

TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



YEAR ENDED JUNE 30, 2011

**TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011**

Prepared By:

Elizabeth B. Krens
Director of Finance

TOWN OF PURCELLVILLE, VIRGINIA
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November 18, 2011

**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, 2011. 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, 2011. 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. The Town has experienced significant population growth during the last decade as the 2010 U.S. Census reports a population of 7,727; double that of the 2000 U.S. Census of 3,584. 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, 2011 in strong financial condition despite the challenges associated with the current recession. The Town continually monitors its fiscal policies for compliance. In fiscal year 2011, the Town amended its "Fiscal Policy Guidelines" to include the establishment of a new Capital Asset Replacement Fund to provide non-debt funding for capital projects.

The Town Manager and department heads continued to closely monitor the budget plan and manage expenditures during fiscal year 2011. This close attention to detail allowed the Town to run an operational surplus during the year and use cash reserves to fund a number of capital projects including the Fireman's Field renovation and purchase property adjoining this recreational complex without reducing fund balance.

The Town ended fiscal year 2011 with an unassigned fund balance in the governmental fund of \$4.4 million. 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 44% of the general fund fiscal year 2012 expenditures.

The Town Council adopted an equalized tax rate of .23 for 2011 and we expect revenues to remain stable in 2012. Reversing a downward trend caused by the recession, the Town's real property assessments increased by 1.43% in 2011. Preliminary forecasts for 2012 show a moderate increase in existing property values as well as continued commercial development. Currently underway are the renovation of the Loudoun Valley Shopping Center and the development of the Purcellville Gateway commercial center. Over the next three years, we also expect significant redevelopment of commercial properties along Main Street and Hirst Road.

In fiscal year 2011, availability revenue from new connections was lower than expected in the Town's utility funds. This was somewhat offset by a user fee rate increase, however, nets assets declined by \$533,627 in the water fund and \$205,234 in the sewer fund. Commercial development should strengthen availability revenue in 2012. The Town will continue to work with its rate study consultants to evaluate and modify user fees each year to ensure the fiscal condition of the utility funds.

The Town's population and commercial growth over the last decade 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 2011, the Town's general fund debt service expenditures represented 13% of general fund expenditures. We will continue to evaluate new capital projects in light of the Town's fiscal policy guideline that debt not exceed 15% of expenditures.

Major Initiatives:

The following is a listing of a few key accomplishments or initiatives for fiscal year 2011:

- Received second GFOA Distinguished Budget Presentation Award for FY11 Budget
- Received third GFOA Certificate of Achievement for fiscal year 2010 CAFR
- Dedicated and reopened the newly renovated Bush Tabernacle at Fireman's Field with a concert featuring the "Fabulous Hubcaps" and awarded a new concessionaire agreement to operate the facility
- Acquired property at 301 South 20th Street for future parking and property support for our Fireman's Field operations
- Procured a piece steel from Tower Two of the World Trade Center and created a design team of three local experts to complete a final design for the First Responders Memorial which was be dedicated on the 10th Anniversary of 9/11
- Completed the first Citizen and Business Surveys to measure the Town's performance, customer service and other metrics
- The Town entered into the third year of our Performance Management Program and received our first ever International Management Award in the form of a 2011 Certificate of Distinction for our efforts from the International City Manager's Association Center of Performance Measurement
- Dedicated New Maintenance Facility on 20th Street
- Completed upgrades to the Basham Simms Wastewater Facility to provide additional treatment capacity in response to new regulatory requirements
- Received third consecutive recognition from VDH for demonstrating excellence in performance and operations in the treatment and distribution of drinking water to the public
- Achieved and maintained 100% compliance on all water quality parameters regulated by the Virginia Department of Health (VDH) and Virginia Department of Environmental Quality (DEQ)
- Received 2011 Governor's Environmental Excellence Gold Award for demonstrating commitment to the stewardship of Virginia's natural resources though the "Go Green Purcellville" initiative
- Completed the expansion of the Police Department facility on Hirst Road
- Police Department maintained State Accreditation
- Received third place award for the 2010 Virginia Chief's Traffic Safety Challenge
- Organized and hosted the first Loudoun Grown Expo

- For the second year in a row the Town received a Gold Award from VML under their Go Green Initiative Program and third consecutive year as a Certified Green Government
- Received the Annual Tree City USA Designation and Growth Award presented by the Arbor Day Foundation in conjunction with the USDA Forest Service and the National Association of State Foresters

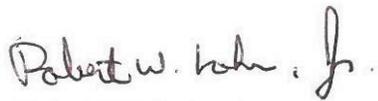
This represents a partial listing of the significant initiatives and achievements accomplished across all departments this fiscal year.

Awards and Acknowledgements:

The Town received its third Certificate of Achievement for the fiscal year 2010 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,

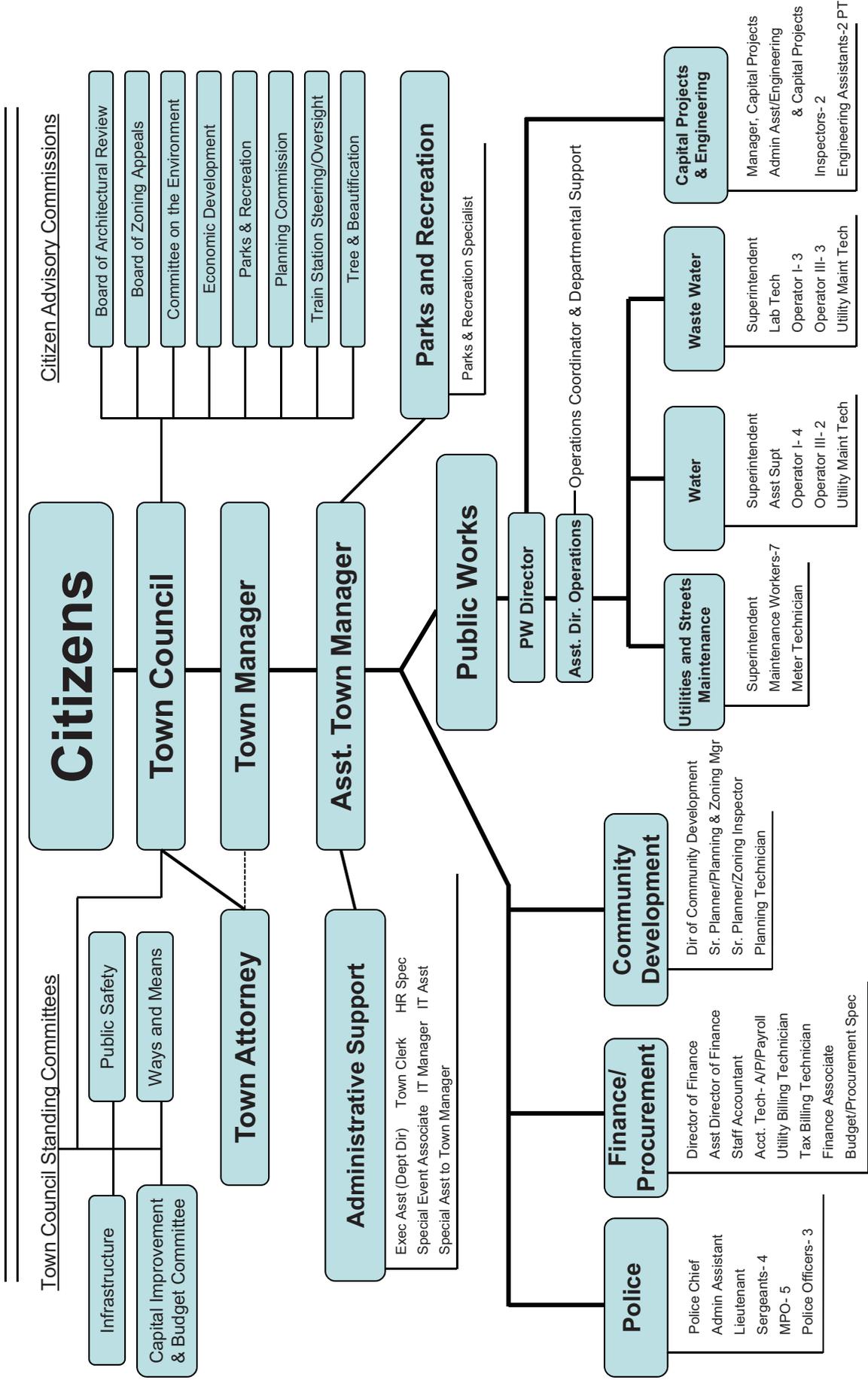


Robert W. Lohr, Jr.
Town Manager



Elizabeth B. Krens
Director of Finance

Town of Purcellville Organization Chart: Effective September 30, 2011



TOWN OF PURCELLVILLE, VIRGINIA

COUNCIL

Joan Lehr
J. Keith Melton, Jr.

Robert W. Lazaro, Jr., Mayor
James O. Wiley, Vice-Mayor

Christopher J. Walker, III

Thomas A. Priscilla, Jr.
Gregory W. Wagner

OFFICIALS

Robert W. Lohr, Jr.

Town Manager

Patrick Childs

Assistant Town Manager

Elizabeth B. Krens

Director of Finance

Patrick Sullivan

Director of Community Development

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, 2010

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



President

Executive Director

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the Town of Purcellville, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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 basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Purcellville, Virginia's financial statements as a whole. The introductory section, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Farmer & Associates
Charlottesville, Virginia
November 10, 2011

Town of Purcellville, Virginia Management's Discussion and Analysis

As management of the Town of Purcellville (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$61.3 million (*net assets*). Of this amount, \$17.7 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$103,993, of which the governmental activities accounted for a \$.6 million increase and business-type activities accounted for \$.7 million decrease.
- The unassigned ending fund balance for the Town's general fund was \$4.4 million, an increase of approximately \$5,000 over the prior year. This ending fund balance is equal to 44% of the Town's fiscal year 2012 general fund operating budget.
- At the end of the current fiscal year, unassigned 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 \$4.1 million 6.6% 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 51 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 55 and 56 of this report.

Overview of the Financial Statements: (Continued)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$61.3 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$43.6 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, 2011**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 13,501,067	\$ 10,281,390	\$ 11,670,600	\$ 16,266,168	\$ 25,171,667	\$ 26,547,558
Capital assets	48,353,868	44,320,610	57,959,526	56,909,476	106,313,394	101,230,086
Total assets	<u>\$ 61,854,935</u>	<u>\$ 54,602,000</u>	<u>\$ 69,630,126</u>	<u>\$ 73,175,644</u>	<u>\$ 131,485,061</u>	<u>\$ 127,777,644</u>
Long-term liabilities						
outstanding	\$ 21,158,073	\$ 15,041,266	\$ 45,443,265	\$ 47,459,885	\$ 66,601,338	\$ 62,501,151
Other liabilities	2,680,658	2,176,171	920,309	1,710,347	3,600,967	3,886,518
Total liabilities	<u>\$ 23,838,731</u>	<u>\$ 17,217,437</u>	<u>\$ 46,363,574</u>	<u>\$ 49,170,232</u>	<u>\$ 70,202,305</u>	<u>\$ 66,387,669</u>
Net assets:						
Invested in capital assets,						
net of related debt	\$ 30,838,249	\$ 30,549,900	\$ 12,743,081	\$ 13,731,932	\$ 43,581,330	\$ 44,281,832
Unrestricted	7,181,242	6,834,663	10,523,471	10,273,480	17,704,713	17,108,143
Total net assets	<u>\$ 38,019,491</u>	<u>\$ 37,384,563</u>	<u>\$ 23,266,552</u>	<u>\$ 24,005,412</u>	<u>\$ 61,286,043</u>	<u>\$ 61,389,975</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 decreased by \$103,993 during the current fiscal year. The overall decrease is attributed to a decrease in business-type activities current assets.

