

TOWN OF PURCELLVILLE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED
JUNE 30, 2012



**TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012**

Prepared By:

Elizabeth B. Krens
Director of Finance

TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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November 19, 2012

**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, 2012. 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, the 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, 2012. 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 3.15 miles positioned in Northern Virginia about 60 miles west of Washington, D.C. The Town's population is 7,829, a significant increase over the 2000 population 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 Council's commitment to long term financial planning allowed the Town to end fiscal year 2012 in strong financial condition. Several tools are employed to strategically manage the Town's resources and priorities. A Town Council Strategic Planning Session is held in the summer to review and define organizational priorities. These decisions ultimately affect the annual budget development process that allocates expenditures and revenues for the next fiscal year. The staff and Council work through the winter and spring months to complete the budget plan for the next fiscal year and the Town has successfully received the GFOA Distinguished Budget Presentation Award for the past three years. In addition, the Town Council adopted "Fiscal Policy Guidelines" based on best financial practices and recommendations by its outside financial advisor, Davenport and Company, Inc. Council uses these guidelines as target reference points when considering new initiatives such as program expansion and issuance of debt. Another strategic tool is the Town's Performance Management Plan that defines core organizational values and purpose, goals and objectives, and performance measures for programs, departments and individual employees. Throughout the year, the Town Manager and department heads continued to closely monitor the budget plan and manage expenditures. The budget specialist prepares budget execution reports each quarter as a management tool for department heads and the Town Manager.

The Town ended fiscal year 2012 with an unassigned fund balance in the governmental fund of \$3.4 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 37% of the budgeted general fund expenditures for fiscal year 2013. In accordance with the fiscal year 2012 budget plan, the Town utilized cash reserves to fund about \$420,000 in capital projects and about \$520,000 for operating expenditures.

Following the recent recession, the Town saw a second year of growth in its real property assessments which increased by 2.3% in 2012. Preliminary forecasts for 2013 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, the new Purcellville Gateway shopping center and new Bank of Clark County. We also expect continued redevelopment of commercial properties along Main Street and Hirst Road. The Town Council adopted a tax rate of .225 for 2012, slightly lower than the equalized rate. The Town Council also increased the meal tax rate from 4% to 5%, effective July 1, 2012.

In fiscal year 2012, revenue in both utility funds was less than budget projections. This combined with a planned draw on cash reserves resulted in a decline in nets assets by \$133,633 in the water fund and \$945,857 in the sewer fund. 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 and debt 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). Most of the planned projects are now complete or winding down and the CIP plan is relatively modest for the next five years.

Major Initiatives/Awards:

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in 2012:

- Successfully moved Town operations to the New Town Hall.
- Received third GFOA Distinguished Budget Presentation Award for fiscal year 2012.
- Received fourth GFOA Certificate of Achievement for fiscal year 2011 CAFR.
- Received the 2012 Siemens Sustainable Community Award for the small community category and received \$20,000 worth of tree plantings.
- Received fourth Virginia Department of Health's Excellence in Waterworks Operations/Performance Award.
- Received ICMA Certification of Distinction for performance measurement.
- Received a Historic Design Excellence Award from Loudoun County for the renovations of the New Town Hall at 221 South Nursery Ave.
- Received the VML Go Green Award.
- Received third place in the 2010 Virginia Chief's Traffic Safety Challenge.
- Unveiled the First Responders Monument at Fireman's Field on the 10th anniversary of 9/11.
- Established a Tourism Zone for the purpose of offering incentives to attract business investment and job creation.
- Created a Fireman's Field Tax District ordinance.
- Developed the Purcellville web dashboard to keep citizens updated regarding Town accomplishments.
- Implemented a Town Intranet for internal staff communications.
- Hired the Town's first full time Town Attorney.
- Hired a local firm to assist with the public information outreach program.
- As part of the Downtown Enhancement Project, dedicated the Centennial Square with personalized bricks and a time capsule.
- Instituted a new paperless agenda program to improve operational efficiency and green initiative.
- Established the Community Garden.

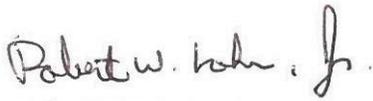
- Organized and hosted the second Loudoun Grown Expo and first Purcellville Wine and Food Festival.
- Secured a funding grant from Loudoun County to complete upgrades at Fireman's Field.

Awards and Acknowledgements:

The Town received its fourth Certificate of Achievement for the fiscal year 2011 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,

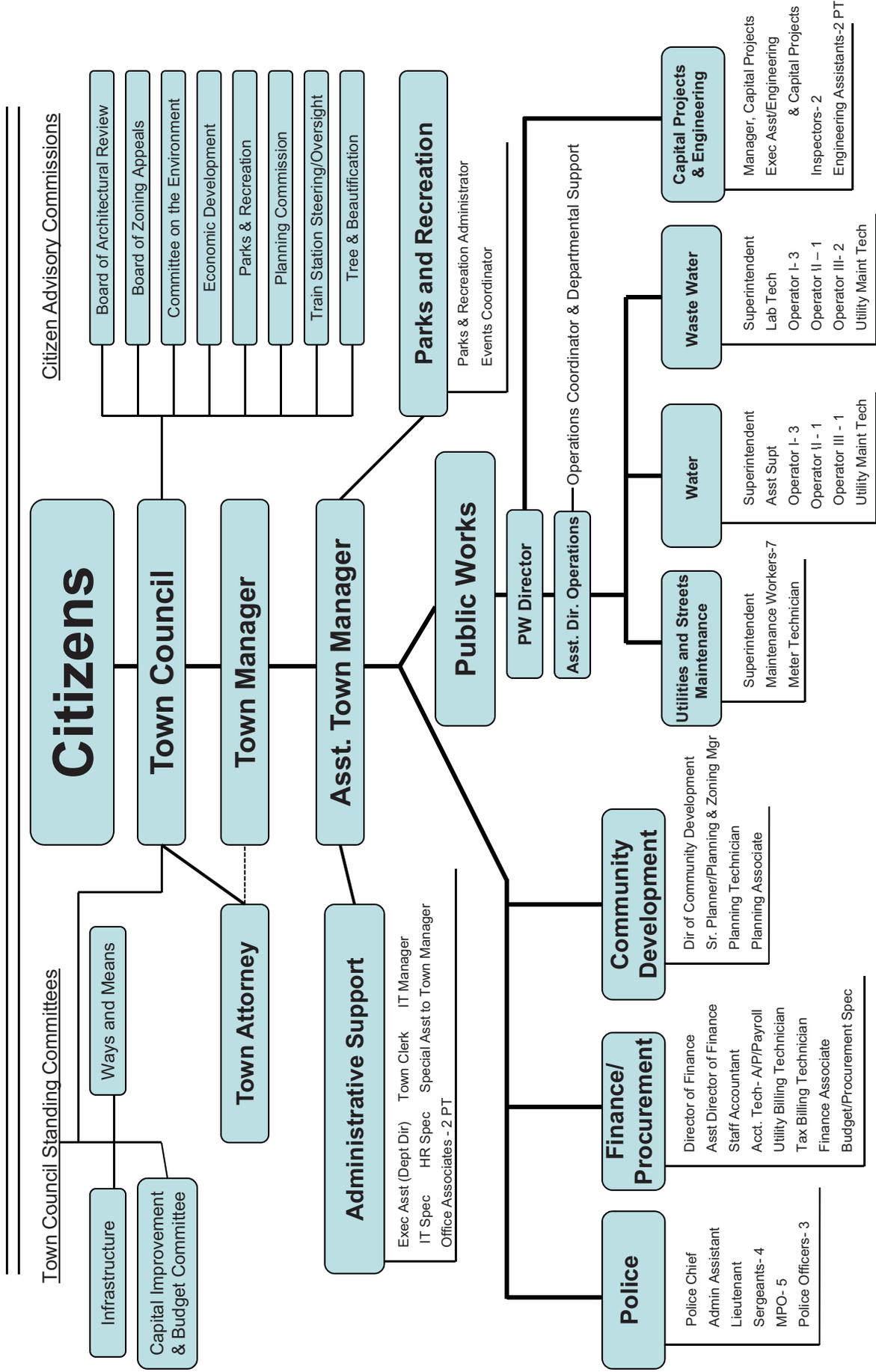


Robert W. Lohr, Jr.
Town Manager



Elizabeth B. Krens
Director of Finance

Town of Purcellville Organization Chart: Effective June 12, 2012



TOWN OF PURCELLVILLE, VIRGINIA

COUNCIL

James O. Wiley
J. Keith Melton, Jr.

Robert W. Lazaro, Jr., Mayor
Joan Lehr, Vice-Mayor

John A. Nave

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, 2011

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.



Linda C. Dandson

President

Jeffrey R. Emmer

Executive Director

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, business-type activities, and each major fund of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2012, 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, business-type activities, and each major fund of the Town of Purcellville, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, 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 pension 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 schedule of pension 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia

November 7, 2012, except for items disclosed in Note 16 and the Schedule of Expenditures of Federal Awards, as to which the date is September 6, 2013.

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, 2012. 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 \$59.5 million (*net assets*). Of this amount, \$12.4 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 \$1,020,477, of which the governmental activities accounted for a \$59,013 increase and business-type activities accounted for \$1,079,490 decrease.
- The unassigned ending fund balance for the Town's general fund was \$3.4 million, a decrease of approximately \$1 million from the prior year. This ending fund balance is equal to 39% 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 \$3.4 million, or 46% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt decreased by \$1.5 million during the current fiscal 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 50 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 53 and 54 of this report.

Overview of the Financial Statements: (Continued)

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$59.5 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$47.1 million, 79% 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, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,346,252	\$ 13,501,067	\$ 8,504,058	\$ 11,670,600	\$ 16,850,310	\$ 25,171,667
Capital assets	52,787,492	48,353,868	58,286,464	57,959,526	111,073,956	106,313,394
Total assets	<u>\$ 61,133,744</u>	<u>\$ 61,854,935</u>	<u>\$ 66,790,522</u>	<u>\$ 69,630,126</u>	<u>\$ 127,924,266</u>	<u>\$ 131,485,061</u>
Long-term liabilities outstanding	\$ 20,609,569	\$ 21,158,073	\$ 44,422,266	\$ 45,443,265	\$ 65,031,835	\$ 66,601,338
Other liabilities	2,445,671	2,680,658	878,725	920,309	3,324,396	3,600,967
Total liabilities	<u>\$ 23,055,240</u>	<u>\$ 23,838,731</u>	<u>\$ 45,300,991</u>	<u>\$ 46,363,574</u>	<u>\$ 68,356,231</u>	<u>\$ 70,202,305</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 33,175,084	\$ 30,838,249	\$ 14,149,999	\$ 12,743,081	\$ 47,325,083	\$ 43,581,330
Unrestricted	4,903,420	7,181,242	7,339,532	10,523,471	12,242,952	17,704,713
Total net assets	<u>\$ 38,078,504</u>	<u>\$ 38,019,491</u>	<u>\$ 21,489,531</u>	<u>\$ 23,266,552</u>	<u>\$ 59,568,035</u>	<u>\$ 61,286,043</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 \$1,020,477 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 \$59,013. The following table summarizes the Town's Statement of Activities:

**Town of Purcellville, Virginia
Changes in Net Assets
As of June 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 154,828	\$ 174,330	\$ 4,157,625	\$ 3,845,803	\$ 4,312,453	\$ 4,020,133
Operating grants and contributions	141,431	210,516	-	-	141,431	210,516
Capital grants and contributions	2,678,123	1,007,519	-	-	2,678,123	1,007,519
General revenues:						
Property taxes	2,557,786	2,493,115	-	-	2,557,786	2,493,115
Other taxes	3,191,608	3,164,361	-	-	3,191,608	3,164,361
Unrestricted revenues from the use of money and property	50,350	69,615	18,870	57,927	69,220	127,542
Miscellaneous	70,166	2,130,196	176,481	154,736	246,647	2,284,932
Grants and contributions not restricted to specific programs	368,625	204,253	-	-	368,625	204,253
Total revenues	\$ 9,212,917	\$ 9,453,905	\$ 4,352,976	\$ 4,058,466	\$ 13,565,893	\$ 13,512,371
Expenses:						
General government administration	\$ 3,214,457	\$ 1,890,188	\$ -	\$ -	\$ 3,214,457	\$ 1,890,188
Public safety	1,809,443	1,720,461	-	-	1,809,443	1,720,461
Public works	2,802,812	3,645,872	-	-	2,802,812	3,645,872
Parks, recreation and culture	94,152	1,573,776	-	-	94,152	1,573,776
Community development	1,666,302	377,000	-	-	1,666,302	377,000
Interest on long-term debt	682,642	727,584	-	-	682,642	727,584
Water fund	-	-	2,045,177	2,092,401	2,045,177	2,092,401
Sewer fund	-	-	3,051,529	2,702,696	3,051,529	2,702,696
Total expenses	\$ 10,269,808	\$ 9,934,881	\$ 5,096,706	\$ 4,795,097	\$ 15,366,514	\$ 14,729,978
Increase in net assets before transfers and capital contributions	\$ (1,056,891)	\$ (480,976)	\$ (743,730)	\$ (736,631)	\$ (1,800,621)	\$ (1,217,607)
Transfers	\$ 1,115,904	\$ 1,115,904	\$ (1,115,904)	\$ (1,115,904)	\$ -	\$ -
Capital contributions	-	-	780,144	1,113,674	780,144	1,113,674
Increase in net assets	\$ 59,013	\$ 634,928	\$ (1,079,490)	\$ (738,861)	\$ (1,020,477)	\$ (103,933)
Net assets-beginning of year	\$ 38,019,491	\$ 37,384,563	\$ 22,569,021	\$ 24,005,412	\$ 60,588,512	\$ 61,389,975
Net assets-end of year	\$ 38,078,504	\$ 38,019,491	\$ 21,489,531	\$ 23,266,551	\$ 59,568,035	\$ 61,286,042

Government-Wide Financial Analysis (Continued)

Generally, net asset changes are for the difference between revenues and expenses. The Town saw a slight increase in net assets of governmental activities of \$59,013 in 2012.

