

TOWN OF PURCELLVILLE, VIRGINIA
FINANCIAL AND COMPLIANCE REPORTS
JUNE 30, 2001

TOWN OF PURCELLVILLE, VIRGINIA

OFFICIALS

John Marsh, Mayor
Paul D. Arbogast, Vice Mayor
Robert W. Lohr, Jr., Town Manager
Elizabeth B. Krens, Treasurer/Commissioner of Revenue
James D. Pammel, Asst. Town Manager
Michael T. Ruddy, Planning and Zoning Director
Karin Franklin, Director of Public Works
David Simpson, Chief of Police

TOWN COUNCIL

Russell G. Cox, Jr.
Beverly B. MacDonald
John Knight
Paul Eldridge
Loren Kropat

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INDEPENDENT AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

We have audited the accompanying general-purpose financial statements of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Purcellville's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Purcellville, Virginia, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2001, on our consideration of the Town of Purcellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Town of Purcellville, Virginia, taken as a whole. The combining and other statements listed in the table of contents under supplementary information are presented for purposes of additional analysis and are not a required part of the general-purpose 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 not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Young, Nicholas, Branner & Phillips, LLP

Harrisonburg, VA

August 31, 2001

Young, Nicholas, Branner & Phillips, LLP

Certified Public Accountants

Located at 1041 South High Street

Mailing P.O. Box 2187

Harrisonburg, VA 22801-2187

(540) 433-2581 • FAX (540) 433-0147

TOWN OF PURCELLVILLE, VIRGINIA

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2001 and 2000

ASSETS	Governmental Fund Types		Proprietary Fund Types
	General Fund	Debt Service	Enterprise Funds
Cash and investments (Note 6)	\$ 2 148 968	\$ -	\$ 3 948 657
Restricted, cash and investments (Note 6)	137 708	-	14 710
Virginia non-arbitrage funds (Note 7)	-	-	2 296 194
Receivables:			
Property taxes	20 371	-	-
Utility taxes	31 981	-	-
Accounts	153 124	-	321 776
Accrued interest	8 093	-	7 145
Train station	-	-	-
Due from other governmental units (Note 2)	91 214	-	-
Due from other funds	-	20 775	-
Property, plant and equipment (net of accumulated depreciation) (Note 3)	-	-	13 255 970
Unamortized bond discount	-	-	61 426
Amount to be provided for retirement of general long-term debt (Note 4)	-	-	-
Total assets	\$ 2 591 459	\$ 20 775	\$ 19 905 878
LIABILITIES			
Accounts payable	\$ 50 335	\$ -	\$ 106 493
Accounts payable, plant construction	-	-	606 582
Accrued interest payable	-	-	125 487
Compensated absences	86 848	-	21 345
Current maturities of general obligation payable (Note 4)	-	-	272 082
Customer deposits	137 708	-	14 710
Deferred revenues	22 283	-	-
Due to other funds	20 775	-	-
Long-term debt - general obligation payable (Note 4)	-	-	7 307 825
Total liabilities	\$ 317 949	\$ -	\$ 8 454 524
FUND EQUITY			
Investment in general fixed assets (Note 3)	\$ -	\$ -	\$ -
Contributed capital (Note 10)	-	-	2 798 446
Retained earnings	-	-	8 652 908
Fund balance:			
Unreserved	2 273 510	-	-
Designated for debt service (Note 4)	-	20 775	-
Total fund equity	\$ 2 273 510	\$ 20 775	\$ 11 451 354
Total liabilities and fund equity	\$ 2 591 459	\$ 20 775	\$ 19 905 878

See Notes to Financial Statements.

----- Account Groups -----		Totals (Memorandum Only) June 30,	
General Long-Term Debt	General Fixed Assets	2001	2000
\$ -	\$ -	\$ 6 097 625	\$ 5 371 060
-	-	152 418	157 242
-	-	2 296 194	-
-	-	20 371	32 102
-	-	31 981	26 061
-	-	474 900	298 040
-	-	15 238	8 423
-	-	-	14 467
-	-	91 214	53 209
-	-	20 775	18 991
-	2 831 240	16 087 210	10 304 186
-	-	61 426	-
<u>825 008</u>	<u>-</u>	<u>825 008</u>	<u>845 750</u>
<u>\$ 825 008</u>	<u>\$ 2 831 240</u>	<u>\$ 26 174 360</u>	<u>\$ 17 129 531</u>
\$ -	\$ -	\$ 156 828	\$ 107 148
-	-	606 582	-
-	-	125 487	5 852
-	-	108 193	69 142
-	-	272 082	21 377
-	-	152 418	157 242
-	-	22 283	22 793
-	-	20 775	18 991
<u>825 008</u>	<u>-</u>	<u>8 132 833</u>	<u>2 949 166</u>
<u>\$ 825 008</u>	<u>\$ -</u>	<u>\$ 9 597 481</u>	<u>\$ 3 351 711</u>
\$ -	\$ 2 831 240	\$ 2 831 240	\$ 2 195 113
-	-	2 798 446	2 915 446
-	-	8 652 908	6 506 551
-	-	2 273 510	2 141 719
-	-	20 775	18 991
<u>\$ -</u>	<u>\$ 2 831 240</u>	<u>\$ 16 576 879</u>	<u>\$ 13 777 820</u>
<u>\$ 825 008</u>	<u>\$ 2 831 240</u>	<u>\$ 26 174 360</u>	<u>\$ 17 129 531</u>

TOWN OF PURCELLVILLE, VIRGINIA

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended June 30, 2001

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types		Totals (Memorandum Only)	
	General Fund	Debt Service	June 30, 2001	June 30, 2000
REVENUES				
General property taxes	\$ 894 057	\$ -	\$ 894 057	\$ 745 648
Other local taxes	1 382 201	-	1 382 201	1 149 794
Permits and zoning	416 384	-	416 384	260 698
Fines and forfeitures	25 511	-	25 511	13 660
Revenues from use of money and property	130 871	-	130 871	97 002
Miscellaneous	292 944	-	292 944	72 859
Intergovernmental	100 065	-	100 065	105 784
Pass-through grants (Note 14)	230 688	-	230 688	27 522
Total revenues	<u>\$ 3 472 721</u>	<u>\$ -</u>	<u>\$ 3 472 721</u>	<u>\$ 2 472 967</u>
EXPENDITURES				
General government administration	\$ 1 393 661	\$ -	\$ 1 393 661	\$ 1 018 224
Public safety	475 223	-	475 223	399 176
Public works	545 883	-	545 883	466 320
Capital outlay	636 127	-	636 127	256 731
Pass-through grants (Note 14)	230 688	-	230 688	27 522
Debt service:				
Principal retirement	-	18 957	18 957	17 723
Interest	-	57 795	57 795	59 029
Total expenditures	<u>\$ 3 281 582</u>	<u>\$ 76 752</u>	<u>\$ 3 358 334</u>	<u>\$ 2 244 725</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 191 139</u>	<u>\$ (76 752)</u>	<u>\$ 114 387</u>	<u>\$ 228 242</u>
OPERATING TRANSFERS				
Transfers in	\$ 19 188	\$ 78 536	\$ 97 724	\$ 97 176
Transfers out	<u>(78 536)</u>	<u>-</u>	<u>(78 536)</u>	<u>(77 988)</u>
	<u>\$ (59 348)</u>	<u>\$ 78 536</u>	<u>\$ 19 188</u>	<u>\$ 19 188</u>
Excess of revenues and transfers in over expenditures and transfers out	\$ 131 791	\$ 1 784	\$ 133 575	\$ 247 430
FUND BALANCE AT BEGINNING OF YEAR				
	<u>2 141 719</u>	<u>18 991</u>	<u>2 160 710</u>	<u>1 913 280</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 2 273 510</u>	<u>\$ 20 775</u>	<u>\$ 2 294 285</u>	<u>\$ 2 160 710</u>

See Notes to Financial Statements.