Government-Wide Financial Analysis: (Continued)

Governmental activities increased the Town's net assets by \$.6 million. The following table summarizes the Town's Statement of Activities:

**Town of Purcellville, Virginia
Changes in Net Assets
As of June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 174,330	\$ 168,769	\$ 3,845,803	\$ 3,105,899	\$ 4,020,133	\$ 3,274,668
Operating grants and contributions	210,516	254,465	-	-	210,516	254,465
Capital grants and contributions	1,007,519	949,581	-	-	1,007,519	949,581
General revenues:						
Property taxes	2,493,115	2,474,112	-	-	2,493,115	2,474,112
Other taxes	3,164,361	2,881,876	-	-	3,164,361	2,881,876
Unrestricted revenues from the use of money and property	69,615	55,765	57,927	92,566	127,542	148,331
Miscellaneous	2,130,196	2,103,213	154,736	161,020	2,284,932	2,264,233
Grants and contributions not restricted to specific programs	204,253	372,869	-	-	204,253	372,869
Total revenues	\$ 9,453,905	\$ 9,260,650	\$ 4,058,466	\$ 3,359,485	\$ 13,512,371	\$ 12,620,135
Expenses:						
General government administration	\$ 1,890,188	\$ 2,472,829	\$ -	\$ -	\$ 1,890,188	\$ 2,472,829
Public safety	1,720,461	1,692,290	-	-	1,720,461	1,692,290
Public works	3,645,872	3,788,818	-	-	3,645,872	3,788,818
Parks, recreation and culture	1,573,776	124,442	-	-	1,573,776	124,442
Community development	377,000	461,341	-	-	377,000	461,341
Interest on long-term debt	727,584	228,749	-	-	727,584	228,749
Water fund	-	-	2,092,401	2,179,820	2,092,401	2,179,820
Sewer fund	-	-	2,702,696	3,069,217	2,702,696	3,069,217
Total expenses	\$ 9,934,881	\$ 8,768,469	\$ 4,795,097	\$ 5,249,037	\$ 14,729,978	\$ 14,017,506
Increase in net assets before transfers and capital contributions	\$ (480,976)	\$ 492,181	\$ (736,631)	\$ (1,889,552)	\$ (1,217,607)	\$ (1,397,371)
Transfers	\$ 1,115,904	\$ 1,220,232	\$ (1,115,904)	\$ (1,220,232)	\$ -	\$ -
Capital contributions	-	-	1,113,674	1,031,874	1,113,674	1,031,874
Increase in net assets	\$ 634,928	\$ 1,712,413	\$ (738,861)	\$ (2,077,910)	\$ (103,933)	\$ (365,497)
Net assets-beginning of year	\$ 37,384,563	\$ 35,672,150	\$ 24,005,412	\$ 26,083,322	\$ 61,389,975	\$ 61,755,472
Net assets-end of year	\$ 38,019,491	\$ 37,384,563	\$ 23,266,551	\$ 24,005,412	\$ 61,286,042	\$ 61,389,975

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 the receipt of the \$2 million Loudoun County Settlement payment.

Business-type activities decreased the Town's net assets by \$.7 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 2011 general fund revenues exceeded those of fiscal year 2010 by \$48,172. The miscellaneous revenue category included the third and final annual installment of Loudoun County Settlement funds in the amount of \$2 million.

In fiscal year 2011, the general fund's revenues exceeded expenditures by \$622,425 resulting in a fund balance increase of \$2,735,907. As of June 30 2011, the ending fund balance of the general fund was \$10,742,845. Of this amount, \$4,368,340 was unassigned and available for future spending.

Proprietary funds: Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total net assets of the water and sewer funds were \$23,266,552. Unrestricted net assets at the end of the year were \$10.5 million, a slight increase from the prior year.

General Fund Budgetary Highlights

There was an increase of \$366,184 between the fiscal year 2011 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 2010 unspent State highway funding. During the fiscal year the Town's revenue exceeded budget by \$2,101,970. Of this amount, \$2 million can be attributed to Loudoun County Settlement funds that will be used for transportation related capital projects according to the Town's Capital Improvement Plan. Also, revenues were higher than expected in the categories of sales tax, bank franchise tax and restaurant meal tax. Fiscal year 2011 expenditures exceeded budget by \$48,085 largely due to legal expenditures and bond issuance costs. The surplus for the public works street maintenance expenditure budget is associated with state funding and will re-budgeted in 2012 per state spending requirements.

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, 2011, amounts to \$106.3 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,310,764	\$ 3,701,128	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 6,740,637
Buildings	2,475,494	533,771	-	-	2,475,494	533,771
Utility plant in service	-	-	17,885,565	17,296,007	17,885,565	17,296,007
Improvements other than buildings	590,776	275,206	200,700	221,500	791,476	496,706
Infrastructure	28,140,343	29,230,882	-	-	28,140,343	29,230,882
Machinery & Equipment	1,113,875	1,078,960	182,750	210,650	1,296,625	1,289,610
Vehicles	81,627	70,871	61,132	38,715	142,759	109,586
Construction in progress	11,640,989	9,429,792	36,589,870	36,103,095	48,230,859	45,532,887
Total	\$ 48,353,868	\$ 44,320,610	\$ 57,959,526	\$ 56,909,476	\$ 106,313,394	\$ 101,230,086

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 \$66.6 million and details are summarized in the following table:

**Town of Purcellville, Virginia
Outstanding Debt
For the Year Ended June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds Payable:						
General obligation bonds	\$ 19,032,196	\$ 12,953,021	\$ 45,216,445	\$ 47,287,639	\$ 64,248,641	\$ 60,240,660
Notes payable	1,360,000	1,445,000	-	-	1,360,000	1,445,000
Post employment benefits	441,775	289,935	146,154	97,413	587,929	387,348
Compensated absences	320,815	353,310	80,666	74,834	401,481	428,144
Total	\$ 21,154,786	\$ 15,041,266	\$ 45,443,265	\$ 47,459,886	\$ 66,598,051	\$ 62,501,152

Capital Asset and Debt Administration: (Continued)

Debt associated with governmental activities increased by \$6,116,807 in 2011. The general fund debt increase was due to the receipt of proceeds from the July 2010 RBC loan for Fireman's Field renovations, the repurposing of \$800,000 of 2008 Suntrust loan proceeds from the enterprise fund to the general fund, continued draw down of the 2008 Rural Development loan for the maintenance facility, a 2010 Suntrust refinancing of the 2009 BB&T loan for purchase of property for the new Town Hall and 2008 Rural Development loan for maintenance equipment and continued draw down of loan proceeds, and the 2011 interim financing with RBC for the new Town Hall renovation and Fireman's Field upgrades.

The debt associated with business-type activities decreased by \$2,016,621 in 2011 due to principal payments and the 2010 refinancing of the 2000 VRA loan.

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, 2011.

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 2010 U.S. Census listed the Town's population at 7,727, double the Town's 2000 population of 3,584. This growth is indicative of a vibrant community, attractive to both businesses and families.

The Town experienced positive growth in real property assessments in 2011 following several years of assessment reductions associated with the recession and the nationwide downturn in the real estate market. In 2011, the overall 1.43% increase in real property values was made up of a .40% increase in existing properties and 1.04% increase in new construction. Preliminary forecast for 2012 assessments indicate continued moderate but positive growth for both existing property values and new construction associated with the redevelopment of the Loudoun Valley Shopping Center and the new Purcellville Gateway commercial development.

The Town's utility rates were modified in fiscal year 2011 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.

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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,898,852	\$ 7,847,800	\$ 14,746,652
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,248,051	-	1,248,051
Accounts receivable	286,060	703,574	989,634
Loans receivable	-	718,142	718,142
Due from other governmental units	355,935	-	355,935
Prepaid expenses	52,722	17,225	69,947
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	4,439,946	2,299,770	6,739,716
Other assets:			
Unamortized bond issue costs	219,501	84,088	303,589
Capital assets (net of accumulated depreciation):			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	2,475,494	-	2,475,494
Improvements other than buildings	590,776	200,700	791,476
Machinery and equipment	1,113,875	182,750	1,296,625
Vehicles	81,627	61,132	142,759
Infrastructure	28,140,343	-	28,140,343
Utility plant in service	-	17,885,565	17,885,565
Construction in progress	11,640,989	36,589,870	48,230,859
Total assets	\$ 61,854,935	\$ 69,630,125	\$ 131,485,060
LIABILITIES			
Accounts payable	\$ 1,172,814	\$ 195,270	\$ 1,368,084
Accrued liabilities	141,306	-	141,306
Customers' deposits	-	110,955	110,955
Accrued interest payable	189,595	597,465	787,060
Unearned revenue	1,134,526	16,619	1,151,145
Deposits held in escrow	42,417	-	42,417
Long-term liabilities:			
Due within one year	704,542	1,908,561	2,613,103
Due in more than one year	20,450,244	43,534,704	63,984,948
Total liabilities	\$ 23,835,444	\$ 46,363,574	\$ 70,199,018
NET ASSETS			
Invested in capital assets, net of related debt	\$ 30,838,249	\$ 12,743,081	\$ 43,581,330
Unrestricted	7,181,242	10,523,470	17,704,712
Total net assets	\$ 38,019,491	\$ 23,266,551	\$ 61,286,042

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,890,188	\$ -	\$ -	\$ -
Public safety	1,720,461	80,287	165,135	-
Public works	3,645,872	94,043	4,337	992,630
Parks, recreation, and cultural	1,573,776	-	-	-
Community development	377,000	-	41,044	-
Interest on long-term debt	727,584	-	-	-
Total governmental activities	\$ 9,934,881	\$ 174,330	\$ 210,516	\$ 992,630
Business-type activities:				
Water	\$ 2,092,401	\$ 1,828,883	\$ -	\$ 123,949
Sewer	2,702,696	2,016,920	-	989,725
Total business-type activities	\$ 4,795,097	\$ 3,845,803	\$ -	\$ 1,113,674
Total primary government	\$ 14,729,978	\$ 4,020,133	\$ 210,516	\$ 2,106,304

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, as adjusted

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
\$ (1,890,188)	\$ -	\$ (1,890,188)
(1,475,039)	-	(1,475,039)
(2,554,862)	-	(2,554,862)
(1,573,776)	-	(1,573,776)
(335,956)	-	(335,956)
(727,584)	-	(727,584)
<u>\$ (8,557,405)</u>	<u>\$ -</u>	<u>\$ (8,557,405)</u>
\$ -	\$ (139,569)	\$ (139,569)
-	303,949	303,949
<u>\$ -</u>	<u>\$ 164,380</u>	<u>\$ 164,380</u>
<u>\$ (8,557,405)</u>	<u>\$ 164,380</u>	<u>\$ (8,393,025)</u>
\$ 2,493,115	\$ -	\$ 2,493,115
878,531	-	878,531
549,271	-	549,271
208,945	-	208,945
775,398	-	775,398
584,435	-	584,435
69,615	57,927	127,542
2,130,196	154,736	2,284,932
386,923	-	386,923
1,115,904	(1,115,904)	-
<u>\$ 9,192,333</u>	<u>\$ (903,241)</u>	<u>\$ 8,289,092</u>
634,928	(738,861)	(103,933)
<u>37,384,563</u>	<u>24,005,412</u>	<u>61,389,975</u>
<u>\$ 38,019,491</u>	<u>\$ 23,266,551</u>	<u>\$ 61,286,042</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 6,898,855	\$ -	\$ 6,898,855
Receivables (net of allowance for uncollectibles):			
Taxes receivable (Note 1)	1,248,051	-	1,248,051
Accounts receivable	286,060	-	286,060
Due from other funds	-	866,752	866,752
Due from other governmental units (Note 3)	177,789	178,146	355,935
Prepaid items	52,722	-	52,722
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	4,439,946	-	4,439,946
Total assets	<u>\$ 13,103,423</u>	<u>\$ 1,044,898</u>	<u>\$ 14,148,321</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 127,955	\$ 1,044,898	\$ 1,172,853
Accrued liabilities	141,270	-	141,270
Due to other funds	866,752	-	866,752
Deferred revenue	1,182,184	-	1,182,184
Customer deposits	42,417	-	42,417
Total liabilities	<u>\$ 2,360,578</u>	<u>\$ 1,044,898</u>	<u>\$ 3,405,476</u>
Fund balances:			
Nonspendable:			
Prepaid items	\$ 52,722	\$ -	\$ 52,722
Restricted for:			
State highway maintenance	\$ 120,260	\$ -	\$ 120,260
Future capital outlay	2,876,577	-	2,876,577
Total restricted fund balance	<u>\$ 2,996,837</u>	<u>\$ -</u>	<u>\$ 2,996,837</u>
Committed for:			
Loudoun County settlement funds	\$ 3,314,618	\$ -	\$ 3,314,618
Street bonds	10,328	-	10,328
Total committed fund balance	<u>\$ 3,324,946</u>	<u>\$ -</u>	<u>\$ 3,324,946</u>
Unassigned	<u>\$ 4,368,340</u>	<u>\$ -</u>	<u>\$ 4,368,340</u>
Total fund balances	<u>\$ 10,742,845</u>	<u>\$ -</u>	<u>\$ 10,742,845</u>
Total liabilities and fund balances	<u>\$ 13,103,423</u>	<u>\$ 1,044,898</u>	<u>\$ 14,148,321</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, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,742,845
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.		48,353,868
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.		(189,595)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred revenue	\$	47,658
Bond issue costs		219,501
		<u>267,159</u>
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>(21,154,786)</u>
Net assets of governmental activities	\$	<u><u>38,019,491</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2011

	General	Capital Projects	Total
REVENUES			
General property taxes	\$ 2,526,829	\$ -	\$ 2,526,829
Other local taxes	2,996,580	-	2,996,580
Permits, privilege fees, and regulatory licenses	118,070	-	118,070
Fines and forfeitures	80,287	-	80,287
Revenue from the use of money and property	69,615	-	69,615
Miscellaneous	2,106,173	-	2,106,173
Intergovernmental revenues:			
Commonwealth	1,100,628	280,001	1,380,629
Federal	70,937	138,500	209,437
Total revenues	<u>\$ 9,069,119</u>	<u>\$ 418,501</u>	<u>\$ 9,487,620</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,348,933	\$ -	\$ 2,348,933
Public safety	1,626,498	-	1,626,498
Public works	2,821,523	-	2,821,523
Parks, recreation, and cultural	26,800	-	26,800
Community development	412,050	-	412,050
Capital outlay	-	5,885,407	5,885,407
Debt service:			
Principal retirement	496,895	-	496,895
Interest and other fiscal charges	570,022	-	570,022
Bond issue costs	143,973	-	143,973
Total expenditures	<u>\$ 8,446,694</u>	<u>\$ 5,885,407</u>	<u>\$ 14,332,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 622,425</u>	<u>\$ (5,466,906)</u>	<u>\$ (4,844,481)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,949,473	\$ 6,122,465	\$ 8,071,938
Transfers out	(6,122,465)	(833,569)	(6,956,034)
Issuance of debt	6,188,107	178,010	6,366,117
Refunding bonds issued	4,241,000	-	4,241,000
Payment to refunded bond escrow agent	(4,142,633)	-	(4,142,633)
Total other financing sources (uses)	<u>\$ 2,113,482</u>	<u>\$ 5,466,906</u>	<u>\$ 7,580,388</u>
Net change in fund balances	\$ 2,735,907	\$ -	\$ 2,735,907
Fund balances - beginning	<u>8,006,938</u>	<u>-</u>	<u>8,006,938</u>
Fund balances - ending	<u>\$ 10,742,845</u>	<u>\$ -</u>	<u>\$ 10,742,845</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds \$ 2,735,907