Business-type activities decreased the Town's net assets by \$1 million, due in a large part to an accounting adjustment for prior year loan proceeds. 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.

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 2012 general fund revenues were \$1.9 million less than 2011. This decrease can be attributed to the fact that 2011 included the final \$2 million installment of Loudoun County Settlement funds. Excluding this non-recurring revenue item, there was a slight uptick in revenue in 2012. The 2012 general fund expenditures increased by \$334 thousand over 2011 due to modest increases in operating expenses and debt service.

The Town ended 2012 with a total fund balance of \$5.8 million, a decrease over 2011 as the Town used restricted reserves such as loan proceeds and Loudoun County Settlement to complete capital projects. Of this amount, \$3,427,576 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 \$21.5 million. Unrestricted net assets at the end of the year were \$7.3 million, a decrease from the prior year.

General Fund Budgetary Highlights

General Fund revenues exceeded budget projections by \$37,797 in 2012. Positive trends were seen in the categories of property tax, sales tax, business license tax and meals tax.

The 2012 expenditures were less than budget by \$250 thousand. While costs associated with the new Town Hall building and legal expenses were higher than expected, savings in the categories of street maintenance, refuse collection and community development more than offset this increase. A portion of the surplus for the public works street maintenance is associated with state funding and \$66,503 has been restricted and will be re-appropriated in 2013 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, 2012, amounts to \$111 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	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Buildings	7,451,277	2,475,494	-	-	7,451,277	2,475,494
Utility plant in service	-	-	47,285,314	17,885,565	47,285,314	17,885,565
Improvements other than buildings	575,180	590,776	179,900	200,700	755,080	791,476
Infrastructure	27,405,257	28,140,343	-	-	27,405,257	28,140,343
Machinery & Equipment	1,117,189	1,113,875	154,850	182,750	1,272,039	1,296,625
Vehicles	171,881	81,627	42,573	61,132	214,454	142,759
Construction in progress	11,755,944	11,640,989	7,584,318	36,589,870	19,340,262	48,230,859
Total	\$ 52,787,492	\$ 48,353,868	\$ 58,286,464	\$ 57,959,526	\$ 111,073,956	\$ 106,313,394

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 \$65 million and details are summarized in the following table:

Town of Purcellville, Virginia
Outstanding Debt
For the Year Ended June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds Payable:						
General obligation bonds	\$ 18,444,736	\$ 19,032,196	\$ 44,146,465	\$ 45,216,445	\$ 62,591,201	\$ 64,248,641
Notes payable	1,275,000	1,360,000	-	-	1,275,000	1,360,000
Post employment benefits	593,896	441,775	194,750	146,154	788,646	587,929
Compensated absences	295,937	320,815	81,051	80,666	376,988	401,481
Total	\$ 20,609,569	\$ 21,154,786	\$ 44,422,266	\$ 45,443,265	\$ 65,031,835	\$ 66,598,051

Capital Asset and Debt Administration: (Continued)

Debt associated with governmental activities decreased by \$545,217 in 2012 due to payments of principal. No new loans were added in 2012.

The debt associated with business-type activities decreased by \$1,020,999 in 2012 due to payments of principal. No new loans were added in 2012.

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, 2012.

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

Purcellville is a vibrant community on the western edge of the Northern Virginia region at the foot of the Blue Ridge Mountains. The attraction of the picturesque Western Loudoun wine and farm country combined with rewarding employment opportunities available to the east continue to attract new residents and business enterprise. The Town's estimated population is now 7,829, more than double the 2000 population of 3,584. Loudoun County has one of the lowest unemployment rates in the country at 4.2% and a high per capita income level of \$55,468.

The Town experienced positive growth in real property assessments in 2012 with an overall 2.3% increase in value composed of a 1.69% increase in existing properties and .61% increase in new construction. Preliminary forecast for 2013 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, the new Purcellville Gateway shopping center and the new Bank of Clark County.

For tax year 2012, the Town Council adopted a .225/\$100 real estate tax rate, slightly less than the equalized rate. The Council also increased the meals tax rate from 4% to 5% during the FY13 budget process, effective July 1, 2012. All other rates were unchanged.

The Town continues to assess utility rates annually 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 are 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, 221 S. Nursery Ave., 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,537,032	\$ 6,355,957	\$ 11,892,989
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,226,980	-	1,226,980
Accounts receivable	104,324	808,974	913,298
Due from other governmental units	1,126,644	-	1,126,644
Prepaid expenses	52,902	15,508	68,410
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents (in custody of others)	107,328	1,104,918	1,212,246
Cash held for customer deposits	-	139,225	139,225
Other assets:			
Unamortized bond issue costs	191,042	79,476	270,518
Capital assets (net of accumulated depreciation):			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	7,451,277	-	7,451,277
Improvements other than buildings	575,180	179,900	755,080
Machinery and equipment	1,117,189	154,850	1,272,039
Vehicles	171,881	42,573	214,454
Infrastructure	27,405,257	-	27,405,257
Utility plant in service	-	47,285,314	47,285,314
Construction in progress	11,755,944	7,584,318	19,340,262
Total assets	\$ 61,133,744	\$ 66,790,522	\$ 127,924,266
LIABILITIES			
Accounts payable	\$ 880,949	\$ 89,474	\$ 970,423
Accrued liabilities	170,999	50,587	221,586
Customers' deposits	-	139,225	139,225
Accrued interest payable	177,944	582,820	760,764
Unearned revenue	1,131,045	16,619	1,147,664
Deposits held in escrow	84,734	-	84,734
Long-term liabilities:			
Due within one year	3,469,393	2,004,489	5,473,882
Due in more than one year	17,140,176	42,417,777	59,557,953
Total liabilities	\$ 23,055,240	\$ 45,300,991	\$ 68,356,231
NET ASSETS			
Invested in capital assets, net of related debt	\$ 33,175,084	\$ 15,244,917	\$ 48,420,001
Unrestricted	4,903,420	6,244,614	11,148,034
Total net assets	\$ 38,078,504	\$ 21,489,531	\$ 59,568,035

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,214,457	\$ -	\$ -	\$ 31,904
Public safety	1,809,443	73,046	134,152	-
Public works	2,802,812	81,782	-	2,646,219
Parks, recreation, and cultural	94,152	-	-	-
Community development	1,666,302	-	7,279	-
Interest on long-term debt	682,642	-	-	-
Total governmental activities	\$ 10,269,808	\$ 154,828	\$ 141,431	\$ 2,678,123
Business-type activities:				
Water	\$ 2,045,177	\$ 1,933,357	\$ -	\$ 376,255
Sewer	3,051,529	2,224,268	-	403,889
Total business-type activities	\$ 5,096,706	\$ 4,157,625	\$ -	\$ 780,144
Total primary government	\$ 15,366,514	\$ 4,312,453	\$ 141,431	\$ 3,458,267
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility license taxes				
Restaurant food taxes				
Cigarette taxes				
Bank franchise 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 restated				
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
\$ (3,182,553)	\$ -	\$ (3,182,553)
(1,602,245)	-	(1,602,245)
(74,811)	-	(74,811)
(94,152)	-	(94,152)
(1,659,023)	-	(1,659,023)
(682,642)	-	(682,642)
<u>\$ (7,295,426)</u>	<u>\$ -</u>	<u>\$ (7,295,426)</u>
\$ -	\$ 264,435	\$ 264,435
-	(423,372)	(423,372)
<u>\$ -</u>	<u>\$ (158,937)</u>	<u>\$ (158,937)</u>
<u>\$ (7,295,426)</u>	<u>\$ (158,937)</u>	<u>\$ (7,454,363)</u>
\$ 2,557,786	\$ -	\$ 2,557,786
952,497	-	952,497
621,289	-	621,289
201,784	-	201,784
788,948	-	788,948
243,622	-	243,622
220,941	-	220,941
162,527	-	162,527
50,350	18,870	69,220
70,166	176,481	246,647
368,625	-	368,625
<u>1,115,904</u>	<u>(1,115,904)</u>	<u>-</u>
\$ 7,354,439	\$ (920,553)	\$ 6,433,886
59,013	(1,079,490)	(1,020,477)
<u>38,019,491</u>	<u>22,569,021</u>	<u>60,588,512</u>
<u>\$ 38,078,504</u>	<u>\$ 21,489,531</u>	<u>\$ 59,568,035</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2012

	General	Capital Projects	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 3,219,174	\$ -	\$ 3,219,174
Receivables (net of allowance for uncollectibles):			
Taxes receivable (Note 1)	1,226,980	-	1,226,980
Accounts receivable	104,323	-	104,323
Due from other funds	154,656	-	154,656
Due from other governmental units (Note 3)	237,644	889,000	1,126,644
Prepaid items	52,902	-	52,902
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,425,186	-	2,425,186
Total assets	<u>\$ 7,420,865</u>	<u>\$ 889,000</u>	<u>\$ 8,309,865</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 146,605	\$ 734,344	\$ 880,949
Accrued liabilities	170,999	-	170,999
Due to other funds	-	154,656	154,656
Deferred revenue	1,210,191	-	1,210,191
Deposits held in escrow	84,734	-	84,734
Total liabilities	<u>\$ 1,612,529</u>	<u>\$ 889,000</u>	<u>\$ 2,501,529</u>
Fund balances:			
Nonspendable:			
Prepaid items	\$ 52,902	\$ -	\$ 52,902
Restricted for:			
State highway maintenance	\$ 66,503	\$ -	\$ 66,503
Loudoun County settlement funds	2,193,686	-	2,193,686
Future capital outlay	57,669	-	57,669
Total restricted fund balance	<u>\$ 2,317,858</u>	<u>\$ -</u>	<u>\$ 2,317,858</u>
Committed for:			
Future capital outlay	\$ 10,000	\$ -	\$ 10,000
Unassigned	<u>\$ 3,427,576</u>	<u>\$ -</u>	<u>\$ 3,427,576</u>
Total fund balances	<u>\$ 5,808,336</u>	<u>\$ -</u>	<u>\$ 5,808,336</u>
Total liabilities and fund balances	<u>\$ 7,420,865</u>	<u>\$ 889,000</u>	<u>\$ 8,309,865</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,808,336
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.		52,787,492
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.		(177,944)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred revenue	\$	79,147
Bond issue costs		191,042
		<u>270,189</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>(20,609,569)</u>
Net assets of governmental activities	\$	<u><u>38,078,504</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, 2012

	General	Capital Projects	Total
REVENUES			
General property taxes	\$ 2,526,297	\$ -	\$ 2,526,297
Other local taxes	3,191,608	-	3,191,608
Permits, privilege fees, and regulatory licenses	81,782	-	81,782
Fines and forfeitures	73,046	-	73,046
Revenue from the use of money and property	50,350	-	50,350
Miscellaneous	70,166	-	70,166
Intergovernmental revenues:			
Commonwealth	1,095,491	402,647	1,498,138
Federal	36,930	1,653,111	1,690,041
Total revenues	<u>\$ 7,125,670</u>	<u>\$ 2,055,758</u>	<u>\$ 9,181,428</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,366,088	\$ -	\$ 2,366,088
Public safety	1,788,562	-	1,788,562
Public works	2,769,287	-	2,769,287
Parks, recreation, and cultural	80,475	-	80,475
Community development	420,361	-	420,361
Capital outlay	-	6,468,774	6,468,774
Debt service:			
Principal retirement	672,460	-	672,460
Interest and other fiscal charges	665,834	-	665,834
Total expenditures	<u>\$ 8,763,067</u>	<u>\$ 6,468,774</u>	<u>\$ 15,231,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,637,397)</u>	<u>\$ (4,413,016)</u>	<u>\$ (6,050,413)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,270,560	\$ 4,567,672	\$ 5,838,232
Transfers out	<u>(4,567,672)</u>	<u>(154,656)</u>	<u>(4,722,328)</u>
Total other financing sources (uses)	<u>\$ (3,297,112)</u>	<u>\$ 4,413,016</u>	<u>\$ 1,115,904</u>
Net change in fund balances	\$ (4,934,509)	\$ -	\$ (4,934,509)
Fund balances - beginning	<u>10,742,845</u>	<u>-</u>	<u>10,742,845</u>
Fund balances - ending	<u>\$ 5,808,336</u>	<u>\$ -</u>	<u>\$ 5,808,336</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, 2012

