

TOWN OF PURCELLVILLE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED
JUNE 30, 2014



**TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

Prepared By:

Elizabeth B. Krens
Director of Finance

TOWN OF PURCELLVILLE, VIRGINIA
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FOR THE YEAR ENDED JUNE 30, 2014

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November 19, 2014

**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, 2014. 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 special revenue parks and recreation 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, 2014. 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 3.42 miles positioned in Northern Virginia about 40 miles west of Washington, D.C with an approximate population of 8,000. Once a stop along the W&OD rail line, Purcellville has maintained its historic old-town feel through the restoration and maintenance of its many downtown structures, reflecting the Victorian architecture popular during the early 1900s. Today, Purcellville is the economic hub of western Loudoun County and a popular weekend destination for antiquing, entertainment, farmer's markets, wineries and restaurants.

The Town is operated based on a council-manager form of government. Purcellville 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 2014 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 late summer each year. This session allows Town Council members an opportunity to meet with members of the Town's committees, commissions and staff as well as review and prioritize the Town's Strategic Plan and Initiatives. The next step is the annual budget development process that begins in the fall each year and incorporates the Strategic Plan into a fiscal plan for the next fiscal year. The staff and Council work on the budget plan through the winter with budget adoption in the spring. The Town has received GFOA Distinguished Budget Presentation Award for the past five years and reflects the Town's commitment to meeting the highest principles in government budgeting. In addition, the Town Council maintains its "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 managers continue to closely monitor budget and fiscal policy compliance as well as performance metrics.

One of the highlights of fiscal year 2014 was the Town's entry into the public credit markets and credit rating process. In the fall of 2103, the Town obtained the following ratings from all three national credit rating agencies: AAA from Standard & Poor's, Aa2 from Moody's Investors Services and AA from Fitch Ratings. These strong inaugural ratings allowed the Town to obtain favorable interest rates in the public bond market on the General Obligation Refunding Bonds Series 2013A and 2013B. This debt restructuring also allowed the town to achieve a number of strategic objectives:

- Multi-year debt service savings of \$2 million in the Town's general fund
- Reduced future interest rate risk by locking fixed interest rates for balloon payments in the general and utility funds
- Freed up approximately \$9.5 million in cash flow in the utility fund over the next five years.

Financial Condition and Economic Outlook: (Continued)

The impact of the debt restructuring is apparent in the net position reported in both utility funds. The water fund's net position increased by \$399,097 in fiscal year 2014. Although the sewer fund's net position decreased by \$557,952 in 2014, the deficit was greatly reduced by the debt restructuring. We expect to see surpluses in both utility funds in fiscal year 2015 when we have the benefit of a full year of debt service savings. Although utility fund cash flow was freed up for five years, the Town will need to plan as debt service payments will increase significantly in fiscal year 2020. The Town is now working with its financial advisor and utility rate consultants to prepare for this increase as well as rebuild utility reserves to policy levels of 100% of annual operating expenditures including debt service.

Over the past 10 to 15 years, the Town's population growth and unfunded federal and state mandates, especially related to the utility operations, have been major capital projects drivers. While we sought out grants and other funding options with federal, state and county partnerships, a significant portion of the capital projects were funded by debt. Fortunately, most of the planned projects are now complete or winding down and the CIP plan is relatively modest for the next five years.

Following the recent recession, the Town saw a fourth year of positive growth in its real property assessments. Preliminary forecasts for 2015 anticipate continued increase in existing property values as well as continued commercial development. Currently underway is expansion of the Purcellville Gateway shopping center and the Purcellville Green townhouse project. The recent boundary line adjustment of the Mayfair project will also bring additional residential and commercial growth to the Town.

The Town ended fiscal year 2014 with an unassigned fund balance in the governmental fund of \$4.2 million, an increase of \$324,500 over 2013. 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 43% of the budgeted general fund expenditures for fiscal year 2015.

Major Initiatives/Awards:

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in fiscal year 2014:

- Obtained inaugural highly favorable, strong investment grade ratings of AA/AAA from the three national credit rating agencies.
- Received 5th GFOA Distinguished Budget Presentation Award for fiscal year 2014.
- Received 6th GFOA Certificate of Achievement for fiscal year 2013 CAFR.
- Received VML's Green Government Challenge, Silver Certification for successfully implementing environmental policies and taking practical actions to reduce carbon emissions.
- Received ICMA's Certificate of Distinction for exceeding the standards by the ICMA Center for Performance Measurement.
- Received the Virginia Department of Health's Excellence in Waterworks. Operations Performance Award for the sixth consecutive year.
- Received Tree City USA and Growth Award.
- Police Department maintained State Accreditation by Virginia Law Enforcement Professional Standards Commission.
- Police Department hosted the Annual Health and Public Safety Day.

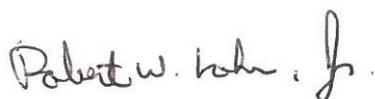
- Managed a number of Town events including the Loudoun Grown Expo, Purcellville Wine and Food Festival, Music and Arts Festival and Christmas in Purcellville. Also partnered with other community groups to hold the Memorial Day Program, Town Wide Tag Sale, July 4th Parade and Babe Ruth World Series.
- Partnered with a 3rd party vendor to host an online auction process of the Town's surplus property.
- Upgraded the comprehensive system to track the status and funding sources of the Town's capital projects.
- Prepared a Tourism Brochure for summer events.
- Completed two new wells at the Nature Park.
- Completed 33rd and Country Club Road reconstruction and water main replacement project.
- Completed engineering, right-of-way acquisition and procurement process for the East Main Street Sidewalk project.
- Completed design and procurement process for the A Street Shared Use Path project and County funding partnership.
- Completed Fireman's Field Stadium and Ticket Booth Facilities Phase A and completed design, procurement and County funding partnership for Phase B to include storage building construction.
- Assisted with the establishment of 35 new businesses, 21 new home occupations, expansion of 5 businesses, and relocation of 6 businesses to Purcellville.
- Completed the Mayfair boundary line adjustment.
- Updated the Purcellville Land Development and Subdivision Control Ordinance.
- Updated Town's official Zoning Map.
- Update to Facility Standards Manual.

Awards and Acknowledgements:

The Town received its fourth Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013 from the Government Finance Officers Association (GFOA). 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 Finance Department staff. In particular, I want to thank Paula Hicks whose work year-round ensures this financial document is accurate, complete and timely in its release.

Sincerely,

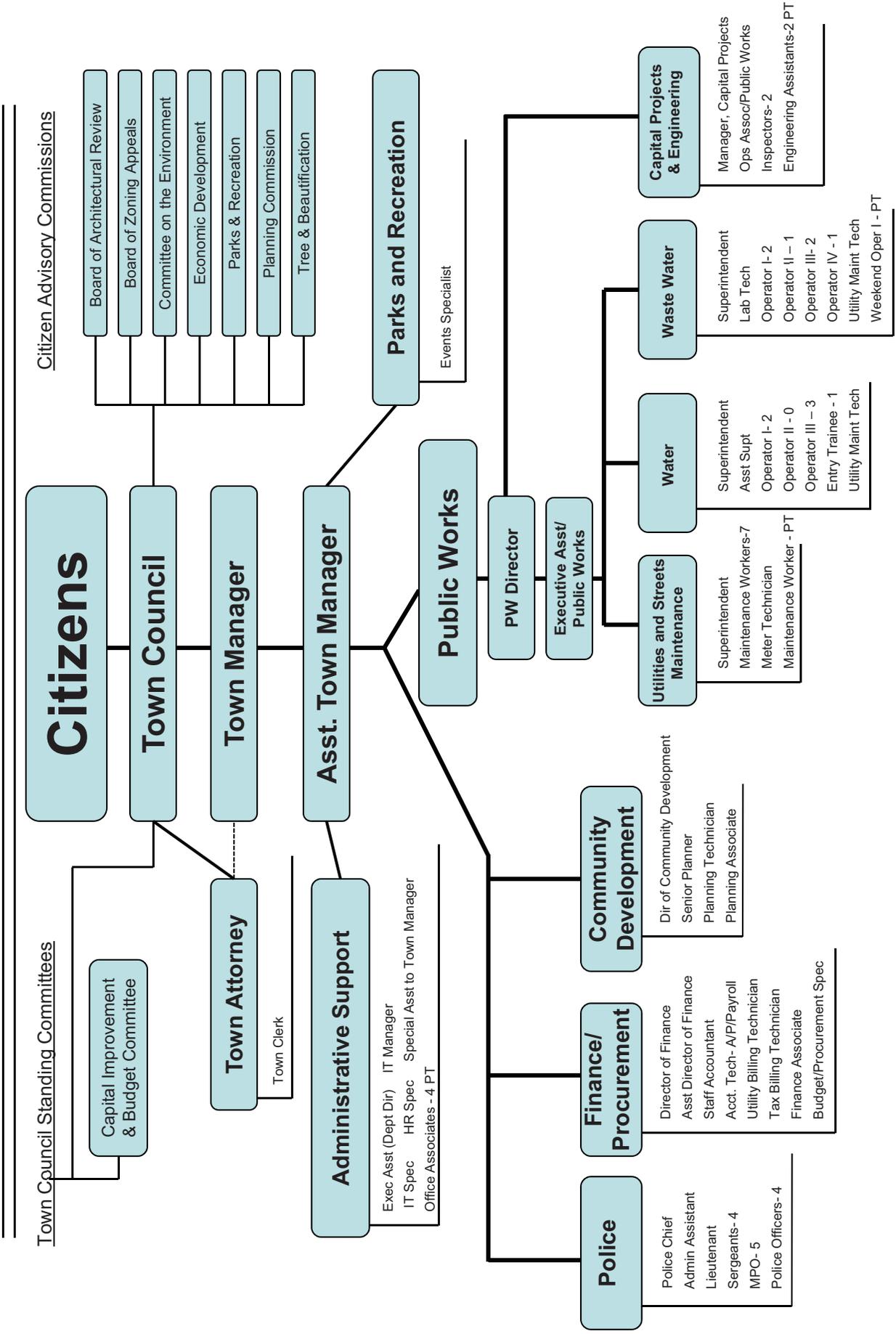


Robert W. Lohr, Jr.
Town Manager



Elizabeth B. Krens
Director of Finance

Town of Purcellville Organization Chart: Effective February 26, 2014



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TOWN OF PURCELLVILLE, VIRGINIA

COUNCIL

James O. Wiley
Joan Lehr

Robert W. Lazaro, Jr., Mayor
J. Keith Melton, Jr. Vice-Mayor

John A. Nave

Thomas A. Priscilla, Jr.
Patrick McConville II

OFFICIALS

Robert W. Lohr, Jr.