TOWN OF PURCELLVILLE, VIRGINIA

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2001

	----- General Fund -----		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
General property taxes	\$ 740 000	\$ 894 057	\$ 154 057
Other local taxes	1 071 948	1 382 201	310 253
Permits and zoning	210 000	416 384	206 384
Fines and forfeitures	11 200	25 511	14 311
Revenues from use of money and property	82 500	130 871	48 371
Miscellaneous	60 700	292 944	232 244
Intergovernmental	88 000	100 065	12 065
Loudoun Transit grant (Note 14)	-	230 688	230 688
Total revenues	<u>\$ 2 264 348</u>	<u>\$ 3 472 721</u>	<u>\$ 1 208 373</u>
EXPENDITURES			
General government administration	\$ 1 479 061	\$ 1 393 661	\$ 85 400
Public safety	488 107	475 223	12 884
Public works	551 232	545 883	5 349
Capital outlay	491 000	636 127	(145 127)
Loudoun Transit grant (Note 14)	-	230 688	(230 688)
Total expenditures	<u>\$ 3 009 400</u>	<u>\$ 3 281 582</u>	<u>\$ (272 182)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (745 052)</u>	<u>\$ 191 139</u>	<u>\$ 936 191</u>
OPERATING TRANSFERS			
Transfers in	\$ 802 616	\$ 19 188	\$ (783 428)
Transfers out	<u>(57 564)</u>	<u>(78 536)</u>	<u>(20 972)</u>
	<u>\$ 745 052</u>	<u>\$ (59 348)</u>	<u>\$ (804 400)</u>
Excess of revenues and transfers in over expenditures and transfers out	\$ -	\$ 131 791	\$ 131 791
FUND BALANCE AT BEGINNING OF YEAR	<u>2 141 719</u>	<u>2 141 719</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2 141 719</u>	<u>\$ 2 273 510</u>	<u>\$ 131 791</u>

See Notes to Financial Statements.

TOWN OF PURCELLVILLE, VIRGINIA

COMBINED STATEMENTS OF REVENUES AND EXPENSES, AND CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

Year Ended June 30, 2001

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise Funds	
	----- Water and Sewer -----	
	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Charges for services	\$ 1 095 156	\$ 998 784
Availabilities	1 303 000	1 657 500
Other	<u>53 605</u>	<u>52 325</u>
	<u>\$ 2 451 761</u>	<u>\$ 2 708 609</u>
OPERATING EXPENSES		
Personnel services	\$ 445 433	\$ 337 483
Employee benefits	136 129	104 096
Operations	311 216	267 358
Equipment and vehicles	42 866	28 712
Depreciation	334 534	309 713
Other	<u>53 663</u>	<u>54 207</u>
	<u>\$ 1 323 841</u>	<u>\$ 1 101 569</u>
Operating income	<u>\$ 1 127 920</u>	<u>\$ 1 607 040</u>
NONOPERATING REVENUE (EXPENSE)		
Water Quality Improvement Fund grant	\$ 862 899	\$ -
Interest income	395 530	138 492
Interest expense	(367 125)	(108 273)
Rental income (Note 11)	29 321	22 352
Timber sale	-	<u>2 905</u>
	<u>\$ 920 625</u>	<u>\$ 55 476</u>
Net income before operating transfers	\$ 2 048 545	\$ 1 662 516
OPERATING TRANSFERS OUT	<u>(19 188)</u>	<u>(19 188)</u>
Net income	\$ 2 029 357	\$ 1 643 328
DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	<u>117 000</u>	<u>117 000</u>
Increase in retained earnings	\$ 2 146 357	\$ 1 760 328
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>6 506 551</u>	<u>4 746 223</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 8 652 908</u>	<u>\$ 6 506 551</u>

See Notes to Financial Statements.

TOWN OF PURCELLVILLE, VIRGINIA
 COMBINED STATEMENTS OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 Year Ended June 30, 2001
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise Funds	
	----- Water and Sewer -----	
	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 1 127 920	\$ 1 607 040
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	334 534	309 713
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(90 930)	(38 898)
Increase (decrease) in accounts payable	4 121	(6 892)
Increase (decrease) in customer deposits	860	(4 025)
Increase (decrease) in liability for compensated absences	<u>2 771</u>	<u>2 058</u>
Net cash provided by operating activities	<u>\$ 1 379 276</u>	<u>\$ 1 868 996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water Quality Improvement Fund grant	\$ 862 899	\$ -
Timber sales proceeds	-	2 905
Operating transfers out	(19 188)	(19 188)
Rental income	29 321	22 352
Purchase of equipment	(4 837 002)	(1 114 563)
Proceeds from long-term debt	3 551 959	177 873
Principal payments on long-term debt	(262 338)	(27 426)
Interest payments on long-term debt	<u>(243 395)</u>	<u>(104 194)</u>
Net cash used in capital and related financing activities	<u>\$ (917 744)</u>	<u>\$(1 062 241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>\$ 193 465</u>	<u>\$ 145 677</u>
Net cash provided by investing activities	<u>\$ 193 465</u>	<u>\$ 145 677</u>
Net increase in cash and cash equivalents	\$ 654 997	\$ 952 432
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3 308 370</u>	<u>2 355 938</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3 963 367</u>	<u>\$ 3 308 370</u>

See Notes to Financial Statements.

TOWN OF PURCELLVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Purcellville, Virginia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Town includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent upon the Town Council. Control by or dependence upon the Town Council was determined on the basis of the following:

- 1) The Town's ability to designate the management or significantly control the operations of the entity.
- 2) The Town's responsibility for the fiscal matters of the entity, including authorizations of budgetary appropriations, funding of operating deficiencies, control or use of surplus funds, responsibility for debts, and control over the collections and disbursement of funds.
- 3) The scope of public services rendered by and the geographic location of the entity.

Based on the foregoing criteria, all the financial activities of the Town, including its water and sewer operations, are included in the accompanying financial statements. Fire and rescue services are provided to Town residents by separate independent voluntary not-for-profit organizations and educational services are provided by the Loudoun County School Board. Since these activities do not meet the criteria above, they are not included in the accompanying financial statements.

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "funds".

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

The various fund types, funds and account groups in the financial statements are as follows:

- 1) Governmental Fund Types - account for the expendable financial resources other than those accounted for in Proprietary Fund Types. Governmental Fund Type's measurement focus is based upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund Types are:

General Fund

The General Fund accounts for all revenues and expenditures applicable to the general operations of the Town, which are not accounted for in other funds.

Debt Service Fund

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest and related costs.

- 2) Proprietary Fund Types - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund Type measurement focus is based upon determination of net income, financial position, and cash flows. The only Proprietary Fund Type of the Town is the Enterprise Fund.

Enterprise Fund

Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Sewer Fund.

- 3) Account Groups

The Account Groups establish accounting control and accountability for the general fixed assets and the unmatured principal of the Town's general obligation long-term debt. Account groups are not considered "funds". They are concerned with the measurement of financial position. They are not involved in the measurement of results of operations.

General Fixed Assets

The General Fixed Asset Account Group accounts for fixed assets of the Town, other than those accounted for in the proprietary fund types.

General Long-Term Debt

The General Long-Term Debt Account Group accounts for the long-term debt that is backed by the Town's full faith and credit.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Combined/Combining Format

Combined Financial Statements - These statements are referred to as General Purpose Financial Statements and provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. All funds of a specific fund classification are combined and presented as one in the financial statements.

Combining Financial Statements - By Fund Classification - This statement presents individual financial statements for each fund of a given fund classification.

Budgetary Comparison Statements

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, compares budget and actual data for all Governmental Fund Types, for which budgets were adopted.

Total Columns on Combined Statements - Overview

Total Columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Comparative Totals

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

D. Transfers

Payments between funds which are not expected to be repaid are accounted for as transfers.