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

Net change in fund balances - total governmental funds	\$	(4,934,509)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	6,084,868	
Depreciation expense		<u>(1,629,026)</u>	4,455,842

A loss on the sale of capital assets is only reported in the statement of activities and not in the governmental funds because it does not reduce financial resources.	(22,218)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	31,489
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	587,460	
Principal retired on notes payable	85,000	
Amortization of bond issuance costs	<u>(28,459)</u>	644,001

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	24,878	
(Increase)/decrease in other post retirement benefit obligations	(152,121)	
(Increase)/decrease in accrued interest payable	<u>11,651</u>	<u>(115,592)</u>

Change in net assets of governmental activities	\$	<u><u>59,013</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 As of June 30, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,476,736	\$ 3,879,221	\$ 6,355,957
Prepaid expenses	7,904	7,604	15,508
Receivables, net of allowances for uncollectibles			
Accounts	345,964	463,010	808,974
Total current assets	\$ 2,830,604	\$ 4,349,835	\$ 7,180,439
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents (in custody of others)	\$ 795,079	\$ 309,839	\$ 1,104,918
Cash held for customer deposits	139,225	-	139,225
Total restricted assets	934,304	309,839	1,244,143
Other assets:			
Unamortized bond issue costs	\$ 79,476	\$ -	\$ 79,476
Capital assets:			
Utility plant in service	9,859,874	42,555,462	52,415,336
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
Infrastructure			-
Construction in progress	5,604,939	1,979,379	7,584,318
Less accumulated depreciation	(2,901,042)	(2,937,459)	(5,838,501)
Total capital assets	\$ 15,934,222	\$ 42,352,242	\$ 58,286,464
Total noncurrent assets	\$ 16,948,002	\$ 42,662,081	\$ 59,610,083
Total assets	\$ 19,778,606	\$ 47,011,916	\$ 66,790,522
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 39,082	\$ 50,392	\$ 89,474
Accrued payroll	24,737	25,850	50,587
Customers' deposits	139,225	-	139,225
Accrued interest payable	188,654	394,166	582,820
Unearned revenue	16,619	-	16,619
Compensated absences - current portion	3,452	4,654	8,106
Bonds payable - current portion	707,870	1,288,513	1,996,383
Total current liabilities	\$ 1,119,639	\$ 1,763,575	\$ 2,883,214
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 10,959,759	\$ 31,190,323	\$ 42,150,082
Compensated absences - net of current portion	31,064	41,881	72,945
Other post employment benefits	98,338	96,412	194,750
Total noncurrent liabilities	\$ 11,089,161	\$ 31,328,616	\$ 42,417,777
Total liabilities	\$ 12,208,800	\$ 33,092,191	\$ 45,300,991
NET ASSETS			
Invested in capital assets, net of related debt	\$ 5,061,672	\$ 10,183,245	\$ 15,244,917
Unrestricted	2,508,134	3,736,480	6,244,614
Total net assets	\$ 7,569,806	\$ 13,919,725	\$ 21,489,531
Total liabilities and net assets	\$ 19,778,606	\$ 47,011,916	\$ 66,790,522

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, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 1,907,333	\$ 2,198,194	\$ 4,105,527
Other revenues	26,024	26,074	52,098
Miscellaneous	9,719	25,870	35,589
Total operating revenues	<u>\$ 1,943,076</u>	<u>\$ 2,250,138</u>	<u>\$ 4,193,214</u>
OPERATING EXPENSES			
Personnel services	\$ 546,941	\$ 534,940	\$ 1,081,881
Employee benefits	249,622	234,326	483,948
Plant operations	185,467	397,390	582,857
Well operations	174,894	-	174,894
Pump station operations	-	27,533	27,533
Equipment and vehicles	50,431	21,137	71,568
Depreciation	239,957	643,884	883,841
Capital outlay - non-capitalizable expenses	-	14,952	14,952
Other	108,086	59,174	167,260
Total operating expenses	<u>\$ 1,555,398</u>	<u>\$ 1,933,336</u>	<u>\$ 3,488,734</u>
Operating income (loss)	<u>\$ 387,678</u>	<u>\$ 316,802</u>	<u>\$ 704,480</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 33,237	\$ 116,199	\$ 149,436
Investment earnings	9,273	9,597	18,870
Rental income	3,050	-	3,050
Cellular lease	137,842	-	137,842
Interest expense	(489,779)	(1,118,193)	(1,607,972)
Total nonoperating revenues (expenses)	<u>\$ (306,377)</u>	<u>\$ (992,397)</u>	<u>\$ (1,298,774)</u>
Income before contributions and transfers	<u>\$ 81,301</u>	<u>\$ (675,595)</u>	<u>\$ (594,294)</u>
Contributed capital - availability fees	\$ 343,018	\$ 287,690	\$ 630,708
Transfers out	(557,952)	(557,952)	(1,115,904)
Change in net assets	<u>\$ (133,633)</u>	<u>\$ (945,857)</u>	<u>\$ (1,079,490)</u>
Total net assets - beginning, as restated	<u>7,703,439</u>	<u>14,865,582</u>	<u>22,569,021</u>
Total net assets - ending	<u>\$ 7,569,806</u>	<u>\$ 13,919,725</u>	<u>\$ 21,489,531</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, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,076,314	\$ 2,177,722	\$ 4,254,036
Payments to suppliers	(611,791)	(531,462)	(1,143,253)
Payments to and on behalf of employees	(747,183)	(719,078)	(1,466,261)
Net cash provided by (used for) by operating activities	\$ 717,340	\$ 927,182	\$ 1,644,522
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 33,237	\$ 116,199	\$ 149,436
Transfers to other funds	(557,952)	(557,952)	(1,115,904)
Net cash provided by (used for) by noncapital financing activities	\$ (524,715)	\$ (441,753)	\$ (966,468)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (1,088,434)	\$ (143,545)	\$ (1,231,979)
Capital contributions	343,018	287,690	630,708
Bond issuance costs	(5,094)	-	(5,094)
Retirements of long-term indebtedness	(594,019)	(1,258,006)	(1,852,025)
Proceeds from indebtedness	20,612	810,907	831,519
Interest payments	(492,974)	(1,124,549)	(1,617,523)
Net cash provided by (used for) by capital and related financing activities	\$ (1,816,891)	\$ (1,427,503)	\$ (3,244,394)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 9,273	\$ 9,597	\$ 18,870
Net cash provided by (used for) by investing activities	\$ 9,273	\$ 9,597	\$ 18,870
Net increase (decrease) in cash and cash equivalents	\$ (1,614,993)	\$ (932,477)	\$ (2,547,470)
Cash and cash equivalents - beginning (including restricted)	5,026,033	5,121,537	10,147,570
Cash and cash equivalents - ending (including restricted)	\$ 3,411,040	\$ 4,189,060	\$ 7,600,100
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:			
Operating income (loss)	\$ 387,678	\$ 316,802	\$ 704,480
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:			
Depreciation expense	239,957	643,884	883,841
Cellular lease revenue	137,842	-	137,842
(Increase) decrease in accounts receivable	(32,874)	(72,526)	(105,400)
(Increase) decrease in prepaid expenses	1,607	110	1,717
Increase (decrease) in compensated absences	84	301	385
Increase (decrease) in payroll liabilities	24,737	25,850	50,587
Increase (decrease) in other post-employment benefits	24,559	24,037	48,596
Increase (decrease) in accounts payable	(94,520)	(11,276)	(105,796)
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in customer deposits	28,270	-	28,270
Total adjustments	\$ 329,662	\$ 610,380	\$ 940,042
Net cash provided by (used for) operating activities	\$ 717,340	\$ 927,182	\$ 1,644,522

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, 2012

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, 2012 (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, 2012 (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, 2012 (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.

D. Budgets and Budgetary Accounting

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

E. Cash and Cash Equivalents

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

F. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$21,928 at June 30, 2012 and is comprised solely of property taxes.

G. 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.

H. 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.

I. 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 the asset's life is 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, 2012 (Continued)

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

I. 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, 2012 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
Machinery and Equipment	7-10 Years
Infrastructure	75 Years
Improvements Other than Buildings	20 Years

J. 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.

K. Long-term Obligations

In the government-wide financial statements, 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.

L. 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, 2012 for uncollectible local property taxes.

M. 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

N. 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.

O. 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.

P. 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.

Q. Prepaid Items

The consumption method is used to account for prepaid items. Payments to vendors reflecting costs applicable to future accounting periods and are recognized proportionately over the period the service is provided.

R. 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;
- 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

R. Fund Equity: (Continued)

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.

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, 2012 were held by the Town or in the Town's name by the Town's custodial banks.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 2—Deposits and Investments: (Continued)

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, 2012 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 2,008,437
State Non-Arbitrage Pool	<u>1,212,246</u>
Total	<u>\$ 3,220,683</u>

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	\$ 2,008,437	\$ 2,008,437
State Non-Arbitrage Pool	<u>1,212,246</u>	<u>1,212,246</u>
Total	<u>\$ 3,220,683</u>	<u>\$ 3,220,683</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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 3—Due from Other Governmental Units:

Federal:		
VDOT	\$	<u>585,284</u>
Commonwealth:		
VDOT	\$	303,716
Fire Programs Fund		2,919
Communications Tax		<u>28,072</u>
Due from Commonwealth	\$	<u>334,707</u>
County of Loudoun:		
Local Sales Tax	\$	<u>206,653</u>
Total	\$	<u><u>1,126,644</u></u>

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets for the year ended June 30, 2012 follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	<u>11,640,989</u>	<u>6,196,314</u>	<u>6,081,359</u>	<u>11,755,944</u>
Total capital assets not being depreciated	\$ <u>15,951,753</u>	\$ <u>6,196,314</u>	\$ <u>6,081,359</u>	\$ <u>16,066,708</u>
Capital assets being depreciated:				
Buildings	\$ 3,072,445	\$ 5,188,334	\$ -	\$ 8,260,779
Improvements other than buildings	811,946	21,846	-	833,792
Machinery and equipment	2,391,599	223,496	168,463	2,446,632
Vehicles	787,474	162,076	-	949,550
Infrastructure	<u>49,495,854</u>	<u>374,161</u>	<u>-</u>	<u>49,870,015</u>
Subtotal	\$ 56,559,318	\$ 5,969,913	\$ 168,463	\$ 62,360,768
Less: accumulated depreciation for:				
Buildings	\$ (596,951)	\$ (212,551)	\$ -	\$ (809,502)
Improvements other than buildings	(221,170)	(37,442)	-	(258,612)
Machinery and equipment	(1,277,724)	(197,964)	(146,245)	(1,329,443)
Vehicles	(705,847)	(71,822)	-	(777,669)
Infrastructure	<u>(21,355,511)</u>	<u>(1,109,247)</u>	<u>-</u>	<u>(22,464,758)</u>
Total accumulated depreciation	\$ <u>(24,157,203)</u>	\$ <u>(1,629,026)</u>	\$ <u>(146,245)</u>	\$ <u>(25,639,984)</u>
Net capital assets being depreciated	\$ <u>32,402,115</u>	\$ <u>4,340,887</u>	\$ <u>22,218</u>	\$ <u>36,720,784</u>
Capital assets, net	<u>\$ 48,353,868</u>	<u>\$ 10,537,201</u>	<u>\$ 6,103,577</u>	<u>\$ 52,787,492</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business-type Activities)

A summary of changes in capital assets for the year ended June 30, 2012 follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	<u>36,589,870</u>	<u>1,221,450</u>	<u>30,227,002</u>	<u>7,584,318</u>
Total capital assets not being depreciated	<u>\$ 39,629,379</u>	<u>\$ 1,221,450</u>	<u>\$ 30,227,002</u>	<u>\$ 10,623,827</u>
Capital assets being depreciated:				
Utility plant in service	\$ 22,199,005	\$ 30,216,331	\$ -	\$ 52,415,336
Improvements other than buildings	445,000	-	-	445,000
Vehicles	278,933	-	-	278,933
Machinery and equipment	<u>361,869</u>	<u>-</u>	<u>-</u>	<u>361,869</u>
Subtotal	\$ 23,284,807	\$ 30,216,331	\$ -	\$ 53,501,138
Less: accumulated depreciation for:				
Utility plant in service	\$ (4,313,440)	\$ (816,582)	\$ -	\$ (5,130,022)
Improvements other than buildings	(244,300)	(20,800)	-	(265,100)
Vehicles	(217,801)	(18,559)	-	(236,360)
Machinery and equipment	<u>(179,119)</u>	<u>(27,900)</u>	<u>-</u>	<u>(207,019)</u>
Total accumulated depreciation	<u>\$ (4,954,660)</u>	<u>\$ (883,841)</u>	<u>\$ -</u>	<u>\$ (5,838,501)</u>
Net capital assets being depreciated	<u>\$ 18,330,147</u>	<u>\$ 29,332,490</u>	<u>\$ -</u>	<u>\$ 47,662,637</u>
Capital assets, net	<u>\$ 57,959,526</u>	<u>\$ 30,553,940</u>	<u>\$ 30,227,002</u>	<u>\$ 58,286,464</u>