Town Manager

Patrick Childs

Assistant Town Manager

Elizabeth B. Krens

Director of Finance

Patrick Sullivan

Director of Community Development

Alex Vanegas

Director of Public Works

Sally Hankins

Town Attorney

Darryl C. Smith, Sr.

Chief of Police

Vadah McCann

Executive Assistant to Town Manager

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Government Finance Officers Association

**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, 2013

Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Purcellville, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 and OPEB funding progress, on pages 3-9, 63-64, and 65, 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 required supplementary information 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 information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Purcellville, Virginia's basic financial statements. The introductory section, supporting schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting schedules and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Purcellville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
(Charlottesville, Virginia
November 10, 2014

Town of Purcellville, Virginia Management's Discussion and Analysis

As management of 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, 2014. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$58.1 million (*net position*). Of this amount, \$7.6 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$71,886, of which the governmental activities accounted for a \$219,187 increase and business-type activities accounted for a \$147,301 decrease.
- The ending fund balance of the Town's general fund was \$5.0 million, a decrease of \$368,020 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.2 million, or 46% of the general fund expenditures, less current refunded principal amounts of \$7,967,405.
- The Town's total debt increased by \$869,819 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 required and 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 position* presents information on all of the Town's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 three governmental funds, a General Fund, a Special Revenue 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 59 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 schedules of funding progress relating to the Town's participation in its pension plan and other post-employment benefits. Required supplementary information can be found on pages 63 through 65 of this report.

Overview of the Financial Statements (Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$58.1 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$48.5 million, 83% 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 Position:

Town of Purcellville, Virginia
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 9,455,133	\$ 10,470,498	\$ 6,672,714	\$ 7,168,396	\$ 16,127,847	\$ 17,638,894
Capital assets	54,974,698	54,719,835	55,437,207	55,686,515	110,411,905	110,406,350
Total assets	\$ 64,429,831	\$ 65,190,333	\$ 62,109,921	\$ 62,854,911	\$ 126,539,752	\$ 128,045,244
Deferred outflows of resources	\$ 345,562	\$ -	\$ 1,615,889	\$ 41,785	\$ 1,961,451	\$ 41,785
Long-term liabilities						
outstanding	\$ 22,032,295	\$ 22,212,579	\$ 44,572,449	\$ 43,522,346	\$ 66,604,744	\$ 65,734,925
Other liabilities	1,531,159	1,946,826	1,061,592	1,135,280	2,592,751	3,082,106
Total liabilities	\$ 23,563,454	\$ 24,159,405	\$ 45,634,041	\$ 44,657,626	\$ 69,197,495	\$ 68,817,031
Deferred inflows of resources	\$ 1,158,563	\$ 1,196,739	\$ -	\$ -	\$ 1,158,563	\$ 1,196,739
Net position:						
Net investment in capital assets	\$ 34,615,139	\$ 33,837,613	\$ 13,902,748	\$ 14,345,188	\$ 48,517,887	\$ 48,182,801
Restricted	1,992,726	2,546,527	-	-	1,992,726	2,546,527
Unrestricted	3,445,511	3,450,049	4,189,021	3,893,882	7,634,532	7,343,931
Total net position	\$ 40,053,376	\$ 39,834,189	\$ 18,091,769	\$ 18,239,070	\$ 58,145,145	\$ 58,073,259

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, 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 (governmental and business-type activities) net position increased by \$71,886 during the current fiscal year. The business-type activities reported a decrease in net position of \$147,301 and the governmental activities reported an increase of \$219,187.

Overview of the Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

Governmental activities increased the Town's net position by \$219,187. The following table summarizes the Town's Statement of Activities:

Town of Purcellville, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 284,745	\$ 186,978	\$ 4,714,969	\$ 4,383,000	\$ 4,999,714	\$ 4,569,978
Operating grants and contributions	789,086	739,275	29,368	33,237	818,454	772,512
Capital grants and contributions	1,862,645	2,974,978	1,506,757	604,954	3,369,402	3,579,932
General revenues:						
Property taxes	3,088,573	2,822,718	-	-	3,088,573	2,822,718
Other taxes	3,829,675	3,705,243	-	-	3,829,675	3,705,243
Unrestricted revenues from the use of money and property	41,890	44,400	2,244	5,318	44,134	49,718
Miscellaneous	85,990	80,487	167,616	169,673	253,606	250,160
Gain on sale of capital asset	-	923,762	-	-	-	923,762
Grants and contributions not restricted to specific programs	392,714	369,061	-	-	392,714	369,061
Total revenues	<u>\$ 10,375,318</u>	<u>\$ 11,846,902</u>	<u>\$ 6,420,954</u>	<u>\$ 5,196,182</u>	<u>\$ 16,796,272</u>	<u>\$ 17,043,084</u>
Expenses:						
General government administration	\$ 2,923,193	\$ 3,100,979	\$ -	\$ -	\$ 2,923,193	\$ 3,100,979
Public safety	1,919,119	1,916,652	-	-	1,919,119	1,916,652
Public works	3,472,819	3,478,574	-	-	3,472,819	3,478,574
Parks, recreation and culture	265,740	68,927	-	-	265,740	68,927
Community development	1,858,057	1,708,045	-	-	1,858,057	1,708,045
Interest on long-term debt	833,107	742,904	-	-	833,107	742,904
Water fund	-	-	2,116,235	4,227,361	2,116,235	4,227,361
Sewer fund	-	-	3,336,116	3,023,902	3,336,116	3,023,902
Total expenses	<u>\$ 11,272,035</u>	<u>\$ 11,016,081</u>	<u>\$ 5,452,351</u>	<u>\$ 7,251,263</u>	<u>\$ 16,724,386</u>	<u>\$ 18,267,344</u>
Increase (decrease) in net position before transfers	<u>\$ (896,717)</u>	<u>\$ 830,821</u>	<u>\$ 968,603</u>	<u>\$ (2,055,081)</u>	<u>\$ 71,886</u>	<u>\$ (1,224,260)</u>
Transfers	<u>\$ 1,115,904</u>	<u>\$ 1,115,904</u>	<u>\$ (1,115,904)</u>	<u>\$ (1,115,904)</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net position	<u>\$ 219,187</u>	<u>\$ 1,946,725</u>	<u>\$ (147,301)</u>	<u>\$ (3,170,985)</u>	<u>\$ 71,886</u>	<u>\$ (1,224,260)</u>
Net position-beginning of year	<u>\$ 39,834,189</u>	<u>\$ 37,887,464</u>	<u>\$ 18,239,070</u>	<u>\$ 21,410,055</u>	<u>\$ 58,073,259</u>	<u>\$ 59,297,519</u>
Net position-end of year	<u>\$ 40,053,376</u>	<u>\$ 39,834,189</u>	<u>\$ 18,091,769</u>	<u>\$ 18,239,070</u>	<u>\$ 58,145,145</u>	<u>\$ 58,073,259</u>

Overview of the Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

Generally, net position changes are for the difference between revenues and expenses. The Town reported an increase in net position of governmental activities of \$219,187 in 2014. The Town reported a decrease of approximately \$1.1 million in capital grants and contributions as a result of less highway construction revenues. Additionally, the Town reported a gain on sale of assets in the prior year related to the sale of the previous Town Hall. All other revenues and expenses were fairly consistent with the prior years. The combination of these factors resulted in a smaller increase in net position. (\$1.95 million in fiscal year 2013 compared to \$219,187 in fiscal year 2014) when compared to the fiscal year 2013.

Business-type activities decreased the Town's net position by \$147,301. 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 funds: The focus of the Town's *governmental funds* 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 *unassigned 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 2014 governmental fund revenues were \$568,758 less than 2013. This decrease can be attributed to a decrease in highway construction funding. The 2014 governmental fund expenditures, excluding principal payments, were \$1,784,723 less than 2013 due to a decrease in capital outlay expenditures for street and sidewalk improvements. The Town refunded several existing general obligation bonds during fiscal year 2014, with a portion of the bonds issued to provide for a current refunding of debt.

The Town's total fund balance for all funds ended 2014 with a fund balance of \$7.0 million, a decrease over 2013 of \$465,274. Of this amount, \$4.2 million was unassigned and available for future spending.

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 position of the water and sewer funds was \$18.1 million. Unrestricted net position at the end of the year was \$4.2 million, an increase from the prior year in the amount of \$3.9 million.

General Fund Budgetary Highlights

General Fund revenues exceeded budget projections by \$382,578 in 2014. The most significant increases and positive trends were reported in the categories of property tax, meals tax and zoning fees.