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	\$ 5,447,803	
Depreciation expense	<u>(1,414,545)</u>	4,033,258

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (33,711)

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	(6,366,120)	
Refunding bonds issued	(4,241,000)	
Bond issuance costs	143,973	
Principal retired on general obligation bonds	385,309	
Principal retired on notes payable	85,000	
Payment to refunded bond escrow agent	4,142,633	
Amortization of bond issuance costs	<u>(8,332)</u>	(5,858,537)

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	32,494	
(Increase)/decrease in other post retirement benefit obligations	(151,839)	
(Increase)/decrease in accrued interest payable	<u>(122,644)</u>	<u>(241,989)</u>

Change in net assets of governmental activities \$ 634,928

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

Statement of Net Assets
 Proprietary Funds
 As of June 30, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,046,201	\$ 4,801,599	\$ 7,847,800
Prepaid expenses	9,511	7,714	17,225
Receivables, net of allowances for uncollectibles			
Accounts	313,090	390,484	703,574
Loans	20,612	697,530	718,142
Total current assets	\$ 3,389,414	\$ 5,897,327	\$ 9,286,741
Noncurrent assets:			
Restricted current assets:			
Cash and cash equivalents (in custody of others)	\$ 1,979,832	\$ 319,938	\$ 2,299,770
Other assets:			
Unamortized bond issue costs	\$ 84,088	\$ -	\$ 84,088
Capital assets:			
Utility plant in service	9,859,874	12,339,131	22,199,005
Land	2,672,409	367,100	3,039,509
Improvements other than buildings	445,000	-	445,000
Vehicles	127,235	151,698	278,933
Machinery and equipment	125,807	236,062	361,869
Construction in progress	4,537,706	32,052,164	36,589,870
Less accumulated depreciation	(2,661,085)	(2,293,575)	(4,954,660)
Total capital assets	\$ 15,106,946	\$ 42,852,580	\$ 57,959,526
Total noncurrent assets	\$ 17,170,866	\$ 43,172,518	\$ 60,343,384
Total assets	\$ 20,560,280	\$ 49,069,845	\$ 69,630,125
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 133,602	\$ 61,668	\$ 195,270
Customers' deposits	110,955	-	110,955
Accrued interest payable	196,943	400,522	597,465
Deferred revenue	16,619	-	16,619
Compensated absences - current portion	3,443	4,624	8,067
Bonds payable - current portion	594,019	1,306,475	1,900,494
Total current liabilities	\$ 1,055,581	\$ 1,773,289	\$ 2,828,870
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 11,696,492	\$ 31,619,459	\$ 43,315,951
Compensated absences - net of current portion	30,989	41,610	72,599
Other post employment benefits	73,779	72,375	146,154
Total noncurrent liabilities	\$ 11,801,260	\$ 31,733,444	\$ 43,534,704
Total liabilities	\$ 12,856,841	\$ 33,506,733	\$ 46,363,574
NET ASSETS			
Invested in capital assets, net of related debt	\$ 2,816,435	\$ 9,926,646	\$ 12,743,081
Unrestricted	4,887,004	5,636,466	10,523,470
Total net assets	\$ 7,703,439	\$ 15,563,112	\$ 23,266,551
Total liabilities and net assets	\$ 20,560,280	\$ 49,069,845	\$ 69,630,125

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, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,801,336	\$ 1,989,454	\$ 3,790,790
Other revenues	27,547	27,466	55,013
Miscellaneous	9,894	16,290	26,184
Total operating revenues	<u>\$ 1,838,777</u>	<u>\$ 2,033,210</u>	<u>\$ 3,871,987</u>
OPERATING EXPENSES			
Personnel services	\$ 577,714	\$ 529,651	\$ 1,107,365
Employee benefits	261,105	230,440	491,545
Plant operations	177,448	392,234	569,682
Well operations	139,138	-	139,138
Pump station operations	-	24,379	24,379
Equipment and vehicles	43,100	10,544	53,644
Depreciation	247,310	245,086	492,396
Capital outlay - non-capitalizable expenses	-	2,812	2,812
Other	101,165	57,667	158,832
Total operating expenses	<u>\$ 1,546,980</u>	<u>\$ 1,492,813</u>	<u>\$ 3,039,793</u>
Operating income (loss)	<u>\$ 291,797</u>	<u>\$ 540,397</u>	<u>\$ 832,194</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 15,511	\$ -	\$ 15,511
Investment earnings	25,448	32,479	57,927
Cellular lease	128,552	-	128,552
Bond issuance costs	(9,424)	-	(9,424)
Interest expense	(535,997)	(1,209,883)	(1,745,880)
Total nonoperating revenues (expenses)	<u>\$ (375,910)</u>	<u>\$ (1,177,404)</u>	<u>\$ (1,553,314)</u>
Income before contributions and transfers	<u>\$ (84,113)</u>	<u>\$ (637,007)</u>	<u>\$ (721,120)</u>
Contributed capital - availability fees	\$ 108,438	\$ 989,725	\$ 1,098,163
Transfers out	(557,952)	(557,952)	(1,115,904)
Change in net assets	<u>\$ (533,627)</u>	<u>\$ (205,234)</u>	<u>\$ (738,861)</u>
Total net assets - beginning	<u>8,237,066</u>	<u>15,768,346</u>	<u>24,005,412</u>
Total net assets - ending	<u>\$ 7,703,439</u>	<u>\$ 15,563,112</u>	<u>\$ 23,266,551</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, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,927,805	\$ 1,999,831	\$ 3,927,636
Payments to suppliers	(453,974)	(612,973)	(1,066,947)
Payments to and on behalf of employees	(805,989)	(738,347)	(1,544,336)
Net cash provided (used) by operating activities	\$ 667,842	\$ 648,511	\$ 1,316,353
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 15,511	\$ -	\$ 15,511
Transfers to other funds	(557,952)	(557,952)	(1,115,904)
Net cash provided (used) by noncapital financing activities	\$ (542,441)	\$ (557,952)	\$ (1,100,393)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (835,651)	\$ (706,793)	\$ (1,542,444)
Capital contributions	108,438	989,725	1,098,163
Bond issuance costs	(9,424)	-	(9,424)
Retirements of long-term indebtedness	(2,983,327)	(1,035,282)	(4,018,609)
Proceeds from indebtedness	4,042,812	(448,997)	3,593,815
Interest payments	(521,903)	(1,927,110)	(2,449,013)
Net cash provided (used) by capital and related financing activities	\$ (199,055)	\$ (3,128,457)	\$ (3,327,512)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 25,448	\$ 32,479	\$ 57,927
Net cash provided (used) by investing activities	\$ 25,448	\$ 32,479	\$ 57,927
Net increase (decrease) in cash and cash equivalents	\$ (48,206)	\$ (3,005,419)	\$ (3,053,625)
Cash and cash equivalents - beginning (including restricted)	5,074,239	8,126,956	13,201,195
Cash and cash equivalents - ending (including restricted)	\$ 5,026,033	\$ 5,121,537	\$ 10,147,570
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 291,797	\$ 540,397	\$ 832,194
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	247,310	245,086	492,396
Cellular lease revenue	128,552	-	128,552
(Increase) decrease in accounts receivable	(72,573)	(33,379)	(105,952)
(Increase) decrease in prepaid expenses	1,493	-	1,493
Increase (decrease) in compensated absences	7,757	(1,925)	5,832
Increase (decrease) in other post-employment benefits	25,073	23,669	48,742
Increase (decrease) in accounts payable	5,384	(125,337)	(119,953)
Increase (decrease) deferred revenue	16,619	-	16,619
Increase (decrease) customer deposits	16,430	-	16,430
Total adjustments	\$ 376,045	\$ 108,114	\$ 484,159
Net cash provided (used) by operating activities	\$ 667,842	\$ 648,511	\$ 1,316,353

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, 2011

Note 1—Summary of Significant Accounting Policies:

A. Financial Reporting Entity

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

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of 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, 2011 (Continued)

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the 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 reflects 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, 2011 (Continued)

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

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

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

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

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

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

b. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Town Capital Improvements Fund is considered a major fund.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

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

Enterprise Funds

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

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets and Budgetary Accounting:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

D. Cash and Cash Equivalents:

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

F. Restricted Assets

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

G. Investments:

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

H. Capital Assets:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

H. Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2011 was immaterial.

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

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

I. Compensated Absences:

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

J. Long-term Obligations:

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

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

K. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to approximately \$5,276 at June 30, 2011 for uncollectible local property taxes.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

L. Property Taxes

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

M. Use of Estimates

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

N. Restricted & Unrestricted Net Assets

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

O. Net Assets

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

P. Prepaid Items

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

Q. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

Q. Fund Equity

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

In accordance with GASB Statement 54, when fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the Town strives to maintain an unassigned fund balance of \$4 million or 75% of the total General Fund revenues, whichever is greater.

Note 2—Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 2—Deposits and Investments: (Continued)

Investments:

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

Custodial Credit Risk (Investments):

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

The Town’s investments at June 30, 2011 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, 2011 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	\$ 2,005,381
State Non-Arbitrage Pool	<u>6,739,716</u>
Total	<u>\$ 8,745,097</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk:

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

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5 Years</u>
Local Government Investment Pool	\$ 2,005,381	\$ 2,005,381
State Non-Arbitrage Pool	<u>6,739,716</u>	<u>6,739,716</u>
Total	\$ <u>8,745,097</u>	\$ <u>8,745,097</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:

Commonwealth:		
VDOT	\$	178,146
Fire Programs Fund		1,180
Communications Tax		<u>25,550</u>
Due from Commonwealth	\$	<u>204,876</u>
County of Loudoun:		
Local Sales Tax	\$	<u>151,059</u>
Total	\$	<u>355,935</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets at June 30, 2011 follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 3,701,128	\$ 609,636	\$ -	\$ 4,310,764
Construction in progress	<u>9,429,792</u>	<u>4,901,469</u>	<u>2,690,272</u>	<u>11,640,989</u>
Total capital assets not being depreciated	<u>\$ 13,130,920</u>	<u>\$ 5,511,105</u>	<u>\$ 2,690,272</u>	<u>\$ 15,951,753</u>
Capital assets being depreciated:				
Buildings	\$ 1,047,880	\$ 2,024,565	\$ -	\$ 3,072,445
Improvements other than buildings	460,027	351,919	-	811,946
Machinery and equipment	2,196,360	195,239	-	2,391,599
Vehicles	732,227	55,247	-	787,474
Infrastructure	<u>49,495,854</u>	<u>-</u>	<u>-</u>	<u>49,495,854</u>
Subtotal	<u>\$ 53,932,348</u>	<u>\$ 2,626,970</u>	<u>\$ -</u>	<u>\$ 56,559,318</u>
Less: accumulated depreciation for:				
Buildings	\$ (514,109)	\$ (82,842)	\$ -	\$ (596,951)
Improvements other than buildings	(184,821)	(36,349)	-	(221,170)
Machinery and equipment	(1,117,400)	(160,324)	-	(1,277,724)
Vehicles	(661,356)	(44,491)	-	(705,847)
Infrastructure	<u>(20,264,972)</u>	<u>(1,090,539)</u>	<u>-</u>	<u>(21,355,511)</u>
Total accumulated depreciation	<u>\$ (22,742,658)</u>	<u>\$ (1,414,545)</u>	<u>\$ -</u>	<u>\$ (24,157,203)</u>
Net capital assets being depreciated	<u>\$ 31,189,690</u>	<u>\$ 1,212,425</u>	<u>\$ -</u>	<u>\$ 32,402,115</u>
Capital assets, net	<u>\$ 44,320,610</u>	<u>\$ 6,723,530</u>	<u>\$ 2,690,272</u>	<u>\$ 48,353,868</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business-type Activities)