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

Governmental activities:

General government administration	\$ 189,770
Public safety	3,805
Public works (Highways and streets)	157,674
Community development	<u>1,277,777</u>
Total governmental activities	<u>\$ 1,629,026</u>
Enterprise funds	<u>\$ 883,841</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Long—Term Obligations:

Governmental Activities:

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

Year Ending June 30,	Bonds		Notes
	Principal	Interest	Principal
2013	\$ 3,354,799	\$ 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	766,578	496,556	85,000
2018-2022	6,017,266	1,909,989	425,000
2023-2027	2,360,288	1,024,237	425,000
2028-2032	959,976	676,209	-
2033-2037	675,371	522,889	-
2038-2042	829,779	368,481	-
2043-2047	1,341,590	189,162	-
Total	\$ <u>18,444,736</u>	\$ <u>7,480,642</u>	\$ <u>1,275,000</u>

Changes in Long—term Obligations:

The following is a summary of long-term obligations transactions of the Town for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
General obligation bonds payable	\$ 19,032,196	\$ -	\$ (587,460)	\$ 18,444,736
Notes payable	\$ 1,360,000	\$ -	\$ (85,000)	\$ 1,275,000
Other post-employment benefits	\$ 441,775	\$ 161,367	\$ (9,246)	\$ 593,896
Compensated absences	\$ 320,815	\$ 203,196	\$ (228,074)	\$ 295,937
Totals	\$ <u>21,154,786</u>	\$ <u>364,563</u>	\$ <u>(909,780)</u>	\$ <u>20,609,569</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Long—Term Obligations: (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.	\$ 375,739	\$ 57,696
\$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.	1,714,700	96,000
\$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.	2,990,700	156,634
\$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.	4,504,387	54,499
\$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	30,000
\$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	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>4,004,210</u>	<u>259,970</u>
Total Bonds Payable	<u>\$ 18,444,736</u>	<u>\$ 3,354,799</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>\$ 1,275,000</u>	<u>\$ 85,000</u>
Compensated Absences (Note 6)	<u>\$ 295,937</u>	<u>\$ 29,594</u>
Other post employment benefits (Note 12)	<u>\$ 593,896</u>	<u>\$ -</u>
Total general long-term obligation debt	<u><u>\$ 20,609,569</u></u>	<u><u>\$ 3,469,393</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Long—Term Obligations: (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
2013	\$ 1,996,383	\$ 1,591,766
2014	2,068,969	1,517,731
2015	2,143,786	1,441,155
2016	2,221,160	1,361,785
2017	2,301,015	1,279,087
2018-2022	13,199,970	4,964,167
2023-2027	9,555,648	2,946,257
2028-2029	10,534,685	743,297
Total	\$ <u>44,021,616</u>	\$ <u>15,845,245</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, 2012:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
General obligation bonds payable	\$ 45,062,733	\$ 810,907	\$ (1,852,024)	\$ 44,021,616
Less deferred amounts:				
For issuance premium	219,442	-	(41,205)	178,237
On refunding	(65,730)	-	12,342	(53,388)
Total general obligation bonds payable	\$ <u>45,216,445</u>	\$ <u>810,907</u>	\$ <u>(1,880,887)</u>	\$ <u>44,146,465</u>
Other post-employment benefits	\$ <u>146,154</u>	\$ <u>51,550</u>	\$ <u>(2,954)</u>	\$ <u>194,750</u>
Compensated absences	\$ <u>80,666</u>	\$ <u>70,997</u>	\$ <u>(70,612)</u>	\$ <u>81,051</u>
Totals	\$ <u>45,443,265</u>	\$ <u>933,454</u>	\$ <u>(1,954,453)</u>	\$ <u>44,422,266</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 5—Long—Term Obligations: (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.	\$ 14,560,000	\$ 613,566
\$24,944,377 General Obligation Bond, Series 2008 (VRA) with principal payable annually, bearing interest at 3%, maturing 2029.	22,960,316	978,617
\$5,822,500 General Obligation Bond Series 2005B with principal payable annually, bearing interest at 3.659% payable semi-annually, maturing	2,756,300	154,200
\$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	90,000
\$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.	1,500,000	160,000
Deferred amounts	<u>124,849</u>	<u>-</u>
Total	\$ 44,146,465	\$ 1,996,383
Compensated Absences (Note 6)	<u>\$ 81,051</u>	<u>\$ 8,106</u>
Other post employment benefits (Note 12)	<u>\$ 194,750</u>	<u>\$ -</u>
Total enterprise debt	<u>\$ 44,422,266</u>	<u>\$ 2,004,489</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, 2012 (Continued)

Note 5—Long—Term Obligations: (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—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 \$295,937 and the Enterprise Funds have outstanding accrued leave pay of \$81,051.

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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Defined Benefit Pension Plan:

A. Plan Description: (Continued)

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

- 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 as early as age 55 with at least five years of service credit or age 50 with at least ten 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.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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 (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 7—Defined Benefit Pension Plan: (Continued)

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 compensation toward their retirement. All or part of the 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, 2012 was 15.27% of the annual covered payroll.

For fiscal year ended 2012, the Town's annual pension cost of \$405,985 (does not include the portion of the employee share assumed by the Town which was \$197,656) was equal to the Town's required and actual contributions.

C. Annual Pension Cost and Net Pension Obligation:

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	\$ 405,985	100%	\$ -
06/30/11	376,339	100%	-
06/30/00	306,673	100%	-

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age 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 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls 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, 2011, the most recent actuarial valuation date, the plan was 81.72% funded. The actuarial accrued liability for benefits was \$8,641,576 and the actuarial value of assets was \$7,061,806, resulting in an unfunded actuarial liability (UAAL) of \$1,579,770. The covered payroll (annual payroll of active employees covered by the plan) was \$3,867,344, and the ratio of the UAAL to covered payroll was 40.85%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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 actuarial accrued liability for benefits.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 8—Deferred/Unearned 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 \$1,182,226 at June 30, 2012.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$6,013 at June 30, 2012.

C. Build America Bond Subsidy

At June 30, 2012, the Build America Bond subsidy deferred to be recognized upon bond maturity totaled \$15,952.

D. Parks and Recreation

Wine festival revenue deferred to 2013 when earned totaled \$6,000 at June 30, 2012.

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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

Note 10—Interfund Transfers:

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,270,560	\$ 4,567,672
Capital Projects Fund	4,567,672	154,656
Water Fund	-	557,952
Sewer Fund	-	557,952
Total	<u>\$ 5,838,232</u>	<u>\$ 5,838,232</u>

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

Note 11—Commitments:

At June 30, 2012 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
E.E. Lyons	Downtown Streetscapes Phase 1	\$ 139,106
Arthur Construction	North 21st Street Sidewalk	155,993
Lane Construction Corporation	Southern Collector Road	3,553,803
RK&K	Southern Collector Road	406,647
GeoConcepts Engineering	Southern Collector Road	132,580
Kimley-Horn and Associates	Southern Collector Road	96,540
CH2M Hill	Water Resource Study	102,510
Michael Baker, Jr., Inc.	Intake Structure	78,920

Note 12—Other Post-Employment Benefits Program:

Background

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

A. Plan Description:

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

B. Funding Policy:

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$210,500 for fiscal year 2012. 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	\$ 210,500
Interest on net OPEB obligation	23,517
Adjustment to annual required contribution	<u>(21,100)</u>
Annual OPEB cost (expense)	\$ 212,917
Estimated contributions made	<u>(12,200)</u>
Increase in net OPEB obligation	\$ <u>200,717</u>
Net OPEB obligation - beginning of year	<u>587,929</u>
Net OPEB obligation - end of year	\$ <u><u>788,646</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

For 2012, the Town’s expected cash payment of \$12,200 was \$200,717 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 2012 and the two preceding years 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, 2010	\$ 212,547	5.83%	\$ 387,347
June 30, 2011	213,882	6.22%	587,929
June 30, 2012	212,917	5.73%	788,646

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012 is as follows:

Actuarial accrued liability (AAL)	\$ 1,650,700
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,650,700
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	4,088,000
UAAL as a percentage of covered payroll	40.38%

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

Actuarial Methods and Assumptions

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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

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

In the January 1, 2012 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 7.2% initially, reduced by decrements to an ultimate rate of 4.80% after 83 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 payrolls on an open basis. The remaining amortization period at January 1, 2012, was 30 years.

Cost Method

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

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

Interest Assumptions

	<u>Unfunded</u>
Investment rate of return	4.00%
Health cost trend assumption	7.20%
Payroll growth	3.75%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2012 (Continued)

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>
2013	\$ 63,287
2014	34,488
2015	<u>26,901</u>
Total	<u>\$ 124,676</u>

Note 14—Restatement of Beginning Net Assets:

Beginning net assets of the sewer fund was restated to reclassify loan proceeds previously recorded as revenue. Details of the adjustment are as follows:

Beginning net assets, July 1, 2011	\$ 15,563,112
Adjustment for loan proceeds	<u>(697,530)</u>
Beginning net assets, July 1, 2011, as adjusted	<u>\$ 14,865,582</u>

Note 15—Subsequent Events:

On July 3, 2012, the Town executed the sale of the former town hall in the amount of \$1,326,000.

Note 16—Reclassification of Revenue:

Revenue previously classified as received from the Commonwealth of Virginia in the report dated November 7, 2012, has been reclassified as pass-through Federal grant revenue, titled *Highway Planning and Construction* - CFDA 20.205. The effects of the reclassification in the comprehensive annual financial report are dated September 6, 2013.

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,509,000	\$ 2,509,000	\$ 2,526,297	\$ 17,297
Other local taxes	3,063,500	3,063,500	3,191,608	128,108
Permits, privilege fees, and regulatory licenses	127,000	127,000	81,782	(45,218)
Fines and forfeitures	95,200	95,200	73,046	(22,154)
Revenue from the use of money and property	86,000	86,000	50,350	(35,650)
Miscellaneous	1,405,700	105,700	70,166	(35,534)
Intergovernmental revenues:				
Commonwealth	1,065,849	1,067,069	1,095,491	28,422
Federal	34,404	34,404	36,930	2,526
Total revenues	\$ 8,386,653	\$ 7,087,873	\$ 7,125,670	\$ 37,797
EXPENDITURES				
Current:				
General government administration	\$ 2,128,237	\$ 2,142,996	\$ 2,366,088	\$ (223,092)
Public safety	1,671,369	1,769,117	1,788,562	(19,445)
Public works	3,014,618	3,180,866	2,769,287	411,579
Parks, recreation, and cultural	75,800	87,188	80,475	6,713
Community development	496,829	499,230	420,361	78,869
Debt service:				
Principal retirement	1,943,818	672,460	672,460	-
Interest and other fiscal charges	665,834	665,834	665,834	-
Total expenditures	\$ 9,996,505	\$ 9,017,691	\$ 8,763,067	\$ 254,624
Excess (deficiency) of revenues over (under) expenditures	\$ (1,609,852)	\$ (1,929,818)	\$ (1,637,397)	\$ 292,421
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,115,904	\$ 1,115,904	\$ 1,270,560	\$ 154,656
Transfers out	-	-	(4,567,672)	(4,567,672)
Total other financing sources (uses)	\$ 1,115,904	\$ 1,115,904	\$ (3,297,112)	\$ (4,413,016)
Net change in fund balances	\$ (493,948)	\$ (813,914)	\$ (4,934,509)	\$ (4,120,595)
Fund balances - beginning	493,948	2,129,312	10,742,845	8,613,533
Fund balances - ending	\$ -	\$ 1,315,398	\$ 5,808,336	\$ 4,492,938

Schedules of Funding Progress
As of June 30, 2012

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)
06/30/09	\$ 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%
06/30/11	7,061,806	8,641,576	1,579,770	81.72%	3,867,344	40.85%

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)
01/01/10	\$ -	\$ 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%
01/01/12	-	1,650,700	1,650,700	0.0%	4,088,000	40.38%