The 2014 expenditures were less than budgeted by \$442,577, excluding the current refunded debt reported as principal payments in the amount of \$7,967,405. These expenditure reductions were realized across all departments and debt service savings due to refundings.

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, 2014, amounts to \$110.4 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Buildings	11,137,737	11,445,779	-	-	11,137,737	11,445,779
Utility plant in service	-	-	49,170,093	49,056,796	49,170,093	49,056,796
Improvements other than buildings	3,482,320	2,067,429	138,300	159,100	3,620,620	2,226,529
Infrastructure	26,753,101	26,676,975	-	-	26,753,101	26,676,975
Machinery & Equipment	818,872	989,478	161,176	119,185	980,048	1,108,663
Vehicles	173,384	139,586	46,616	12,814	220,000	152,400
Construction in progress	8,298,520	9,089,824	2,881,513	3,299,111	11,180,033	12,388,935
Total	\$ 54,974,698	\$ 54,719,835	\$ 55,437,207	\$ 55,686,515	\$ 110,411,905	\$ 110,406,350

Additional information on the Town's capital assets can be found in Note 4 on pages 37 and 38 of this report.

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$66.6 million and details are summarized in the following table:

**Town of Purcellville, Virginia
Outstanding Obligations
For the Year Ended June 30, 2014**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 19,642,757	\$ 19,929,554	\$ 44,173,657	\$ 43,194,735	\$ 63,816,414	\$ 63,124,289
Notes payable	1,105,000	1,190,000	-	-	1,105,000	1,190,000
OPEB	930,669	760,907	297,495	245,582	1,228,164	1,006,489
Compensated absences	353,869	332,118	101,297	82,029	455,166	414,147
Total	\$ 22,032,295	\$ 22,212,579	\$ 44,572,449	\$ 43,522,346	\$ 66,604,744	\$ 65,734,925

Obligations associated with governmental activities decreased by \$180,284 in 2014 due to regular principal payments.

The obligation associated with business-type activities increased by \$1,050,073 in 2014 due to issuance of the Series 2013A and 2013B general obligation refunding bonds and increases in the other post-employment benefit obligation.

Capital Asset and Debt Administration (Continued)

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, 2014.

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

Economic Factors and Next Year's Budgets and Rates

The Town of Purcellville is located in western Loudoun County at the base of the Blue Ridge Mountains also known as the D.C. Wine Country. Over the last two decades, the Town experienced strong residential and commercial growth with a population increase of over 350%. The Town serves as a traditional business hub of western Loudoun County with a population that exceeds 60,000 within a fifteen minute drive of the center of Town. Loudoun County continues to be ranked as the nation's wealthiest county with a median annual household income of about \$119,000. In 2014, Loudoun County's unemployment rate was 4.4%, significantly lower than the national rate. The Town continues to benefit from its close proximity to the Washington metropolitan area, highly educated population and lucrative job market.

Over the last decade, the Town's total taxable assessed value has grown by 47%. Although assessed value decreased from a high point in 2007 as a result of the national economic recession, we have seen sustained positive growth since 2011. In tax year 2014, real property assessments increased by 5.72% with a 5.02% increase in existing properties and .7% increase in new construction. Continued growth is anticipated with build out of the Gateway shopping center, Purcellville Green townhouses as well as applications for new commercial development now under consideration. The current residential/business tax base split is 77/23% an increase of 7% for the business portion since 2004.

In the fall of 2013, the Town obtained its inaugural credit rating from the three national credit rating agencies: Standard and Poor's rating of AAA, Moody's Investor Service rating of Aa2, and Fitch Ratings rating of AA. These results were highly favorable strong investment grade ratings despite the Town's relatively modest population.

The Town continues to benefit from a diversified revenue stream. The largest General Fund revenue categories in FY14 were property tax (33%), meals tax (17%), revenue from the Commonwealth (14%), sales tax (11%), and business license tax (8%).

In tax year 2014, the Town Council lowered the real estate tax rate to .21/\$100, slightly less than the equalized rate. The Fireman's Field service tax rate remained unchanged at .035/\$100. The proceeds of the new service tax will be used for recreational and cultural facilities and activities of the Parks and Recreation special revenue fund. All other tax 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. The Town restructured its utility debt in FY14 and is working with consultants to develop a long-term plan to rebuild utility cash reserves used during recession and manage increases in utility debt service in FY20.

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 Position
As of June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,005,437	\$ 4,570,957	\$ 9,576,394
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,252,980	-	1,252,980
Accounts receivable	168,567	825,992	994,559
Due from other governmental units	417,404	-	417,404
Prepaid items	63,487	18,801	82,288
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,547,258	1,023,309	3,570,567
Cash held for customer deposits	-	233,655	233,655
Capital assets (net of accumulated depreciation):			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	11,137,737	-	11,137,737
Improvements other than buildings	3,482,320	138,300	3,620,620
Machinery and equipment	818,872	161,176	980,048
Vehicles	173,384	46,616	220,000
Infrastructure	26,753,101	-	26,753,101
Utility plant in service	-	49,170,093	49,170,093
Construction in progress	8,298,520	2,881,513	11,180,033
Total assets	\$ 64,429,831	\$ 62,109,921	\$ 126,539,752
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 345,562	\$ 1,615,889	\$ 1,961,451
LIABILITIES			
Accounts payable	\$ 662,981	\$ 105,178	\$ 768,159
Accrued liabilities	240,971	57,635	298,606
Customers' deposits	850	233,655	234,505
Accrued interest payable	298,843	650,973	949,816
Unearned revenue	19,192	14,151	33,343
Deposits held in escrow	308,322	-	308,322
Long-term liabilities:			
Due within one year	791,918	280,130	1,072,048
Due in more than one year	21,240,377	44,292,319	65,532,696
Total liabilities	\$ 23,563,454	\$ 45,634,041	\$ 69,197,495
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 1,158,563	\$ -	\$ 1,158,563
NET POSITION			
Net investment in capital assets	\$ 34,615,139	\$ 13,902,748	\$ 48,517,887
Restricted for:			
State highway maintenance	35,051	-	35,051
Loudoun county settlement funds	945,882	-	945,882
Fireman's field	399,984	-	399,984
Loudoun Co. - transportation and sidewalk projects	611,809	-	611,809
Unrestricted	3,445,511	4,189,021	7,634,532
Total net position	\$ 40,053,376	\$ 18,091,769	\$ 58,145,145

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,923,193	\$ -	\$ -	\$ -
Public safety	1,919,119	64,947	161,383	-
Public works	3,472,819	217,668	624,680	1,862,645
Parks, recreation, and cultural	265,740	-	-	-
Community development	1,858,057	-	3,023	-
Interest on long-term debt	833,107	-	-	-
Total governmental activities	\$ 11,272,035	\$ 282,615	\$ 789,086	\$ 1,862,645
Business-type activities:				
Water	\$ 2,116,235	\$ 2,062,128	\$ 29,368	\$ 819,467
Sewer	3,336,116	2,652,841	-	687,290
Total business-type activities	\$ 5,452,351	\$ 4,714,969	\$ 29,368	\$ 1,506,757
Total primary government	\$ 16,724,386	\$ 4,997,584	\$ 818,454	\$ 3,369,402
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility license taxes				
Meals 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 position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,923,193)	\$ -	\$ (2,923,193)
(1,692,789)	-	(1,692,789)
(767,826)	-	(767,826)
(265,740)	-	(265,740)
(1,855,034)	-	(1,855,034)
(833,107)	-	(833,107)
<u>\$ (8,337,689)</u>	<u>\$ -</u>	<u>\$ (8,337,689)</u>
\$ -	\$ 794,728	\$ 794,728
-	4,015	4,015
<u>\$ -</u>	<u>\$ 798,743</u>	<u>\$ 798,743</u>
<u>\$ (8,337,689)</u>	<u>\$ 798,743</u>	<u>\$ (7,538,946)</u>
\$ 3,088,573	\$ -	\$ 3,088,573
898,669	-	898,669
666,178	-	666,178
218,543	-	218,543
1,384,194	-	1,384,194
249,236	-	249,236
249,008	-	249,008
163,847	-	163,847
41,890	2,244	44,134
88,120	167,616	255,736
392,714	-	392,714
1,115,904	(1,115,904)	-
<u>\$ 8,556,876</u>	<u>\$ (946,044)</u>	<u>\$ 7,610,832</u>
219,187	(147,301)	71,886
39,834,189	18,239,070	58,073,259
<u>\$ 40,053,376</u>	<u>\$ 18,091,769</u>	<u>\$ 58,145,145</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2014

