 2,038,673</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental revenue:				
Gasoline tax funding from Loudoun County	\$ 160,000	\$ 160,000	\$ 165,000	\$ 5,000
Total revenue from local sources	<u>\$ 5,407,400</u>	<u>\$ 5,410,400</u>	<u>\$ 7,840,634</u>	<u>\$ 2,430,234</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 176,000	\$ 176,000	\$ 168,616	\$ (7,384)
Personal property tax relief funds	201,000	201,000	201,753	753
Total noncategorical aid	<u>\$ 377,000</u>	<u>\$ 377,000</u>	<u>\$ 370,369</u>	<u>\$ (6,631)</u>
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 130,000	\$ 139,436	\$ 112,730	\$ (26,706)
Total shared expenses	<u>\$ 130,000</u>	<u>\$ 139,436</u>	<u>\$ 112,730</u>	<u>\$ (26,706)</u>
Other categorical aid:				
Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fire programs fund	10,000	10,000	9,888	(112)
Highway maintenance funds	500,000	500,000	560,738	60,738
Litter control grant	1,500	1,500	171	(1,329)
Total other categorical aid	<u>\$ 516,500</u>	<u>\$ 516,500</u>	<u>\$ 575,797</u>	<u>\$ 59,297</u>
Total categorical aid	<u>\$ 646,500</u>	<u>\$ 655,936</u>	<u>\$ 688,527</u>	<u>\$ 32,591</u>
Total revenue from the Commonwealth	<u>\$ 1,023,500</u>	<u>\$ 1,032,936</u>	<u>\$ 1,058,896</u>	<u>\$ 25,960</u>
Revenue from the federal government:				
Payments in lieu of taxes	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Categorical aid:				
Highway safety grant	\$ -	\$ -	\$ 4,610	\$ 4,610
Emergency management grant	-	-	110,382	110,382
Law enforcement funds	3,000	3,000	3,925	925
Total categorical aid	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 118,917</u>	<u>\$ 115,917</u>
Total revenue from the federal government	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 121,417</u>	<u>\$ 115,917</u>
Total General Fund	<u><u>\$ 6,436,400</u></u>	<u><u>\$ 6,448,836</u></u>	<u><u>\$ 9,020,947</u></u>	<u><u>\$ 2,572,111</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Fund:</b>				
<b>General Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 1,938,324	\$ 21,140	\$ (1,917,184)
Total revenue from local sources	<u>\$ -</u>	<u>\$ 1,938,324</u>	<u>\$ 21,140</u>	<u>\$ (1,917,184)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 1,469,379	\$ 2,373,043	\$ 223,843	\$ (2,149,200)
Total revenue from the Commonwealth	<u>\$ 1,469,379</u>	<u>\$ 2,373,043</u>	<u>\$ 223,843</u>	<u>\$ (2,149,200)</u>
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 108,291	\$ 108,291	\$ 7,759	\$ (100,532)
Total County Capital Improvements Fund	<u>\$ 1,577,670</u>	<u>\$ 4,419,658</u>	<u>\$ 252,742</u>	<u>\$ (4,166,916)</u>
Total Primary Government	<u>\$ 8,014,070</u>	<u>\$ 10,868,494</u>	<u>\$ 9,273,689</u>	<u>\$ (1,594,805)</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 46,398	\$ 46,398	\$ 50,302	\$ (3,904)
General and financial administration:				
Administration	\$ 924,281	\$ 924,281	\$ 843,567	\$ 80,714
Building administration	74,010	68,370	65,582	2,788
Legal services	166,250	166,250	236,779	(70,529)
Independent auditor	44,500	44,500	22,812	21,688
Information technology	174,213	174,213	227,584	(53,371)
Finance	723,597	723,597	662,587	61,010
Total general and financial administration	\$ 2,106,851	\$ 2,101,211	\$ 2,058,911	\$ 42,300
Total general government administration	\$ 2,153,249	\$ 2,147,609	\$ 2,109,213	\$ 38,396
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,481,158	\$ 1,494,694	\$ 1,516,597	\$ (21,903)
Fire and rescue services:				
Fire department	\$ 50,000	\$ 50,000	\$ 49,888	\$ 112
Ambulance and rescue services	40,000	40,000	40,000	-
Total fire and rescue services	\$ 90,000	\$ 90,000	\$ 89,888	\$ 112
Total public safety	\$ 1,571,158	\$ 1,584,694	\$ 1,606,485	\$ (21,791)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 572,190	\$ 758,197	\$ 470,830	\$ 287,367
Administration	863,214	863,214	853,870	9,344
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,435,404	\$ 1,621,411	\$ 1,324,700	\$ 296,711
Maintenance of general buildings and grounds:				
General properties	\$ 935,792	\$ 920,592	\$ 924,720	\$ (4,128)
Refuse	468,000	468,000	465,572	2,428
Total maintenance of general buildings and grounds	\$ 1,403,792	\$ 1,388,592	\$ 1,390,292	\$ (1,700)
Mass transit	\$ 12,350	\$ 12,350	\$ 10,000	\$ 2,350
Total public works	\$ 2,851,546	\$ 3,022,353	\$ 2,724,992	\$ 297,361