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, 2012

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	\$ 2,148,000	\$ 2,148,000	\$ 2,190,631	\$ 42,631
Personal property taxes	336,000	336,000	310,618	(25,382)
Penalties and interest	25,000	25,000	25,048	48
Total general property taxes	<u>\$ 2,509,000</u>	<u>\$ 2,509,000</u>	<u>\$ 2,526,297</u>	<u>\$ 17,297</u>
Other local taxes:				
Local sales and use taxes	\$ 875,000	\$ 875,000	\$ 952,497	\$ 77,497
Cigarette taxes	260,000	260,000	243,622	(16,378)
Business license taxes	600,000	600,000	621,289	21,289
Utility license taxes	207,000	207,000	201,784	(5,216)
Auto decals	128,000	128,000	154,275	26,275
Bank franchise taxes	216,000	216,000	220,941	4,941
Cable franchise taxes	7,400	7,400	8,252	852
Restaurant food taxes	770,100	770,100	788,948	18,848
Total other local taxes	<u>\$ 3,063,500</u>	<u>\$ 3,063,500</u>	<u>\$ 3,191,608</u>	<u>\$ 128,108</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 127,000	\$ 127,000	\$ 81,782	\$ (45,218)
Total permits, privilege fees, and regulatory licenses	<u>\$ 127,000</u>	<u>\$ 127,000</u>	<u>\$ 81,782</u>	<u>\$ (45,218)</u>
Fines and forfeitures:				
Police fines	\$ 95,200	\$ 95,200	\$ 73,046	\$ (22,154)
Total fines and forfeitures	<u>\$ 95,200</u>	<u>\$ 95,200</u>	<u>\$ 73,046</u>	<u>\$ (22,154)</u>
Revenue from use of money and property:				
Interest	\$ 48,000	\$ 48,000	\$ 11,940	\$ (36,060)
Revenue from use of property	38,000	38,000	38,410	410
Total revenue from use of money and property	<u>\$ 86,000</u>	<u>\$ 86,000</u>	<u>\$ 50,350</u>	<u>\$ (35,650)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 57,300	\$ 57,300	\$ 48,509	\$ (8,791)
Proceeds from sales of property	1,310,000	10,000	1,879	(8,121)
Donations	5,100	5,100	4,140	(960)
Community events sign	1,500	1,500	870	(630)
Public Works reimbursement from others	30,000	30,000	12,304	(17,696)
Vehicle compensation reimbursement	1,800	1,800	2,464	664
Total miscellaneous revenue	<u>\$ 1,405,700</u>	<u>\$ 105,700</u>	<u>\$ 70,166</u>	<u>\$ (35,534)</u>
Total revenue from local sources	<u>\$ 7,286,400</u>	<u>\$ 5,986,400</u>	<u>\$ 5,993,249</u>	<u>\$ 6,849</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 173,000	\$ 173,000	\$ 164,372	\$ (8,628)
Personal property tax relief funds	201,000	201,000	201,753	753
Total noncategorical aid	<u>\$ 374,000</u>	<u>\$ 374,000</u>	<u>\$ 366,125</u>	<u>\$ (7,875)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 106,649	\$ 107,869	\$ 110,970	\$ 3,101
Total shared expenses	\$ 106,649	\$ 107,869	\$ 110,970	\$ 3,101
Other categorical aid:				
Fire programs fund	\$ 9,200	\$ 9,200	\$ 20,656	\$ 11,456
Highway maintenance funds	574,000	574,000	595,424	21,424
Litter control grant	2,000	2,000	2,316	316
Total other categorical aid	\$ 585,200	\$ 585,200	\$ 618,396	\$ 33,196
Total categorical aid	\$ 691,849	\$ 693,069	\$ 729,366	\$ 36,297
Total revenue from the Commonwealth	\$ 1,065,849	\$ 1,067,069	\$ 1,095,491	\$ 28,422
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
BAB subsidy	31,904	31,904	31,904	-
Total noncategorical aid	\$ 34,404	\$ 34,404	\$ 34,404	\$ -
Categorical aid:				
Edward byrne memorial justice assistance grant	\$ -	\$ -	\$ 2,526	\$ 2,526
Total categorical aid	\$ -	\$ -	\$ 2,526	\$ 2,526
Total revenue from the federal government	\$ 34,404	\$ 34,404	\$ 36,930	\$ 2,526
Total General Fund	\$ 8,386,653	\$ 7,087,873	\$ 7,125,670	\$ 37,797
Capital Projects Fund:				
General Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 978,927	\$ 2,858,295	\$ -	\$ (2,858,295)
Total revenue from local sources	\$ 978,927	\$ 2,858,295	\$ -	\$ (2,858,295)
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 523,910	\$ 1,288,201	\$ 402,647	\$ (885,554)
Total revenue from the Commonwealth	\$ 523,910	\$ 1,288,201	\$ 402,647	\$ (885,554)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 4,963	\$ 4,963	\$ -
Highway planning and construction	1,002,659	5,152,806	1,648,148	(3,504,658)
Total categorical aid	\$ 1,002,659	\$ 5,157,769	\$ 1,653,111	\$ (3,504,658)
Total revenue from the federal government	\$ 1,002,659	\$ 5,157,769	\$ 1,653,111	\$ (3,504,658)
Total County Capital Improvements Fund	\$ 2,505,496	\$ 9,304,265	\$ 2,055,758	\$ (7,248,507)
Total Primary Government	\$ 10,892,149	\$ 16,392,138	\$ 9,181,428	\$ (7,210,710)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 49,098	\$ 48,598	\$ 53,403	\$ (4,805)
General and financial administration:				
Administration	\$ 866,331	\$ 870,072	\$ 879,821	\$ (9,749)
Building administration	65,274	65,274	98,829	(33,555)
Legal services	150,000	150,000	371,439	(221,439)
Independent auditor	35,200	35,200	26,577	8,623
Information technology	227,614	228,448	223,739	4,709
Finance	734,720	745,404	712,280	33,124
Total general and financial administration	\$ 2,079,139	\$ 2,094,398	\$ 2,312,685	\$ (218,287)
Total general government administration	\$ 2,128,237	\$ 2,142,996	\$ 2,366,088	\$ (223,092)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,581,369	\$ 1,679,117	\$ 1,687,906	\$ (8,789)
Fire and rescue services:				
Fire department	\$ 50,000	\$ 50,000	\$ 60,656	\$ (10,656)
Ambulance and rescue services	40,000	40,000	40,000	-
Total fire and rescue services	\$ 90,000	\$ 90,000	\$ 100,656	\$ (10,656)
Total public safety	\$ 1,671,369	\$ 1,769,117	\$ 1,788,562	\$ (19,445)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 701,080	\$ 845,288	\$ 540,710	\$ 304,578
Administration	889,042	893,872	864,148	29,724
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,590,122	\$ 1,739,160	\$ 1,404,858	\$ 334,302
Maintenance of general buildings and grounds:				
General properties	\$ 920,386	\$ 937,596	\$ 940,562	\$ (2,966)
Refuse	504,110	504,110	423,867	80,243
Total maintenance of general buildings and grounds	\$ 1,424,496	\$ 1,441,706	\$ 1,364,429	\$ 77,277
Total public works	\$ 3,014,618	\$ 3,180,866	\$ 2,769,287	\$ 411,579
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 53,325	\$ 56,513	\$ 60,676	\$ (4,163)
Recreation facilities	22,475	30,675	19,799	10,876
Total parks and recreation	\$ 75,800	\$ 87,188	\$ 80,475	\$ 6,713
Total parks, recreation, and cultural	\$ 75,800	\$ 87,188	\$ 80,475	\$ 6,713

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 433,646	\$ 436,047	\$ 373,867	\$ 62,180
Planning commission	18,387	18,387	13,525	4,862
Board of architectural review	4,830	4,830	3,544	1,286
Tree and beautification commission	2,300	2,300	1,447	853
Total planning and community development	<u>\$ 459,163</u>	<u>\$ 461,564</u>	<u>\$ 392,383</u>	<u>\$ 69,181</u>
Environmental management:				
Environmental service	\$ 1,500	\$ 1,500	\$ 1,851	\$ (351)
Retiree benefits	\$ 8,916	\$ 8,916	\$ 8,916	-
Board of zoning and appeals	\$ 1,350	\$ 1,350	-	\$ 1,350
Economic development:				
Economic development	\$ 25,900	\$ 25,900	\$ 17,211	\$ 8,689
Total community development	<u>\$ 496,829</u>	<u>\$ 499,230</u>	<u>\$ 420,361</u>	<u>\$ 78,869</u>
Debt service:				
Principal retirement and interest	\$ 1,943,818	\$ 672,460	\$ 672,460	-
Interest and other fiscal charges	665,834	665,834	665,834	-
Total debt service	<u>\$ 2,609,652</u>	<u>\$ 1,338,294</u>	<u>\$ 1,338,294</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 9,996,505</u></u>	<u><u>\$ 9,017,691</u></u>	<u><u>\$ 8,763,067</u></u>	<u><u>\$ 254,624</u></u>
Capital Projects Fund:				
Capital projects expenditures:				
General capital projects	\$ 152,000	\$ 965,136	\$ 364,455	\$ 600,681
Downtown streetscapes	1,340,000	1,947,281	845,161	1,102,120
Main and Maple improvements	-	1,469,339	1,442	1,467,897
Main Street sidewalks	523,496	879,361	15,732	863,629
N. 21st Street sidewalk	490,000	1,218,992	872,205	346,787
Southern collector road	-	4,328,086	1,033,482	3,294,604
D Street drainage and sidewalk	-	20,000	19,069	931
Maple to W and OD Trail	-	387,545	189,338	198,207
Fireman's field upgrades	600,000	708,919	876,596	(167,677)
New town hall renovation	157,703	2,066,080	2,149,113	(83,033)
Other projects	-	405,963	102,181	303,782
Total Capital Projects Fund	<u><u>\$ 3,263,199</u></u>	<u><u>\$ 14,396,702</u></u>	<u><u>\$ 6,468,774</u></u>	<u><u>\$ 7,927,928</u></u>
Total Primary Government	<u><u>\$ 13,259,704</u></u>	<u><u>\$ 23,414,393</u></u>	<u><u>\$ 15,231,841</u></u>	<u><u>\$ 8,182,552</u></u>

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund:				
Operating revenues:				
Water meter fees	\$ 3,906	\$ 3,906	\$ 13,118	\$ 9,212
Water fees	2,227,398	2,227,398	1,893,134	(334,264)
Miscellaneous income	2,000	2,000	9,719	7,719
Penalties and interest	25,000	25,000	26,024	1,024
Water flushing	1,000	1,000	1,081	81
Total operating revenues	\$ 2,259,304	\$ 2,259,304	\$ 1,943,076	\$ (316,228)
Operating expenses:				
Personnel:				
Water staff	\$ 538,758	\$ 543,644	\$ 530,537	\$ 13,107
Overtime - Water	32,000	32,000	16,403	15,597
Plant operations:				
Electricity	21,000	21,000	17,926	3,074
Telephone	8,100	8,100	7,624	476
Supplies	21,600	21,600	18,669	2,931
Lab Equipment	5,000	5,000	3,469	1,531
Contracts	21,000	21,000	20,207	793
Uniforms	6,500	6,500	5,116	1,384
Safety	9,500	9,500	6,691	2,809
Sludge disposal	14,800	14,800	8,718	6,082
Cross connections	1,000	1,000	-	1,000
Plant repairs	45,000	45,000	34,070	10,930
Water line repairs	19,000	19,000	18,419	581
Leak detection	3,100	3,100	-	3,100
Meter repairs & testing	2,000	2,000	489	1,511
New water meters	13,000	13,000	10,509	2,491
Computer upgrades	3,200	3,200	2,662	538
Chemicals - plant	35,000	29,000	19,425	9,575
Generator WTP	2,500	2,500	977	1,523
Permits	6,800	6,800	4,752	2,048
Touch read HDW & SFTW	7,000	7,000	-	7,000
Public education	2,000	2,000	100	1,900
VDH operations fee	13,600	13,600	5,644	7,956
Well operations:				
Electricity	38,000	38,000	47,995	(9,995)
Telephone	1,200	1,200	718	482
Supplies	31,500	31,500	28,169	3,331
Contracts	23,000	23,000	14,266	8,734
Spare parts	6,300	6,300	3,623	2,677
Repairs	43,500	43,500	43,914	(414)
Chemicals	21,500	21,500	15,898	5,602
Carbon change-out	23,750	23,750	20,311	3,439
Equipment and vehicles expenses:				
New equipment & tools	25,000	25,000	23,822	1,178
Vehicle repairs and maintenance	16,300	16,300	15,864	436
Propane	10,000	16,000	10,745	5,255