A summary of changes in capital assets at June 30, 2011 follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	36,103,095	1,490,031	1,003,256	36,589,870
Total capital assets not being depreciated	<u>\$ 39,142,604</u>	<u>\$ 1,490,031</u>	<u>\$ 1,003,256</u>	<u>\$ 39,629,379</u>
Capital assets being depreciated:				
Utility plant in service	\$ 21,195,749	\$ 1,003,256	\$ -	\$ 22,199,005
Improvements other than buildings	445,000	-	-	445,000
Vehicles	226,518	52,415	-	278,933
Machinery and equipment	361,869	-	-	361,869
Subtotal	<u>\$ 22,229,136</u>	<u>\$ 1,055,671</u>	<u>\$ -</u>	<u>\$ 23,284,807</u>
Less: accumulated depreciation for:				
Utility plant in service	\$ (3,899,742)	\$ (413,698)	\$ -	\$ (4,313,440)
Improvements other than buildings	(223,500)	(20,800)	-	(244,300)
Vehicles	(187,803)	(29,998)	-	(217,801)
Machinery and equipment	(151,219)	(27,900)	-	(179,119)
Total accumulated depreciation	<u>\$ (4,462,264)</u>	<u>\$ (492,396)</u>	<u>\$ -</u>	<u>\$ (4,954,660)</u>
Net capital assets being depreciated	<u>\$ 17,766,872</u>	<u>\$ 563,275</u>	<u>\$ -</u>	<u>\$ 18,330,147</u>
Capital assets, net	<u>\$ 56,909,476</u>	<u>\$ 2,053,306</u>	<u>\$ 1,003,256</u>	<u>\$ 57,959,526</u>

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

Governmental activities:

General government	\$ 124,012
Public safety	30,158
Public works (Highways and streets)	1,259,853
Parks and recreation	<u>522</u>
Total governmental activities	<u>\$ 1,414,545</u>
Enterprise funds	<u>\$ 492,396</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (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
2012	\$ 587,460	\$ 665,834	\$ 85,000
2013	3,354,790	643,229	85,000
2014	676,859	575,382	85,000
2015	719,490	550,529	85,000
2016	742,740	523,979	85,000
2017-2021	6,210,340	2,144,933	425,000
2022-2026	2,644,761	1,116,332	425,000
2027-2031	1,129,833	725,248	85,000
2032-2036	648,125	550,135	-
2037-2041	796,303	401,957	-
2042-2046	978,359	219,901	-
2047	543,136	29,014	-
Total	\$ <u>19,032,196</u>	\$ <u>8,146,473</u>	\$ <u>1,360,000</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, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
General obligation bonds payable	\$ 12,953,021	\$ 10,607,117	\$ (4,527,942)	\$ 19,032,196
Notes payable	\$ 1,445,000	\$ -	\$ (85,000)	\$ 1,360,000
Other post-employment benefits	\$ 289,935	\$ 151,840	\$ -	\$ 441,775
Compensated absences	\$ 353,310	\$ 329,848	\$ (362,343)	\$ 320,815
Totals	\$ <u>15,041,266</u>	\$ <u>11,088,805</u>	\$ <u>(4,975,285)</u>	\$ <u>21,154,786</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (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, bearing interest at 3.27% payable semi-annually, maturing October 1, 2017.	\$ 431,608	\$ 55,869
\$2,233,000 General Obligation Bond Series 2005A with principal payable annually in variable amounts, bearing interest at 3.659% payable semi-annually, maturing in 2020.	1,807,300	92,600
\$2,576,261 General Obligation Refunding Bonds Series 2008 dated May 21, 2008 with principal payable annually and bearing interest at 4.46% payable semi-annually, maturing January 15, 2029.	3,140,600	149,900
\$4,591,000 General Obligation Bond Series 2008 dated December 16, 2008 with principal payable annually including interest at 4.125% maturing November 1, 2029.	4,556,688	52,301
\$2,155,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bearing interest at 4.23%, maturing July 15, 2020.	2,155,000	-
\$2,700,000 General Obligation Bonds Series 2011 dated March 31, 2011 with principal payment due upon maturity, bearing interest at 1.34% payable semi-annually, maturing April 1, 2013.	2,700,000	-
\$4,241,000 General Obligation Refunding Bond Series 2010 dated November 30, 2010 with principal payable annually, bearing interest at 3.03% maturing June 30, 2026.	<u>4,241,000</u>	<u>236,790</u>
Total Bonds Payable	<u>\$ 19,032,196</u>	<u>\$ 587,460</u>
Notes Payable:		
\$1,700,000 note payable dated July 18, 2007 for the purchase of Fireman's Field (land). Payments of \$75,000 (increased to \$85,000 in 2010) due annually with the final installment due 2027, bearing interest at 0%.	<u>\$ 1,360,000</u>	<u>\$ 85,000</u>
Compensated Absences (Note 6)	<u>\$ 320,815</u>	<u>\$ 32,082</u>
Other post employment benefits (Note 12)	<u>\$ 441,775</u>	<u>\$ -</u>
Total general long-term obligation debt	<u><u>\$ 21,154,786</u></u>	<u><u>\$ 704,542</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 5—Long—Term Debt: (Continued)

Enterprise Activities:

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2012	\$ 1,900,495	\$ 1,636,847
2013	2,057,863	1,569,088
2014	2,132,505	1,492,997
2015	2,209,448	1,414,295
2016	2,289,017	1,332,730
2017-2021	14,148,907	5,288,824
2022-2026	9,682,966	3,013,008
2027-2029	10,641,532	980,220
Total	\$ <u>45,062,733</u>	\$ <u>16,728,009</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, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
General obligation bonds payable	\$ 47,287,639	\$ 1,699,900	\$ (3,924,806)	\$ 45,062,733
Less deferred amounts:				
For issuance discounts	-	233,307	(13,865)	219,442
On refunding	-	(69,883)	4,153	(65,730)
Total general obligation bonds payable	\$ <u>47,287,639</u>	\$ <u>1,863,324</u>	\$ <u>(3,934,518)</u>	\$ <u>45,216,445</u>
Other post-employment benefits	\$ <u>97,412</u>	\$ <u>48,742</u>	\$ <u>-</u>	\$ <u>146,154</u>
Compensated absences	\$ <u>74,834</u>	\$ <u>94,823</u>	\$ <u>(88,991)</u>	\$ <u>80,666</u>
Totals	\$ <u>47,459,885</u>	\$ <u>2,006,889</u>	\$ <u>(4,023,509)</u>	\$ <u>45,443,265</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (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 bearing interest at 4.46% payable semi-annually, maturing January 15, 2029.	\$ 15,147,300	\$ 587,300
\$24,944,377 General Obligation Bond, Series 2008 (VRA) with principal payable annually, bearing interest at 3%, maturing 2029.	23,110,333	1,009,394
\$5,822,500 General Obligation Bond Series 2005B with principal payable annually, bearing interest at 3.659% payable semi-annually, maturing	2,905,100	148,800
\$2,245,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bearing interest at 4.23%, maturing July 15, 2020.	2,245,000	-
\$1,655,000 General Obligation Refunding Bond Series 2010 (VRA) dated October 15, 2010 with principal payable annually, bearing interest at 2.5433% payable semi-annually maturing October 1, 2019.	1,655,000	155,000
Deferred amounts	<u>153,712</u>	-
Total	\$ 45,216,445	\$ 1,900,494
Compensated Absences (Note 6)	<u>\$ 80,666</u>	<u>\$ 8,067</u>
Other post employment benefits (Note 12)	<u>\$ 146,154</u>	<u>\$ -</u>
Total enterprise debt	<u>\$ 45,443,265</u>	<u>\$ 1,908,561</u>

Defeased Debt - Current Refundings

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 5—Long—Term Debt: (Continued)

Defeased Debt - Current Refundings: (Continued)

On November 30, 2010 the Town issued General Obligation Refunding Bonds, Series 2010 in the amount of \$4,241,000 to refund the 2008 and 2009 General Obligation Bonds. The refunding Series 2010 bond was issued at an interest rate of 3.03% to refund the Series 2008 and 2009 bonds with interest rates of 4.125% and 4.87%, respectively. The refunding portion of the new bonds amounted to \$4,142,633 to defease the outstanding debt of the Series 2008 and 2009 bonds in the amounts of \$1,142,633 and \$3,000,000. As a result of the refunding, the Town reduced its future debt service requirements for the 2008 and 2009 bonds in the amount of \$4,769,254, which resulted in an economic gain of \$453,271.

Defeased Debt - Advance Refundings

On October 15, 2010 the Town issued General Obligation Public Improvement and Refunding Bonds, Series 2010 (VRA) in the amount of \$1,655,000 to advance refund the 2000 General Obligation Bonds. The refunding Series 2010 bonds were issued at an interest rate 2.5433% to refund the Series 2000 bonds with an interest rate ranging from of 4.80% to 5.60%. These funds were deposited in an irrevocable trust with an escrow agent to provide funds to call the 2000 bond. As a result of the advance refunding, the Town reduced its future debt service requirements for the 2000 bond in the amount of \$271,714, which resulted in an economic gain of \$237,845.

Note 6—Claims, Judgments and Compensated Absences:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination, except for employees who retire under VRS from the Town in good standing are paid for 25% of their sick leave balance. Accumulated vacation is paid upon termination. The Town's General Fund has outstanding accrued leave pay totaling \$320,815 and the Enterprise Funds have outstanding accrued leave pay of \$80,666.

Note 7—Defined Benefit Pension Plan:

A. Plan Description:

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

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Defined Benefit Pension Plan:

A. Plan Description: (Continued)

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70 or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement, Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/PDF/Publications/2010-Annual-Report.pdf> or 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, 2011 was 14.84% of the annual covered payroll.

For fiscal year ended 2011, the Town's annual pension cost of \$376,339 (does not include the portion of the employee share assumed by the Town which was \$191,229) was equal to the Town's required and actual contributions.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 7—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost and Net Pension Obligation:

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/11	\$ 376,339	100%	\$ -
06/30/10	306,643	100%	-
06/30/09	308,944	100%	-

The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.6% per year, 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 Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 80.25% funded. The actuarial accrued liability for benefits was \$8,004,605 and the actuarial value of assets was \$6,423,678, resulting in an unfunded actuarial liability (UAAL) of \$1,580,927. The covered payroll (annual payroll of active employees covered by the plan) was \$3,898,431, and the ratio of the UAAL to covered payroll was 40.55%.

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:

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 \$1,158,842 at June 30, 2011.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 8—Deferred Revenue:

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$7,390 at June 30, 2011.

C. Build America Bond Subsidy

The Build America Bond subsidy deferred to be recognized upon bond maturity at June 30, 2011 totaled \$15,952.

Note 9—Risk Management:

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

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

Note 10—Interfund Transfers:

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,949,473	\$ 6,122,465
Capital Projects Fund	6,122,465	833,569
Water Fund	-	557,952
Sewer Fund	-	557,952
Total	<u>\$ 8,071,938</u>	<u>\$ 8,071,938</u>

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 11—Commitments:

At June 30, 2011 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
E.E. Lyons	Downtown Streetscapes Phase 1	\$ 675,780
Kimley-Horn and Associates	Downtown Streetscapes Phase 2	134,200
ATCS, P.L.C.	North 21st Street Sidewalk	52,907
Kimley-Horn and Associates	33rd St. & Country Club Drive Improvements	94,405
RK&K	33rd St. & Country Club Drive Improvements	57,265
Kimley-Horn and Associates	Southern Collector Road	65,126
Roy C. Kline	Town Hall Renovations	1,170,737
Itek	Fireman's Field Improvements	641,748
CH2M Hill	Water Resource Study	190,742
Whitman, Requardt & Associates	Water Treatment Plant Improvements	184,356

Note 12—Other Post-Employment Benefits Program:

Background

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

A. Plan Description:

In addition to the pension benefits described in Note 9, the Town provides 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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 \$211,300 for fiscal year 2011. 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	15,494
Adjustment to annual required contribution	<u>(12,912)</u>
Annual OPEB cost (expense)	\$ 213,882
Estimated contributions made	<u>(13,300)</u>
Increase in net OPEB obligation	\$ <u>200,582</u>
Net OPEB obligation - beginning of year	<u>387,347</u>
Net OPEB obligation - end of year	\$ <u><u>587,929</u></u>

For 2011, the Town's expected cash payment of \$13,300 was \$200,582 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 2011 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
June 30, 2011	213,882	6.22%	587,929

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011 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.