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 26,000	\$ 27,540	\$ 22,838	\$ 4,702
Recreation facilities	11,450	11,450	10,225	1,225
Total parks and recreation	<u>\$ 37,450</u>	<u>\$ 38,990</u>	<u>\$ 33,063</u>	<u>\$ 5,927</u>
Total parks, recreation, and cultural	<u>\$ 37,450</u>	<u>\$ 38,990</u>	<u>\$ 33,063</u>	<u>\$ 5,927</u>
Community development:				
Planning and community development:				
Planning	\$ 482,730	\$ 482,730	\$ 425,078	\$ 57,652
Planning commission	16,412	16,412	13,854	2,558
Board of architectural review	11,730	11,730	4,257	7,473
Tree and beautification commission	16,200	16,200	10,149	6,051
Train station	16,485	16,485	12,018	4,467
Total planning and community development	<u>\$ 543,557</u>	<u>\$ 543,557</u>	<u>\$ 465,356</u>	<u>\$ 78,201</u>
Environmental management:				
Environmental service	\$ -	\$ 3,000	\$ 420	\$ 2,580
Retiree benefits	\$ 7,608	\$ 7,608	\$ 7,538	\$ 70
Compensation adjustment	\$ -	\$ -	\$ -	\$ -
Board of zoning and appeals	\$ 3,415	\$ 3,415	\$ (450)	\$ 3,865
Economic development:				
Economic development	\$ 17,950	\$ 17,950	\$ 14,069	\$ 3,881
Total community development	<u>\$ 572,530</u>	<u>\$ 575,530</u>	<u>\$ 486,933</u>	<u>\$ 88,597</u>
Debt service:				
Principal retirement and interest	\$ 493,810	\$ 493,810	\$ 448,699	\$ 45,111
Interest and other fiscal charges	350,968	350,968	318,906	32,062
Total debt service	<u>\$ 844,778</u>	<u>\$ 844,778</u>	<u>\$ 767,605</u>	<u>\$ 77,173</u>
Total General Fund	<u><u>\$ 8,030,711</u></u>	<u><u>\$ 8,213,954</u></u>	<u><u>\$ 7,728,291</u></u>	<u><u>\$ 485,663</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
General capital projects	\$ 667,000	\$ 926,894	\$ 260,643	\$ 666,251
Maintenance facility	1,316,000	3,259,760	3,171,112	88,648
Stormwater inventory	-	2,229	1,035	1,194
Main and Maple improvements	-	625,822	72,887	552,935
Main Street sidewalks	511,790	570,049	44,596	525,453
N. 21st Street sidewalk	260,000	695,279	45,952	649,327
S. 32nd Street sidewalk	114,757	300,000	250,513	49,487
Southern collector road	580,000	580,000	89,391	490,609
Nursery avenue storm sewer	110,000	125,034	81,785	43,249
D Street drainage and sidewalk	250,000	263,952	67,059	196,893
West Main Street - 28th to 33rd	355,000	449,675	25,197	424,478
Fireman's field renovation	250,000	1,920,472	1,072,418	848,054
Maple to W and OD Trail	400,000	489,291	47,951	441,340
Fireman's field upgrades	50,000	30,000	61,152	(31,152)
New town hall purchase	2,500,000	2,410,769	2,322,495	88,274
New town hall renovation	-	573,281	351,905	221,376
Future projects - Loudoun County	2,000,000	-	-	-
<b>Total Capital Projects Fund</b>	<b>\$ 9,364,547</b>	<b>\$ 13,222,507</b>	<b>\$ 7,966,091</b>	<b>\$ 5,256,416</b>
<b>Total Primary Government</b>	<b>\$ 17,395,258</b>	<b>\$ 21,436,461</b>	<b>\$ 15,694,382</b>	<b>\$ 5,742,079</b>

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund:</b>				
Operating revenues:				
Water meter fees	\$ 14,404	\$ 14,404	\$ 1,978	\$ (12,426)
Water fees	1,367,500	1,367,500	1,345,087	(22,413)
Miscellaneous income	4,000	4,000	4,067	67
Penalties and interest	20,000	20,000	23,501	3,501
Water flushing	1,000	1,000	1,616	616
Total operating revenues	\$ 1,406,904	\$ 1,406,904	\$ 1,376,249	\$ (30,655)
Operating expenses:				
Personnel:				
Water staff	\$ 523,006	\$ 523,006	\$ 561,496	\$ (38,490)
Overtime - Water	35,000	35,000	27,874	7,126
Plant operations:				
Electricity	21,850	21,850	17,528	4,322
Telephone	6,650	6,650	7,229	(579)
Supplies	7,980	7,980	6,237	1,743
Contracts	20,000	20,000	16,290	3,710
Uniforms	8,550	8,550	6,631	1,919
Safety	9,500	9,500	2,319	7,181
Sludge disposal	13,300	13,300	9,190	4,110
Cross connections	950	950	-	950
Plant repairs	38,000	38,000	29,252	8,748
Water line repairs	19,000	19,000	21,842	(2,842)
Leak detection	2,850	2,850	3,000	(150)
Meter repairs & testing	3,000	3,000	1,304	1,696
New water meters	22,000	22,000	10,536	11,464
Computer upgrades	1,900	1,900	395	1,505
Chemicals - plant	42,750	42,750	29,610	13,140
Generator WTP	5,700	5,700	336	5,364
Permits	6,460	6,460	5,684	776
Touch read HDW & SFTW	6,000	6,000	-	6,000
Public education	2,850	2,850	179	2,671
VDH operations fee	12,920	12,920	-	12,920
Well operations:				
Electricity	40,850	-	47,354	(47,354)
Telephone	1,425	1,425	772	653
Supplies	45,600	45,600	22,312	23,288
Contracts	9,500	9,500	34,236	(24,736)
Spare parts	3,800	3,800	3,547	253
Repairs	36,100	-	19,115	(19,115)
Chemicals	17,100	17,100	13,901	3,199
Carbon change-out	23,750	-	15,642	(15,642)
Equipment and vehicles expenses:				
New equipment & tools	25,650	-	20,039	(20,039)
Vehicle repairs and maintenance	16,625	16,625	13,929	2,696
Propane	9,500	-	13,155	(13,155)

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund: (Continued)</b>				
Operating expenses: (Continued)				
Other:				
Advertisements	\$ 1,995	\$ 1,995	\$ 20	\$ 1,975
Water samples	38,475	38,475	12,459	26,016
Training	9,975	9,975	4,153	5,822
Dues & subscriptions	912	912	467	445
Consumer reports	3,515	3,515	1,663	1,852
General expenses	2,850	2,850	3,591	(741)
Postage/mailings	7,800	7,800	6,761	1,039
Professional services	28,500	28,500	-	28,500
Watershed management	4,275	4,275	4,748	(473)
Forestry management	2,850	2,850	2,359	491
Environmental compliance	4,275	4,275	2,250	2,025
Mowing	10,450	10,450	6,330	4,120
Administrative supplies	950	950	-	950
Water department emergency	3,800	3,800	4,600	(800)
Small projects	171,050	171,050	57,493	113,557
Employee benefits:				
Health insurance	109,314	109,314	107,459	1,855
Retirement	67,927	67,927	67,260	667
Workers' compensation	15,511	15,511	11,988	3,523
Payroll taxes	43,148	43,148	43,276	(128)
Drug testing	715	715	-	715
Life insurance	4,338	4,338	3,120	1,218
Deferred compensation match	3,120	3,120	3,880	(760)
Depreciation	-	-	235,895	(235,895)
Total operating expenses	<u>\$ 1,575,861</u>	<u>\$ 1,440,011</u>	<u>\$ 1,540,706</u>	<u>\$ (100,695)</u>
Operating income (loss)	<u>\$ (168,957)</u>	<u>\$ (33,107)</u>	<u>\$ (164,457)</u>	<u>\$ (131,350)</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 100,000	\$ 100,000	\$ 36,920	\$ (63,080)
Cellular lease	122,000	122,000	124,098	2,098
Interest expense	(1,091,623)	(1,091,623)	(639,114)	452,509
Total nonoperating revenues (expenses)	<u>\$ (869,623)</u>	<u>\$ (869,623)</u>	<u>\$ (478,096)</u>	<u>\$ 391,527</u>
Net income (loss) before operating transfers and contributions	<u>\$ (1,038,580)</u>	<u>\$ (902,730)</u>	<u>\$ (642,553)</u>	<u>\$ 260,177</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,545,240	\$ 1,545,240	\$ 34,469	\$ (1,510,771)
Transfers out	(610,116)	(610,116)	(610,116)	-
Total other financing sources (uses)	<u>\$ 935,124</u>	<u>\$ 935,124</u>	<u>\$ (575,647)</u>	<u>\$ (1,510,771)</u>
Net income	<u><u>\$ (103,456)</u></u>	<u><u>\$ 32,394</u></u>	<u><u>\$ (1,218,200)</u></u>	<u><u>\$ (1,250,594)</u></u>