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 2)	\$ 4,846,146	\$ 1,388	\$ 157,903	\$ 5,005,437
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	1,246,217	6,762	-	1,252,979
Accounts receivable	168,567	-	-	168,567
Due from other governmental units (Note 3)	193,528	-	223,876	417,404
Prepaid items	63,487	-	-	63,487
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	340,373	-	2,206,885	2,547,258
Total assets	<u>\$ 6,858,318</u>	<u>\$ 8,150</u>	<u>\$ 2,588,664</u>	<u>\$ 9,455,132</u>
LIABILITIES				
Accounts payable	\$ 88,151	\$ 8,131	\$ 566,699	\$ 662,981
Accrued liabilities	239,958	1,014	-	240,972
Due to other funds	-	-	-	-
Unearned revenue	-	19,192	-	19,192
Deposits-other	-	850	-	850
Deposits held in escrow	308,322	-	-	308,322
Total liabilities	<u>\$ 636,431</u>	<u>\$ 29,187</u>	<u>\$ 566,699</u>	<u>\$ 1,232,317</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>\$ 1,200,250</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ 1,202,144</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	<u>\$ 63,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,487</u>
Restricted for:				
State highway maintenance	\$ 35,051	\$ -	\$ -	\$ 35,051
Loudoun Co. settlement funds	-	-	945,882	945,882
Fireman's field	-	-	399,984	399,984
Loudoun Co. - transportation and sidewalk projects	-	-	611,809	611,809
Unspent bond proceeds	-	-	42,636	42,636
Total restricted fund balance	<u>\$ 35,051</u>	<u>\$ -</u>	<u>\$ 2,000,311</u>	<u>\$ 2,035,362</u>
Committed for:				
Future capital outlay	\$ 668,635	\$ -	\$ -	\$ 668,635
Capital asset replacement	22,500	-	-	22,500
Total committed fund balance	<u>\$ 691,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,135</u>
Assigned for:				
Capital projects	\$ -	\$ -	\$ 21,654	\$ 21,654
Unassigned	<u>\$ 4,231,964</u>	<u>\$ (22,931)</u>	<u>\$ -</u>	<u>\$ 4,209,033</u>
Total fund balances (deficits)	<u>\$ 5,021,637</u>	<u>\$ (22,931)</u>	<u>\$ 2,021,965</u>	<u>\$ 7,020,671</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,858,318</u>	<u>\$ 8,150</u>	<u>\$ 2,588,664</u>	<u>\$ 9,455,132</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 Position
 As of June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,020,671
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 position includes those capital assets among the assets of the locality as a whole.		54,974,698
Interest paid on long-term debt is not accrued in governmental funds, but rather is recognized when paid.		(298,843)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.		
Unavailable revenue related to property taxes		43,583
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 Position.		
Total long-term liabilities	(22,032,295)	
Deferred charge on refunding	345,562	(21,686,733)
Net Position of governmental activities	\$	<u>40,053,376</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, 2014

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
REVENUES				
General property taxes	\$ 2,723,826	\$ 372,062	\$ -	\$ 3,095,888
Other local taxes	3,829,675	-	-	3,829,675
Permits, privilege fees, and regulatory licenses	217,668	-	-	217,668
Fines and forfeitures	64,947	-	-	64,947
Revenue from the use of money and property	1,028	40,325	537	41,890
Miscellaneous	51,588	36,531	-	88,119
Intergovernmental revenues:				
Local government	222,228	-	880,000	1,102,228
Commonwealth	1,125,299	-	705,030	1,830,329
Federal	27,542	28,959	55,387	111,888
Total revenues	\$ 8,263,801	\$ 477,877	\$ 1,640,954	\$ 10,382,632
EXPENDITURES				
Current:				
General government administration	\$ 2,515,213	\$ -	\$ -	\$ 2,515,213
Public safety	1,906,858	-	-	1,906,858
Public works	3,285,281	-	-	3,285,281
Parks, recreation, and cultural	-	183,440	-	183,440
Community development	420,836	-	-	420,836
Capital outlay	-	-	2,190,996	2,190,996
Debt service:				
Principal retirement	8,402,384	115,000	-	8,517,384
Interest and other fiscal charges	426,179	113,889	56,271	596,339
Bond issue costs	163,254	2,263	-	165,517
Total expenditures	\$ 17,120,005	\$ 414,592	\$ 2,247,267	\$ 19,781,864
Excess (deficiency) of revenues over (under) expenditures	\$ (8,856,204)	\$ 63,285	\$ (606,313)	\$ (9,399,232)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,115,904	\$ -	\$ 463,512	\$ 1,579,416
Transfers out	(463,512)	-	-	(463,512)
General obligation refunding bonds issued	10,840,000	320,000	-	11,160,000
Premium on general obligation refunding bonds	1,274,027	39,426	-	1,313,453
Payment to advance refunding bond escrow agent	(4,278,235)	(377,164)	-	(4,655,399)
Total other financing sources (uses)	\$ 8,488,184	\$ (17,738)	\$ 463,512	\$ 8,933,958
Net change in fund balances	\$ (368,020)	\$ 45,547	\$ (142,801)	\$ (465,274)
Fund balances - beginning, as restated	5,389,657	(68,478)	2,164,766	7,485,945
Fund balances - ending	<u>\$ 5,021,637</u>	<u>\$ (22,931)</u>	<u>\$ 2,021,965</u>	<u>\$ 7,020,671</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, 2014

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

Net change in fund balances - total governmental funds	\$	(465,274)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 2,229,536	
Depreciation expense	<u>(1,974,673)</u>	254,863

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,313)
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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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Proceeds from the issuance of general obligation refunding bonds	(11,160,000)	
Premium from the issuance of general obligation refunding bonds	(1,313,453)	
Principal retired on general obligation bonds	464,979	
Principal retired on notes payable	85,000	
Amortization of premium and deferred amount on refunding	17,683	
Payments to refunding bond escrow agent including deferred charge on refunding	<u>12,623,149</u>	717,358

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	(21,751)	
(Increase)/decrease in other post-employment benefit obligations	(169,762)	
(Increase)/decrease in accrued interest payable	<u>(88,934)</u>	<u>(280,447)</u>

Change in net position of governmental activities	\$	<u><u>219,187</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Fund Net Position
 Proprietary Funds
 As of June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,412,481	\$ 2,158,476	\$ 4,570,957
Prepaid items	9,571	9,230	18,801
Receivables, net of allowances for uncollectibles			
Accounts	303,444	522,548	825,992
Total current assets	\$ 2,725,496	\$ 2,690,254	\$ 5,415,750
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	\$ 859,016	\$ 164,293	\$ 1,023,309
Cash held for customer deposits	233,655	-	233,655
Total restricted assets	\$ 1,092,671	\$ 164,293	\$ 1,256,964
Capital assets:			
Utility plant in service	13,450,044	42,565,529	56,015,573
Land	2,672,409	367,100	3,039,509
Improvements other than buildings	445,000	-	445,000
Vehicles	172,036	156,712	328,748
Machinery and equipment	203,461	236,062	439,523
Construction in progress	765,220	2,116,293	2,881,513
Less accumulated depreciation	(3,500,372)	(4,212,287)	(7,712,659)
Total capital assets	\$ 14,207,798	\$ 41,229,409	\$ 55,437,207
Total noncurrent assets	\$ 15,300,469	\$ 41,393,702	\$ 56,694,171
Total assets	\$ 18,025,965	\$ 44,083,956	\$ 62,109,921
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 572,007	\$ 1,043,882	\$ 1,615,889
Total assets and deferred outflows of resources	\$ 18,597,972	\$ 45,127,838	\$ 63,725,810
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 43,871	\$ 61,307	\$ 105,178
Accrued payroll	27,512	30,123	57,635
Customers' deposits	233,655	-	233,655
Accrued interest payable	204,955	446,018	650,973
Unearned revenue	14,151	-	14,151
Compensated absences - current portion	4,502	5,628	10,130
Bonds - current portion	270,000	-	270,000
Total current liabilities	\$ 798,646	\$ 543,076	\$ 1,341,722
Noncurrent liabilities:			
Bonds - net of current portion	\$ 12,001,349	\$ 31,902,308	\$ 43,903,657
Compensated absences - net of current portion	40,519	50,648	91,167
Other post employment benefits	147,431	150,064	297,495
Total noncurrent liabilities	\$ 12,189,299	\$ 32,103,020	\$ 44,292,319
Total liabilities	\$ 12,987,945	\$ 32,646,096	\$ 45,634,041
NET POSITION			
Net investment in capital assets	\$ 3,367,472	\$ 10,535,276	\$ 13,902,748
Unrestricted	2,242,555	1,946,466	4,189,021
Total net position	\$ 5,610,027	\$ 12,481,742	\$ 18,091,769
Total liabilities and net position	\$ 18,597,972	\$ 45,127,838	\$ 63,725,810