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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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

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%

Note 13—Operating Leases:

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 63,066
2013	<u>30,126</u>
Total	<u>\$ 93,192</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

Note 14—Restatement of Beginning Net Assets:

Beginning net assets of the governmental-activities were restated to account for the 2nd half real estate tax assessment reported as revenues on the government-wide statement of activities as follows:

Beginning net assets, June 30, 2011	\$ 38,482,322
Adjustment for deferred taxes	<u>(1,097,759)</u>
Beginning net assets, June 30, 2011, as adjusted	<u>\$ 37,384,563</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, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,465,193	\$ 2,465,193	\$ 2,526,829	\$ 61,636
Other local taxes	2,812,607	2,812,607	2,996,580	183,973
Permits, privilege fees, and regulatory licenses	120,000	120,000	118,070	(1,930)
Fines and forfeitures	78,500	78,500	80,287	1,787
Revenue from the use of money and property	80,600	80,600	69,615	(10,985)
Miscellaneous	252,600	260,850	2,106,173	1,845,323
Intergovernmental revenues:				
Local government	-	-	-	-
Commonwealth	1,035,316	1,094,009	1,100,628	6,619
Federal	4,500	55,389	70,937	15,548
Total revenues	\$ 6,849,316	\$ 6,967,148	\$ 9,069,119	\$ 2,101,971
EXPENDITURES				
Current:				
General government administration	\$ 2,100,806	\$ 2,170,288	\$ 2,348,933	\$ (178,645)
Public safety	1,603,105	1,635,444	1,626,498	8,946
Public works	2,857,024	3,080,411	2,821,523	258,888
Parks, recreation, and cultural	27,500	26,500	26,800	(300)
Community development	519,272	518,708	412,050	106,658
Debt service:				
Principal retirement	379,463	379,463	496,895	(117,432)
Interest and other fiscal charges	545,255	587,795	570,022	17,773
Bond issue costs	-	-	143,973	(143,973)
Total expenditures	\$ 8,032,425	\$ 8,398,609	\$ 8,446,694	\$ (48,085)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,183,109)	\$ (1,431,461)	\$ 622,425	\$ 2,053,886
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,115,904	\$ 1,115,904	\$ 1,949,473	\$ 833,569
Transfers out	(29,000)	(637,733)	(6,122,465)	(5,484,732)
Refunding bonds issued	-	-	4,241,000	4,241,000
Payment to refunded bond escrow agent	-	-	(4,142,633)	(4,142,633)
Issuance of debt	-	-	6,188,107	6,188,107
Total other financing sources (uses)	\$ 1,086,904	\$ 478,171	\$ 2,113,482	\$ 1,635,311
Net change in fund balances	\$ (96,205)	\$ (953,290)	\$ 2,735,907	\$ 3,689,197
Fund balances - beginning	96,205	953,290	8,006,938	7,053,648
Fund balances - ending	\$ -	\$ -	\$ 10,742,845	\$ 10,742,845

Schedules of Funding Progress
As of June 30, 2011

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)
06/30/06	\$ 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%
06/30/10	6,423,678	8,004,605	1,580,927	80.25%	3,898,431	40.55%

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%
01/01/11	-	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, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,129,193	\$ 2,129,193	\$ 2,169,396	\$ 40,203
Personal property taxes	311,000	311,000	335,499	24,499
Penalties and interest	25,000	25,000	21,933	(3,067)
Total general property taxes	<u>\$ 2,465,193</u>	<u>\$ 2,465,193</u>	<u>\$ 2,526,828</u>	<u>\$ 61,635</u>
Other local taxes:				
Local sales and use taxes	\$ 808,000	\$ 808,000	\$ 878,531	\$ 70,531
Cigarette taxes	212,000	212,000	192,198	(19,802)
Business license taxes	525,000	525,000	549,271	24,271
Utility license taxes	207,000	207,000	208,945	1,945
Auto decals	130,000	130,000	136,777	6,777
Bank franchise taxes	200,000	200,000	247,542	47,542
Cable franchise taxes	6,800	6,800	7,918	1,118
Restaurant food taxes	723,807	723,807	775,398	51,591
Total other local taxes	<u>\$ 2,812,607</u>	<u>\$ 2,812,607</u>	<u>\$ 2,996,580</u>	<u>\$ 183,973</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 120,000	\$ 120,000	\$ 93,070	\$ (26,930)
Proffers	-	-	25,000	25,000
Total permits, privilege fees, and regulatory licenses	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 118,070</u>	<u>\$ (1,930)</u>
Fines and forfeitures:				
Police fines	\$ 78,500	\$ 78,500	\$ 80,287	\$ 1,787
Total fines and forfeitures	<u>\$ 78,500</u>	<u>\$ 78,500</u>	<u>\$ 80,287</u>	<u>\$ 1,787</u>
Revenue from use of money and property:				
Interest	\$ 65,000	\$ 65,000	\$ 39,915	\$ (25,085)
Revenue from use of property	15,600	15,600	29,700	14,100
Total revenue from use of money and property	<u>\$ 80,600</u>	<u>\$ 80,600</u>	<u>\$ 69,615</u>	<u>\$ (10,985)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 234,100	\$ 242,350	\$ 2,054,521	\$ 1,812,171
Proceeds from sales of property	10,000	10,000	18,667	8,667
Donations	100	100	973	873
Community events sign	600	600	1,020	420
Public Works reimbursement from others	6,000	6,000	28,879	22,879
Vehicle compensation reimbursement	1,800	1,800	2,113	313
Total miscellaneous revenue	<u>\$ 252,600</u>	<u>\$ 260,850</u>	<u>\$ 2,106,173</u>	<u>\$ 1,845,323</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Total revenue from local sources	\$ 5,809,500	\$ 5,817,750	\$ 7,897,553	\$ 2,079,803
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 165,000	\$ 165,000	\$ 167,781	\$ 2,781
Personal property tax relief funds	201,000	201,000	201,753	753
Total noncategorical aid	\$ 366,000	\$ 366,000	\$ 369,534	\$ 3,534
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 102,316	\$ 108,816	\$ 111,985	\$ 3,169
Total shared expenses	\$ 102,316	\$ 108,816	\$ 111,985	\$ 3,169
Other categorical aid:				
Fire programs fund	\$ 9,500	\$ 9,500	\$ 10,348	\$ 848
Law enforcement funds	1,000	34,064	31,808	(2,256)
Highway maintenance funds	555,000	574,129	574,129	-
Litter control grant	1,500	1,500	2,824	1,324
Total other categorical aid	\$ 567,000	\$ 619,193	\$ 619,109	\$ (84)
Total categorical aid	\$ 669,316	\$ 728,009	\$ 731,094	\$ 3,085
Total revenue from the Commonwealth	\$ 1,035,316	\$ 1,094,009	\$ 1,100,628	\$ 6,619
Revenue from the federal government:				
Payments in lieu of taxes				
	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Noncategorical aid:				
BAB subsidy	\$ -	\$ 14,889	\$ 14,889	\$ -
Categorical aid:				
Other categorical	\$ 2,000	\$ 38,000	\$ 44,328	\$ 6,328
Forestry grant	-	-	4,337	4,337
Emergency management grant	-	-	4,883	4,883
Total categorical aid	\$ 2,000	\$ 38,000	\$ 53,548	\$ 15,548
Total revenue from the federal government	\$ 4,500	\$ 55,389	\$ 70,937	\$ 15,548
Total General Fund	\$ 6,849,316	\$ 6,967,148	\$ 9,069,118	\$ 2,101,970

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
General Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 2,676,730	\$ 3,143,821	\$ -	\$ (3,143,821)
Total revenue from local sources	<u>\$ 2,676,730</u>	<u>\$ 3,143,821</u>	<u>\$ -</u>	<u>\$ (3,143,821)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 2,026,500	\$ 2,924,728	\$ 280,001	\$ (2,644,727)
Total revenue from the Commonwealth	<u>\$ 2,026,500</u>	<u>\$ 2,924,728</u>	<u>\$ 280,001</u>	<u>\$ (2,644,727)</u>
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 30,209	\$ 138,500	\$ 138,500	\$ -
Total County Capital Improvements Fund	<u>\$ 4,733,439</u>	<u>\$ 6,207,049</u>	<u>\$ 418,501</u>	<u>\$ (5,788,548)</u>
Total Primary Government	<u>\$ 11,582,755</u>	<u>\$ 13,174,197</u>	<u>\$ 9,487,619</u>	<u>\$ (3,686,578)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 45,898	\$ 45,398	\$ 48,614	\$ (3,216)
General and financial administration:				
Administration	\$ 882,671	\$ 896,839	\$ 842,214	\$ 54,625
Building administration	69,945	69,945	63,287	6,658
Legal services	150,000	150,000	426,589	(276,589)
Independent auditor	48,500	48,500	40,889	7,611
Information technology	178,324	213,072	206,679	6,393
Finance	725,468	746,534	720,661	25,873
Total general and financial administration	\$ 2,054,908	\$ 2,124,890	\$ 2,300,319	\$ (175,429)
Total general government administration	\$ 2,100,806	\$ 2,170,288	\$ 2,348,933	\$ (178,645)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,513,105	\$ 1,545,444	\$ 1,536,150	\$ 9,294
Fire and rescue services:				
Fire department	\$ 50,000	\$ 50,000	\$ 50,348	\$ (348)
Ambulance and rescue services	40,000	40,000	40,000	-
Total fire and rescue services	\$ 90,000	\$ 90,000	\$ 90,348	\$ (348)
Total public safety	\$ 1,603,105	\$ 1,635,444	\$ 1,626,498	\$ 8,946
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 609,205	\$ 805,735	\$ 575,030	\$ 230,705
Administration	880,230	891,675	910,103	(18,428)
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,489,435	\$ 1,697,410	\$ 1,485,133	\$ 212,277
Maintenance of general buildings and grounds:				
General properties	\$ 873,929	\$ 889,341	\$ 859,500	\$ 29,841
Refuse	493,660	493,660	476,890	16,770
Total maintenance of general buildings and grounds	\$ 1,367,589	\$ 1,383,001	\$ 1,336,390	\$ 46,611
Total public works	\$ 2,857,024	\$ 3,080,411	\$ 2,821,523	\$ 258,888

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 22,050	\$ 22,550	\$ 26,575	\$ (4,025)
Recreation facilities	5,450	3,950	225	3,725
Total parks and recreation	<u>\$ 27,500</u>	<u>\$ 26,500</u>	<u>\$ 26,800</u>	<u>\$ (300)</u>
Total parks, recreation, and cultural	<u>\$ 27,500</u>	<u>\$ 26,500</u>	<u>\$ 26,800</u>	<u>\$ (300)</u>
Community development:				
Planning and community development:				
Planning	\$ 427,358	\$ 425,294	\$ 350,189	\$ 75,105
Planning commission	18,387	18,387	14,395	3,992
Board of architectural review	5,230	5,230	3,364	1,866
Tree and beautification commission	12,050	12,050	5,105	6,945
Train station	22,825	22,825	13,133	9,692
Total planning and community development	<u>\$ 485,850</u>	<u>\$ 483,786</u>	<u>\$ 386,186</u>	<u>\$ 97,600</u>
Environmental management:				
Environmental service	\$ 1,500	\$ 1,500	\$ 656	\$ 844
Retiree benefits	\$ 8,172	\$ 8,172	\$ 8,916	\$ (744)
Board of zoning and appeals	\$ 1,350	\$ 1,350	\$ 250	\$ 1,100
Economic development:				
Economic development	\$ 22,400	\$ 23,900	\$ 16,042	\$ 7,858
Total community development	<u>\$ 519,272</u>	<u>\$ 518,708</u>	<u>\$ 412,050</u>	<u>\$ 106,658</u>
Debt service:				
Principal retirement and interest	\$ 379,463	\$ 379,463	\$ 496,895	\$ (117,432)
Interest and other fiscal charges	545,255	587,795	570,022	17,773
Bond issue costs	-	-	143,973	(143,973)
Total debt service	<u>\$ 924,718</u>	<u>\$ 967,258</u>	<u>\$ 1,210,890</u>	<u>\$ (243,632)</u>
Total General Fund	<u>\$ 8,032,425</u>	<u>\$ 8,398,609</u>	<u>\$ 8,446,694</u>	<u>\$ (48,085)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
Capital projects expenditures:				
General capital projects	\$ 2,213,087	\$ 1,652,482	\$ 619,959	\$ 1,032,523
Maintenance facility	-	373,271	316,660	56,611
Main and Maple improvements	1,000,000	1,552,935	45,082	1,507,853
Main Street sidewalks	279,700	374,270	18,406	355,864
N. 21st Street sidewalk	-	296,656	125,617	171,039
Southern collector road	1,272,259	1,762,868	914,782	848,086
D Street drainage and sidewalk	57,000	313,139	248,507	64,632
West Main Street - 28th to 33rd	-	150,139	4,449	145,690
Fireman's field renovation	-	848,055	902,620	(54,565)
Maple to W and OD Trail	332,500	448,670	61,125	387,545
Fireman's field upgrades	600,000	802,625	616,680	185,945
New town hall renovation	3,236,740	3,482,954	1,772,407	1,710,547
Other projects	485,610	766,000	239,113	526,887
Total Capital Projects Fund	<u>\$ 9,476,896</u>	<u>\$ 12,824,064</u>	<u>\$ 5,885,407</u>	<u>\$ 6,938,657</u>
Total Primary Government	<u>\$ 17,509,321</u>	<u>\$ 21,222,673</u>	<u>\$ 14,332,101</u>	<u>\$ 6,890,572</u>