E. Basis of Accounting1) Governmental Fund Types

Governmental Fund Types utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. 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 45 days after year-end are reflected as deferred revenues - uncollected property taxes. Sales and utility taxes remitted to the Town are recognized as revenues and receivables generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenue 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

2) Proprietary Fund Types

The accrual basis of accounting is used for the Enterprise Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred. The Town has elected to follow all FASB Statements developed for business enterprises issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. This is in accordance with GASB No. 20, Paragraph 7.

F. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year end. Budgets are not adopted for the Debt Service Fund since budgetary controls are maintained through the General Fund.

Budgets for the Enterprise Funds serve as a spending plan guide for the Town and do not constitute legally binding limitations. Budget to actual information is shown as supplementary information only. Below is a summary of budgeted information which is not included in the Enterprise Funds' Statements of Revenues and Expenses-Budget and Actual:

	<u>Budget</u>	<u>Actual</u>
Water Fund:		
Loan proceeds	\$ 1 000 000	\$ 699 506
Carryover funds	175 533	-
Debt retirement (principal)	(15 000)	(13 338)
Capital outlay:		
Water projects	<u>(1 200 000)</u>	<u>(850 848)</u>
	<u>\$ (39 467)</u>	<u>\$ (164 680)</u>
Sewer Fund:		
Loan proceeds	\$ 3 500 000	\$ 2 852 453
Carryover funds	238 901	-
Debt retirement (principal)	(385 000)	(249 000)
Capital outlay:		
Sewer projects	<u>(5 310 000)</u>	<u>(4 630 582)</u>
	<u>\$ (1 956 099)</u>	<u>\$ (2 027 129)</u>

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant and Equipment

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental fund and capitalized at cost in the General Fixed Assets account group. Gifts and contributions are recorded at fair market value at the time received. Certain improvements, other than buildings, including roads, bridges, curbs and gutters, streets, drainage systems and lighting systems have not been capitalized. Such assets normally are immovable and of value only to the Town. No depreciation has been provided on general fixed assets.

Property, plant and equipment purchased by the Proprietary Fund after June 30, 1974, is stated at cost. Property, plant and equipment acquired prior to July 1, 1974, is stated at new replacement cost less a depreciation factor based on the age and estimated useful life of assets on June 30, 1974. Donated property is recorded at market value prevailing at date of donation. Depreciation has been provided over the following estimated useful lives using the straight-line method:

	<u>Enterprise Funds</u>
Water/sewer system	10-60 years
Equipment	5-15 years

H. Deferred Revenue

Deferred revenue represents uncollected tax billings at June 30, 2001, not available for funding of current expenditures. Taxes due at June 30 and collected within 45 days after June 30 are recognized as revenue in the accompanying financial statements.

I. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. No allowance amount was determined necessary as of June 30, 2001.

J. Restricted Cash

Cash is restricted for customer deposits held.

K. Pension Plan

Employees of the Town participate in the Virginia Retirement System (VRS). VRS is administered by the Commonwealth, which bills the Town for the employer share of contributions. VRS is obligated to pay a monthly benefit to participants upon retirement with the amount of benefit depending on length of service and earnings. (See Note 9.)

L. Health Insurance

The Town provides health insurance coverage for all full-time, salaried permanent employees.

M. Unemployment Compensation

The Town has elected to make payments to employees in an amount equivalent to the amount of regular and extended benefits paid to employees for unemployment compensation. This election is in lieu of making quarterly contributions to the Virginia Employment Commission and contributions for federal unemployment tax.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences

The Town records compensated absences in accordance with GASB Statement #16, "Accounting for Compensated Absences". This statement gives guidance for measuring accrued compensated absences that are expected to be paid.

The Town provides vacation and compensatory time leave to full-time employees. At June 30, 2001, the accrued compensated absences are as follows:

<u>Total</u>	<u>General Fund</u>	<u>Enterprise Funds</u>
<u>\$108 193</u>	<u>\$ 86 848</u>	<u>\$ 21 345</u>

O. Fund Equity Balances

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds:

Investment in General Fixed Assets - represents the investment in Town-owned general fixed assets which have been capitalized.

Contributed Capital - includes capital contributions to Proprietary Fund Types from the Town, other governments and developers, net of accumulated depreciation on assets purchased with the contributions. The Town amortizes its contributed capital over the useful life of the related asset or improvement using the straight-line method.

Retained Earnings - represents the remainder of the Town's equity in Proprietary Fund Types.

Fund Balances - Reserved - represents portions of fund balances which are not available for expenditure, or are legally segregated for a specific future use.

Fund Balances - Unreserved - available for management designation.

P. Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash on hand, checking accounts, savings accounts, money market funds and highly liquid instruments with a maturity of three months or less to be cash and cash equivalents. All certificates of deposit, regardless of maturity, are considered to be cash and cash equivalents.

Q. Accounts Receivable

The Town grants credit to the customers of its water and sewer systems. The customers are either local businesses or residents.

R. Estimates and Assumptions

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

S. Advertising

The Town expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expenditures in the General Fund were \$22,954 and \$27,655 for the years ended June 30, 2001 and 2000, respectively. Advertising expense in the Water Fund was \$2,569 and \$5,196, for the years ended June 30, 2001 and 2000, respectively. Advertising expense in the Sewer Fund was \$ - and \$101 for the years ended June 30, 2001 and 2000, respectively.

T. Unamortized Bond Discount

The Town is amortizing bond discount costs by the straight-line method over the term of the bond payable to the Virginia Resources Authority.

Note 2. Due from Other Governmental Units

Due from other governmental units consists of the following:

Loudoun County, Virginia, sales tax	<u>\$ 91 214</u>
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Note 3. Property, Plant and Equipment

A summary of Proprietary Fund Type property, plant, and equipment at June 30, 2001, follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise</u>
Land	\$ 805 295	\$ 301 629	\$ 1 106 924
Water and sewer systems	6 813 268	8 706 695	15 519 963
Equipment	<u>404 768</u>	<u>233 990</u>	<u>638 758</u>
Total	\$ 8 023 331	\$ 9 242 314	\$ 17 265 645
Less accumulated depreciation	<u>2 147 916</u>	<u>1 861 759</u>	<u>4 009 675</u>
	<u>\$ 5 875 415</u>	<u>\$ 7 380 555</u>	<u>\$ 13 255 970</u>

A summary of changes in general fixed assets at June 30, 2001, follows:

	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2001</u>
Land and improvements	\$ 494 546	\$ 400 527	\$ -	\$ 895 073
Building and structures	937 293	27 247	-	964 540
Vehicles and equipment	520 945	161 670	-	682 615
Office equipment	227 333	46 683	-	274 016
Other	<u>14 996</u>	<u>-</u>	<u>-</u>	<u>14 996</u>
Total	<u>\$ 2 195 113</u>	<u>\$ 636 127</u>	<u>\$ -</u>	<u>\$ 2 831 240</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt

The general long-term debt of the Town is recorded in a separate, self-balancing account group. Long-term obligations of the Enterprise Funds are reported as liabilities in those funds.

The details of long-term debt as of June 30, 2001, are as follows:

	<u>Enterprise Funds</u>	<u>General Long- Term Debt Account Group</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$1,230,080 1996 bond payable to Rural Development, U. S. Department of Agriculture, \$6,299 per month including interest at 5.375%. The loan matures October 18, 2036.	\$1 150 914	\$ -	\$ -	\$ 1 150 914
\$975,000 1991 bond payable to Rural Development, U. S. Department of Agriculture, \$6,396 per month including interest at 6.75% to October 10, 2021.	-	825 008	20 775	845 783
\$7,304,000 1999 bond payable to Rural Development, U. S. Department of Agriculture, \$35,863 per month including interest at 5% to June 24, 2039.	3 563 993	-	-	3 563 993
\$2,865,000 2000 bond payable to Virginia Resources Authority. Annual principal payments on the loan commence April 1, 2003, and continue through April 1, 2020. The initial principal payment begins at \$100,000 and increases in \$5,000 - \$10,000 intervals until the final principal payment of \$240,000. In addition, interest is due on the loan at a true rate of 5.68%.	<u>2 865 000</u>	<u>--</u>	<u>-</u>	<u>2 865 000</u>
	<u>\$7 579 907</u>	<u>\$ 825 008</u>	<u>\$ 20 775</u>	<u>\$ 8 425 690</u>

The Town will continue to draw on the 1999 bond for financing of its sewer improvement projects. As of June 30, 2001, the Town had drawn \$3,567,225 on the loan and repaid principal of \$ 3,232.