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 2,033,290	\$ 2,624,003	\$ 4,657,293
Other revenues	28,838	28,838	57,676
Miscellaneous	9,917	7,059	16,976
Total operating revenues	<u>\$ 2,072,045</u>	<u>\$ 2,659,900</u>	<u>\$ 4,731,945</u>
OPERATING EXPENSES			
Personnel services	\$ 555,591	\$ 606,829	\$ 1,162,420
Employee benefits	236,594	244,948	481,542
Plant operations	344,181	538,409	882,590
Well operations	138,239	-	138,239
Pump station operations	-	25,130	25,130
Depreciation	307,219	650,541	957,760
Total operating expenses	<u>\$ 1,581,824</u>	<u>\$ 2,065,857</u>	<u>\$ 3,647,681</u>
Operating income (loss)	<u>\$ 490,221</u>	<u>\$ 594,043</u>	<u>\$ 1,084,264</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 29,368	\$ -	\$ 29,368
Investment earnings	1,704	540	2,244
Rental income	3,050	-	3,050
Cellular lease	147,590	-	147,590
Bond issuance costs	(109,209)	(248,422)	(357,631)
Interest expense	(425,202)	(1,021,837)	(1,447,039)
Total nonoperating revenues (expenses)	<u>\$ (352,699)</u>	<u>\$ (1,269,719)</u>	<u>\$ (1,622,418)</u>
Income before contributions and transfers	\$ 137,522	\$ (675,676)	\$ (538,154)
Contributed capital - availability fees	\$ 819,467	\$ 687,290	\$ 1,506,757
Transfers out	<u>\$ (557,952)</u>	<u>\$ (557,952)</u>	<u>\$ (1,115,904)</u>
Change in net position	\$ 399,037	\$ (546,338)	\$ (147,301)
Total net position - beginning	<u>5,210,990</u>	<u>13,028,080</u>	<u>18,239,070</u>
Total net position - ending	<u>\$ 5,610,027</u>	<u>\$ 12,481,742</u>	<u>\$ 18,091,769</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, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,343,448	\$ 2,697,855	\$ 5,041,303
Payments to suppliers	(685,871)	(629,306)	(1,315,177)
Payments to and on behalf of employees	(765,532)	(753,282)	(1,518,814)
Net cash provided by (used for) operating activities	\$ 892,045	\$ 1,315,267	\$ 2,207,312
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 29,368	\$ -	\$ 29,368
Transfers to other funds	(557,952)	(557,952)	(1,115,904)
Net cash provided by (used for) noncapital financing activities	\$ (528,584)	\$ (557,952)	\$ (1,086,536)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (621,129)	\$ (87,325)	\$ (708,454)
Capital contributions	819,467	687,290	1,506,757
Bond issuance costs	(109,209)	(248,422)	(357,631)
Retirements of long-term indebtedness	(344,139)	(576,106)	(920,245)
Payments to refunding bond escrow agent including deferred charge on refunding	(7,805,089)	(16,298,592)	(24,103,681)
Proceeds from indebtedness	7,105,000	15,425,000	22,530,000
Premium on indebtedness	809,297	1,118,584	1,927,881
Interest payments	(437,938)	(955,910)	(1,393,848)
Net cash provided by (used for) capital and related financing activities	\$ (583,740)	\$ (935,481)	\$ (1,519,221)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 1,704	\$ 540	\$ 2,244
Net cash provided by (used for) investing activities	\$ 1,704	\$ 540	\$ 2,244
Net increase (decrease) in cash and cash equivalents	\$ (218,575)	\$ (177,626)	\$ (396,201)
Cash and cash equivalents - beginning (including restricted)	3,723,727	2,500,395	6,224,122
Cash and cash equivalents - ending (including restricted)	\$ 3,505,152	\$ 2,322,769	\$ 5,827,921
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 490,221	\$ 594,043	\$ 1,084,264
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	307,219	650,541	957,760
Cellular lease revenue	147,590	-	147,590
Rental income	3,050	-	3,050
(Increase) decrease in accounts receivable	61,712	38,645	100,357
(Increase) decrease in prepaid items	(185)	(690)	(875)
Increase (decrease) in compensated absences	9,991	9,277	19,268
Increase (decrease) in payroll liabilities	(7,978)	(6,475)	(14,453)
Increase (decrease) in other post-employment benefits	24,640	27,273	51,913
Increase (decrease) in accounts payable	(203,266)	2,653	(200,613)
Increase (decrease) in unearned revenue	14,151	-	14,151
Increase (decrease) in customer deposits	44,900	-	44,900
Total adjustments	\$ 401,824	\$ 721,224	\$ 1,123,048
Net cash provided by (used for) operating activities	\$ 892,045	\$ 1,315,267	\$ 2,207,312

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, 2014

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 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 position 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 Position - The Statement of Net Position 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 Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 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, 2014 (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 unavailable 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. Special Revenue Fund

The special revenue fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Park and Recreation Fund, which is considered a major fund at June 30, 2014.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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

c. 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.

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 recognize 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

D. Budgets and Budgetary Accounting (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to encumber 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 calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$22,792 at June 30, 2014 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 Position 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 reported 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. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable 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.

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, 2014 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

K. 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 Position. In accordance with the provisions of Governmental 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.

L. 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 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

M. 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 \$22,792 at June 30, 2014 for uncollectible local property taxes.

N. 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.

O. 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.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carry value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. At June 30, 2014, the Town reported \$1,961,451 in deferred outflows for deferred charge on refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The Town reported \$1,158,563 in deferred inflows at June 30, 2014.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

Q. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

R. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

S. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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, 2014 (Continued)

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

S. Fund Equity: (Continued)

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, 2014 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, 2014 (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, 2014 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	\$ 1,013,013
State Non-Arbitrage Pool	<u>1,272,519</u>
Total	<u>\$ 2,285,532</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. 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. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 3—Due from Other Governmental Units:

Commonwealth:	
VDOT	\$ 202,880
Fire Programs Fund	3,669
Communications Tax	<u>27,298</u>
Due from Commonwealth	<u>\$ 233,847</u>
Federal Government:	
Highway Planning & Construction	<u>\$ 20,996</u>
County of Loudoun:	
Local Sales Tax	<u>\$ 162,561</u>
Total	<u>\$ 417,404</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets for the year ended June 30, 2014 follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	<u>9,089,824</u>	<u>2,091,081</u>	<u>2,882,385</u>	<u>8,298,520</u>
Total capital assets not being depreciated	<u>\$ 13,400,588</u>	<u>\$ 2,091,081</u>	<u>\$ 2,882,385</u>	<u>\$ 12,609,284</u>
Capital assets being depreciated:				
Buildings	\$ 12,080,410	\$ -	\$ -	\$ 12,080,410
Improvements other than buildings	2,443,993	1,613,518	-	4,057,511
Machinery and equipment	2,479,607	27,360	17,500	2,489,467
Vehicles	848,251	111,095	105,019	854,327
Infrastructure	<u>50,271,031</u>	<u>1,268,867</u>	<u>-</u>	<u>51,539,898</u>
Subtotal	<u>\$ 68,123,292</u>	<u>\$ 3,020,840</u>	<u>\$ 122,519</u>	<u>\$ 71,021,613</u>
Less: accumulated depreciation for:				
Buildings	\$ (634,631)	\$ (308,042)	\$ -	\$ (942,673)
Improvements other than buildings	(376,564)	(198,627)	-	(575,191)
Machinery and equipment	(1,490,129)	(197,966)	(17,500)	(1,670,595)
Vehicles	(708,665)	(77,297)	(105,019)	(680,943)
Infrastructure	<u>(23,594,056)</u>	<u>(1,192,741)</u>	<u>-</u>	<u>(24,786,797)</u>
Total accumulated depreciation	<u>\$ (26,804,045)</u>	<u>\$ (1,974,673)</u>	<u>\$ (122,519)</u>	<u>\$ (28,656,199)</u>
Net capital assets being depreciated	<u>\$ 41,319,247</u>	<u>\$ 1,046,167</u>	<u>\$ -</u>	<u>\$ 42,365,414</u>
Capital assets, net	<u>\$ 54,719,835</u>	<u>\$ 3,137,248</u>	<u>\$ 2,882,385</u>	<u>\$ 54,974,698</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business-type Activities)

A summary of changes in capital assets for the year ended June 30, 2014 follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	<u>3,299,111</u>	<u>675,423</u>	<u>1,093,021</u>	<u>2,881,513</u>
Total capital assets not being depreciated	<u>\$ 6,338,620</u>	<u>\$ 675,423</u>	<u>\$ 1,093,021</u>	<u>\$ 5,921,022</u>
Capital assets being depreciated:				
Utility plant in service	\$ 54,914,537	\$ 1,101,036	\$ -	\$ 56,015,573
Improvements other than buildings	445,000	-	-	445,000
Vehicles	323,734	25,014	20,000	328,748
Machinery and equipment	<u>439,523</u>	<u>-</u>	<u>-</u>	<u>439,523</u>
Subtotal	\$ 56,122,794	\$ 1,126,050	\$ 20,000	\$ 57,228,844
Less: accumulated depreciation for:				
Utility plant in service	\$ (5,980,196)	\$ (865,282)	\$ -	\$ (6,845,478)
Improvements other than buildings	(285,900)	(20,800)	-	(306,700)
Vehicles	(266,119)	(36,013)	(20,000)	(282,132)
Machinery and equipment	<u>(242,684)</u>	<u>(35,665)</u>	<u>-</u>	<u>(278,349)</u>
Total accumulated depreciation	<u>\$ (6,774,899)</u>	<u>\$ (957,760)</u>	<u>\$ (20,000)</u>	<u>\$ (7,712,659)</u>
Net capital assets being depreciated	<u>\$ 49,347,895</u>	<u>\$ 168,290</u>	<u>\$ -</u>	<u>\$ 49,516,185</u>
Capital assets, net	<u>\$ 55,686,515</u>	<u>\$ 843,713</u>	<u>\$ 1,093,021</u>	<u>\$ 55,437,207</u>

Note: Deletions of construction in progress are greater than additions to capital assets due to the fact that several projects that were capitalized in previous years were determined to be less than likely to be completed, thus appropriately expensed in the current year.

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

Governmental activities:

General government administration	\$ 302,268
Parks and recreation	80,510
Public safety	5,199
Public works	171,272
Community development	<u>1,415,424</u>
Total governmental activities	<u>\$ 1,974,673</u>
Enterprise funds	<u>\$ 957,760</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 5—Long-term Obligations:

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
General obligation bonds	\$ 19,929,554	\$ 11,160,000	\$ (12,736,091)	\$ 18,353,463
Premium on issuance	-	1,313,453	(24,159)	1,289,294
Total general obligation bonds	<u>\$ 19,929,554</u>	<u>\$ 12,473,453</u>	<u>\$ (12,760,250)</u>	<u>\$ 19,642,757</u>
Notes payable	\$ 1,190,000	-	(85,000)	\$ 1,105,000
Other post-employment benefits	\$ 760,907	\$ 190,259	\$ (20,497)	\$ 930,669
Compensated absences	\$ 332,118	\$ 322,780	\$ (301,029)	\$ 353,869
Totals	<u>\$ 22,212,579</u>	<u>\$ 12,986,492</u>	<u>\$ (13,166,776)</u>	<u>\$ 22,032,295</u>

The liability for other post-employment benefits and compensated absences of the governmental activities is liquidated by the general fund.