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2012 (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 expenses:				
Advertisements	\$ 1,000	\$ 1,000	\$ 99	\$ 901
Water samples	28,000	28,000	17,204	10,796
Training	10,500	10,500	1,496	9,004
Dues & subscriptions	1,100	1,100	865	235
Consumer reports	3,900	3,900	155	3,745
General expenses	2,400	2,400	2,852	(452)
Postage/mailings	9,000	9,000	6,580	2,420
Miscellaneous	6,500	6,500	3,462	3,038
Professional services	35,000	35,000	29,584	5,416
Watershed management	4,750	4,750	716	4,034
Forestry management	3,100	3,100	54	3,046
Environmental compliance	4,500	4,500	94	4,406
Mowing	10,500	10,500	7,997	2,503
Administrative supplies	600	600	254	346
Water department emergency	4,200	4,200	-	4,200
Small projects	111,000	111,000	36,674	74,326
Employee benefits:				
Health insurance	101,015	101,015	115,225	(14,210)
Retirement	77,669	77,669	75,231	2,438
Workers' compensation	11,844	11,844	12,819	(975)
Payroll taxes	43,663	43,663	40,791	2,872
Drug testing	715	715	195	520
Life insurance	1,509	1,509	1,422	87
Deferred compensation match	4,160	4,160	3,940	220
Depreciation	-	-	239,957	(239,957)
Capital outlay	288,000	1,659,834	-	1,659,834
Total operating expenses	\$ 1,836,133	\$ 3,212,853	\$ 1,555,398	\$ 1,657,455
Operating income (loss)	\$ 423,171	\$ (953,549)	\$ 387,678	\$ 1,341,227
Nonoperating revenues (expenses):				
Interest earned	\$ 24,000	\$ 24,000	\$ 9,273	\$ (14,727)
Cellular lease	140,000	140,000	137,842	(2,158)
Rental income	-	-	3,050	3,050
Intergovernmental revenue	33,236	33,236	33,237	1
Bond issuance costs	-	-	(5,094)	(5,094)
Interest expense	(521,838)	(521,838)	(484,685)	37,153
Total nonoperating revenues (expenses)	\$ (324,602)	\$ (324,602)	\$ (306,377)	\$ 18,225
Net income (loss) before operating transfers and contributions	\$ 98,569	\$ (1,278,151)	\$ 81,301	\$ 1,359,452
Other financing sources (uses):				
Contributed capital - availability fees	\$ 463,941	\$ 463,941	\$ 343,018	\$ (120,923)
Transfers out	(557,952)	(557,952)	(557,952)	-
Total other financing sources (uses)	\$ (94,011)	\$ (94,011)	\$ (214,934)	\$ (120,923)
Net income	\$ 4,558	\$ (1,372,162)	\$ (133,633)	\$ 1,238,529

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund:				
Operating revenues:				
Sewer fees	\$ 2,294,313	\$ 2,294,313	\$ 2,198,194	\$ (96,119)
Penalties and interest	25,000	25,000	26,074	1,074
Miscellaneous income	1,200	1,200	25,870	24,670
Total operating revenues	\$ 2,320,513	\$ 2,320,513	\$ 2,250,138	\$ (70,375)
Operating expenses:				
Personnel:				
Sewer staff	\$ 513,368	\$ 517,988	\$ 519,251	\$ (1,263)
Overtime - Sewer	12,000	12,000	15,689	(3,689)
Plant operations:				
Electricity	130,000	130,000	155,475	(25,475)
Telephone	6,800	6,800	8,001	(1,201)
Plant supplies	4,000	4,000	4,887	(887)
Contracts	1,000	1,000	792	208
Permits	10,000	10,000	9,569	431
Uniforms	5,700	5,700	6,070	(370)
Plant repairs	30,000	35,500	29,037	6,463
Sewer line repairs	14,000	14,000	13,181	819
Safety	4,800	4,800	4,272	528
Lab supplies	25,000	25,000	23,764	1,236
New equipment & tools	5,000	5,000	3,078	1,922
Sludge removal	45,000	27,000	22,316	4,684
Chemicals	60,000	80,500	84,374	(3,874)
Lab certification	1,700	3,700	3,725	(25)
Sample analysis	10,750	10,750	9,983	767
Waste disposal	1,500	1,500	-	1,500
Meter repairs, tools, and equipment	13,500	13,500	9,446	4,054
New water meters	17,500	17,500	7,820	9,680
Touch read HDW	5,000	5,000	1,600	3,400
Pump station operations:				
Electricity	7,500	7,500	11,848	(4,348)
Telephone	600	600	581	19
Repairs	19,000	13,500	11,875	1,625
Contracts	5,000	5,000	3,197	1,803
Equipment	7,500	5,500	32	5,468
Equipment and vehicles expenses:				
Equipment - plant	15,000	15,000	11,079	3,921
Gas and oil	3,500	3,500	1,706	1,794
Vehicle repairs	7,000	7,000	8,352	(1,352)

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund: (Continued)				
Operating expenses: (Continued)				
Other expenses:				
Dues & subscriptions	\$ 1,000	\$ 1,000	\$ 2,235	\$ (1,235)
Advertisements	1,000	1,000	-	1,000
Training	5,000	5,000	1,957	3,043
Postage/mailings	9,000	9,000	8,390	610
Other expenses	5,000	5,000	15,274	(10,274)
Engineering	35,000	35,000	26,434	8,566
Mowing	13,500	11,000	1,793	9,207
Environmental compliance	3,200	3,200	-	3,200
Sewer department emergency	3,000	3,000	-	3,000
Small projects	7,000	7,000	3,091	3,909
Administrative supplies	2,500	2,500	-	2,500
Public education	1,000	1,000	-	1,000
Employee benefits:				
Health insurance	80,686	80,686	102,719	(22,033)
Retirement	76,184	76,184	77,219	(1,035)
Workers' compensation	10,196	10,196	9,565	631
Payroll taxes	40,191	40,191	40,157	34
Drug testing	715	715	130	585
Deferred compensation match	3,120	3,120	3,120	-
Life insurance	1,437	1,437	1,416	21
Depreciation	-	-	643,884	(643,884)
Capital outlay	195,000	576,739	14,952	561,787
Total operating expenses	<u>\$ 1,475,447</u>	<u>\$ 1,861,806</u>	<u>\$ 1,933,336</u>	<u>\$ (71,530)</u>
Operating income	<u>\$ 845,066</u>	<u>\$ 458,707</u>	<u>\$ 316,802</u>	<u>\$ (141,905)</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 30,000	\$ 30,000	\$ 9,597	\$ (20,403)
BSWF study grant	-	-	116,199	116,199
Interest expense	<u>(1,115,009)</u>	<u>(1,115,009)</u>	<u>(1,118,193)</u>	<u>(3,184)</u>
Total nonoperating revenues (expenses)	<u>\$ (1,085,009)</u>	<u>\$ (1,085,009)</u>	<u>\$ (92,397)</u>	<u>\$ 92,612</u>
Net income before operating transfers	<u>\$ (239,943)</u>	<u>\$ (626,302)</u>	<u>\$ (675,595)</u>	<u>\$ (49,293)</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 395,400	\$ 395,400	\$ 287,690	\$ (107,710)
Transfers out	<u>(557,952)</u>	<u>(557,952)</u>	<u>(557,952)</u>	<u>-</u>
Total operating transfers	<u>\$ (162,552)</u>	<u>\$ (162,552)</u>	<u>\$ (270,262)</u>	<u>\$ (107,710)</u>
Net income	<u><u>\$ (402,495)</u></u>	<u><u>\$ (788,854)</u></u>	<u><u>\$ (945,857)</u></u>	<u><u>\$ (157,003)</u></u>

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 As of June 30, 2012

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets:		
Land	\$ 4,310,764	\$ 4,310,764
Buildings	8,260,779	3,072,445
Improvements other than buildings	833,792	811,946
Machinery and equipment	2,446,632	2,391,599
Vehicles	949,550	787,474
Infrastructure	49,870,015	49,495,854
Construction in progress	<u>11,755,944</u>	<u>11,640,989</u>
Total governmental funds capital assets	<u>\$ 78,427,476</u>	<u>\$ 72,511,071</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 78,427,476</u>	<u>\$ 72,511,071</u>
Total governmental funds capital assets	<u>\$ 78,427,476</u>	<u>\$ 72,511,071</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of June 30, 2012

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>
General government administration:			
Town council	\$ 3,877,612	\$ 6,181,684	\$ 2,927,693
Finance and administration	-	-	-
Total general government administration	<u>\$ 3,877,612</u>	<u>\$ 6,181,684</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	\$ 5,574,260	\$ 144,752
Maintenance of buildings and grounds	-	-	5,188,334
Total public works	<u>\$ 433,152</u>	<u>\$ 5,574,260</u>	<u>\$ 5,333,086</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>\$ 11,755,944</u></u>	<u><u>\$ 8,260,779</u></u>

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ 110,931	\$ 223,781	\$ 187,468	\$ -	\$ 13,509,169
<u>-</u>	<u>360,482</u>	<u>157,037</u>	<u>-</u>	<u>517,519</u>
\$ <u>110,931</u>	\$ <u>584,263</u>	\$ <u>344,505</u>	\$ <u>-</u>	\$ <u>14,026,688</u>
\$ <u>3,850</u>	\$ <u>262,251</u>	\$ <u>349,927</u>	\$ <u>-</u>	\$ <u>616,028</u>
\$ <u>3,850</u>	\$ <u>262,251</u>	\$ <u>349,927</u>	\$ <u>-</u>	\$ <u>616,028</u>
\$ 708,563	\$ 729,655	\$ 255,118	\$ 49,870,015	\$ 57,715,515
<u>-</u>	<u>870,463</u>	<u>-</u>	<u>-</u>	<u>6,058,797</u>
\$ <u>708,563</u>	\$ <u>1,600,118</u>	\$ <u>255,118</u>	\$ <u>49,870,015</u>	\$ <u>63,774,312</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><u>833,792</u></u>	\$ <u><u>2,446,632</u></u>	\$ <u><u>949,550</u></u>	\$ <u><u>49,870,015</u></u>	\$ <u><u>78,427,476</u></u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2012

Function and Activity	Governmental Funds Capital Assets July 1, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
General government administration:				
Town council	\$ 10,322,282	\$ 3,208,733	\$ (21,846)	\$ 13,509,169
Finance and administration	<u>517,519</u>	<u>-</u>	<u>-</u>	<u>517,519</u>
Total general government administration	<u>\$ 10,839,801</u>	<u>\$ 3,208,733</u>	<u>\$ (21,846)</u>	<u>\$ 14,026,688</u>
Public safety:				
Police department	<u>\$ 602,898</u>	<u>\$ 13,130</u>	<u>\$ -</u>	<u>\$ 616,028</u>
Total public safety	<u>\$ 602,898</u>	<u>\$ 13,130</u>	<u>\$ -</u>	<u>\$ 616,028</u>
Public works:				
Highways and roads	\$ 55,231,386	\$ 3,523,773	\$ (1,039,644)	\$ 57,715,515
Maintenance of buildings and grounds	<u>5,826,538</u>	<u>5,420,593</u>	<u>(5,188,334)</u>	<u>6,058,797</u>
Total public works	<u>\$ 61,057,924</u>	<u>\$ 8,944,366</u>	<u>\$ (6,227,978)</u>	<u>\$ 63,774,312</u>
Parks, recreation, and cultural:				
Parks and recreation	<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448</u>
Total parks, recreation, and cultural	<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448</u>
Total governmental funds capital assets	<u><u>\$ 72,511,071</u></u>	<u><u>\$ 12,166,229</u></u>	<u><u>\$ (6,249,824)</u></u>	<u><u>\$ 78,427,476</u></u>

Statistical Section

Contents

Tables

Financial Trends

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

1 - 6

Revenue Capacity

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

7 - 10

Debt Capacity

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

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Demographic and Economic Information

This table offers demographic and economic indicators to help the reader understand the environment within which the Town'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 Town's operations and resources to help the reader understand how the Town's financial information relate to the services the Town 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.