## Schedule of Revenues and Expenses - Budget and Actual

## Sewer Fund

For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund:</b>				
Operating revenues:				
Sewer fees	\$ 1,696,250	\$ 1,696,250	\$ 1,710,226	\$ 13,976
Penalties and interest	20,000	20,000	23,491	3,491
Miscellaneous income	400	400	32,855	32,455
<b>Total operating revenues</b>	<b>\$ 1,716,650</b>	<b>\$ 1,716,650</b>	<b>\$ 1,766,572</b>	<b>\$ 49,922</b>
Operating expenses:				
Personnel:				
Sewer staff	\$ 498,394	\$ 498,394	\$ 532,964	\$ (34,570)
Overtime - Sewer	35,000	35,000	47,699	(12,699)
Plant operations:				
Electricity	88,600	88,600	128,900	(40,300)
Telephone	8,000	8,000	8,086	(86)
Supplies	-	-	2,374	(2,374)
Plant supplies	7,500	7,500	24,406	(16,906)
Contracts	-	-	7,424	(7,424)
Permits	7,500	7,500	-	7,500
Uniforms	9,500	9,500	6,235	3,265
Plant repairs	33,250	33,250	32,719	531
Sewer line repairs	14,250	14,250	23,041	(8,791)
Safety	8,000	8,000	6,718	1,282
Lab supplies	20,000	20,000	-	20,000
New equipment & tools	32,000	32,000	12,696	19,304
Sludge removal	106,000	106,000	102,735	3,265
Chemicals	19,500	19,500	35,023	(15,523)
Lab certification	3,000	3,000	-	3,000
Sample analysis	4,200	4,200	3,859	341
Waste disposal	1,750	1,750	382	1,368
Contracts	1,000	1,000	-	1,000
Meter repairs, tools, and equipment	4,000	4,000	-	4,000
New water meters	18,000	18,000	-	18,000
Touch read HDW	5,000	5,000	-	5,000
Pump station operations:				
Electricity	9,600	9,600	10,694	(1,094)
Telephone	950	950	1,095	(145)
Repairs	19,000	19,000	21,524	(2,524)
Contracts	9,000	9,000	6,857	2,143
Equipment	7,500	7,500	10	7,490
Equipment and vehicles expenses:				
Equipment - plant	-	-	10,058	(10,058)
Gas and oil	3,500	3,500	2,833	667
Vehicle repairs	8,000	8,000	4,716	3,284

## Schedule of Revenues and Expenses - Budget and Actual

## Sewer Fund

For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund: (Continued)</b>				
Other expenses:				
Dues & subscriptions	\$ 500	\$ 500	\$ 320	\$ 180
Advertisements	3,000	3,000	-	3,000
Training	3,800	3,800	1,318	2,482
Postage/mailings	7,800	7,800	6,690	1,110
Other expenses	5,700	5,700	3,980	1,720
Engineering	-	-	34,825	(34,825)
Mowing	13,500	13,500	2,924	10,576
Environmental compliance	3,200	3,200	-	3,200
Sewer department emergency	3,000	3,000	690	2,310
Administrative supplies	2,700	2,700	2	2,698
Public education	1,000	1,000	28	972
Employee benefits:				
Health insurance	68,055	68,055	75,330	68,027
Compensation adjustment	-	-	-	-
Retirement	64,723	64,723	63,424	1,299
Workers' compensation	12,992	12,992	9,521	3,471
Payroll taxes	41,239	41,239	42,890	(1,651)
Drug testing	715	715	-	715
Deferred compensation match	2,600	2,600	3,120	(520)
Life insurance	4,133	4,133	2,927	1,206
Depreciation	-	-	227,497	(227,497)
Capital outlay - non-capitalizable expenses	-	-	28,695	(28,695)
Total operating expenses	<u>\$ 1,220,651</u>	<u>\$ 1,220,651</u>	<u>\$ 1,537,229</u>	<u>\$ (241,276)</u>
Operating income	<u>\$ 495,999</u>	<u>\$ 495,999</u>	<u>\$ 229,343</u>	<u>\$ (191,354)</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 117,000	\$ 117,000	\$ 55,646	\$ (61,354)
Interest expense	<u>(744,473)</u>	<u>(744,473)</u>	<u>(1,531,988)</u>	<u>(787,515)</u>
Total nonoperating revenues (expenses)	<u>\$ (627,473)</u>	<u>\$ (627,473)</u>	<u>\$ (1,476,342)</u>	<u>\$ (848,869)</u>
Net income before operating transfers	<u>\$ (131,474)</u>	<u>\$ (131,474)</u>	<u>\$ (1,246,999)</u>	<u>\$ (1,040,223)</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,296,000	\$ 1,296,000	\$ 997,405	\$ (298,595)
Transfers out	<u>(610,116)</u>	<u>(610,116)</u>	<u>(610,116)</u>	<u>-</u>
Total operating transfers	<u>\$ 685,884</u>	<u>\$ 685,884</u>	<u>\$ 387,289</u>	<u>\$ (298,595)</u>
Net income	<u><u>\$ 554,410</u></u>	<u><u>\$ 554,410</u></u>	<u><u>\$ (859,710)</u></u>	<u><u>\$ (1,338,818)</u></u>

Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 As of June 30, 2010

	<u>2010</u>	<u>2009</u>
Governmental funds capital assets:		
Land	\$ 3,701,128	\$ 1,751,128
Buildings	1,047,880	1,047,880
Improvements other than buildings	460,027	460,027
Machinery and equipment	2,196,360	2,181,631
Vehicles	732,227	732,227
Infrastructure	49,495,854	49,495,854
Construction in progress	<u>9,429,792</u>	<u>3,459,999</u>
Total governmental funds capital assets	<u>\$ 67,063,268</u>	<u>\$ 59,128,746</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 67,063,268</u>	<u>\$ 59,128,746</u>
Total governmental funds capital assets	<u>\$ 67,063,268</u>	<u>\$ 59,128,746</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 As of June 30, 2010

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>
General government administration:			
Town council	\$ 3,700,000	\$ 803,130	\$ 903,128
Finance and administration	-	-	-
Total general government administration	<u>\$ 3,700,000</u>	<u>\$ 803,130</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	\$ 2,725,473	\$ 144,752
Maintenance of buildings and grounds	-	4,779,244	-
Total public works	<u>\$ 1,128</u>	<u>\$ 7,504,717</u>	<u>\$ 144,752</u>
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ 1,121,945	\$ -
Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ 1,121,945</u>	<u>\$ -</u>
Total governmental funds capital assets	<u><u>\$ 3,701,128</u></u>	<u><u>\$ 9,429,792</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	\$ -	\$ 5,659,934
<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>6,159,647</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	\$ 53,835,885
<u>-</u>	<u>558,589</u>	<u>-</u>	<u>-</u>	<u>5,337,833</u>
\$ <u>394,994</u>	\$ <u>1,432,402</u>	\$ <u>199,871</u>	\$ <u>49,495,854</u>	\$ <u>59,173,718</u>
\$ <u>10,448</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,132,393</u>
\$ <u>10,448</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,132,393</u>
\$ <u><u>460,027</u></u>	\$ <u><u>2,196,360</u></u>	\$ <u><u>732,227</u></u>	\$ <u><u>49,495,854</u></u>	\$ <u><u>67,063,268</u></u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2010

Function and Activity	Governmental Funds Capital Assets July 1, 2009	Additions	Deductions	Governmental Funds Capital Assets June 30, 2010
General government administration:				
Town council	\$ 2,928,819	\$ 2,731,115	\$ -	\$ 5,659,934
Finance and administration	499,713	-	-	499,713
Total general government administration	<u>\$ 3,428,532</u>	<u>\$ 2,731,115</u>	<u>\$ -</u>	<u>\$ 6,159,647</u>
Public safety:				
Police department	\$ 597,510	\$ -	\$ -	\$ 597,510
Total public safety	<u>\$ 597,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,510</u>
Public works:				
Highways and roads	\$ 52,890,737	\$ 945,148	\$ -	\$ 53,835,885
Maintenance of buildings and grounds	2,151,992	3,185,841	-	5,337,833
Total public works	<u>\$ 55,042,729</u>	<u>\$ 4,130,989</u>	<u>\$ -</u>	<u>\$ 59,173,718</u>
Parks, recreation, and cultural:				
Parks and recreation	\$ 59,975	\$ 1,072,418	\$ -	\$ 1,132,393
Total parks, recreation, and cultural	<u>\$ 59,975</u>	<u>\$ 1,072,418</u>	<u>\$ -</u>	<u>\$ 1,132,393</u>
Total governmental funds capital assets	<u><u>\$ 59,128,746</u></u>	<u><u>\$ 7,934,522</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,063,268</u></u>

## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1 - 6

#### Revenue Capacity

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

7 - 10

#### Debt Capacity

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

11 - 13

#### Demographic and Economic Information

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

14

#### Operating Information

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

15 - 19

*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.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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	\$ 30,862,894	\$ 30,549,900
Unrestricted	<u>2,233,102</u>	<u>2,137,252</u>	<u>4,465,328</u>	<u>2,641,704</u>	<u>2,794,536</u>	<u>4,809,256</u>	<u>7,932,422</u>
Total governmental activities net assets	<u>\$ 35,248,033</u>	<u>\$ 34,256,789</u>	<u>\$ 35,973,531</u>	<u>\$ 35,521,248</u>	<u>\$ 34,649,896</u>	<u>\$ 35,672,150</u>	<u>\$ 38,482,322</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	\$ 13,731,932
Unrestricted	<u>12,287,315</u>	<u>12,838,372</u>	<u>12,238,724</u>	<u>12,237,431</u>	<u>12,737,618</u>	<u>13,246,469</u>	<u>10,273,480</u>
Total business-type activities net assets	<u>\$ 19,681,438</u>	<u>\$ 21,377,016</u>	<u>\$ 21,461,554</u>	<u>\$ 22,452,366</u>	<u>\$ 22,948,707</u>	<u>\$ 26,250,701</u>	<u>\$ 24,005,412</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	\$ 43,867,126	\$ 44,281,832
Unrestricted	<u>14,520,417</u>	<u>14,975,624</u>	<u>16,704,052</u>	<u>14,879,135</u>	<u>15,532,154</u>	<u>18,055,725</u>	<u>18,205,902</u>
Total primary government net assets	<u>\$ 54,929,471</u>	<u>\$ 55,633,805</u>	<u>\$ 57,435,085</u>	<u>\$ 57,973,614</u>	<u>\$ 57,598,603</u>	<u>\$ 61,922,851</u>	<u>\$ 62,487,734</u>