The bonds payable are secured by the full faith and credit of the Town and its unlimited taxing power and net revenues of the water and sewer systems.

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

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

	<u>Bonds Payable</u>
2002	\$ 292 857
2003	407 788
2004	428 996
2005	451 063
2006	474 036
Thereafter	<u>6 370 950</u>
Totals	<u>\$ 8 425 690</u>

The changes in general long-term debt are as follows:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Principal</u> <u>Payment</u>	<u>Transfer to</u> <u>Debt Service</u> <u>Fund</u>	<u>Balance</u> <u>June 30, 2001</u>
Amount to be provided for retirement of general long-term debt	\$ <u>845 750</u>	\$ <u>(18 958)</u>	\$ <u>(1 784)</u>	\$ <u>825 008</u>
General long-term debt payable:				
Bond payable	\$ <u>845 750</u>	\$ <u>(18 958)</u>	\$ <u>(1 784)</u>	\$ <u>825 008</u>

Note 5. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has insurance coverage with the Virginia Municipal Group Self Insurance Association and VaRisk. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. 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. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 6. Cash and Investments

Deposits

At June 30, 2001, the carrying value of the Town's deposits with banks was \$400,697 and the bank balance was \$767,442. Of the bank balance, the entire amount was covered by Federal depository insurance or by collateral held by the Virginia State Treasurer under the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions.

Petty Cash

The Town had \$550 of petty cash on June 30, 2001.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

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

Below is a summary of the Town's investments as of June 30, 2001:

<u>Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Category 1:		
Repurchase Agreement	\$ 5 298 000	\$ 5 298 000
Local Government Investment Pool	<u>550 796</u>	<u>550 796</u>
	<u>\$ 5 848 796</u>	<u>\$ 5 848 796</u>

Note 7. Virginia Non-Arbitrage Funds

The Town has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. SNAP provides comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities and towns. As of June 30, 2001, the Town had \$2,296,194 in the SNAP short-term investment pool.

NOTES TO FINANCIAL STATEMENTS

Note 7. Virginia Non-Arbitrage Funds (Continued)

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Town temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Town treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund. At June 30, 2001, the Town had no arbitrage rebate liability.

Note 8. Property Taxes

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia for all property of record as of January 1. The Town bills and collects its own property taxes based on the assessed values provided by the County. Taxes are levied subsequent to January 1.

The Town collects real estate taxes on a semi-annual basis (one-half due June 5, one-half due December 5). Personal property taxes continue to remain due December 5.

Note 9. Defined Benefit Pension Plan

Plan description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increase beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500.

Funding policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Town of Purcellville, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town employees' contribution rate for the fiscal year ended 2001 was 6.28% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

Annual pension cost

For 2001, the Town's annual pension cost of \$158,803 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the Plan's assets was determined using the modified market method. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a level percent, open basis. The remaining amortization period at June 30, 2000, was 4 years.

Three-Year Trend Information for the Town of Purcellville

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/99	\$ 55 350	100%	\$ -
6/30/00	83 457	100%	-
6/30/01	158 803	100%	-

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the Town of Purcellville

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) --Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/98	\$1 288 257	\$1 413 862	\$ 125 605	91.1%	\$ 671 134	18.7%
6/30/99	1 535 825	1 719 633	183 808	89.3%	776 333	23.7%
6/30/00	1 809 527	1 843 428	33 901	98.2%	1 143 874	3.0%

Note 10. Contributed Capital

An analysis of the changes in contributed capital is as follows:

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance, June 30, 2000	\$ 1 437 239	\$ 1 478 207	\$ 2 915 446
Depreciation transferred to contributed capital	<u>(50 800)</u>	<u>(66 200)</u>	<u>(117 000)</u>
Balance, June 30, 2001	<u>\$ 1 386 439</u>	<u>\$ 1 412 007</u>	<u>\$ 2 798 446</u>

NOTES TO FINANCIAL STATEMENTS

Note 11. Operating Lease Commitments

The Town receives rental income from several operating leases.

The Town leases its water tank and surrounding property to three communications companies under noncancelable operating leases for 59 months. The monthly rents received from the leases range from \$800 - \$1,075. Each lease is adjusted upward annually. Leases expire in June, 2003, June, 2005, and February, 2006. The following is a schedule by years of future minimum rentals under the leases at June 30, 2001:

<u>Year Ending June 30</u>	
2002	\$ 34 789
2003	34 821
2004	24 393
2005	23 918
2006	9 991
	<u>\$ 127 912</u>

The total rental income from these leases that is included in the Water Fund's statement of revenues and expenses for the year ended June 30, 2001, is \$29,321.

The Town leased office space in its Town Hall under an agreement that expired during the year. The total rental income from this lease that is included in the General Fund's statement of revenues and expenditures for the year ended June 30, 2001, is \$4,843.

Note 12. Fair Value of Financial Instruments

The Town has a number of financial instruments, none of which are held for trading purposes. The Town estimates that the fair value of all financial instruments at June 30, 2001, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined balance sheet. The estimated fair value amounts have been determined by the Town using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Town could realize in a current market exchange.

Note 13. Transactions with Related Party

Paul D. Arbogast, a member of the Town Council during the year ended June 30, 2001, is owner of Arbogast Lawn and Tree. The Town has procured the Company's services under a competitive bidding process. The Town has transactions with the Company that are included in the results of operations during the year ended June 30, 2001, totaling \$2,892.

Note 14. Loudoun Transit Grant

The Town administers a mass transit grant for Loudoun Transit. The funds from the grant pass-through the Town to Loudoun Transit for its expenditure.

The Town records this grant in accordance with GASB No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This statement requires governments to report all cash pass-through grants received as revenue and expenditures in its governmental funds.

NOTES TO FINANCIAL STATEMENTS

Note 15. Segment Information on Enterprise Funds

The Town maintains enterprise funds. Financial segment information as of and for the year ended June 30, 2001, is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues	\$ 1 096 893	\$ 1 354 868	\$ 2 451 761
Depreciation expense	209 537	124 997	334 534
Operating income	313 868	814 052	1 127 920
Operating transfers out	(9 594)	(9 594)	(19 188)
Net income	317 886	1 711 471	2 029 357
Property, plant and equipment additions	850 848	4 630 582	5 481 430
Net working capital	3 488 018	1 953 765	5 441 783
Total assets	9 606 773	10 299 105	19 905 878
Long-term liabilities outstanding	4 001 848	3 305 977	7 307 825
Total equity	5 423 011	6 028 343	11 451 354