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

<u>Year Ending June 30,</u>	<u>Bonds</u>		<u>Notes</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2015	\$ 671,531	\$ 719,595	\$ 85,000
2016	748,543	696,367	85,000
2017	765,621	674,965	85,000
2018	787,768	652,606	85,000
2019	805,000	632,152	85,000
2020-2024	6,210,000	2,426,763	425,000
2025-2029	5,650,000	1,235,225	255,000
2030-2034	<u>2,715,000</u>	<u>255,819</u>	<u>-</u>
Total	<u>\$ 18,353,463</u>	<u>\$ 7,293,492</u>	<u>\$ 1,105,000</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 5—Long—term Obligations: (Continued)

Details of Long-term Obligations:

	<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.	\$ 258,463	\$ 61,531
\$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.	2,095,000	50,000
\$4,840,000 (total bond issued was \$5,870,000 allocated between governmental and business-type activities) General Obligation Public Improvement and Refunding Bond Series 2012A dated December 6, 2012 with principal payments beginning in 2016, bearing interest at 2.75% payable semi-annually, maturing August 1, 2032.	4,840,000	-
\$11,160,000 (total bonds issued were \$33,690,000, allocated between governmental and enterprise activities) General Obligation Refunding Bonds Series 2013A & 2013B dated October 16, 2013 with principal payable annually beginning February 1, 2015, bearing interest from 2.00% - 5.00% payable semi-annually, maturing February 1, 2034.	11,160,000	560,000
Premium on bond issuance	<u>1,289,294</u>	<u>-</u>
Total Bonds	<u>\$ 19,642,757</u>	<u>\$ 671,531</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 2026, bearing interest at 0%.	<u>\$ 1,105,000</u>	<u>\$ 85,000</u>
Compensated Absences (Note 6)	<u>\$ 353,869</u>	<u>\$ 35,387</u>
Other post-employment benefits (Note 12)	<u>\$ 930,669</u>	<u>\$ -</u>
Total general long-term obligations	<u>\$ 22,032,295</u>	<u>\$ 791,918</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 5—Long—term Obligations: (Continued)

Enterprise Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town’s enterprise activities for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
General obligation bonds	\$ 43,055,234	\$ 22,530,000	\$ (23,417,200)	\$ 42,168,034
Premium on issuance	<u>139,501</u>	<u>1,927,881</u>	<u>(61,759)</u>	<u>2,005,623</u>
Total general obligation bonds	\$ <u>43,194,735</u>	\$ <u>24,457,881</u>	\$ <u>(23,478,959)</u>	\$ <u>44,173,657</u>
Other post-employment benefits	\$ <u>245,582</u>	\$ <u>58,186</u>	\$ <u>(6,273)</u>	\$ <u>297,495</u>
Compensated absences	\$ <u>82,029</u>	\$ <u>92,824</u>	\$ <u>(73,556)</u>	\$ <u>101,297</u>
Totals	\$ <u><u>43,522,346</u></u>	\$ <u><u>24,608,891</u></u>	\$ <u><u>(23,558,788)</u></u>	\$ <u><u>44,572,449</u></u>

The liability for other post-employment benefits and compensated absences is liquidated by the general fund.

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

	<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
		<u>Principal</u>	<u>Interest</u>
2015	\$ 270,000	\$ 1,666,468	
2016	305,000	1,654,179	
2017	315,000	1,640,726	
2018	330,000	1,626,514	
2019	345,000	1,610,930	
2020-2024	12,774,771	7,027,262	
2025-2029	14,885,685	4,472,083	
2030-2034	<u>12,942,578</u>	<u>1,513,775</u>	
Total	\$ <u><u>42,168,034</u></u>	\$ <u><u>21,211,937</u></u>	

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 5—Long—term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$22,530,000 (total bonds issued were \$33,690,000, allocated between governmental and enterprise activities) General Obligation Refunding Bonds Series 2013A & 2013B dated October 16, 2013 with principal payable annually beginning February 1, 2015, bearing interest from 2.00% - 5.00% payable semi-annually, maturing February 1, 2034.	\$ 22,530,000	\$ -
\$24,944,377 (original amount issued) General Obligation Bond, Series 2008 (VRA) with principal payable annually, bearing interest at 2.77%, maturing 2030. The bond was partially refunded and annual requirements were restructured with issuance of the Series 2013A & 2013B General Obligation Refunding Bonds. After the restructuring the balance was \$18,288,255.	15,373,034	-
\$1,030,000 (total bond issued was \$5,870,000 allocated between governmental and business-type activities) General Obligation Public Improvement and Refunding Bond Series 2012A dated December 6, 2012 with principal payment due upon maturity, bearing interest at 2.75% payable semi-annually, maturing August 1, 2032.	1,030,000	-
\$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.	2,060,000	95,000
\$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.	1,175,000	175,000
Premium on issuance	<u>2,005,623</u>	<u>-</u>
Total bonds	\$ <u>44,173,657</u>	\$ <u>270,000</u>
Compensated Absences (Note 6)	\$ <u>101,297</u>	\$ <u>10,130</u>
Other post employment benefits (Note 12)	\$ <u>297,495</u>	\$ <u>-</u>
Total enterprise long-term obligations	\$ <u><u>44,572,449</u></u>	\$ <u><u>280,130</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 5—Long—term Obligations: (Continued)

Defeased Debt - Current and Advanced Refundings

On October 16, 2013, the Town issued General Obligation Refunding Bonds Series 2013A and 2013B in the amount of \$27,155,000 and \$6,535,000 to current refund Series 2008 General Obligation Bonds and Series 2010 General Obligation Refunding bonds in addition to advance refunding Series 2008 General Obligation Bonds, Series 2005A, Series 2005B and partially advance refund VRA Series 2008 Bonds. The Series 2013A and 2013B General Obligation Refunding Bonds were issued at a premium of \$3,241,335. In addition to refunding some bonds with higher interest rates, the Town restructured existing debt to provide for a more favorable repayment schedule.

The Series 2013A and 2013B bonds were issued at interest rates from 2.00% - 5.0% to current refund bonds (Series 2008 General Obligation Bonds and Series 2010 General Obligation Bonds (governmental activities), with interest rates of 4.125% and 3.03%, respectively. From the Series 2013A and 2013B refunding bonds, \$7,967,405 of the proceeds were used to defease existing debt.

The Series 2013A and 2013B bonds were issued at interest rates from 2.00% - 5.0% to advance refund bonds (Series 2008 General Obligation Bonds and Series 2005A, Series 2005B and partially refund VRA Series 2008 Bonds), with interest rates from 3.00% to 4.46%. From the Series 2013A and 2013B refunding bonds, \$28,759,079 of the proceeds were placed in escrow for advance refunding of bonds.

With the issuance of the Series 2013A and Series 2013B the total par amount of bonds current and advance refunded was \$34,767,720 and resulted in an economic loss of \$1,903,660.

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 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 \$353,869 and the Enterprise Funds have outstanding accrued leave pay of \$101,297.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1—Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 2 (CONTINUED)

9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.
- Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.
- Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.
- VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers’ Retirement System (SPORS)
 - Members of the Virginia Law Officers’ Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

3. *Non-Eligible Members: (Continued)

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

- 4. Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (Continued)

6. Vesting (Continued)

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Pension Plan: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (Continued)

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report 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/2013-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, 2014 (Continued)

Note 7—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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 2014 was 12.47% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Town’s annual pension cost of \$520,790 was equal to the Town’s required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/14	\$ 520,790	100%	\$ -
06/30/13	596,530	100%	-
06/30/12	405,985	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 7—Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 85.93% funded. The actuarial accrued liability for benefits was \$9,915,960, and the actuarial value of assets was \$8,521,164, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,394,796. The covered payroll (annual payroll of active employees covered by the plan) was \$3,983,932 and ratio of the UAAL to the covered payroll was 35.01%.

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 (AAL) for benefits.

Note 8—Deferred Revenue/Unearned Revenue/Unavailable Revenue:

Deferred revenue/unearned and unavailable 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.

A. Unavailable Property Tax Revenue (Deferred Inflow)

Unavailable revenue representing deferred property tax revenues totaled \$1,190,599 at June 30, 2014.

B. Prepaid Property Taxes (Deferred Inflow)

Property taxes due subsequent to June 30, 2014, but paid in advance by the taxpayers totaled \$9,651 at June 30, 2014.

C. Firemen's Field Service Tax (Deferred Inflow)

At June 30, 2014, the Firemen's Field Service Tax unavailable revenue to be recognized when earned totaled \$1,894.