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund:				
Operating revenues:				
Water meter fees	\$ 7,494	\$ 7,494	\$ 3,039	\$ (4,455)
Water fees	1,641,000	1,641,000	1,797,969	156,969
Miscellaneous income	2,000	2,000	9,894	7,894
Penalties and interest	20,000	20,000	27,547	7,547
Water flushing	1,000	1,000	328	(672)
Total operating revenues	\$ 1,671,494	\$ 1,671,494	\$ 1,838,777	\$ 167,283
Operating expenses:				
Personnel:				
Water staff	\$ 531,004	\$ 541,504	\$ 553,806	\$ (12,302)
Overtime - Water	35,000	35,000	23,908	11,092
Plant operations:				
Electricity	24,500	24,500	17,192	7,308
Telephone	6,650	6,650	7,701	(1,051)
Supplies	22,100	22,100	19,751	2,349
Lab Equipment	5,500	5,500	1,940	3,560
Contracts	23,500	23,500	18,464	5,036
Uniforms	8,350	8,350	5,367	2,983
Safety	9,500	9,500	4,219	5,281
Sludge disposal	14,800	14,800	4,290	10,510
Cross connections	1,000	1,000	-	1,000
Plant repairs	45,000	45,000	33,986	11,014
Water line repairs	19,000	19,000	10,921	8,079
Leak detection	3,100	3,100	-	3,100
Meter repairs & testing	4,000	4,000	818	3,182
New water meters	29,000	29,000	15,287	13,713
Computer upgrades	2,400	2,400	1,824	576
Chemicals - plant	45,000	45,000	31,779	13,221
Generator WTP	7,200	7,200	13	7,187
Permits	6,800	6,800	1,930	4,870
Touch read HDW & SFTW	7,000	7,000	1,528	5,472
Public education	3,100	3,100	396	2,704
VDH operations fee	13,600	13,600	42	13,558
Well operations:				
Electricity	55,800	55,800	41,542	14,258
Telephone	1,600	1,600	950	650
Supplies	32,500	32,500	21,960	10,540
Contracts	13,500	13,500	9,703	3,797
Spare parts	6,600	6,600	4,344	2,256
Repairs	43,500	43,500	36,108	7,392
Chemicals	22,500	22,500	8,751	13,749
Carbon change-out	23,750	23,750	15,780	7,970
Equipment and vehicles expenses:				
New equipment & tools	29,000	21,000	14,179	6,821
Vehicle repairs and maintenance	16,625	16,625	14,341	2,284
Propane	9,500	17,500	14,580	2,920

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund: (Continued)				
Operating expenses: (Continued)				
Other:				
Advertisements	\$ 2,100	\$ 2,100	\$ 1,215	\$ 885
Water samples	42,500	42,500	18,176	24,324
Training	10,500	10,500	4,470	6,030
Dues & subscriptions	960	960	695	265
Consumer reports	3,700	3,700	2,140	1,560
General expenses	-	2,850	3,821	(971)
Postage/mailings	7,900	7,900	5,924	1,976
Miscellaneous	-	-	128	(128)
Professional services	32,000	32,000	30,551	1,449
Watershed management	4,750	4,750	233	4,517
Forestry management	3,100	3,100	-	3,100
Environmental compliance	4,500	4,500	-	4,500
Mowing	11,000	7,000	5,687	1,313
Administrative supplies	950	950	33	917
Water department emergency	4,000	4,000	1,020	2,980
Small projects	124,000	124,000	27,072	96,928
Employee benefits:				
Health insurance	113,639	113,639	124,623	(10,984)
Retirement	78,801	78,801	75,851	2,950
Workers' compensation	12,252	12,252	11,597	655
Payroll taxes	43,299	43,299	43,194	105
Drug testing	715	715	253	462
Life insurance	1,487	1,487	1,467	20
Deferred compensation match	4,160	4,160	4,120	40
Depreciation	-	-	247,310	(247,310)
Capital outlay	661,000	2,212,352	-	2,212,352
Total operating expenses	\$ 2,289,292	\$ 3,849,994	\$ 1,546,980	\$ 2,303,014
Operating income (loss)	\$ (617,798)	\$ (2,178,500)	\$ 291,797	\$ 2,470,297
Nonoperating revenues (expenses):				
Interest earned	\$ 6,000	\$ 6,000	\$ 25,448	\$ 19,448
Cellular lease	127,000	127,000	128,552	1,552
Rental income	6,000	6,000	-	(6,000)
Intergovernmental revenue	-	15,510	15,511	1
Bond issuance costs	-	-	(9,424)	(9,424)
Interest expense	(1,093,795)	(1,138,111)	(535,997)	602,114
Total nonoperating revenues (expenses)	\$ (954,795)	\$ (983,601)	\$ (375,910)	\$ 607,691
Net income (loss) before operating transfers and contributions	\$ (1,572,593)	\$ (3,162,101)	\$ (84,113)	\$ 3,077,988
Other financing sources (uses):				
Contributed capital - availability fees	\$ 746,866	\$ 746,866	\$ 108,438	\$ (638,428)
Transfers out	(557,952)	(557,952)	(557,952)	-
Total other financing sources (uses)	\$ 188,914	\$ 188,914	\$ (449,514)	\$ (638,428)
Net income	\$ (1,383,679)	\$ (2,973,187)	\$ (533,627)	\$ 2,439,560

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2011

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund:				
Operating revenues:				
Sewer fees	\$ 1,954,000	\$ 1,954,000	\$ 1,989,454	\$ 35,454
Penalties and interest	20,000	20,000	27,466	7,466
Miscellaneous income	1,200	1,200	16,290	15,090
Total operating revenues	\$ 1,975,200	\$ 1,975,200	\$ 2,033,210	\$ 58,010
Operating expenses:				
Personnel:				
Sewer staff	\$ 505,958	\$ 515,858	\$ 512,716	\$ 3,142
Overtime - Sewer	35,000	35,000	16,935	18,065
Plant operations:				
Electricity	120,000	120,000	142,779	(22,779)
Telephone	8,000	8,000	7,540	460
Plant supplies	7,500	7,500	3,988	3,512
Contracts	1,000	1,000	-	1,000
Permits	10,000	10,000	9,646	354
Uniforms	5,700	5,700	5,852	(152)
Plant repairs	30,000	30,000	17,263	12,737
Sewer line repairs	14,250	14,250	13,667	583
Safety	5,000	5,000	4,220	780
Lab supplies	22,250	22,250	24,328	(2,078)
New equipment & tools	5,000	5,000	2,245	2,755
Sludge removal	15,000	15,000	56,736	(41,736)
Chemicals	49,000	61,000	69,087	(8,087)
Lab certification	3,200	3,200	-	3,200
Sample analysis	20,500	20,500	6,713	13,787
Waste disposal	1,500	1,500	-	1,500
Meter repairs, tools, and equipment	16,200	16,200	12,519	3,681
New water meters	20,000	20,000	14,124	5,876
Touch read HDW	5,500	5,500	1,527	3,973
Pump station operations:				
Electricity	7,800	7,800	11,149	(3,349)
Telephone	950	950	665	285
Repairs	19,000	19,000	8,404	10,596
Contracts	10,000	10,000	2,469	7,531
Equipment	7,500	7,500	1,692	5,808
Equipment and vehicles expenses:				
Equipment - plant	15,000	3,000	1,153	1,847
Gas and oil	3,500	3,500	2,034	1,466
Vehicle repairs	6,000	6,000	7,357	(1,357)

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund: (Continued)				
Other expenses:				
Dues & subscriptions	\$ 500	\$ 500	\$ 450	\$ 50
Advertisements	3,000	3,000	-	3,000
Training	3,800	3,800	4,146	(346)
Postage/mailings	7,900	7,900	7,120	780
Other expenses	5,700	5,700	1,221	4,479
Engineering	35,000	35,000	30,694	4,306
Mowing	13,500	13,500	6,885	6,615
Environmental compliance	3,200	3,200	-	3,200
Sewer department emergency	3,000	3,000	676	2,324
Small projects	6,000	6,000	6,475	(475)
Administrative supplies	2,700	2,700	-	2,700
Public education	1,000	1,000	-	1,000
Employee benefits:				
Health insurance	80,260	80,260	102,352	(22,092)
Retirement	75,084	75,084	73,303	1,781
Workers' compensation	9,772	9,772	10,367	(595)
Payroll taxes	41,383	41,383	39,755	1,628
Drug testing	715	715	160	555
Deferred compensation match	3,120	3,120	3,120	-
Life insurance	1,417	1,417	1,383	34
Depreciation	-	-	245,086	(245,086)
Capital outlay - non-capitalizable expenses	150,000	1,876,672	2,812	1,873,860
Total operating expenses	<u>\$ 1,417,359</u>	<u>\$ 3,153,931</u>	<u>\$ 1,492,813</u>	<u>\$ 1,661,118</u>
Operating income	<u>\$ 557,841</u>	<u>\$ (1,178,731)</u>	<u>\$ 540,397</u>	<u>\$ 1,719,128</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 50,000	\$ 50,000	\$ 32,479	\$ (17,521)
Interest expense	<u>(2,745,277)</u>	<u>(2,745,277)</u>	<u>(1,209,883)</u>	<u>1,535,394</u>
Total nonoperating revenues (expenses)	<u>\$ (2,695,277)</u>	<u>\$ (2,695,277)</u>	<u>\$ (1,177,404)</u>	<u>\$ 1,517,873</u>
Net income before operating transfers	<u>\$ (2,137,436)</u>	<u>\$ (3,874,008)</u>	<u>\$ (637,007)</u>	<u>\$ 3,237,001</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 626,400	\$ 626,400	\$ 989,725	\$ 363,325
Transfers out	<u>(557,952)</u>	<u>(557,952)</u>	<u>(557,952)</u>	<u>-</u>
Total operating transfers	<u>\$ 68,448</u>	<u>\$ 68,448</u>	<u>\$ 431,773</u>	<u>\$ 363,325</u>
Net income	<u>\$ (2,068,988)</u>	<u>\$ (3,805,560)</u>	<u>\$ (205,234)</u>	<u>\$ 3,600,326</u>

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 As of June 30, 2011

	<u>2011</u>	<u>2010</u>
Governmental funds capital assets:		
Land	\$ 4,310,764	\$ 3,701,128
Buildings	3,072,445	1,047,880
Improvements other than buildings	811,946	460,027
Machinery and equipment	2,391,599	2,196,360
Vehicles	787,474	732,227
Infrastructure	49,495,854	49,495,854
Construction in progress	<u>11,640,989</u>	<u>9,429,792</u>
Total governmental funds capital assets	<u>\$ 72,511,071</u>	<u>\$ 67,063,268</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 72,511,071</u>	<u>\$ 67,063,268</u>
Total governmental funds capital assets	<u>\$ 72,511,071</u>	<u>\$ 67,063,268</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of June 30, 2011

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>
General government administration:			
Town council	\$ 3,877,612	\$ 3,224,951	\$ 2,927,693
Finance and administration	-	-	-
Total general government administration	<u>\$ 3,877,612</u>	<u>\$ 3,224,951</u>	<u>\$ 2,927,693</u>
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ 433,152	\$ 3,320,134	\$ 144,752
Maintenance of buildings and grounds	-	5,095,904	-
Total public works	<u>\$ 433,152</u>	<u>\$ 8,416,038</u>	<u>\$ 144,752</u>
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ -	\$ -
Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total governmental funds capital assets	<u><u>\$ 4,310,764</u></u>	<u><u>\$ 11,640,989</u></u>	<u><u>\$ 3,072,445</u></u>

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ 89,085	\$ 177,549	\$ 25,392	\$ -	\$ 10,322,282
<u>-</u>	<u>360,482</u>	<u>157,037</u>	<u>-</u>	<u>517,519</u>
\$ <u>89,085</u>	\$ <u>538,031</u>	\$ <u>182,429</u>	\$ <u>-</u>	\$ <u>10,839,801</u>
\$ <u>3,850</u>	\$ <u>249,121</u>	\$ <u>349,927</u>	\$ <u>-</u>	\$ <u>602,898</u>
\$ <u>3,850</u>	\$ <u>249,121</u>	\$ <u>349,927</u>	\$ <u>-</u>	\$ <u>602,898</u>
\$ 708,563	\$ 873,813	\$ 255,118	\$ 49,495,854	\$ 55,231,386
<u>-</u>	<u>730,634</u>	<u>-</u>	<u>-</u>	<u>5,826,538</u>
\$ <u>708,563</u>	\$ <u>1,604,447</u>	\$ <u>255,118</u>	\$ <u>49,495,854</u>	\$ <u>61,057,924</u>
\$ <u>10,448</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,448</u>
\$ <u>10,448</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,448</u>
\$ <u>811,946</u>	\$ <u>2,391,599</u>	\$ <u>787,474</u>	\$ <u>49,495,854</u>	\$ <u>72,511,071</u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2011

Function and Activity	Governmental Funds Capital Assets July 1, 2010	Additions	Deductions	Governmental Funds Capital Assets June 30, 2011
General government administration:				
Town council	\$ 5,659,934	\$ 4,662,348	\$ -	\$ 10,322,282
Finance and administration	499,713	17,806	-	517,519
Total general government administration	<u>\$ 6,159,647</u>	<u>\$ 4,680,154</u>	<u>\$ -</u>	<u>\$ 10,839,801</u>
Public safety:				
Police department	\$ 597,510	\$ 5,388	\$ -	\$ 602,898
Total public safety	<u>\$ 597,510</u>	<u>\$ 5,388</u>	<u>\$ -</u>	<u>\$ 602,898</u>
Public works:				
Highways and roads	\$ 53,835,885	\$ 4,085,773	\$ (2,690,272)	\$ 55,231,386
Maintenance of buildings and grounds	5,337,833	488,705	-	5,826,538
Total public works	<u>\$ 59,173,718</u>	<u>\$ 4,574,478</u>	<u>\$ (2,690,272)</u>	<u>\$ 61,057,924</u>
Parks, recreation, and cultural:				
Parks and recreation	\$ 1,132,393	\$ -	\$ (1,121,945)	\$ 10,448
Total parks, recreation, and cultural	<u>\$ 1,132,393</u>	<u>\$ -</u>	<u>\$ (1,121,945)</u>	<u>\$ 10,448</u>
Total governmental funds capital assets	<u><u>\$ 67,063,268</u></u>	<u><u>\$ 9,260,020</u></u>	<u><u>\$ (3,812,217)</u></u>	<u><u>\$ 72,511,071</u></u>

Statistical Section

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

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.