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

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

	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>							
Governmental activities:							
General government	\$ 1,824,860	\$ 1,450,167	\$ 1,451,606	\$ 1,876,357	\$ 2,226,330	\$ 2,574,927	\$ 2,472,829
Public safety	613,440	987,686	1,367,893	1,466,000	1,663,801	1,696,590	1,692,290
Public works	2,587,276	2,979,121	3,474,333	3,286,874	3,472,004	4,130,972	3,788,818
Parks, recreation and cultural	-	17,077	32,704	35,241	81,503	66,748	124,442
Community development	-	451,194	455,350	526,780	584,944	349,850	461,341
Interest on long-term debt	35,466	28,853	104,799	113,602	100,727	304,336	228,749
<b>Total governmental activities expenses</b>	<b>\$ 5,061,042</b>	<b>\$ 5,914,098</b>	<b>\$ 6,886,685</b>	<b>\$ 7,304,854</b>	<b>\$ 8,129,309</b>	<b>\$ 9,123,423</b>	<b>\$ 8,768,469</b>
Business-type activities:							
Water	\$ 1,228,332	\$ 1,221,858	\$ 1,845,569	\$ 2,449,890	\$ 2,262,486	\$ 2,069,090	\$ 2,179,820
Sewer	1,314,089	1,531,506	1,704,589	1,868,553	1,962,968	1,726,879	3,069,217
<b>Total business-type activities expenses</b>	<b>\$ 2,542,421</b>	<b>\$ 2,753,364</b>	<b>\$ 3,550,158</b>	<b>\$ 4,318,443</b>	<b>\$ 4,225,454</b>	<b>\$ 3,795,969</b>	<b>\$ 5,249,037</b>
<b>Total primary government expenses</b>	<b>\$ 7,603,463</b>	<b>\$ 8,667,462</b>	<b>\$ 10,436,843</b>	<b>\$ 11,623,297</b>	<b>\$ 12,354,763</b>	<b>\$ 12,919,392</b>	<b>\$ 14,017,506</b>
<b>Program Revenues</b>							
Governmental activities:							
Charges for services:							
General government	\$ 114,249	\$ 175,596	\$ 145,948	\$ 140,718	\$ 91,069	\$ -	\$ -
Public safety	59,282	66,885	78,732	77,431	83,729	66,087	65,268
Public works	22,015	2,500	2,819	1,846	592	192,209	103,501
Operating grants and contributions	504,620	114,921	233,193	247,883	294,341	153,278	254,465
Capital grants and contributions	434,452	342,297	518,521	574,687	777,854	759,030	949,581
<b>Total governmental activities program revenues</b>	<b>\$ 1,134,618</b>	<b>\$ 702,199</b>	<b>\$ 979,213</b>	<b>\$ 1,042,565</b>	<b>\$ 1,247,585</b>	<b>\$ 1,170,604</b>	<b>\$ 1,372,815</b>
Business-type activities:							
Charges for services:							
Water	\$ 690,778	\$ 829,368	\$ 801,186	\$ 1,028,062	\$ 975,004	\$ 1,083,580	\$ 1,372,182
Sewer	910,338	1,142,949	1,100,214	1,574,790	1,358,261	1,472,164	1,733,717
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	1,031,874
<b>Total business-type activities program revenues</b>	<b>\$ 7,031,814</b>	<b>\$ 4,171,317</b>	<b>\$ 2,794,400</b>	<b>\$ 4,679,252</b>	<b>\$ 3,365,361</b>	<b>\$ 7,863,941</b>	<b>\$ 4,137,773</b>
<b>Total primary government program revenues</b>	<b>\$ 8,166,432</b>	<b>\$ 4,873,516</b>	<b>\$ 3,773,613</b>	<b>\$ 5,721,817</b>	<b>\$ 4,612,946</b>	<b>\$ 9,034,545</b>	<b>\$ 5,510,588</b>
Net (expense) / revenue							
Governmental activities	\$ (3,926,424)	\$ (5,211,899)	\$ (5,907,472)	\$ (6,262,289)	\$ (6,881,724)	\$ (7,952,819)	\$ (7,395,654)
Business-type activities	4,489,393	1,417,953	(755,758)	360,809	(860,093)	4,067,972	(1,111,264)
<b>Total primary government net (expense) / revenue</b>	<b>\$ 562,969</b>	<b>\$ (3,793,946)</b>	<b>\$ (6,663,230)</b>	<b>\$ (5,901,480)</b>	<b>\$ (7,741,817)</b>	<b>\$ (3,884,847)</b>	<b>\$ (8,506,918)</b>

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

	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Property taxes	\$ 1,373,678	\$ 1,677,627	\$ 2,102,097	\$ 2,428,380	\$ 2,464,023	\$ 2,763,362	\$ 3,571,871
Local sales and use taxes	352,816	404,052	616,091	652,195	678,260	688,327	811,566
Restaurant food taxes	351,554	459,910	638,441	699,300	625,138	689,856	679,083
Consumer utility taxes	259,332	287,238	301,533	256,927	200,387	201,503	204,768
Business licenses	456,957	585,062	572,165	525,813	682,534	534,537	633,268
Other local taxes	433,242	488,405	531,590	665,311	711,683	673,677	553,191
Unrestricted grants and contributions	202,229	194,092	400,881	210,019	208,556	204,253	372,869
Unrestricted revenues from use of money and property	16,693	29,961	105,679	151,843	126,148	98,761	55,765
Miscellaneous	64,465	76,994	72,547	52,916	96,347	1,900,565	2,103,213
Transfers	20,359	17,314	17,308	167,302	217,296	1,220,232	1,220,232
<b>Total governmental activities</b>	<b>\$ 3,531,325</b>	<b>\$ 4,220,655</b>	<b>\$ 5,358,332</b>	<b>\$ 5,810,006</b>	<b>\$ 6,010,372</b>	<b>\$ 8,975,073</b>	<b>\$ 10,205,826</b>
Business-type activities:							
Miscellaneous	\$ 112,717	\$ 119,670	\$ 162,433	\$ 135,860	\$ 1,095,464	\$ 133,621	\$ 161,020
Unrestricted revenues from use of money and property	50,894	175,270	533,249	661,445	478,266	320,633	92,566
Transfers	(20,359)	(17,314)	(17,308)	(167,302)	(217,296)	(1,220,232)	(1,220,232)
<b>Total business-type activities</b>	<b>\$ 143,252</b>	<b>\$ 277,626</b>	<b>\$ 678,374</b>	<b>\$ 630,003</b>	<b>\$ 1,356,434</b>	<b>\$ (765,978)</b>	<b>\$ (966,646)</b>
<b>Total primary government</b>	<b>\$ 3,674,577</b>	<b>\$ 4,498,281</b>	<b>\$ 6,036,706</b>	<b>\$ 6,440,009</b>	<b>\$ 7,366,806</b>	<b>\$ 8,209,095</b>	<b>\$ 9,239,180</b>
<b>Change in Net Assets</b>							
Governmental activities	\$ (395,099)	\$ (991,244)	\$ (549,140)	\$ (452,283)	\$ (871,352)	\$ 1,022,254	\$ 2,810,172
Business-type activities	4,632,645	1,695,579	(77,384)	990,812	496,341	3,301,994	(2,077,910)
<b>Total primary government</b>	<b>\$ 4,237,546</b>	<b>\$ 704,335</b>	<b>\$ (626,524)</b>	<b>\$ 538,529</b>	<b>\$ (375,011)</b>	<b>\$ 4,324,248</b>	<b>\$ 732,262</b>

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 Seven Fiscal Years  
*(accrual basis of accounting)*

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local Sales and Use Tax</u>	<u>Consumer Utility Tax</u>	<u>Restaurant Food Tax</u>	<u>Business Licenses</u>	<u>Other Local Taxes</u>	<u>Total</u>
2010	\$ 3,571,871	\$ 811,566	\$ 204,768	\$ 679,083	\$ 633,268	\$ 553,191	\$ 6,453,747
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.