D. Parks and Recreation

Unearned Wine Festival revenue was \$4,800 and unearned Build America Bond Subsidy was \$14,392 at June 30, 2014.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

Note 9—Risk Management:

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

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

Note 10—Interfund Transfers:

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,115,904	\$ 463,512
Capital Projects Fund	463,512	-
Water Fund	-	557,952
Sewer Fund	-	557,952
Total	<u>\$ 1,579,416</u>	<u>\$ 1,579,416</u>

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

Note 11—Commitments:

At June 30, 2014 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
Lane Construction	Southern Collector Road	\$ 207,779
Arthur Construction	North 21st Street Sidewalk	39,295
Hammerhead Construction	Fireman's Field Ticket Booth and Storage Buildings	229,658
Dominion Virginia Power	A Street Shared Use Path	41,975
Snyder Environmental	Nature Park Wells	96,087
IPR Northeast	Inflow and Infiltration Improvements	108,454
Finley Asphalt	East Main Street Sidewalk Improvements	447,443
Fuog/Interbuild	A" Street Shared Use Path	300,061

Note 12—Other Post-employment Benefits Program:

Background

Governmental Accounting Standards Board (GASB) Statement No. 45 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. Prior to this statement, the Town's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the Town accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Town. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

In addition to the pension benefits described in Note 7, the Town provides 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 \$248,445 for fiscal year 2014. 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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

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	\$ 238,000
Interest on net OPEB obligation	31,546
Adjustment to annual required contribution	<u>(21,101)</u>
Annual OPEB cost (expense)	\$ 248,445
Estimated contributions made	<u>(26,770)</u>
Increase in net OPEB obligation	\$ 221,675
Net OPEB obligation - beginning of year	<u>1,006,489</u>
Net OPEB obligation - end of year	<u><u>\$ 1,228,164</u></u>

For 2014, the Town's estimated cash payment of \$26,770 was \$221,675 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 2014 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, 2012	\$ 212,917	5.73%	\$ 788,646
June 30, 2013	234,343	7.04%	1,006,489
June 30, 2014	248,445	10.78%	1,228,164

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%

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

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

Funded Status and Funding Progress: (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 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 7.7% 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.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2014 (Continued)

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

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

Interest Assumptions

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

Note 13—Operating Leases:

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 145,193
2016	115,993
2017	82,922
2018	<u>45,272</u>
Total	<u>\$ 389,380</u>

Note 14—Reclassification of Fund Balance:

A reclassification of fund balance between the general fund and the capital project fund was necessary to allocate equity as part of segregating and reporting the capital projects as a separate governmental fund. The reallocation of equity represents items previously accumulated by the general fund for future capital expenditures during the period in which the Town did not report a capital projects fund.

	<u>General Government</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>
Beginning fund balance, July 1, 2013	\$ 7,583,343	\$ (28,920)
Reallocation of equity	<u>(2,193,686)</u>	<u>2,193,686</u>
Beginning net position July 1, 2013, as restated	<u>\$ 5,389,657</u>	<u>\$ 2,164,766</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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General Fund

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,652,935	\$ 2,652,935	\$ 2,723,826	\$ 70,891
Other local taxes	3,725,913	3,725,913	3,829,675	103,762
Permits, privilege fees, and regulatory licenses	76,000	76,000	217,668	141,668
Fines and forfeitures	73,150	73,150	64,947	(8,203)
Revenue from the use of money and property	1,800	1,800	1,028	(772)
Miscellaneous	16,600	20,600	51,588	30,988
Intergovernmental revenues:				
Local government	222,228	222,228	222,228	-
Commonwealth	1,108,597	1,108,597	1,125,299	16,702
Federal	-	-	27,542	27,542
Total revenues	\$ 7,877,223	\$ 7,881,223	\$ 8,263,801	\$ 382,578
EXPENDITURES				
Current:				
General government administration	\$ 2,369,765	\$ 2,610,970	\$ 2,515,213	\$ 95,757
Public safety	1,924,269	1,924,269	1,906,858	17,411
Public works	3,009,277	3,384,132	3,285,281	98,851
Community development	459,934	459,934	420,836	39,098
Debt service:				
Principal retirement	625,080	625,080	8,402,384	(7,777,304)
Interest and other fiscal charges	590,792	590,792	426,179	164,613
Bond issue costs	-	-	163,254	(163,254)
Total expenditures	\$ 8,979,117	\$ 9,595,177	\$ 17,120,005	\$ (7,524,828)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,101,894)	\$ (1,713,954)	\$ (8,856,204)	\$ (7,142,250)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,115,904	\$ 1,115,904	\$ 1,115,904	\$ -
Transfers out	-	(247,856)	(463,512)	(215,656)
General obligation refunding bonds issued	-	-	10,840,000	10,840,000
Premium on general obligation refunding bonds	-	-	1,274,027	1,274,027
Payment to advance refunding bond escrow agent	-	-	(4,278,235)	(4,278,235)
Total other financing sources (uses)	\$ 1,115,904	\$ 868,048	\$ 8,488,184	\$ 7,620,136
Net change in fund balance	\$ 14,010	\$ (845,906)	\$ (368,020)	\$ 477,886
Fund balance - beginning, as restated	(14,010)	845,906	5,389,657	4,543,751
Fund balance - ending	\$ -	\$ -	\$ 5,021,637	\$ 5,021,637

Parks and Recreation Fund
 Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 348,520	\$ 351,020	\$ 372,062	\$ 21,042
Revenue from the use of money and property	38,400	38,400	40,325	1,925
Miscellaneous	23,450	28,950	36,531	7,581
Intergovernmental revenues:				
Federal	29,290	29,290	28,959	(331)
Total revenues	\$ 439,660	\$ 447,660	\$ 477,877	\$ 30,217
EXPENDITURES				
Current:				
Parks and recreation	\$ 177,691	\$ 193,191	\$ 183,440	\$ 9,751
Debt service:				
Principal retirement	136,779	136,779	115,000	21,779
Interest and other fiscal charges	117,690	117,690	113,889	3,801
Bond issue costs	-	-	2,263	(2,263)
Total expenditures	\$ 432,160	\$ 447,660	\$ 414,592	\$ 33,068
Excess (deficiency) of revenues over (under) expenditures	\$ 7,500	\$ -	\$ 63,285	\$ 63,285
OTHER FINANCING SOURCES (USES)				
General obligation refunding bonds issued	\$ -	\$ -	\$ 320,000	\$ 320,000
Premium on general obligation refunding bonds	-	-	39,426	39,426
Payment to refunding bond escrow agent	-	-	(377,164)	(377,164)
Total other financing sources (uses)	\$ -	\$ -	\$ (17,738)	\$ (17,738)
Net change in fund balance	\$ 7,500	\$ -	\$ 45,547	\$ 45,547
Fund balance - beginning	(7,500)	-	(68,478)	(68,478)
Fund balance - ending	\$ -	\$ -	\$ (22,931)	\$ (22,931)

Schedules of Funding Progress
As of June 30, 2014

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)
06/30/11	\$ 7,061,806	\$ 8,641,576	\$ 1,579,770	81.72%	\$ 3,867,344	40.85%
06/30/12	7,608,789	9,568,315	1,959,526	79.52%	3,903,172	50.20%
06/30/13	8,521,164	9,915,960	1,394,796	85.93%	3,983,932	35.01%

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)
01/01/11	\$ -	\$ 1,341,400	\$ 1,341,400	0.0%	\$ 4,465,300	30.04%
01/01/12	*	-	1,650,700	0.0%	4,088,000	40.38%

* Per GASB 45, Actuarial valuation for Other Post-employment Benefits performed triennially

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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, 2014