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Demographic and Economic Information

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

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Operating Information

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

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

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

	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 30,838,249
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>	<u>7,181,242</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>	<u>\$ 38,019,491</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	\$ 12,743,081
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>	<u>10,523,471</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>	<u>\$ 23,266,552</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	\$ 43,581,330
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>	<u>17,704,713</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>	<u>\$ 61,286,043</u>

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

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

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
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	\$ 1,890,188
Public safety	613,440	987,686	1,367,893	1,466,000	1,663,801	1,696,590	1,692,290	1,720,461
Public works	2,587,276	2,979,121	3,474,333	3,286,874	3,472,004	4,130,972	3,788,818	3,645,872
Parks, recreation and cultural	-	17,077	32,704	35,241	81,503	66,748	124,442	1,573,776
Community development	-	451,194	455,350	526,780	584,944	349,850	461,341	377,000
Interest on long-term debt	35,466	28,853	104,799	113,602	100,727	304,336	228,749	727,584
Total governmental activities expenses	\$ 5,061,042	\$ 5,914,098	\$ 6,886,685	\$ 7,304,854	\$ 8,129,309	\$ 9,123,423	\$ 8,768,469	\$ 9,934,881
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	\$ 2,092,401
Sewer	1,314,089	1,531,506	1,704,589	1,868,553	1,962,968	1,726,879	3,069,217	2,702,696
Total business-type activities expenses	\$ 2,542,421	\$ 2,753,364	\$ 3,550,158	\$ 4,318,443	\$ 4,225,454	\$ 3,795,969	\$ 5,249,037	\$ 4,795,097
Total primary government expenses	\$ 7,603,463	\$ 8,667,462	\$ 10,436,843	\$ 11,623,297	\$ 12,354,763	\$ 12,919,392	\$ 14,017,506	\$ 14,729,978
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 114,249	\$ 175,596	\$ 145,948	\$ 140,718	\$ 91,069	\$ -	\$ -	\$ -
Public safety	59,282	66,885	78,732	77,431	83,729	66,087	65,268	80,287
Public works	22,015	2,500	2,819	1,846	592	192,209	103,501	94,043
Operating grants and contributions	504,620	114,921	233,193	247,883	294,341	153,278	254,465	210,516
Capital grants and contributions	434,452	342,297	518,521	574,687	777,854	759,030	949,581	992,630
Total governmental activities program revenues	\$ 1,134,618	\$ 702,199	\$ 979,213	\$ 1,042,565	\$ 1,247,585	\$ 1,170,604	\$ 1,372,815	\$ 1,377,476
Business-type activities:								
Charges for services:								
Water	\$ 690,778	\$ 829,368	\$ 801,186	\$ 1,028,062	\$ 975,004	\$ 1,083,580	\$ 1,372,182	\$ 1,828,883
Sewer	910,338	1,142,949	1,100,214	1,574,790	1,358,261	1,472,164	1,733,717	2,016,920
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	1,113,674
Total business-type activities program revenues	\$ 7,031,814	\$ 4,171,317	\$ 2,794,400	\$ 4,679,252	\$ 3,365,361	\$ 7,863,941	\$ 4,137,773	\$ 4,959,477
Total primary government program revenues	\$ 8,166,432	\$ 4,873,516	\$ 3,773,613	\$ 5,721,817	\$ 4,612,946	\$ 9,034,545	\$ 5,510,588	\$ 6,336,953
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)	\$ (8,557,405)
Business-type activities	4,489,393	1,417,953	(755,758)	360,809	(860,093)	4,067,972	(1,111,264)	164,380
Total primary government net (expense) / revenue	\$ 562,969	\$ (3,793,946)	\$ (6,663,230)	\$ (5,901,480)	\$ (7,741,817)	\$ (3,884,847)	\$ (8,506,918)	\$ (8,393,025)

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

	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	\$ 1,373,678	\$ 1,677,627	\$ 2,102,097	\$ 2,428,380	\$ 2,464,023	\$ 2,763,362	\$ 2,474,112	\$ 2,493,115
Local sales and use taxes	352,816	404,052	616,091	652,195	678,260	688,327	811,566	878,531
Restaurant food taxes	351,554	459,910	638,441	699,300	625,138	689,856	679,083	775,398
Consumer utility taxes	259,332	287,238	301,533	256,927	200,387	201,503	204,768	208,945
Business licenses	456,957	585,062	572,165	525,813	682,534	534,537	633,268	549,271
Other local taxes	433,242	488,405	531,590	665,311	711,683	673,677	553,191	584,435
Unrestricted grants and contributions	202,229	194,092	400,881	210,019	208,556	204,253	372,869	386,923
Unrestricted revenues from use of money and property	16,693	29,961	105,679	151,843	126,148	98,761	55,765	69,615
Miscellaneous	64,465	76,994	72,547	52,916	96,347	1,900,565	2,103,213	2,130,196
Transfers	20,359	17,314	17,308	167,302	217,296	1,220,232	1,220,232	1,115,904
Total governmental activities	\$ 3,531,325	\$ 4,220,655	\$ 5,358,332	\$ 5,810,006	\$ 6,010,372	\$ 8,975,073	\$ 9,108,067	\$ 9,192,333
Business-type activities:								
Miscellaneous	\$ 112,717	\$ 119,670	\$ 162,433	\$ 135,860	\$ 1,095,464	\$ 133,621	\$ 161,020	\$ 154,736
Unrestricted revenues from use of money and property	50,894	175,270	533,249	661,445	478,266	320,633	92,566	57,927
Transfers	(20,359)	(17,314)	(17,308)	(167,302)	(217,296)	(1,220,232)	(1,220,232)	(1,115,904)
Total business-type activities	\$ 143,252	\$ 277,626	\$ 678,374	\$ 630,003	\$ 1,356,434	\$ (765,978)	\$ (966,646)	\$ (903,241)
Total primary government	\$ 3,674,577	\$ 4,498,281	\$ 6,036,706	\$ 6,440,009	\$ 7,366,806	\$ 8,209,095	\$ 8,141,421	\$ 8,289,092
Change in Net Assets								
Governmental activities	\$ (395,099)	\$ (991,244)	\$ (549,140)	\$ (452,283)	\$ (871,352)	\$ 1,022,254	\$ 1,712,413	\$ 634,928
Business-type activities	4,632,645	1,695,579	(77,384)	990,812	496,341	3,301,994	(2,077,910)	(738,861)
Total primary government	\$ 4,237,546	\$ 704,335	\$ (626,524)	\$ 538,529	\$ (375,011)	\$ 4,324,248	\$ (365,497)	\$ (103,933)

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 Eight 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>
2011	\$ 2,493,115	\$ 878,531	\$ 208,945	\$ 775,398	\$ 549,271	\$ 584,435	\$ 5,489,695
2010	2,474,112	\$ 811,566	\$ 204,768	\$ 679,083	\$ 633,268	\$ 553,191	\$ 5,355,988
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)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund:				
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted for:				
State highway maintenance	\$ -	\$ -	\$ -	\$ -
Future capital outlay	-	-	-	-
Total restricted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Committed for:				
Loudoun County settlement funds	\$ -	\$ -	\$ -	\$ -
Street bonds	-	-	-	-
Capital expense	-	-	-	-
Total committed fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	<u>\$ 1,911,120</u>	<u>\$ 1,923,287</u>	<u>\$ 2,363,474</u>	<u>\$ 2,298,757</u>
Total general fund	<u><u>\$ 1,911,120</u></u>	<u><u>\$ 1,923,287</u></u>	<u><u>\$ 2,363,474</u></u>	<u><u>\$ 2,298,757</u></u>

Note: The Town implemented GASB 54 retroactively beginning in fiscal year 2011.

Table 4

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ -	\$ 38,951	\$ 43,196	\$ 48,897	\$ 51,782	\$ 52,722
\$ -	\$ -	\$ -	\$ 170,807	\$ 94,890	\$ 120,260
-	920,511	2,136,455	1,157,112	627,311	2,876,577
<u>\$ -</u>	<u>\$ 920,511</u>	<u>\$ 2,136,455</u>	<u>\$ 1,327,919</u>	<u>\$ 722,201</u>	<u>\$ 2,996,837</u>
\$ -	\$ -	\$ -	\$ 1,394,619	\$ 2,840,945	\$ 3,314,618
-	-	-	28,733	28,733	10,328
-	260,116	-	-	-	-
<u>\$ -</u>	<u>\$ 260,116</u>	<u>\$ -</u>	<u>\$ 1,423,352</u>	<u>\$ 2,869,678</u>	<u>\$ 3,324,946</u>
\$ 4,121,456	\$ 2,560,453	\$ 3,102,709	\$ 3,719,677	\$ 4,363,277	\$ 4,368,340
<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>	<u>\$ 10,742,845</u>

TOWN OF PURCELLVILLE, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
General property taxes	\$ 1,123,957	\$ 1,168,307	\$ 1,369,653	\$ 1,663,988
Other local taxes	1,513,606	1,613,577	1,853,901	2,224,667
Permits, privilege fees and regulatory licenses	478,134	276,743	136,264	178,096
Fines and forfeitures	48,791	36,791	59,282	66,885
Revenue from use of money and property	60,029	24,221	16,693	29,961
Miscellaneous	170,758	70,547	64,465	76,994
Pass-through grant	438,028	505,666	-	-
Intergovernmental:				
Local government	-	-	400,000	-
Commonwealth	95,562	415,947	702,094	636,121
Federal	-	176,275	39,207	15,189
Total revenues	<u>\$ 3,928,865</u>	<u>\$ 4,288,074</u>	<u>\$ 4,641,559</u>	<u>\$ 4,891,901</u>
Expenditures				
General government administration	\$ 1,484,053	\$ 1,657,140	\$ 1,795,888	\$ 1,225,017
Public safety	485,791	650,147	587,969	921,222
Public works	885,605	1,066,145	1,411,398	1,707,738
Parks, recreation and cultural	-	-	-	17,077
Community development	-	-	-	431,104
Capital projects	1,118,130	419,826	300,707	558,864
Pass-through grant	438,028	505,666	-	-
Debt service				
Principal	22,544	53,844	96,648	84,370
Interest and other fiscal charges	57,597	60,845	29,121	29,217
Bond issue costs	-	-	-	-
Total expenditures	<u>\$ 4,491,748</u>	<u>\$ 4,413,613</u>	<u>\$ 4,221,731</u>	<u>\$ 4,974,609</u>
Excess of revenues over (under) expenditures	<u>\$ (562,883)</u>	<u>\$ (125,539)</u>	<u>\$ 419,828</u>	<u>\$ (82,708)</u>
Other financing sources (uses)				
Transfers in	\$ 135,916	\$ 17,590	\$ 20,359	\$ 17,314
Transfers out	(116,728)	-	-	-
Refunding bonds issued	-	835,133	-	-
Issuance of debt	160,530	-	-	-
Payments to refunded bond escrow agent	-	(835,133)	-	-
Total other financing sources (uses)	<u>\$ 179,718</u>	<u>\$ 17,590</u>	<u>\$ 20,359</u>	<u>\$ 17,314</u>
Net change in fund balances	<u><u>\$ (383,165)</u></u>	<u><u>\$ (107,949)</u></u>	<u><u>\$ 440,187</u></u>	<u><u>\$ (65,394)</u></u>
Debt service as a percentage of noncapital expenditures	2.43%	3.38%	3.30%	2.46%

Table 5

	2006	2007	2008	2009	2010	2011
\$	2,092,568	\$ 2,409,596	\$ 2,469,194	\$ 2,728,737	\$ 2,487,151	\$ 2,526,829
	2,659,820	2,799,546	2,898,002	2,787,900	2,881,876	2,996,580
	148,767	142,564	91,661	192,209	103,501	118,070
	78,732	77,431	83,729	66,087	65,268	80,287
	105,679	151,842	126,148	98,761	55,765	69,615
	79,747	52,917	96,347	1,900,565	2,103,213	2,106,173
	-	-	-	-	-	-
	89,500	204,000	126,000	150,000	165,000	-
	900,310	824,384	1,294,824	956,767	1,282,739	1,380,629
	155,585	4,205	123,533	9,794	129,176	209,437
\$	<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>	<u>9,487,620</u>
\$	1,462,066	\$ 1,903,006	\$ 2,096,975	\$ 2,342,444	\$ 2,109,213	\$ 2,348,933
	1,128,938	1,393,867	1,506,641	1,566,094	1,606,485	1,626,498
	2,152,098	2,093,861	2,120,074	2,812,620	2,724,992	2,821,523
	17,806	21,720	41,174	27,794	33,063	26,800
	665,467	529,779	607,290	517,069	486,933	412,050
	1,201,440	993,440	3,329,921	2,626,704	7,966,091	5,885,407
	-	-	-	-	-	-
	73,865	125,752	224,322	265,970	448,699	496,895
	84,750	113,786	100,002	169,385	318,906	570,022
	-	-	-	-	88,274	143,973
\$	<u>6,786,430</u>	<u>7,175,211</u>	<u>10,026,399</u>	<u>10,328,080</u>	<u>15,782,656</u>	<u>14,332,101</u>
\$	<u>(475,722)</u>	<u>(508,726)</u>	<u>(2,716,961)</u>	<u>(1,437,260)</u>	<u>(6,508,967)</u>	<u>(4,844,481)</u>
\$	17,308	\$ 1,160,741	\$ 1,771,518	\$ 2,263,960	\$ 5,223,555	\$ 8,071,938
	-	(993,440)	(1,554,222)	(1,043,728)	(4,003,323)	(6,956,034)
	-	-	2,565,600	-	-	4,241,000
	2,233,000	-	1,700,000	1,454,523	6,775,828	6,366,117
	-	-	-	-	-	(4,142,633)
\$	<u>2,250,308</u>	<u>167,301</u>	<u>4,482,896</u>	<u>2,674,755</u>	<u>7,996,060</u>	<u>7,580,388</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>	<u>2,735,907</u>
	2.90%	3.77%	4.99%	5.94%	10.98%	13.90%