TOWN OF PURCELLVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

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	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,294,285</u>	<u>1,911,120</u>	<u>1,923,287</u>	<u>2,363,474</u>	<u>2,298,757</u>
Total general fund	<u>\$ 2,294,285</u>	<u>\$ 1,911,120</u>	<u>\$ 1,923,287</u>	<u>\$ 2,363,474</u>	<u>\$ 2,298,757</u>

Table 4

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<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ 920,511	\$ 2,136,455	\$ 2,751,271	\$ 3,591,879
<u>4,121,456</u>	<u>2,859,520</u>	<u>3,145,905</u>	<u>3,768,574</u>	<u>4,415,059</u>
<u>\$ 4,121,456</u>	<u>\$ 3,780,031</u>	<u>\$ 5,282,360</u>	<u>\$ 6,519,845</u>	<u>\$ 8,006,938</u>

**TOWN OF PURCELLVILLE, VIRGINIA**

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Revenues</b>				
General property taxes	\$ 894,057	\$ 1,123,957	\$ 1,168,307	\$ 1,369,653
Other local taxes	1,382,201	1,513,606	1,613,577	1,853,901
Permits, privilege fees and regulatory licenses	416,384	478,134	276,743	136,264
Fines and forfeitures	25,511	48,791	36,791	59,282
Revenue from use of money and property	130,871	60,029	24,221	16,693
Miscellaneous	292,944	170,758	70,547	64,465
Pass-through grant	230,688	438,028	505,666	-
Intergovernmental:				
Local government	-	-	-	400,000
Commonwealth	100,065	95,562	415,947	702,094
Federal	-	-	176,275	39,207
Total revenues	<u>\$ 3,472,721</u>	<u>\$ 3,928,865</u>	<u>\$ 4,288,074</u>	<u>\$ 4,641,559</u>
<b>Expenditures</b>				
General government administration	\$ 1,393,661	\$ 1,484,053	\$ 1,657,140	\$ 1,795,888
Public safety	475,223	485,791	650,147	587,969
Public works	545,883	885,605	1,066,145	1,411,398
Parks, recreation and cultural	-	-	-	-
Community development	-	-	-	-
Capital projects	636,127	1,118,130	419,826	300,707
Pass-through grant	230,688	438,028	505,666	-
Debt service				
Principal	18,957	22,544	53,844	96,648
Interest and other fiscal charges	57,795	57,597	60,845	29,121
Total expenditures	<u>\$ 3,358,334</u>	<u>\$ 4,491,748</u>	<u>\$ 4,413,613</u>	<u>\$ 4,221,731</u>
Excess of revenues over (under) expenditures	<u>\$ 114,387</u>	<u>\$ (562,883)</u>	<u>\$ (125,539)</u>	<u>\$ 419,828</u>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 97,724	\$ 135,916	\$ 17,590	\$ 20,359
Transfers out	(78,536)	(116,728)	-	-
Issuance of refunding bonds	-	-	835,133	-
Issuance of debt	-	160,530	-	-
Bond issuance costs	-	-	-	-
Payments to refunded bond escrow agent	-	-	(835,133)	-
Total other financing sources (uses)	<u>\$ 19,188</u>	<u>\$ 179,718</u>	<u>\$ 17,590</u>	<u>\$ 20,359</u>
Net change in fund balances	<u>\$ 133,575</u>	<u>\$ (383,165)</u>	<u>\$ (107,949)</u>	<u>\$ 440,187</u>
Debt service as a percentage of noncapital expenditures	2.90%	2.43%	3.04%	3.09%

Table 5

	2005	2006	2007	2008	2009	2010
\$	1,663,988	\$ 2,092,568	\$ 2,409,596	\$ 2,469,194	\$ 2,728,737	\$ 2,487,151
	2,224,667	2,659,820	2,799,546	2,898,002	2,787,900	2,881,876
	178,096	148,767	142,564	91,661	192,209	103,501
	66,885	78,732	77,431	83,729	66,087	65,268
	29,961	105,679	151,842	126,148	98,761	55,765
	76,994	79,747	52,917	96,347	1,900,565	2,103,213
	-	-	-	-	-	-
	-	89,500	204,000	126,000	150,000	165,000
	636,121	900,310	824,384	1,294,824	956,767	1,282,739
	15,189	155,585	4,205	123,533	9,794	129,176
\$	<u>4,891,901</u>	<u>\$ 6,310,708</u>	<u>\$ 6,666,485</u>	<u>\$ 7,309,438</u>	<u>\$ 8,890,820</u>	<u>\$ 9,273,689</u>
\$	1,225,017	\$ 1,462,066	\$ 1,903,006	\$ 2,096,975	\$ 2,342,444	\$ 2,109,213
	921,222	1,128,938	1,393,867	1,506,641	1,566,094	1,606,485
	1,707,738	2,152,098	2,093,861	2,120,074	2,812,620	2,724,992
	17,077	17,806	21,720	41,174	27,794	33,063
	431,104	665,467	529,779	607,290	517,069	486,933
	558,864	1,201,440	993,440	3,329,921	2,626,704	7,966,091
	-	-	-	-	-	-
	84,370	73,865	125,752	224,322	265,970	448,699
	29,217	84,750	113,786	100,002	169,385	318,906
\$	<u>4,974,609</u>	<u>\$ 6,786,430</u>	<u>\$ 7,175,211</u>	<u>\$ 10,026,399</u>	<u>\$ 10,328,080</u>	<u>\$ 15,694,382</u>
\$	<u>(82,708)</u>	<u>(475,722)</u>	<u>(508,726)</u>	<u>(2,716,961)</u>	<u>(1,437,260)</u>	<u>(6,420,693)</u>
\$	17,314	\$ 17,308	\$ 1,160,741	\$ 1,771,518	\$ 2,263,960	\$ 5,223,555
	-	-	(993,440)	(1,554,222)	(1,043,728)	(4,003,323)
	-	-	-	2,565,600	-	-
	-	2,233,000	-	1,700,000	1,454,523	6,775,828
	-	-	-	-	-	(88,274)
	-	-	-	-	-	-
\$	<u>17,314</u>	<u>\$ 2,250,308</u>	<u>\$ 167,301</u>	<u>\$ 4,482,896</u>	<u>\$ 2,674,755</u>	<u>\$ 7,907,786</u>
\$	<u>(65,394)</u>	<u>\$ 1,774,586</u>	<u>(341,425)</u>	<u>\$ 1,765,935</u>	<u>\$ 1,237,495</u>	<u>\$ 1,487,093</u>
	2.50%	2.41%	3.67%	3.39%	4.43%	5.15%