TOWN OF PURCELLVILLE, VIRGINIA

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 33,014,931	\$ 32,119,537	\$ 31,508,203	\$ 32,879,544
Unrestricted	<u>2,233,102</u>	<u>2,137,252</u>	<u>4,465,328</u>	<u>2,641,704</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>
Business-type activities				
Invested in capital assets, net of related debt	\$ 7,394,123	\$ 8,538,644	\$ 9,222,830	\$ 10,214,935
Unrestricted	<u>12,287,315</u>	<u>12,838,372</u>	<u>12,238,724</u>	<u>12,237,431</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>
Primary government				
Invested in capital assets, net of related debt	\$ 40,409,054	\$ 40,658,181	\$ 40,731,033	\$ 43,094,479
Unrestricted	<u>14,520,417</u>	<u>14,975,624</u>	<u>16,704,052</u>	<u>14,879,135</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>

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

Table 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 31,855,360	\$ 30,862,894	\$ 30,549,900	\$ 30,838,249	\$ 33,175,084
<u>2,794,536</u>	<u>4,809,256</u>	<u>7,932,422</u>	<u>7,181,242</u>	<u>4,903,420</u>
<u>\$ 34,649,896</u>	<u>\$ 35,672,150</u>	<u>\$ 38,482,322</u>	<u>\$ 38,019,491</u>	<u>\$ 38,078,504</u>
\$ 10,211,089	\$ 13,004,232	\$ 13,731,932	\$ 12,743,081	\$ 15,244,917
<u>12,737,618</u>	<u>13,246,469</u>	<u>10,273,480</u>	<u>10,523,471</u>	<u>6,244,614</u>
<u>\$ 22,948,707</u>	<u>\$ 26,250,701</u>	<u>\$ 24,005,412</u>	<u>\$ 23,266,552</u>	<u>\$ 21,489,531</u>
\$ 42,066,449	\$ 43,867,126	\$ 44,281,832	\$ 43,581,330	\$ 48,420,001
<u>15,532,154</u>	<u>18,055,725</u>	<u>18,205,902</u>	<u>17,704,713</u>	<u>11,148,034</u>
<u>\$ 57,598,603</u>	<u>\$ 61,922,851</u>	<u>\$ 62,487,734</u>	<u>\$ 61,286,043</u>	<u>\$ 59,568,035</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 3,214,457
Public safety	613,440	987,686	1,367,893	1,466,000	1,663,801	1,696,590	1,692,290	1,720,461	1,809,443
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	2,802,812
Parks, recreation and cultural	-	17,077	32,704	35,241	81,503	66,748	124,442	1,573,776	94,152
Community development	-	451,194	455,350	526,780	584,944	349,850	461,341	377,000	1,666,302
Interest on long-term debt	35,466	28,853	104,799	113,602	100,727	304,336	228,749	727,584	682,642
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	\$ 10,269,808
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	\$ 2,045,177
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	3,051,529
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	\$ 5,096,706
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	\$ 15,366,514
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	73,046
Public works	22,015	2,500	2,819	1,846	592	192,209	103,501	94,043	81,782
Operating grants and contributions	504,620	114,921	233,193	247,883	294,341	153,278	254,465	210,516	141,431
Capital grants and contributions	434,452	342,297	518,521	574,687	777,854	759,030	949,581	992,630	2,678,123
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	\$ 2,974,382
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	\$ 1,933,357
Sewer	910,338	1,142,949	1,100,214	1,574,790	1,358,261	1,472,164	1,733,717	2,016,920	2,224,268
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	780,144
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	\$ 4,937,769
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	\$ 7,912,151
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)	\$ (7,295,426)
Business-type activities	4,489,393	1,417,953	(755,758)	360,809	(860,093)	4,067,972	(1,111,264)	164,380	(158,937)
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)	\$ (7,454,363)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 2,557,786
Local sales and use taxes	352,816	404,052	616,091	652,195	678,260	688,327	811,566	878,531	952,497
Restaurant food taxes	351,554	459,910	638,441	699,300	625,138	689,856	679,083	775,398	788,948
Consumer utility taxes	259,332	287,238	301,533	256,927	200,387	201,503	204,768	208,945	201,784
Business licenses	456,957	585,062	572,165	525,813	682,534	534,537	633,268	549,271	621,289
Other local taxes	433,242	488,405	531,590	665,311	711,683	673,677	553,191	584,435	627,090
Unrestricted grants and contributions	202,229	194,092	400,881	210,019	208,556	204,253	372,869	386,923	368,625
Unrestricted revenues from use of money and property	16,693	29,961	105,679	151,843	126,148	98,761	55,765	69,615	50,350
Miscellaneous	64,465	76,994	72,547	52,916	96,347	1,900,565	2,103,213	2,130,196	70,166
Transfers	20,359	17,314	17,308	167,302	217,296	1,220,232	1,220,232	1,115,904	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	\$ 7,354,439
Business-type activities:									
Miscellaneous	\$ 112,717	\$ 119,670	\$ 162,433	\$ 135,860	\$ 1,095,464	\$ 133,621	\$ 161,020	\$ 154,736	\$ 176,481
Unrestricted revenues from use of money and property	50,894	175,270	533,249	661,445	478,266	320,633	92,566	57,927	18,870
Transfers	(20,359)	(17,314)	(17,308)	(167,302)	(217,296)	(1,220,232)	(1,220,232)	(1,115,904)	(1,115,904)
Total business-type activities	\$ 143,252	\$ 277,626	\$ 678,374	\$ 630,003	\$ 1,356,434	\$ (765,978)	\$ (966,646)	\$ (903,241)	\$ (920,553)
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	\$ 6,433,886
Change in Net Assets									
Governmental activities	\$ (395,099)	\$ (991,244)	\$ (549,140)	\$ (452,283)	\$ (871,352)	\$ 1,022,254	\$ 1,712,413	\$ 634,928	\$ 59,013
Business-type activities	4,632,645	1,695,579	(77,384)	990,812	496,341	3,301,994	(2,077,910)	(738,861)	(1,079,490)
Total primary government	\$ 4,237,546	\$ 704,335	\$ (626,524)	\$ 538,529	\$ (375,011)	\$ 4,324,248	\$ (365,497)	\$ (103,933)	\$ (1,020,477)

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 Nine 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>
2012	\$ 2,557,786	\$ 952,497	\$ 201,784	\$ 788,948	\$ 621,289	\$ 791,462	\$ 5,913,766
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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund:				
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted for:				
State highway maintenance	\$ -	\$ -	\$ -	\$ -
Loudoun County settlement funds	-	-	-	-
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>\$ 1,923,287</u>	<u>\$ 2,363,474</u>	<u>\$ 2,298,757</u>	<u>\$ 4,121,456</u>
Total general fund	<u><u>\$ 1,923,287</u></u>	<u><u>\$ 2,363,474</u></u>	<u><u>\$ 2,298,757</u></u>	<u><u>\$ 4,121,456</u></u>

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

Table 4

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 38,951	\$ 43,196	\$ 48,897	\$ 51,782	\$ 52,722	\$ 52,902
\$ -	\$ -	\$ 170,807	\$ 94,890	\$ 120,260	\$ 66,503
-	-	-	-	-	2,193,686
920,511	2,136,455	1,157,112	627,311	2,876,577	57,669
<u>\$ 920,511</u>	<u>\$ 2,136,455</u>	<u>\$ 1,327,919</u>	<u>\$ 722,201</u>	<u>\$ 2,996,837</u>	<u>\$ 2,317,858</u>
\$ -	\$ -	\$ 1,394,619	\$ 2,840,945	\$ 3,314,618	\$ -
-	-	28,733	28,733	10,328	-
260,116	-	-	-	-	10,000
<u>\$ 260,116</u>	<u>\$ -</u>	<u>\$ 1,423,352</u>	<u>\$ 2,869,678</u>	<u>\$ 3,324,946</u>	<u>\$ 10,000</u>
<u>\$ 2,560,453</u>	<u>\$ 3,102,709</u>	<u>\$ 3,719,677</u>	<u>\$ 4,363,277</u>	<u>\$ 4,368,340</u>	<u>\$ 3,427,576</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>	<u>\$ 5,808,336</u>

TOWN OF PURCELLVILLE, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
General property taxes	\$ 1,168,307	\$ 1,369,653	\$ 1,663,988	\$ 2,092,568
Other local taxes	1,613,577	1,853,901	2,224,667	2,659,820
Permits, privilege fees and regulatory licenses	276,743	136,264	178,096	148,767
Fines and forfeitures	36,791	59,282	66,885	78,732
Revenue from use of money and property	24,221	16,693	29,961	105,679
Miscellaneous	70,547	64,465	76,994	79,747
Pass-through grant	505,666	-	-	-
Intergovernmental:				
Local government	-	400,000	-	89,500
Commonwealth	415,947	702,094	636,121	900,310
Federal	176,275	39,207	15,189	155,585
Total revenues	<u>\$ 4,288,074</u>	<u>\$ 4,641,559</u>	<u>\$ 4,891,901</u>	<u>\$ 6,310,708</u>
Expenditures				
General government administration	\$ 1,657,140	\$ 1,795,888	\$ 1,225,017	\$ 1,462,066
Public safety	650,147	587,969	921,222	1,128,938
Public works	1,066,145	1,411,398	1,707,738	2,152,098
Parks, recreation and cultural	-	-	17,077	17,806
Community development	-	-	431,104	665,467
Capital projects	419,826	300,707	558,864	1,201,440
Pass-through grant	505,666	-	-	-
Debt service				
Principal	53,844	96,648	84,370	73,865
Interest and other fiscal charges	60,845	29,121	29,217	84,750
Bond issue costs	-	-	-	-
Total expenditures	<u>\$ 4,413,613</u>	<u>\$ 4,221,731</u>	<u>\$ 4,974,609</u>	<u>\$ 6,786,430</u>
Excess of revenues over (under) expenditures	<u>\$ (125,539)</u>	<u>\$ 419,828</u>	<u>\$ (82,708)</u>	<u>\$ (475,722)</u>
Other financing sources (uses)				
Transfers in	\$ 17,590	\$ 20,359	\$ 17,314	\$ 17,308
Transfers out	-	-	-	-
Refunding bonds issued	835,133	-	-	-
Issuance of debt	-	-	-	2,233,000
Payments to refunded bond escrow agent	(835,133)	-	-	-
Total other financing sources (uses)	<u>\$ 17,590</u>	<u>\$ 20,359</u>	<u>\$ 17,314</u>	<u>\$ 2,250,308</u>
Net change in fund balances	<u>\$ (107,949)</u>	<u>\$ 440,187</u>	<u>\$ (65,394)</u>	<u>\$ 1,774,586</u>
Debt service as a percentage of noncapital expenditures	3.38%	3.30%	2.46%	2.90%

Table 5

	2007	2008	2009	2010	2011	2012
\$	2,409,596	\$ 2,469,194	\$ 2,728,737	\$ 2,487,151	\$ 2,526,829	\$ 2,526,297
	2,799,546	2,898,002	2,787,900	2,881,876	2,996,580	3,191,608
	142,564	91,661	192,209	103,501	118,070	81,782
	77,431	83,729	66,087	65,268	80,287	73,046
	151,842	126,148	98,761	55,765	69,615	50,350
	52,917	96,347	1,900,565	2,103,213	2,106,173	70,166
	-	-	-	-	-	-
	204,000	126,000	150,000	165,000	-	-
	824,384	1,294,824	956,767	1,282,739	1,380,629	1,498,138
	4,205	123,533	9,794	129,176	209,437	1,690,041
\$	<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>	<u>9,181,428</u>
\$	1,903,006	\$ 2,096,975	\$ 2,342,444	\$ 2,109,213	\$ 2,348,933	\$ 2,366,088
	1,393,867	1,506,641	1,566,094	1,606,485	1,626,498	1,788,562
	2,093,861	2,120,074	2,812,620	2,724,992	2,821,523	2,769,287
	21,720	41,174	27,794	33,063	26,800	80,475
	529,779	607,290	517,069	486,933	412,050	420,361
	993,440	3,329,921	2,626,704	7,966,091	5,885,407	6,468,774
	-	-	-	-	-	-
	125,752	224,322	265,970	448,699	496,895	672,460
	113,786	100,002	169,385	318,906	570,022	665,834
	-	-	-	88,274	143,973	-
\$	<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>15,231,841</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>	<u>(6,050,413)</u>
\$	1,160,741	\$ 1,771,518	\$ 2,263,960	\$ 5,223,555	\$ 8,071,938	\$ 5,838,232
	(993,440)	(1,554,222)	(1,043,728)	(4,003,323)	(6,956,034)	(4,722,328)
	-	2,565,600	-	-	4,241,000	-
	-	1,700,000	1,454,523	6,775,828	6,366,117	-
	-	-	-	-	(4,142,633)	-
\$	<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>1,115,904</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>	<u>(4,934,509)</u>
	3.77%	4.99%	5.94%	10.98%	13.90%	17.14%

General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
(modified 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>Motor Vehicle License Tax</u>	<u>Restau- rant Food Tax</u>	<u>Business Licenses</u>	<u>Other Local Taxes</u>	<u>Total</u>
2012	\$ 2,526,297	\$ 952,497	\$ 201,784	\$ 154,275	\$ 788,948	\$ 621,289	\$ 472,815	5,717,905
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

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

Fiscal Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Total Direct Rate
2012	\$ 976,555,250	\$ 61,387,349	\$ 17,270,331	\$ 1,055,212,930	\$ 1,055,212,930	100.00%	1.84
2011	960,616,700	62,755,192	12,415,217	1,035,787,109	1,035,787,109	100.00%	1.84
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100.00%	1.84
2009	1,048,886,350 *	108,172,940	12,226,592	1,169,285,882	1,169,285,882	100.00%	1.80
2008	1,160,800,550	56,347,033	11,912,214	1,229,059,797	1,229,059,797	100.00%	1.79
2007	1,195,641,850	58,069,859	11,220,869	1,264,932,578	1,264,932,578	100.00%	1.78
2006	1,013,555,550	49,728,198	9,652,257	1,072,936,005	1,072,936,005	100.00%	1.81
2005	734,660,050	36,787,240	9,280,605	780,727,895	780,727,895	100.00%	1.82
2004	571,086,300	31,157,197	10,493,964	612,737,461	612,737,461	100.00%	1.83
2003	455,819,050	28,113,712	8,750,945	492,683,707	492,683,707	100.00%	1.85