TOWN OF PURCELLVILLE, VIRGINIA
 GENERAL FUND
 STATEMENT OF REVENUES - BUDGET AND ACTUAL
 Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL PROPERTY TAXES			
Real estate taxes	\$ 600 000	\$ 721 900	\$ 121 900
Personal property taxes	<u>140 000</u>	<u>172 157</u>	<u>32 157</u>
	<u>\$ 740 000</u>	<u>\$ 894 057</u>	<u>\$ 154 057</u>
OTHER LOCAL TAXES			
Sales taxes	\$ 275 000	\$ 344 900	\$ 69 900
Utility taxes	165 000	188 357	23 357
Business licenses	178 948	346 562	167 614
Auto decals	63 000	72 285	9 285
Bank franchise tax	50 000	59 455	9 455
Cable franchise tax	30 000	26 910	(3 090)
Meals tax	210 000	217 536	7 536
Cigarette tax	<u>100 000</u>	<u>126 196</u>	<u>26 196</u>
	<u>\$ 1 071 948</u>	<u>\$ 1 382 201</u>	<u>\$ 310 253</u>
PERMITS AND ZONING			
Zoning fees	\$ 210 000	\$ 416 384	\$ 206 384
	<u>\$ 210 000</u>	<u>\$ 416 384</u>	<u>\$ 206 384</u>
FINES AND FORFEITURES			
Parking tickets	\$ 1 200	\$ 800	\$ (400)
Criminal fines	<u>10 000</u>	<u>24 711</u>	<u>14 711</u>
	<u>\$ 11 200</u>	<u>\$ 25 511</u>	<u>\$ 14 311</u>
REVENUES FROM USE OF MONEY AND PROPERTY			
Interest earned	\$ 78 000	\$ 121 128	\$ 43 128
Rent:			
House	4 500	4 900	400
Town Hall (Note 11)	<u>-</u>	<u>4 843</u>	<u>4 843</u>
	<u>\$ 82 500</u>	<u>\$ 130 871</u>	<u>\$ 48 371</u>
INTERGOVERNMENTAL			
ABC profits	\$ 4 000	\$ 8 396	\$ 4 396
Law enforcement grants	80 000	87 669	7 669
Firemen's fund	<u>4 000</u>	<u>4 000</u>	<u>-</u>
	<u>\$ 88 000</u>	<u>\$ 100 065</u>	<u>\$ 12 065</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA
 GENERAL FUND
 STATEMENT OF REVENUES - BUDGET AND ACTUAL
 Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
MISCELLANEOUS			
Penalties and interest	\$ 15 000	\$ 18 874	\$ 3 874
Parking meter receipts	1 500	168	(1 332)
Insurance dividend	30 500	29 471	(1 029)
Special meetings	700	-	(700)
Other	5 000	19 255	14 255
FEMA reimbursement	-	618	618
Proceeds from sale of property	8 000	536	(7 464)
James Building grant	-	101 973	101 973
Donation – James Building acquisition	-	45 000	45 000
Kingsbridge performance bond	-	75 000	75 000
Litter grant	-	2 049	2 049
	<u>\$ 60 700</u>	<u>\$ 292 944</u>	<u>\$ 232 244</u>
LOUDOUN TRANSIT GRANT (Note 14)	<u>\$ -</u>	<u>\$ 230 688</u>	<u>\$ 230 688</u>
	<u>\$ -</u>	<u>\$ 230 688</u>	<u>\$ 230 688</u>
Total revenues	<u>\$ 2 264 348</u>	<u>\$ 3 472 721</u>	<u>\$ 1 208 373</u>

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT ADMINISTRATION			
Mayor and Council:			
Mayor salary	\$ 4 500	\$ 4 500	\$ -
Council salaries	18 000	17 750	250
Travel and general expenses	4 000	1 990	2 010
Special meetings	700	9	691
	<u>\$ 27 200</u>	<u>\$ 24 249</u>	<u>\$ 2 951</u>
Planning Commission:			
Commission salaries	\$ 8 800	\$ 8 125	\$ 675
Travel and training	800	-	800
General expenses	700	42	658
Certification programs	500	-	500
	<u>\$ 10 800</u>	<u>\$ 8 167</u>	<u>\$ 2 633</u>
Planning Department:			
Town Engineer	\$ 61 570	\$ 59 111	\$ 2 459
Inspectors	77 139	72 678	4 461
Zoning Administrator	60 342	59 914	428
Planning Staff	80 514	74 679	5 835
Dues and subscriptions	1 500	1 742	(242)
Overtime/leave	4 000	15 587	(11 587)
Travel and training	8 000	7 543	457
General expenses	3 500	3 829	(329)
Field inspection/plan review	40 000	16 514	23 486
Interns and part-time employees	35 000	44 176	(9 176)
Consulting/engineering	55 000	31 378	23 622
Equipment/field supplies	6 000	6 389	(389)
Annexation/comprehensive plan	5 000	3 776	1 224
Legal advertising	9 000	8 077	923
Vehicle maintenance and gas	4 000	5 112	(1 112)
	<u>\$ 450 565</u>	<u>\$ 410 505</u>	<u>\$ 40 060</u>
Economic Development Commission:			
Special projects	\$ 12 000	\$ 17 614	\$ (5 614)
General expenses	6 500	2 718	3 782
Travel	500	400	100
	<u>\$ 19 000</u>	<u>\$ 20 732</u>	<u>\$ (1 732)</u>
Board of Zoning Appeals:			
Salaries	\$ 1 800	\$ 700	\$ 1 100
General expenses	1 500	-	1 500
Travel	200	-	200
	<u>\$ 3 500</u>	<u>\$ 700</u>	<u>\$ 2 800</u>
Park Commission:			
General expenses	\$ 18 000	\$ 1 990	\$ 16 010
Master plan/consulting	10 000	1 625	8 375
	<u>\$ 28 000</u>	<u>\$ 3 615</u>	<u>\$ 24 385</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Administrative salaries and fees:			
Town Manager	\$ 69 148	\$ 68 698	\$ 450
Administrative Assistant	45 439	45 307	132
Attorney fees	65 000	51 060	13 940
Auditor	12 000	10 093	1 907
Treasurer	50 726	50 144	582
Finance Staff	59 159	59 175	(16)
Overtime/leave	3 500	8 526	(5 026)
Town Clerk	36 225	35 949	276
Interns	10 000	6 926	3 074
Part-time employees	8 000	11 272	(3 272)
Credit collection	5 000	780	4 220
	\$ 364 197	\$ 347 930	\$ 16 267
Building maintenance:			
Cleaning	\$ 8 500	\$ 9 044	\$ (544)
Electricity	7 500	9 280	(1 780)
Telephone	15 000	16 255	(1 255)
Supplies	4 000	2 659	1 341
Repairs	4 000	6 557	(2 557)
Pest control	300	300	-
	\$ 39 300	\$ 44 095	\$ (4 795)
Miscellaneous:			
Equipment repairs and supplies, office	\$ 25 000	\$ 25 161	\$ (161)
Town decals	8 000	4 704	3 296
Contracted equipment maintenance	15 000	14 125	875
Dues and subscriptions	1 500	2 262	(762)
Town manager travel and expenses	7 000	6 579	421
Legal advertisements	14 000	14 877	(877)
Special programs	5 000	3 211	1 789
Travel and training	7 000	7 349	(349)
Postage	9 000	6 386	2 614
Vehicle maintenance and gas	2 000	560	1 440
	\$ 93 500	\$ 85 214	\$ 8 286
Employee benefits:			
Health insurance	\$ 147 760	\$ 139 069	\$ 8 691
Life insurance	8 000	8 486	(486)
Retirement	112 500	119 483	(6 983)
Workers' compensation	20 000	18 637	1 363
Payroll taxes	88 239	93 914	(5 675)
Unemployment compensation	3 000	-	3 000
Performance bonuses	10 000	12 000	(2 000)
Drug testing	1 500	1 227	273
	\$ 390 999	\$ 392 816	\$ (1 817)