General Governmental Tax Revenues by Source  
 Last Ten 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
2010	\$ 2,487,151	\$ 811,566	\$ 204,768	\$ 127,915	\$ 679,083	\$ 633,268	\$ 425,276	\$ 5,369,027
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
2002	1,123,957	357,246	213,626	81,120	314,966	319,372	227,276	2,637,563
2001	894,057	344,900	188,357	72,285	217,536	346,562	346,562	2,410,259

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
2010	\$ 960,276,600	\$ 56,911,805	\$ 12,415,388	\$ 1,029,603,793	1,029,603,793	100.00%
2009	1,047,281,345	51,469,370	12,226,592	1,110,977,307	1,110,977,307	100.00%
2008	1,156,483,415	56,347,033	11,912,214	1,224,742,662	1,224,742,662	100.00%
2007	1,177,808,110	55,619,860	11,220,869	1,244,648,839	1,244,648,839	100.00%
2006	1,019,172,825	49,728,198	9,652,257	1,078,553,280	1,078,553,280	100.00%
2005	739,972,175	36,787,240	9,280,605	786,040,020	786,040,020	100.00%
2004	568,438,265	31,157,197	10,493,964	610,089,426	610,089,426	100.00%
2003	452,511,560	26,962,736	8,750,945	488,225,241	488,225,241	100.00%
2002	411,026,000	23,590,902	10,419,804	445,036,706	445,036,706	100.00%
2001	313,513,634	20,803,922	7,885,696	342,203,252	342,203,252	100.00%

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

This schedule % of assessment reflects that Loudoun Co. tax bill is based on 100% of assessment. Some localities tax on less than 100% of assessed value ex: tax is based on 80% of assessed value.

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
2010	\$ .225/.23	\$ 1.05	\$ 0.01	\$ 0.55	\$ N/A	\$ 1.30	\$ 4.20	\$ 2.75
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

(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 2010		Fiscal Year 2001	
		2010 Assessed Valuation	% of Total Assessed Valuation	2001 Assessed Valuation	% of Total Assessed Valuation
ZP No. 124 LLC	Shopping Center (1000 E Main St)	\$ 12,419,400	1.19%	\$ 987,600	0.39%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	10,129,500	0.97%	5,027,400	2.00%
Valley Medical Center LLC	Medical Center (125 Hirst Rd)	7,697,000	0.73%	192,500	0.08%
Main Street Associates LP	Apartments (123 16th St)	6,884,300	0.66%	990,000	0.39%
Purcellville Plaza LLC	Shopping Center (201 N Maple Ave)	5,375,900	0.51%	472,600	0.19%
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,097,700	0.49%	183,600	0.07%
Jordan River Acquisitions LLC	House/15 acres (1251 E Main St)	4,460,900	0.43%	746,360	0.30%
S R B Enterprises LLC	Shopping Center (711 E Main St)	4,623,800	0.44%	4,393,100	1.75%
Loudoun Medical Property Mgt LLC	Medical Center (17336 Pickwick Dr)	3,768,400	0.36%	1,804,300	0.72%
C K D Purcellville LLC	Office Building (400 Browning Ct)	3,728,100	0.36%	N/A	N/A
		<u>\$ 64,185,000</u>	<u>1.71%</u>	<u>\$ 14,797,460</u>	<u>0.39%</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
2010	\$ 2,192,212	\$ 319,036	\$ 2,511,248	\$ 2,436,375	97.02%	\$ N/A	\$ 2,436,375	97.02%
2009	2,183,022	633,639	2,816,661	2,725,048	96.75%	48,702.71	2,773,751	98.48%
2008	2,140,074	343,137	2,483,211	2,435,698	98.09%	36,115.08	2,471,813	99.54%
2007	2,075,831	336,483	2,412,314	2,347,023	97.29%	63,243.62	2,410,267	99.92%
2006	1,855,964	478,090	2,334,054	2,284,033	97.86%	80,826.74	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%

Source: Town Finance Department and Loudoun County Commissioner of Revenue

Note: In fiscal year 2009, the due date was changed, therefore, two tax billing cycles are included.

Ratios of Outstanding Debt by Type  
Last Nine 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				
2010	\$ 12,953,021	\$ 1,445,000	\$ -	\$ 47,287,639	\$ 61,685,660	17.34%	\$ 8,835	
2009	6,483,776	1,530,000	-	40,873,842	48,887,618	13.93%	7,039	
2008	5,220,223	1,605,000	-	27,122,557	33,947,780	9.73%	4,931	
2007	2,783,945	-	-	13,380,619	16,164,564	4.86%	2,393	
2006	2,906,550	-	3,147	13,758,440	16,668,137	5.43%	2,467	
2005	731,571	-	45,113	10,349,788	11,126,472	4.12%	1,676	
2004	776,173	-	84,881	10,277,168	11,138,222	5.02%	1,752	
2003	835,133	-	122,569	10,386,483	11,344,185	6.11%	2,015	
2002	825,506	-	158,264	10,266,131	11,249,901	7.51%	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 Nine 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>33,253,770</u>	\$ <u>37,478,339</u>	\$ <u>49,870,721</u>	\$ <u>67,477,530</u>	\$ <u>91,217,191</u>
Total net debt applicable to the limit as a percentage of debt limit	25.28%	23.24%	18.26%	14.16%	15.45%

Notes:

Debt information is only available back to 2002.