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	Town of Purcellville, Virginia						Overlapping Rates County of Loudoun, Virginia		
	Real Estate	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Total Direct Rate	Real Estate	Personal Property	Machinery and Tools
2012	.23/.225	1.05	0.01	0.55	N/A	1.84	1.24	4.20	2.75
2011	.23/.23	1.05	0.01	0.55	N/A	1.84	1.29	4.20	2.75
2010	.225/.23	1.05	0.01	0.55	N/A	1.84	1.30	4.20	2.75
2009	0.19/.225	1.05	0.01	0.55	N/A	1.80	1.245	4.20	2.75
2008	0.18/0.19	1.05	0.01	0.55	N/A	1.79	1.14	4.20	2.75
2007	0.17/0.18	1.05	0.01	0.55	N/A	1.78	0.92	4.20	2.75
2006	0.20/0.17	1.05	0.01	0.55	N/A	1.81	0.89	4.20	2.75
2005	0.21/0.20	1.05	0.01	0.55	N/A	1.82	1.04	4.20	2.75
2004	0.22/0.21	1.05	0.01	0.55	N/A	1.83	1.11	4.20	2.75
2003	0.24/0.22	1.05	0.01	0.55	N/A	1.85	1.11	4.20	2.75

(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 2012		Fiscal Year 2003	
		2012 Assessed Valuation	% of Total Assessed Valuation	2003 Assessed Valuation	% of Total Assessed Valuation
Main St. Station LLC	Shopping Center (1000 E Main St)	\$ 12,302,200	1.28%	\$ 1,785,400	0.43%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	9,652,500	1.01%	7,485,200	1.82%
Valley Medical Center LLC	Medical Center (125 Hirst Road)	8,388,700	0.88%	N/A	N/A
Jordan River Acquisitions LLC	Shopping Center (1251 E Main St)	5,995,200	0.63%	891,750	0.22%
S R B Enterprises LLC	Shopping Center (711 E Main St)	5,531,700	0.58%	4,412,400	1.07%
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,140,100	0.54%	4,596,300	1.12%
Main Street Associates LP	Apartments (123 16th St)	4,082,500	0.43%	4,327,400	1.05%
Purcellville Plaza LLC	Shopping Center (201 N Maple Ave)	3,849,400	0.40%	3,008,100	0.73%
413 Browning Court LLC	Office Building(413 Browning Court)	3,386,400	0.35%	N/A	N/A
C K D Purcellville LLC	Office Building (400 Browning Ct)	3,286,400	0.34%	N/A	N/A
		<u>\$ 61,615,100</u>	<u>1.57%</u>	<u>\$ 26,506,550</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
2012	\$ 2,214,116	\$ 395,634	\$ 2,609,750	\$ 2,523,249	96.69%	N/A	\$ 2,523,249	96.69%
2011	2,208,797	383,180	2,591,977	2,494,927	96.26%	79,668	2,574,595	99.33%
2010	2,192,212	319,036	2,511,248	2,436,375	97.02%	66,130	2,502,505	99.65%
2009	2,183,022	633,639 *	2,816,661	2,725,048	96.75%	81,454	2,806,502	99.64%
2008	2,137,439	343,010	2,480,449	2,435,698	98.20%	38,873	2,474,571	99.76%
2007	2,075,259	336,483	2,411,741	2,347,023	97.32%	60,848	2,407,871	99.84%
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%

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 Ten 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				
2012	\$ 18,444,736	\$ 1,275,000	\$ -	\$ 44,146,465	\$ 63,866,201	17.95%	\$ 9,147	
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	

Notes:

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 48,822,524	\$ 61,008,943	\$ 78,604,002	\$ 107,885,328
Total net debt applicable to limit	<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>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	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>	<u>2012</u>
\$ 124,464,884	\$ 122,474,266	\$ 111,097,731	\$ 103,391,108	\$ 103,343,018	\$ 99,381,070
<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>63,866,201</u>
<u>\$ 108,300,320</u>	<u>\$ 88,526,486</u>	<u>\$ 62,210,113</u>	<u>\$ 41,705,448</u>	<u>\$ 37,734,377</u>	<u>\$ 35,514,869</u>
12.99%	27.72%	44.00%	59.66%	63.49%	64.26%

Legal Debt Margin Calculation for Fiscal Year 2012

Total assessed value	\$ 993,810,697
Debt limit (10% of total assessed value)	99,381,070
Net debt applicable to limit	<u>63,866,201</u>
Legal debt margin	<u>\$ 35,514,869</u>

Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

<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			\$ 19,719,736
Total direct and overlapping debt			\$ 19,737,479

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
2012	\$ 18,444,736	1.86%	2,356
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 Fiscal Years

<u>Fiscal Year</u>	<u>Purcellville Population (1)</u>	<u>Loudoun County Per Capita Income (2)</u>	<u>Purcellville Median Age (3)</u>	<u>Purcellville School Age Population (4)</u>	<u>Loudoun County Unemployment Rate (5)</u>
2012	7,829	55,468	34.4	2,330	4.2
2011	7,796	54,180	34.0	2,297	4.4
2010	7,727	53,085	33.6	2,105	5.0
2009	7,632	50,691	33.8	2,105	5.1
2008	7,497	51,773	33.9	2,105	2.9
2007	7,304	49,607	34.0	1,511	2.2
2006	7,122	46,388	34.1	1,511	2.3
2005	6,704	42,582	34.1	1,511	2.7
2004	5,818	39,380	34.1	792	2.9
2003	5,131	37,943	34.1	792	3.6

Sources:

(1) 2010: US Bureau of Census, 2010 Decennial Census.

2002-2009,2011-2012: Loudoun County Department of Planning, October 9, 2012.

(2) 2003-2010: Bureau of Economic Analysis, US Department of Commerce, April 25, 2012.

2010-2011: Loudoun County Department of Finance & Management Services, October 28, 2012.

(3) 2010: US Bureau of Census, 2010 Decennial Census.

2002-2009,2011-2012: Loudoun County Department of Planning, October 12, 2012.

(4) 2002-2009: Loudoun School Census (triennial), Loudoun County Public Schools;

2011-2012: Weldon Cooper Center for Public Service, Demographics & Workforce Group, July 1, 2011 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 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 4 Years Ago

Employer	Fiscal Year 2012		Fiscal Year 2008	
	Employees	Rank	Employees	Rank
Loudoun County Schools	577	1	483	1
RCD Electric	120	2	136	3
Home School Legal Defense	118	3	90	6
Patrick Henry College	85	4	100+	5
Virginia Regional Transportation Center	80	5	131	4
Magnolia's at the Mill	78	6	n/a	n/a
Blue Ridge Veterinary Assoc., Inc.	75	7	90	7
Town of Purcellville	72	8	75	9
Giant	70	9	147	2
Loudoun Stairs	48	10	n/a	n/a

Source: Town Business License Renewal

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

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Administration	4.53	6.75	6.25	7.75	7.75	7.75	7.50	7.75	7.50	8.50
Finance Administration	3.00	4.50	6.00	5.50	6.50	7.50	7.50	7.50	7.50	7.50
Public Safety/Police	10.00	11.00	14.00	14.50	15.50	14.50	14.00	15.00	15.00	15.00
Public Works	5.00	5.00	4.00	4.00	7.00	8.00	8.00	8.00	8.00	8.00
General Maintenance	8.50	8.25	10.00	9.25	10.00	10.00	10.00	10.00	9.00	9.00
Planning & Zoning	3.50	3.75	4.00	4.75	6.75	4.75	4.75	4.00	3.00	4.00
Parks & Recreation										1.00
Water Treatment	6.00	6.00	9.50	10.00	9.00	9.00	9.00	9.00	9.00	8.00
Wastewater Treatment	6.00	6.00	10.50	10.00	9.00	9.00	9.00	9.00	9.00	9.00
Totals	<u>46.53</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>	<u>70.00</u>

Source: IRS Form 941s

Operating Indicators by Function
Last Eight Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012
Administration								
Special Events	19	22	18	19	17	23	22	19
FOIA Requests Processed	N/A	90	116	160	75	157	227	161
Finance								
Utility Bills Processed	15,309	15,168	15,096	15,188	15,392	15,201	15,209	15,763
Tax Bills Processed	10,906	10,532	11,517	11,757	19,366	12,342	12,959	12,740
Accounts Payable Transactions	N/A	N/A	5,885	6,157	6,139	6,089	6,133	6,133
Public Safety								
Parking Violations	151	170	316	183	163	177	172	128
Traffic violations	1,386	1,579	1,637	1,618	1,356	1,671	1,692	1,021
Incident Reports	586	739	856	912	829	1,103	986	680
Public Works								
<u>Maintenance Dept.</u>								
Work Orders, number of	N/A	570	264	596	890	902	1,190	1,406
New Meters Installed	N/A	N/A	14	53	22	13	12	22
Miss Utility's Processed	N/A	N/A	711	1,355	830	899	783	1,186
<u>Water Dept.</u>								
Total Gallons Treated (millions)	N/A	N/A	190	206	207	203	202	196
Samples in Compliance, % of	N/A	N/A	100%	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	591,200
Complaints, number of	N/A	N/A	-	3	2	3	-	-
Planning and Zoning								
Occupancy Permits Issued	294	144	92	120	98	108	83	82
Zoning Permits Issued	676	436	375	286	178	183	178	268
Development Plans Processed	N/A	54	63	85	30	26	19	13

Source: Individual town departments.

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

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration										
Administration Buildings	1	1	2	2	2	2	2	2	2	2
Bus Stops for Public Transportation	-	-	-	-	1	1	1	1	1	6
Public Parking Lots	2	2	2	2	2	2	2	2	2	4
Recreation Facilities - Buildings	1	1	1	1	1	2	2	2	2	2
Recreation Facilities - Fields, Parks	-	-	-	-	-	1	1	1	1	1
Vehicles	1	1	1	2	2	2	2	2	1	1
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	3	3	3	3	3	3	3	3	3	1
Vehicles	5	5	7	9	12	13	11	10	10	11
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	7	7	9	11	11	13	14	17	20	20
Maintenance Facility	1	1	1	1	1	1	1	2	2	2
Message Boards	-	-	2	3	3	3	3	3	3	3
Traffic Signals	-	-	-	-	-	2	2	2	2	2
Vehicles	8	10	13	14	16	16	18	18	21	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	2	2	2	2	3	3	3	3	4	4
Vehicles	3	3	3	3	3	4	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	1
Wells/Well Houses	3	3	3	4	4	5	7	8	8	9
<u>Wastewater Dept.</u>										
Pump Stations	9	9	9	9	9	9	6	6	6	6
Vehicles	2	2	2	3	3	5	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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon dated November 7, 2012. 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

Management of Town of Purcellville, Virginia is responsible for establishing and maintaining effective 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 Town of Purcellville, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 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 7, 2012

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Members of the Town Council
Town of Purcellville, Virginia

Compliance

We have audited Town of Purcellville, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Purcellville, Virginia's major federal programs for the year ended June 30, 2012. Town of Purcellville, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Purcellville, Virginia's management. Our responsibility is to express an opinion on Town of Purcellville, Virginia's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Purcellville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Purcellville, Virginia's compliance with those requirements.

In our opinion, Town of Purcellville, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Purcellville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Purcellville, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Purcellville, Virginia's internal control over compliance.

Internal Control Over Compliance: (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates
(Charlottesville, Virginia
September 6, 2013

TOWN OF PURCELLVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	PE101,C501,N501,M501,P101,R201	\$ 1,648,148
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC2011501093729	\$ <u>2,526</u>
Total Department of Transportation			\$ <u>1,650,674</u>
Department of Housing and Community Development			
Pass Through Payments:			
Community Development Block Grant	14.228	N/A	\$ <u>4,963</u>
Total Department of Housing and Community Development			\$ <u>4,963</u>
Total Expenditures of Federal Awards			\$ <u><u>1,655,637</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the Town of Purcellville, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Purcellville, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Purcellville, Virginia.

Note 2 - Basis of Accounting

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following the cost principles provided in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
Primary government	\$ 1,690,041
Less: Amounts not recorded on Schedule of Expenditures of Federal Awards	
Payment in Lieu of Taxes	\$ (2,500)
BAB's subsidy	<u>(31,904)</u>
Total primary government	<u>\$ 1,655,637</u>
Total federal expenditures per the Schedule of Expenditures	
of Federal Awards	<u>\$ 1,655,637</u>

Note 4 - Reclassification of Revenue

Reference Note 16 of the Notes to Financial Statements for additional details of revenue previously reported as received from the Commonwealth of Virginia and reclassified as Federal grant revenue reported under the Highway Planning and Construction grant program. The program was audited as a major program.

TOWN OF PURCELLVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
---------------	---

20.205	Highway Planning and Construction
--------	-----------------------------------

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.

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