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other:			
Municipal insurance - autos, buildings, equipment and liability	\$ 45 000	\$ 45 982	\$ (982)
Miscellaneous	1 000	1 252	(252)
Firemen's fund	4 000	4 000	-
Contributions:			
Business and Professional Association	1 000	1 000	-
Community Center	1 000	1 000	-
Environmental audit	-	2 404	(2 404)
	<u>\$ 52 000</u>	<u>\$ 55 638</u>	<u>\$ (3 638)</u>
Total general government administration	<u>\$ 1 479 061</u>	<u>\$ 1 393 661</u>	<u>\$ 85 400</u>
 PUBLIC SAFETY			
Salaries:			
Chief of Police	\$ 54 353	\$ 53 836	\$ 517
Patrolmen	171 429	170 494	935
Sergeants	86 401	78 915	7 486
Overtime/leave	26 536	40 294	(13 758)
Administrative Assistant	28 890	28 789	101
	<u>\$ 367 609</u>	<u>\$ 372 328</u>	<u>\$ (4 719)</u>
Administration:			
Telephone	\$ 5 000	\$ 5 545	\$ (545)
Supplies	7 900	7 222	678
Small equipment	7 500	11 545	(4 045)
Equipment repairs	7 000	4 620	2 380
Dues and subscriptions	3 118	634	2 484
Travel and training	10 000	7 126	2 874
Public education	5 000	5 389	(389)
Uniforms	6 000	10 991	(4 991)
Technical support	27 400	11 359	16 041
	<u>\$ 78 918</u>	<u>\$ 64 431</u>	<u>\$ 14 487</u>
Vehicle expenses:			
Repairs	\$ 6 700	\$ 4 063	\$ 2 637
Tires	3 000	540	2 460
Gas and oil	7 880	9 861	(1 981)
	<u>\$ 17 580</u>	<u>\$ 14 464</u>	<u>\$ 3 116</u>
Contributions:			
Rescue squad	\$ 12 000	\$ 12 000	\$ -
Fire department	12 000	12 000	-
	<u>\$ 24 000</u>	<u>\$ 24 000</u>	<u>\$ -</u>
Total public safety	<u>\$ 488 107</u>	<u>\$ 475 223</u>	<u>\$ 12 884</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PUBLIC WORKS			
Salaries:			
Superintendent	\$ 45 487	\$ 45 269	\$ 218
Maintenance employees	183 895	176 192	7 703
Overtime/leave	12 000	11 894	106
Part-time employees	8 000	6 928	1 072
	<u>\$ 249 382</u>	<u>\$ 240 283</u>	<u>\$ 9 099</u>
Administration:			
Safety	\$ 4 000	\$ 4 312	\$ (312)
Electricity/heating	2 775	1 506	1 269
Waste disposal	600	-	600
Telephone	2 375	2 853	(478)
Supplies	11 000	12 573	(1 573)
Small equipment and tools	3 000	2 697	303
Dues and subscriptions	400	-	400
Travel and training	3 000	3 497	(497)
Uniforms	7 000	8 176	(1 176)
Building expenses	2 000	1 785	215
	<u>\$ 36 150</u>	<u>\$ 37 399</u>	<u>\$ (1 249)</u>
Vehicle expenses:			
Repairs	\$ 5 500	\$ 4 458	\$ 1 042
Tires	2 000	862	1 138
Gas and oil	6 500	10 668	(4 168)
Equipment repairs	8 000	7 241	759
	<u>\$ 22 000</u>	<u>\$ 23 229</u>	<u>\$ (1 229)</u>
Streets:			
Street repair	\$ 2 000	\$ 2 416	\$ (416)
Sidewalk repair	4 000	3 359	641
Snow removal	5 000	5 126	(126)
Street lights	30 000	34 014	(4 014)
Signs	1 500	2 037	(537)
Miss Utility	1 800	1 577	223
Storm drainage	2 000	2 145	(145)
Tree removal	6 000	1 354	4 646
Land use permits	400	40	360
Parking lot maintenance	3 000	-	3 000
	<u>\$ 55 700</u>	<u>\$ 52 068</u>	<u>\$ 3 632</u>
Refuse contract	\$ 180 000	\$ 192 904	\$ (12 904)
Leaf collection	8 000	-	8 000
	<u>\$ 188 000</u>	<u>\$ 192 904</u>	<u>\$ (4 904)</u>
 Total public works	 <u>\$ 551 232</u>	 <u>\$ 545 883</u>	 <u>\$ 5 349</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CAPITAL OUTLAY	\$ 491 000	\$ 636 127	\$ (145 127)
Total capital outlay	\$ 491 000	\$ 636 127	\$ (145 127)
LOUDOUN TRANSIT GRANT (Note 14)	\$ -	\$ 230 688	\$ (230 688)
Total Loudoun Transit grant	\$ -	\$ 230 688	\$ (230 688)
Total expenditures	<u>\$ 3 009 400</u>	<u>\$ 3 281 582</u>	<u>\$ (272 182)</u>

TOWN OF PURCELLVILLE, VIRGINIA

 ENTERPRISE FUNDS
 COMBINING BALANCE SHEETS
 June 30, 2001

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 1 216 065	\$ 2 732 592	\$ 3 948 657
Restricted cash	14 710	-	14 710
Virginia non-arbitrage funds	2 296 194	-	2 296 194
Receivables:			
Accounts	141 863	179 913	321 776
Accrued interest	1 100	6 045	7 145
Property, plant and equipment (net of accumulated depreciation)	5 875 415	7 380 555	13 255 970
Unamortized bond discount	<u>61 426</u>	<u>-</u>	<u>61 426</u>
Total assets	<u>\$ 9 606 773</u>	<u>\$10 299 105</u>	<u>\$ 19 905 878</u>
LIABILITIES			
Accounts payable	\$ 102 890	\$ 3 603	\$ 106 493
Accounts payable, plant construction	-	606 582	606 582
Accrued interest payable	41 595	83 892	125 487
Compensated absences	8 653	12 692	21 345
Current maturities of general obligation payable	14 066	258 016	272 082
Customer deposits	14 710	-	14 710
Long-term debt, general obligation payable	<u>4 001 848</u>	<u>3 305 977</u>	<u>7 307 825</u>
Total liabilities	<u>\$ 4 183 762</u>	<u>\$ 4 270 762</u>	<u>\$ 8 454 524</u>
FUND EQUITY			
Contributed capital	\$ 1 386 439	\$ 1 412 007	\$ 2 798 446
Retained earnings, unreserved	<u>4 036 572</u>	<u>4 616 336</u>	<u>8 652 908</u>
Total fund equity	<u>\$ 5 423 011</u>	<u>\$ 6 028 343</u>	<u>\$ 11 451 354</u>
Total liabilities and fund equity	<u>\$ 9 606 773</u>	<u>\$10 299 105</u>	<u>\$ 19 905 878</u>

TOWN OF PURCELLVILLE, VIRGINIA

ENTERPRISE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 Year Ended June 30, 2001

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services and connection fees	\$ 464 041	\$ 631 115	\$ 1 095 156
Availabilities	588 000	715 000	1 303 000
Other	<u>44 852</u>	<u>8 753</u>	<u>53 605</u>
	<u>\$ 1 096 893</u>	<u>\$ 1 354 868</u>	<u>\$ 2 451 761</u>
OPERATING EXPENSES			
Personnel services	\$ 239 706	\$ 205 727	\$ 445 433
Employee benefits	68 023	68 106	136 129
Operations	196 956	114 260	311 216
Equipment and vehicles	20 166	22 700	42 866
Depreciation	209 537	124 997	334 534
Other	<u>48 637</u>	<u>5 026</u>	<u>53 663</u>
	<u>\$ 783 025</u>	<u>\$ 540 816</u>	<u>\$ 1 323 841</u>
Operating income	<u>\$ 313 868</u>	<u>\$ 814 052</u>	<u>\$ 1 127 920</u>
NONOPERATING REVENUE (EXPENSE)			
Water Quality Improvement Fund grant	\$ -	\$ 862 899	\$ 862 899
Interest income	261 612	133 918	395 530
Interest expense	(277 321)	(89 804)	(367 125)
Rental income (Note 11)	<u>29 321</u>	<u>-</u>	<u>29 321</u>
	<u>\$ 13 612</u>	<u>\$ 907 013</u>	<u>\$ 920 625</u>
Net income before operating transfers	\$ 327 480	\$ 1 721 065	\$ 2 048 545
OPERATING TRANSFERS OUT	<u>(9 594)</u>	<u>(9 594)</u>	<u>(19 188)</u>
Net income	\$ 317 886	\$ 1 711 471	\$ 2 029 357
DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	<u>50 800</u>	<u>66 200</u>	<u>117 000</u>
Increase in retained earnings	\$ 368 686	\$ 1 777 671	\$ 2 146 357
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>3 667 886</u>	<u>2 838 665</u>	<u>6 506 551</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 4 036 572</u>	<u>\$ 4 616 336</u>	<u>\$ 8 652 908</u>