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
2011	\$ 2,526,828	\$ 878,531	\$ 208,945	\$ 136,777	\$ 775,398	\$ 549,271	\$ 447,658	5,523,408
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

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
2011	\$ 960,616,700	\$ 62,755,192	\$ 12,415,217	\$ 1,035,787,109	1,035,787,109	100.00%
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100.00%
2009	1,048,886,350 *	108,172,940	12,226,592	1,169,285,882	1,169,285,882	100.00%
2008	1,160,800,550	56,347,033	11,912,214	1,229,059,797	1,229,059,797	100.00%
2007	1,195,641,850	58,069,859	11,220,869	1,264,932,578	1,264,932,578	100.00%
2006	1,013,555,550	49,728,198	9,652,257	1,072,936,005	1,072,936,005	100.00%
2005	734,660,050	36,787,240	9,280,605	780,727,895	780,727,895	100.00%
2004	571,086,300	31,157,197	10,493,964	612,737,461	612,737,461	100.00%
2003	455,819,050	28,113,712	8,750,945	492,683,707	492,683,707	100.00%
2002	367,167,900	26,329,408	10,419,804	403,917,112	403,917,112	100.00%

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

* In fiscal year 2009, the Personal Property tax due date was changed, therefore, two tax bill cycles are included.

Note: 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			Combined Rates		
	Real Estate	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property	Machinery and Tools
2011	\$ 0.23/0.23	\$ 1.05	\$ 0.01	\$ 0.55	\$ N/A	\$ 1.29	\$ 4.20	\$ 2.75	\$ 1.52	\$ 5.25	\$ 3.30
2010	0.225/0.23	1.05	0.01	0.55	N/A	1.30	4.20	2.75	1.53	5.25	3.30
2009	0.19/.225	1.05	0.01	0.55	N/A	1.245	4.20	2.75	1.435	5.25	3.30
2008	0.18/0.19	1.05	0.01	0.55	N/A	1.14	4.20	2.75	1.32	5.25	3.30
2007	0.17/0.18	1.05	0.01	0.55	N/A	0.92	4.20	2.75	1.09	5.25	3.30
2006	0.20/0.17	1.05	0.01	0.55	N/A	0.89	4.20	2.75	1.09	5.25	3.30
2005	0.21/0.20	1.05	0.01	0.55	N/A	1.04	4.20	2.75	1.25	5.25	3.30
2004	0.22/0.21	1.05	0.01	0.55	N/A	1.11	4.20	2.75	1.33	5.25	3.30
2003	0.24/0.22	1.05	0.01	0.55	N/A	1.11	4.20	2.75	1.34	5.25	3.30
2002	0.24	1.05	0.01	0.55	N/A	1.05	4.20	2.75	1.29	5.25	3.30

(1) Per \$100 of assessed value

Source: Town Finance Department and Treasurer of Loudoun County

Principal Property Taxpayers
Current Year and 9 Year Ago

Taxpayer	Type Business	Fiscal Year 2011		Fiscal Year 2002	
		2011 Assessed Valuation	% of Total Assessed Valuation	2002 Assessed Valuation	% of Total Assessed Valuation
Main St. Station LLC	Shopping Center (1000 E Main St)	\$ 12,249,000	1.28%	\$ 1,721,400	0.42%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	9,457,000	0.99%	7,888,100	1.92%
Jordan River Acquisitions LLC	House/15 acres (1251 E Main St)	5,999,300	0.63%	862,960	0.21%
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,259,200	0.55%	4,492,100	1.09%
Valley Medical Center LLC	Medical Center (125 Hirst Rd)	4,779,000	0.50%	237,800	0.06%
S R B Enterprises LLC	Shopping Center (711 E Main St)	4,623,800	0.48%	4,576,300	1.11%
Purcellville Plaza LLC	Shopping Center (201 N Maple Ave)	4,543,700	0.47%	2,025,400	0.49%
Main Street Associates LP	Apartments (123 16th St)	4,260,700	0.44%	2,946,500	0.72%
Loudoun Medical Property Mgt LLC	Medical Center (17336 Pickwick Dr)	3,838,000	0.40%	1,810,700	0.44%
C K D Purcellville LLC	Office Building (400 Browning Ct)	3,706,500	0.39%	N/A	N/A
		<u>\$ 58,716,200</u>	<u>1.57%</u>	<u>\$ 26,561,260</u>	<u>0.71%</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
2011	\$ 2,208,797	\$ 383,180	\$ 2,591,977	\$ 2,494,927	96.26%	\$ N/A	\$ 2,494,927	96.26%
2010	2,192,212	319,036	2,511,248	2,436,375	97.02%	56,035	2,492,410	99.25%
2009	2,183,022	633,639 *	2,816,661	2,725,048	96.75%	77,030	2,802,078	99.48%
2008	2,137,439	343,010	2,480,449	2,435,698	98.20%	37,709	2,473,407	99.72%
2007	2,075,259	336,483	2,411,741	2,347,023	97.32%	60,591	2,407,614	99.83%
2006	1,873,509	496,583	2,370,092	2,302,526	97.15%	61,286	2,365,352	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%

Source: Town Finance Department and Loudoun County Commissioner of Revenue

* In fiscal year 2009, the PP tax due date was changed, therefore, two tax bill 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				
2011	\$ 19,032,196	\$ 1,360,000	\$ -	\$ 45,216,445	\$ 65,608,641	18.44%	\$ 9,397	
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 Ten Fiscal Years

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

Table 12

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	124,464,884	\$ 122,474,266	\$ 111,097,731	\$ 103,391,108	\$ 103,343,018
	<u>16,164,564</u>	<u>33,947,780</u>	<u>48,887,618</u>	<u>61,685,660</u>	<u>65,608,641</u>
\$	<u><u>108,300,320</u></u>	<u><u>88,526,486</u></u>	<u><u>62,210,113</u></u>	<u><u>41,705,448</u></u>	<u><u>37,734,377</u></u>
	12.99%	27.72%	44.00%	59.66%	63.49%

Legal Debt Margin Calculation for Fiscal Year 2010

Total assessed value	\$ 1,033,430,181
Debt limit (10% of total assessed value)	103,343,018
Net debt applicable to limit	<u>65,608,641</u>
Legal debt margin	<u><u>\$ 37,734,377</u></u>

Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

<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	\$ 1,004,330	\$ 1.77%	\$ 17,743
Town of Purcellville, direct debt			\$ 14,398,021
Total direct and overlapping debt			\$ 14,415,764

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
2011	\$ 19,032,196	1.84%	2,726
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

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

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

Demographic and Economic Statistics
Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Purcellville Population (1)</u>	<u>Loudoun County Per Capita Income (2)</u>	<u>Loudoun County Median Age (3)</u>	<u>Purcellville School Enrollment (4)</u>	<u>Loudoun County Unemployment Rate (5)</u>
2011	7,796	53,117	33.6	2,297	4.4
2010	7,727	52,513	33.6	2,105	5.0
2009	7,632	51,717	33.6	2,105	5.1
2008	7,497	51,507	33.6	2,105	2.9
2007	7,304	50,009	33.6	1,511	2.2
2006	7,122	46,729	33.6	1,511	2.3
2005	6,704	42,847	33.6	1,511	2.7
2004	5,818	39,569	33.6	792	2.9
2003	5,131	38,079	33.7	792	3.6
2002	4,674	38,024	34.0	792	4.0

Sources:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.
2002-2009,2011: Loudoun County Department of Finance Management Services, September 29, 2011.
- (2) 2002-2009: Bureau of Economic Analysis, US Department of Commerce, April 21, 2011.
2010-2011: Loudoun County Department of Finance & Management Services, October 3, 2011.
- (3) 2010: US Bureau of Census, 2010 Decennial Census.
2002-2009,2011: Loudoun County Department of Finance Management Services, September 29, 2011.
- (4) 2002-2009: Loudoun School Census (triennial), Loudoun County Public Schools;
2010-2011: Weldon Cooper Center for Public Service, Demographics & Workforce Group, July 1, 2010 School-Age Population Estimates, 7/22/11.
- (5) Local Area Unemployment Statistics, Virginia Employment Commission, Month of June each year.

Note: Loudoun County data was used for items 2, 3 and 5 as no specific data is available for Purcellville. The Town of Purcellville is an incorporated town located in Loudoun County, Virginia.

Principal Employers
Current Year and 3 Years Ago

Employer	Fiscal Year 2011		Fiscal Year 2008	
	Employees	Rank	Employees	Rank
Loudoun County Schools	605	1	483	1
Giant	132	2	147	2
RCD Electric	175	3	136	3
Home School Legal Defense	118	4	90	6
Patrick Henry College	85	5	100+	5
Virginia Regional Transportation Center	80	6	131	4
Town of Purcellville, VA	72	7	75	9
Blue Ridge Veterinary Assoc., Inc.	71	8	90	7
Bloom	64	9	80	8
Magnolia's at the Mill	60	10	n/a	n/a

Source: Town Business License Renewal

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration	4.5	6.75	6.3	7.75	7.75	7.75	7.50	7.75	7.50
Finance Administration	3.0	4.5	6.0	5.50	6.50	7.50	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	15.00
Public Works	5.0	5.0	4.0	4.00	7.00	8.00	8.00	8.00	8.00
General Maintenance	8.5	8.25	10.0	9.25	10.00	10.00	10.00	10.00	9.00
Planning & Zoning	3.5	3.75	4.0	4.75	6.75	4.75	4.75	4.00	3.00
Water Treatment	6.0	6.0	9.5	10.00	9.00	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	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>	<u>68.00</u>

Source: IRS Form 941s

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

Operating Indicators by Function
Last Seven Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011
Administration							
Special Events	19	22	18	19	17	23	22
FOIA Requests Processed	N/A	90	116	160	75	157	227
Finance							
Utility Bills Processed	15,309	15,168	15,096	15,188	15,392	15,201	15,209
Tax Bills Processed	10,906	10,532	11,517	11,757	19,366	12,342	12,959
Accounts Payable Transactions	N/A	N/A	5,885	6,157	6,139	6,089	6,133
Public Safety							
Parking Violations	151	170	316	183	163	177	172
Traffic violations	1,386	1,579	1,637	1,618	1,356	1,671	1,692
Incident Reports	586	739	856	912	829	1,103	986
Public Works							
<u>Maintenance Dept.</u>							
Work Orders, number of	N/A	570	264	596	890	902	1,190
New Meters Installed	N/A	N/A	14	53	22	13	12
Miss Utility's Processed	N/A	N/A	711	1,355	830	899	783
<u>Water Dept.</u>							
Total Gallons Treated (millions)	N/A	N/A	190	206	207	203	202
Samples in Compliance, % of	N/A	N/A	100%	100%	100%	100%	100%
Violations, number of	N/A	N/A	-	1	1	-	-
<u>Wastewater Dept.</u>							
Daily average of gallons treated	593,300	593,900	622,400	625,400	536,500	575,200	590,200
Complaints, number of	N/A	N/A	-	3	2	3	-
Planning and Zoning							
Occupancy Permits Issued	294	144	92	120	98	108	83
Zoning Permits Issued	676	436	375	286	178	183	178
Development Plans Processed	N/A	54	63	85	30	26	19

Source: Individual town departments.

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

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration										
Administration Buildings	1	1	1	2	2	2	2	2	2	2
Bus Stops for Public Transportation	-	-	-	-	-	1	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	2
Recreation Facilities - Fields, Parks	-	-	-	-	-	-	1	1	1	1
Vehicles	3	1	1	1	2	2	2	2	2	1
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	-	3	3	3	3	3	3	3	3	3
Vehicles	5	5	5	7	9	12	13	11	10	10
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	5	7	7	9	11	11	13	14	17	20
Maintenance Facility	1	1	1	1	1	1	1	1	2	2
Message Boards	-	-	-	2	3	3	3	3	3	3
Traffic Signals	-	-	-	-	-	-	2	2	2	2
Vehicles	6	8	10	13	14	16	16	18	18	21
<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	2	2	2	2	3	3	3	3	4
Vehicles	2	3	3	3	3	3	4	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	1
Wells/Well Houses	2	3	3	3	4	4	5	7	8	8
<u>Wastewater Dept.</u>										
Pump Stations	9	9	9	9	9	9	9	6	6	6
Vehicles	2	2	2	2	3	3	5	5	5	5
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: Town depreciation schedule.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon dated November 10, 2011. 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
November 10, 2011