Table 12

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>
\$ 124,464,884	\$ 122,474,266	\$ 111,097,731	\$ 103,391,108
<u>16,164,564</u>	<u>33,947,780</u>	<u>48,887,618</u>	<u>61,685,660</u>
<u>\$ 108,300,320</u>	<u>\$ 88,526,486</u>	<u>\$ 62,210,113</u>	<u>\$ 41,705,448</u>
12.99%	27.72%	44.00%	59.66%

Legal Debt Margin Calculation for Fiscal Year 2010

Total assessed value	\$ 1,033,911,082
Debt limit (10% of total assessed value)	103,391,108
Net debt applicable to limit	<u>61,685,660</u>
Legal debt margin	<u>\$ 41,705,448</u>

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County of Loudoun Subtotal, overlapping debt	\$ 1,007,377,247	1.66%	\$ 16,679,971
Town of Purcellville, direct debt			\$ 14,398,021
Total direct and overlapping debt			<u>\$ 31,077,992</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
2010	\$ 12,953,021	1.25%	1,855
2009	6,483,776	0.58%	934
2008	5,220,223	0.43%	758
2007	2,783,945	0.22%	412
2006	2,906,550	0.27%	430
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

(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
 

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<u>Fiscal Year</u>	<u>Purcellville Population (1)</u>	<u>Loudoun County Per Capita Income (2)</u>	<u>Loudoun County Median Age (3)</u>	<u>Purcellville School Enrollment (4)</u>	<u>Loudoun County Unemployment Rate (5)</u>
2010	6,982	50,951	N/A	2,105	5.0
2009	6,945	50,504	34.7	2,105	5.1
2008	6,884	50,674	34.5	2,105	2.9
2007	6,756	49,342	34.3	1,511	2.2
2006	6,637	46,290	34.1	1,511	2.3
2005	6,357	42,499	33.9	1,511	2.7
2004	5,631	39,402	33.8	792	2.9
2003	4,887	37,978	33.7	792	3.6
2002	4,379	37,937	33.6	792	4.0
2001	3,949	40,654	33.5	N/A	2.5

## Sources:

- (1) 2000 US Bureau of Census and Loudoun County Department of Finance Management Services, April 2010 Estimates Series.
- (2) Bureau of Economic Analysis, US Department of Commerce, April 23, 2010 (Loudoun County data was used as no specific data is available for towns in Virginia).
- (3) U.S. Census Bureau, 2009 Time Series Estimates (Loudoun County data was used as no specific data is available for towns in Virginia).
- (4) Loudoun School Census (triannual), Loudoun County Public Schools
- (5) Local Area Unemployment Statistics, Virginia Employment Commission, Month of June each year (Loudoun County data was used as no specific data is available for towns in Virginia).

Note: The Town of Purcellville is an incorporated town located in Loudoun County, Virginia.

Principal Employers  
Current Year

Employer	Fiscal Year 2010	
	Employees	Rank
Loudoun County Schools	485	1
Giant	125	2
RCD Electric	115	3
Patrick Henry College	85	4
Home School Legal Defense	81	5
Virginia Regional Transportation Center	75	6
Blue Ridge Veterinary Assoc., Inc.	74	7
Bloom	70	8
Magnolia's at the Mill	70	9
Town of Purcellville, VA	70	10

Source: Town Business License Renewal

Note: Information is not available for 9 years prior.

Full/Time Equivalent Town Government Employees by Function  
Last Eight 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>	<u>2010</u>
Administration	4.5	6.75	6.3	7.75	7.75	7.75	7.50	7.75
Finance Administration	3.0	4.5	6.0	5.50	6.50	7.50	7.50	7.50
Public Safety/Police	10.0	11.0	14.0	14.50	15.50	14.50	14.00	15.00
Public Works	5.0	5.0	4.0	4.00	7.00	8.00	8.00	8.00
General Maintenance	8.5	8.25	10.0	9.25	10.00	10.00	10.00	10.00
Planning & Zoning	3.5	3.75	4.0	4.75	6.75	4.75	4.75	4.00
Water Treatment	6.0	6.0	9.5	10.00	9.00	9.00	9.00	9.00
Wastewater Treatment	6.0	6.0	10.5	10.00	9.00	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>	<u>70.25</u>

Source: IRS Form 941s

Note: Only eight years of history is available for this table.

Operating Indicators by Function  
Last Six Fiscal Years

Function	2005	2006	2007	2008	2009	2010
<b>Administration</b>						
Special Events	19	22	18	19	17	23
FOIA Requests Processed	N/A	90	116	160	75	157
<b>Finance</b>						
Utility Bills Processed	15,309	15,168	15,096	15,188	15,392	15,201
Tax Bills Processed	10,906	10,532	11,517	11,757	19,366	12,342
Accounts Payable Transactions	N/A	N/A	5,885	6,157	6,139	6,089
<b>Public Safety</b>						
Parking Violations	151	170	316	183	163	177
Traffic violations	1,386	1,579	1,637	1,618	1,356	1,671
Incident Reports	586	739	856	912	829	1,103
<b>Public Works</b>						
<u>Maintenance Dept.</u>						
Work Orders, number of	N/A	570	264	596	890	902
New Meters Installed	N/A	N/A	14	53	22	13
Miss Utility's Processed	N/A	N/A	711	1,355	830	899
<u>Water Dept.</u>						
Total Gallons Treated (millions)	N/A	N/A	190	206	207	203
Samples in Compliance, % of	N/A	N/A	100%	100%	100%	100%
Violations, number of	N/A	N/A	-	1	1	0
<u>Wastewater Dept.</u>						
Daily average of gallons treated	593,300	593,900	622,400	625,400	536,500	575,200
Complaints, number of	N/A	N/A	-	3	2	3
<b>Planning and Zoning</b>						
Occupancy Permits Issued	294	144	92	120	98	108
Zoning Permits Issued	676	436	375	286	178	183
Development Plans Processed	N/A	54	63	85	30	26

Source: Individual town departments

Note: Only six years of history is available.

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administration										
Administration Buildings	1	1	1	1	2	2	2	2	2	2
Bus Stops for Public Transportation	-	-	-	-	-	-	1	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	2
Recreation Facilities - Fields, Parks	-	-	-	-	-	-	-	1	1	1
Vehicles	1	3	1	1	1	2	2	2	2	2
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	-	-	3	3	3	3	3	3	3	3
Vehicles	4	5	5	5	7	9	12	13	11	11
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	5	5	7	7	9	11	11	13	14	17
Maintenance Facility	1	1	1	1	1	1	1	1	1	2
Message Boards	-	-	-	-	2	3	3	3	3	3
Traffic Signals	-	-	-	-	-	-	-	2	2	2
Vehicles	7	6	8	10	13	14	16	16	18	18
<u>Water Dept.</u>										
Chlorine Facility	1	1	1	1	1	1	1	1	1	1
Elevated Water Tanks	1	1	1	1	1	1	1	1	1	1
Filter Buildings	1	1	2	2	2	2	3	3	3	3
Vehicles	1	2	3	3	3	3	3	4	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	1
Wells/Well Houses	2	2	3	3	3	4	4	5	7	8
<u>Wastewater Dept.</u>										
Pump Stations	8	10	11	11	11	11	11	11	8	8
Vehicles	2	2	2	2	2	3	3	4	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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Purcellville, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 management, Town Council and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 29, 2010