TOWN OF PURCELLVILLE, VIRGINIA
 ENTERPRISE FUNDS
 COMBINING STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2001

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 313 868	\$ 814 052	\$ 1 127 920
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	209 537	124 997	334 534
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(40 465)	(50 465)	(90 930)
Increase (decrease) in accounts payable	2 178	1 943	4 121
Increase (decrease) in customer deposits	860	-	860
Increase (decrease) in liability for compensated absences	<u>(424)</u>	<u>3 195</u>	<u>2 771</u>
Net cash provided by operating activities	<u>\$ 485 554</u>	<u>\$ 893 722</u>	<u>\$ 1 379 276</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Water Quality Improvement Fund grant	\$ -	\$ 862 899	\$ 862 899
Rental income	29 321	-	29 321
Purchase of equipment	(809 640)	(4 027 362)	(4 837 002)
Operating transfers out	(9 594)	(9 594)	(19 188)
Proceeds from long-term debt	699 506	2 852 453	3 551 959
Principal payments on long-term debt	(13 338)	(249 000)	(262 338)
Interest payments on long-term debt	<u>(233 682)</u>	<u>(9 713)</u>	<u>(243 395)</u>
Net cash used in capital and related financing activities	<u>\$ (337 427)</u>	<u>\$ (580 317)</u>	<u>\$ (917 744)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>\$ 65 589</u>	<u>\$ 127 876</u>	<u>\$ 193 465</u>
Net cash provided by investing activities	<u>\$ 65 589</u>	<u>\$ 127 876</u>	<u>\$ 193 465</u>
Net increase in cash and cash equivalents	\$ 213 716	\$ 441 281	\$ 654 997
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1 017 059</u>	<u>2 291 311</u>	<u>3 308 370</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1 230 775</u>	<u>\$ 2 732 592</u>	<u>\$ 3 963 367</u>

TOWN OF PURCELLVILLE, VIRGINIA

WATER FUND
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water fees	\$ 410 000	\$ 464 041	\$ 54 041
Water availabilities	350 000	588 000	238 000
Water connections	1 500	-	(1 500)
Late charges	4 000	13 705	9 705
Service charges	10 000	18 756	8 756
Miscellaneous	5 000	1 756	(3 244)
Water meters	16 000	10 635	(5 365)
Proffers	5 000	-	(5 000)
	<u>\$ 801 500</u>	<u>\$ 1 096 893</u>	<u>\$ 295 393</u>
OPERATING EXPENSES			
Personnel:			
Superintendent	\$ 50 126	\$ 53 499	\$ (3 373)
Operators	108 281	78 517	29 764
Overtime/leave	48 000	72 110	(24 110)
Secretary	19 756	19 601	155
Town Engineer	14 834	14 209	625
Performance bonuses	2 750	1 770	980
Employee benefits:			
Health insurance	33 945	23 908	10 037
Life insurance	1 761	1 273	488
Retirement	24 829	17 956	6 873
Workers' compensation	8 000	6 507	1 493
Payroll taxes	17 757	18 379	(622)
Drug testing	500	-	500
Operations:			
Electricity	25 000	36 198	(11 198)
Telephone	4 000	2 570	1 430
Supplies	12 500	14 170	(1 670)
Lab equipment	15 000	13 368	1 632
Contracts	6 600	4 349	2 251
Uniforms and safety	5 800	4 498	1 302
Well repairs	25 000	28 352	(3 352)
Plant repairs	16 000	34 045	(18 045)
Water line repairs	20 000	20 609	(609)
Leak detection	5 000	5 000	-
Meter repairs and testing	3 000	3 895	(895)
Cross connections	500	-	500
Chemicals, plant	24 500	21 498	3 002
Chemicals, well	8 000	1 810	6 190
Spare parts	8 000	6 594	1 406
Equipment and vehicles:			
Equipment repairs and small equipment	8 500	7 456	1 044
Vehicle repairs	2 000	1 407	593
Gas and oil	3 500	3 882	(382)
Propane	9 000	7 421	1 579

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

WATER FUND
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other expenses:			
Watershed management	\$ 12 000	\$ 1 428	\$ 10 572
Forestry management	10 000	780	9 220
Advertisements	4 300	2 569	1 731
Water samples	30 000	27 514	2 486
Training	6 400	1 608	4 792
Miscellaneous	3 500	2 995	505
Engineering	6 000	7 043	(1 043)
Consumer report	2 000	2 998	(998)
Postage/mailings	2 800	1 702	1 098
Depreciation	-	209 537	(209 537)
	<u>\$ 609 439</u>	<u>\$ 783 025</u>	<u>\$ (173 586)</u>
Operating income	<u>\$ 192 061</u>	<u>\$ 313 868</u>	<u>\$ 121 807</u>
NONOPERATING REVENUE (EXPENSE)			
Interest earned	\$ 30 000	\$ 261 612	\$ 231 612
Interest expense	(245 000)	(277 321)	(32 321)
Rental income (Note 11)	22 000	29 321	7 321
Timber sale	50 000	-	(50 000)
	<u>\$ (143 000)</u>	<u>\$ 13 612</u>	<u>\$ 156 612</u>
Net income before operating transfers	\$ 49 061	\$ 327 480	\$ 278 419
OPERATING TRANSFERS			
Transfers out	<u>(9 594)</u>	<u>(9 594)</u>	<u>-</u>
Net income	<u>\$ 39 467</u>	<u>\$ 317 886</u>	<u>\$ 278 419</u>

TOWN OF PURCELLVILLE, VIRGINIA

SEWER FUND
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sewer fees	\$ 540 000	\$ 631 115	\$ 91 115
Sewer availabilities	420 000	715 000	295 000
Sewer connections	1 500	-	(1 500)
Late charges	4 000	-	(4 000)
Service charges	5 000	8 753	3 753
Miscellaneous	6 000	-	(6 000)
Proffers	5 000	-	(5 000)
	<u>\$ 981 500</u>	<u>\$ 1 354 868</u>	<u>\$ 373 368</u>
OPERATING EXPENSES			
Personnel:			
Superintendent	\$ 47 256	\$ 47 837	\$ (581)
Operators	103 317	106 064	(2 747)
Overtime/leave	40 000	15 172	24 828
Secretary	19 756	19 601	155
Town Engineer	14 834	14 623	211
Performance bonuses	2 400	2 430	(30)
Employee benefits:			
Health insurance	27 105	27 346	(241)
Life insurance	1 404	1 515	(111)
Retirement	19 804	21 364	(1 560)
Workers' compensation	8 000	2 377	5 623
Payroll taxes	14 196	15 504	(1 308)
Drug testing	500	-	500
Operations:			
Electricity	27 000	26 405	595
Telephone	2 000	2 504	(504)
Supplies	12 000	9 985	2 015
Contracts	1 700	2 658	(958)
Uniforms and safety	4 500	3 936	564
Plant repairs	23 900	4 459	19 441
Sewer line repairs	15 000	5 435	9 565
I & I detection	2 000	270	1 730
Tools	500	573	(73)
Sludge removal	23 500	22 765	735
Chemicals	8 500	10 554	(2 054)
Pump station:			
Electricity	10 250	10 587	(337)
Telephone	700	336	364
Repairs	13 750	7 464	6 286
Contracts	2 000	1 200	800
Equipment	11 000	5 129	5 871
Equipment and vehicles:			
Equipment repairs and small equipment	19 135	19 176	(41)
Gas and oil	1 500	1 982	(482)
Vehicle repairs	1 000	1 542	(542)

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SEWER FUND
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other expenses:			
Advertisements	\$ 1 500	\$ -	\$ 1 500
Training	4 000	1 946	2 054
Miscellaneous	2 000	1 268	732
Postage/mailings	2 800	1 812	988
Engineering	2 000	-	2 000
Depreciation	-	124 997	(124 997)
	<u>\$ 490 807</u>	<u>\$ 540 816</u>	<u>\$ (50 009)</u>
Operating income	<u>\$ 490 693</u>	<u>\$ 814 052</u>	<u>\$ 323 359</u>
NONOPERATING REVENUE (EXPENSE)			
Water Quality Improvement Fund grant	\$ 1 500 000	\$ 862 899	\$ (637 101)
Interest earned	65 000	133 918	68 918
Interest expense	(90 000)	(89 804)	196
	<u>\$ 1 475 000</u>	<u>\$ 907 013</u>	<u>\$ (567 987)</u>
Net income before operating transfers	\$ 1 965 693	\$ 1 721 065	\$ (244 628)
OPERATING TRANSFERS			
Transfers out	(9 594)	(9 594)	-
Net income	<u>\$ 1 956 099</u>	<u>\$ 1 711 471</u>	<u>\$ (244 628)</u>

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2001

GENERAL FUND

Public Safety:

2000 Ford Police Interceptor	\$	26 711
Radios		2 026
Shed for police train		4 217
Squad room partitions		1 355
Rifle		409
	\$	<u>34 718</u>

Public Works:

Backhoe	\$	81 549
2001 GMC 3500 truck		28 095
Pavement marking at Eastgate Drive		3 800
Radios and signal lights for vehicles		3 174
	\$	<u>116 618</u>

Stormwater Management:

Aerial mapping	\$	51 936
Redesign East End storm pond		1 580
	\$	<u>53 516</u>

Transportation/Beautification:

Concrete/asphalt sidewalk – Eastgate Drive	\$	14 402
South Maple Street surveying		4 800
Sidewalk repairs – 12 th Street		6 500
Sidewalk replacement – Nursery and Orchard		45 712
Paving – Maple Avenue		22 061
Sidewalk repair – Orchard Drive		6 910
Sidewalk repair – Kingsbridge		7 085
	\$	<u>107 470</u>

Administration:

Upgrade and renovation to Town Hall	\$	21 676
Networking, E Government and Info Tech improvements		30 536
1998 Ford Explorer		18 333
Computers and other equipment – finance department		5 930
Computers and other equipment – new hires		9 229
Xerox copier		2 360
	\$	<u>88 064</u>

Kingsbridge Improvements:

Sidewalk, paving and other improvements	\$	69 828
Landscaping		9 100
Equipment for Tot Lot		4 000
	\$	<u>82 928</u>

James Building Property:

Land	\$	<u>152 813</u>
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Total general fund	\$	<u>636 127</u>
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(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2001

WATER FUND

Well development costs	\$ 478 930
Engineering – Main Street replacement	100 355
Waterline completion	92 621
Water meters (Proread)	59 150
2001 Dodge 2500 truck	30 450
Surveying for waterline easements	19 330
Chemical room improvements at plant	13 871
Carbon change-out at Main Street Village	13 600
Main Street well apron and sidewalk	9 863
Waterline mapping – Cooper Springs	8 037
Utility tractor with Alamo mower	8 000
Paving at plant	6 854
Snow plow	3 448
Mobile radios	3 090
Line tracer	2 200
Gates at plant	<u>1 049</u>
Total water fund	<u>\$ 850 848</u>

SEWER FUND

New treatment plant	\$ 4 438 704
I & I – lining	120 204
TV inspection system	53 000
Engineering at East End pump station	8 387
1986 Ford van	6 500
Surveying – easements	<u>3 787</u>
Total sewer fund	<u>\$ 4 630 582</u>



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

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

We have audited the general-purpose financial statements of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Purcellville's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Purcellville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Young, Nicholas, Branner & Phillips, LLP
Certified Public Accountants

Located at 1041 South High Street
Mailing P.O. Box 2187
Harrisonburg, VA 22801-2187
(540) 433-2581 • FAX (540) 433-0147

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Young, Nicholas Branner & Phillips, LLP

Harrisonburg, VA
August 31, 2001



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO A MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

Compliance

We have audited the compliance of the Town of Purcellville, Virginia, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The Town of Purcellville's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs (Item 7). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Purcellville's management. Our responsibility is to express an opinion on the Town of Purcellville'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 the Town of Purcellville'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 on the Town of Purcellville's compliance with those requirements.

In our opinion, the Town of Purcellville, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the Town of Purcellville, Virginia, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Purcellville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Young, Nicholas, Branner & Phillips, LLP
Certified Public Accountants

Located at 1041 South High Street
Mailing P.O. Box 2187
Harrisonburg, VA 22801-2187
(540) 433-2581 • FAX (540) 433-0147

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Young, Nicholas, Brauner & Phillips LLP

Harrisonburg, VA
August 31, 2001

TOWN OF PURCELLVILLE, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2001

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal Catalogue Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>Department of Agriculture</u>		
Rural Development Loan Guarantee: Water and Waste Disposal Systems for Rural Communities (\$7,304,000 General Obligation Water and Sewer Bond, Series of 1999)	10.760*	\$ 2 852 453
Total Department of Agriculture		\$ 2 852 453
<u>Department of Justice</u>		
Direct Program: Public Safety Partnership and Community Policing Grants (COPS FAST Grant)	16.710	\$ 24 000
Passed through State Department of Criminal Justice Services: Local Law Enforcement Block Grants Program	16.592	4 715
Total Department of Justice		\$ 28 715
<u>Department of Transportation - Federal Highway Administration</u>		
Passed through State Department of Transportation: Highway Planning and Construction/Transportation Equity Act for the 21 st Century (TEA-21 Grant)	20.205	\$ 101 973
Total Department of Transportation		\$ 101 973
Total Federal financial assistance		\$ 2 983 141

* Denotes Major Program

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2001

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Town's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B--RURAL DEVELOPMENT LOAN

Below is a summary of the outstanding loan balance on the 1999 bond payable to Rural Development:

<u>Year</u>	<u>Principal Advanced- Fiscal Year Ended June 30,</u>	<u>Principal Repaid- Fiscal Year Ended June 30,</u>	<u>Balance Owed June 30,</u>
1999	\$ 714 772	\$ -	\$ 714 772
2000	-	3 232	711 540
2001	<u>2 852 453</u>	<u>-</u>	<u>3 563 993</u>
	<u>\$ 3 567 225</u>	<u>\$ 3 232</u>	<u>\$ 3 563 993</u>

TOWN OF PURCELLVILLE, VA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. Type of auditors' report issued on the financial statements of the Town of Purcellville, Virginia-unqualified opinion.
2. "Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" did not disclose any reportable conditions in internal control from the audit of the financial statements.
3. The audit did not disclose any noncompliance that is material to the financial statements of the Town of Purcellville, Virginia.
4. The "Independent Auditors' Report on Compliance with Requirements Applicable to a Major Program and Internal Control over Compliance in accordance with OMB Circular A-133" did not disclose any reportable conditions in internal control over the major program.
5. Type of auditors' report issued on compliance for the major program of the Town of Purcellville, Virginia-unqualified opinion.
6. There were no audit findings that need to be reported under Section 510(a) of OMB Circular A-133.
7. Major federal program of the Town of Purcellville, Virginia-Department of Agriculture/Rural Development's "Water and Waste Disposal Systems for Rural Communities".
8. The above federal program was selected as Type A and major because its expenditures exceeded \$300,000. This was the only federal program of the Town of Purcellville that exceeded that amount.
9. The Town of Purcellville, Virginia, does not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

1. There are no findings relating to the financial statements of the Town of Purcellville, Virginia, which are required to be reported in accordance with *Government Auditing Standards*.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

1. There are no findings or questioned costs for federal awards that were discovered in the financial and compliance audits for the period audited.

Note: This report does not include a summary schedule of prior audit findings because the audit of the Town of Purcellville for the year ended June 30, 2000, was not subject to OMB Circular A-133.