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	\$ 2,262,680	\$ 2,262,680	\$ 2,308,382	\$ 45,702
Personal property taxes	365,255	365,255	382,469	17,214
Penalties and interest	25,000	25,000	32,975	7,975
Total general property taxes	<u>\$ 2,652,935</u>	<u>\$ 2,652,935</u>	<u>\$ 2,723,826</u>	<u>\$ 70,891</u>
Other local taxes:				
Local sales and use taxes	\$ 945,189	\$ 945,189	\$ 898,669	\$ (46,520)
Cigarette taxes	260,633	260,633	249,236	(11,397)
Business license taxes	650,000	650,000	666,178	16,178
Utility license taxes	206,000	206,000	218,543	12,543
Motor vehicle license taxes	135,000	135,000	153,981	18,981
Bank franchise taxes	240,000	240,000	249,008	9,008
Cable franchise taxes	9,000	9,000	9,866	866
Meals tax	1,280,091	1,280,091	1,384,194	104,103
Total other local taxes	<u>\$ 3,725,913</u>	<u>\$ 3,725,913</u>	<u>\$ 3,829,675</u>	<u>\$ 103,762</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 76,000	\$ 76,000	\$ 217,668	\$ 141,668
Total permits, privilege fees, and regulatory licenses	<u>\$ 76,000</u>	<u>\$ 76,000</u>	<u>\$ 217,668</u>	<u>\$ 141,668</u>
Fines and forfeitures:				
Police fines	\$ 73,150	\$ 73,150	\$ 64,947	\$ (8,203)
Total fines and forfeitures	<u>\$ 73,150</u>	<u>\$ 73,150</u>	<u>\$ 64,947</u>	<u>\$ (8,203)</u>
Revenue from use of money and property:				
Interest	\$ 1,800	\$ 1,800	\$ 1,028	\$ (772)
Total revenue from use of money and property	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 1,028</u>	<u>\$ (772)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 7,800	\$ 7,800	\$ 15,900	\$ 8,100
Proceeds from sales of property	2,000	2,000	15,569	13,569
Local grant & awards	-	4,000	4,500	500
Donations	100	100	-	(100)
Community events sign	1,000	1,000	1,470	470
Public Works reimbursement from others	3,300	3,300	12,361	9,061
Vehicle compensation reimbursement	2,400	2,400	1,788	(612)
Total miscellaneous revenue	<u>\$ 16,600</u>	<u>\$ 20,600</u>	<u>\$ 51,588</u>	<u>\$ 30,988</u>
Total revenue from local sources	<u>\$ 6,546,398</u>	<u>\$ 6,550,398</u>	<u>\$ 6,888,732</u>	<u>\$ 338,334</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenue:				
Revenues from local governments:				
Gasoline tax funding from Loudoun County	\$ 222,228	\$ 222,228	\$ 222,228	\$ -
Total local intergovernmental revenue	<u>\$ 222,228</u>	<u>\$ 222,228</u>	<u>\$ 222,228</u>	<u>\$ -</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 170,000	\$ 170,000	\$ 162,002	\$ (7,998)
Personal property tax relief funds	201,753	201,753	201,753	-
Total noncategorical aid	<u>\$ 371,753</u>	<u>\$ 371,753</u>	<u>\$ 363,755</u>	<u>\$ (7,998)</u>
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 106,648	\$ 106,648	\$ 106,648	\$ -
Total shared expenses	<u>\$ 106,648</u>	<u>\$ 106,648</u>	<u>\$ 106,648</u>	<u>\$ -</u>
Other categorical aid:				
Other categorical aid	\$ -	\$ -	\$ 3,987	\$ 3,987
Fire program funds	20,000	20,000	23,206	3,206
Highway maintenance funds	606,796	606,796	624,680	17,884
Litter control grant	3,400	3,400	3,023	(377)
Total other categorical aid	<u>\$ 630,196</u>	<u>\$ 630,196</u>	<u>\$ 654,896</u>	<u>\$ 24,700</u>
Total categorical aid	<u>\$ 736,844</u>	<u>\$ 736,844</u>	<u>\$ 761,544</u>	<u>\$ 24,700</u>
Total revenue from the Commonwealth	<u>\$ 1,108,597</u>	<u>\$ 1,108,597</u>	<u>\$ 1,125,299</u>	<u>\$ 16,702</u>
Revenue from the federal government:				
Categorical aid:				
Highway safety grant	\$ -	\$ -	\$ 4,349	\$ 4,349
Law enforcement funds	-	-	633	633
Emergency management grant	-	-	22,560	22,560
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,542</u>	<u>\$ 27,542</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,542</u>	<u>\$ 27,542</u>
Total General Fund	<u><u>\$ 7,877,223</u></u>	<u><u>\$ 7,881,223</u></u>	<u><u>\$ 8,263,801</u></u>	<u><u>\$ 382,578</u></u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Parks and Recreation Fund:				
Revenue from local sources:				
General property taxes:				
Real property - special tax district	\$ 348,520	\$ 349,520	\$ 370,418	\$ 20,898
Penalties and interest	-	1,500	1,644	144
Total general property taxes	<u>\$ 348,520</u>	<u>\$ 351,020</u>	<u>\$ 372,062</u>	<u>\$ 21,042</u>
Revenue from use of money and property:				
Revenue from the use of property	\$ 38,400	\$ 38,400	\$ 40,325	\$ 1,925
Total revenue from use of money and property	<u>\$ 38,400</u>	<u>\$ 38,400</u>	<u>\$ 40,325</u>	<u>\$ 1,925</u>
Miscellaneous revenue:				
Product sales	\$ 1,000	\$ 1,000	\$ 231	\$ (769)
Donations	600	600	500	(100)
Garden plot	450	450	325	(125)
Event revenue	21,300	26,800	35,475	8,675
Miscellaneous	100	100	-	(100)
Total miscellaneous revenue	<u>\$ 23,450</u>	<u>\$ 28,950</u>	<u>\$ 36,531</u>	<u>\$ 7,581</u>
Total revenue from local sources	<u>\$ 410,370</u>	<u>\$ 418,370</u>	<u>\$ 448,918</u>	<u>\$ 30,548</u>
Revenue from the federal government:				
Noncategorical aid:				
BAB subsidy	\$ 29,290	\$ 29,290	\$ 28,959	\$ (331)
Total noncategorical aid	<u>\$ 29,290</u>	<u>\$ 29,290</u>	<u>\$ 28,959</u>	<u>\$ (331)</u>
Total revenue from the federal government	<u>\$ 29,290</u>	<u>\$ 29,290</u>	<u>\$ 28,959</u>	<u>\$ (331)</u>
Total Parks and Recreation Fund	<u>\$ 439,660</u>	<u>\$ 447,660</u>	<u>\$ 477,877</u>	<u>\$ 30,217</u>
Capital Projects Fund:				
General Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Loudoun County settlement	\$ -	\$ 1,749,492	\$ -	\$ (1,749,492)
Other miscellaneous	-	1,086,961	880,000	(206,961)
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 2,836,453</u>	<u>\$ 880,000</u>	<u>\$ (1,956,453)</u>
Revenue from use of money and property:				
Interest	\$ -	\$ -	\$ 537	\$ 537
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ 537</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 2,836,453</u>	<u>\$ 880,537</u>	<u>\$ (1,955,916)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grants	\$ 300,000	\$ 2,239,211	\$ 705,030	\$ (1,534,181)
Total revenue from the Commonwealth	<u>\$ 300,000</u>	<u>\$ 2,239,211</u>	<u>\$ 705,030</u>	<u>\$ (1,534,181)</u>
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	\$ -	\$ 1,774,735	\$ 55,387	\$ (1,719,348)
Total categorical aid	<u>\$ -</u>	<u>\$ 1,774,735</u>	<u>\$ 55,387</u>	<u>\$ (1,719,348)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 1,774,735</u>	<u>\$ 55,387</u>	<u>\$ (1,719,348)</u>
Total General Capital Improvements Fund	<u>\$ 300,000</u>	<u>\$ 6,850,399</u>	<u>\$ 1,640,954</u>	<u>\$ (5,209,445)</u>
Total Primary Government	<u>\$ 8,616,883</u>	<u>\$ 15,179,282</u>	<u>\$ 10,382,632</u>	<u>\$ (4,796,650)</u>

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Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 63,236	\$ 63,236	\$ 65,802	\$ (2,566)
General and financial administration:				
Administration	\$ 1,096,100	\$ 1,096,100	\$ 1,058,679	\$ 37,421
Building administration	35,000	35,000	36,284	(1,284)
Legal services	100,000	331,345	377,693	(46,348)
Financial administration	48,200	48,200	26,800	21,400
Information technology	231,436	231,436	166,936	64,500
Finance	785,985	795,845	756,249	39,596
Retiree benefits	9,808	9,808	26,770	(16,962)
Total general and financial administration	\$ 2,306,529	\$ 2,547,734	\$ 2,449,411	\$ 98,323
Total general government administration	\$ 2,369,765	\$ 2,610,970	\$ 2,515,213	\$ 95,757
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,823,613	\$ 1,823,613	\$ 1,803,652	\$ 19,961
Fire and rescue services:				
Fire department	\$ 60,656	\$ 60,656	\$ 63,206	\$ (2,550)
Ambulance and rescue services	40,000	40,000	40,000	-
Total fire and rescue services	\$ 100,656	\$ 100,656	\$ 103,206	\$ (2,550)
Total public safety	\$ 1,924,269	\$ 1,924,269	\$ 1,906,858	\$ 17,411
Public works:				
Highways, streets, bridges and sidewalks	\$ 551,000	\$ 876,000	\$ 914,585	\$ (38,585)
Administration	401,055	425,910	362,583	63,327
General properties	1,209,221	1,213,221	1,171,725	41,496
Capital and engineer	448,001	461,001	443,896	17,105
Refuse	400,000	408,000	392,492	15,508
Total public works	\$ 3,009,277	\$ 3,384,132	\$ 3,285,281	\$ 98,851
Community development:				
Planning and community development:				
Planning	\$ 416,267	\$ 416,267	\$ 387,464	\$ 28,803
Planning commission	14,349	14,349	11,973	2,376
Board of zoning and appeals	250	250	-	250
Board of architectural review	5,368	5,368	2,892	2,476
Total planning and community development	\$ 436,234	\$ 436,234	\$ 402,329	\$ 33,905
Environmental management:				
Environmental service	\$ 1,500	\$ 1,500	\$ 102	\$ 1,398
Total environmental management	\$ 1,500	\$ 1,500	\$ 102	\$ 1,398

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Economic development:				
Economic development	\$ 22,200	\$ 22,200	\$ 18,405	\$ 3,795
Total community development	\$ 459,934	\$ 459,934	\$ 420,836	\$ 39,098
Debt service:				
Principal retirement and interest	\$ 625,080	\$ 625,080	\$ 8,402,384	\$ (7,777,304)
Interest and other fiscal charges	590,792	590,792	426,179	164,613
Bond issue costs	-	-	163,254	(163,254)
Total debt service	\$ 1,215,872	\$ 1,215,872	\$ 8,991,817	\$ (7,775,945)
Total General Fund	<u>\$ 8,979,117</u>	<u>\$ 9,595,177</u>	<u>\$ 17,120,005</u>	<u>\$ (7,524,828)</u>
Special Revenue Fund:				
Parks and Recreation Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Management	\$ 66,216	\$ 66,216	\$ 73,608	\$ (7,392)
Skating rink	33,000	40,500	29,667	10,833
Train station	25,450	25,450	22,538	2,912
Programs	50,825	53,225	53,355	(130)
Firemans Field	-	5,600	3,985	1,615
Tree commission	2,200	2,200	287	1,913
Total parks, recreation, and cultural	\$ 177,691	\$ 193,191	\$ 183,440	\$ 9,751
Debt service:				
Principal retirement and interest	\$ 136,779	\$ 136,779	\$ 115,000	\$ 21,779
Interest and other fiscal charges	117,690	117,690	113,889	3,801
Bond issue costs	-	-	2,263	(2,263)
Total debt service	\$ 254,469	\$ 254,469	\$ 231,152	\$ 23,317
Total Parks and Recreation Fund	<u>\$ 432,160</u>	<u>\$ 447,660</u>	<u>\$ 414,592</u>	<u>\$ 33,068</u>
Capital Projects Fund:				
Capital projects expenditures:				
General capital projects	\$ 300,000	\$ 2,006,417	\$ 240,116	\$ 1,766,301
Maintenance facility	-	35,651	35,651	-
Main and Maple improvements	-	980,116	9,856	970,260
Main Street sidewalks	-	657,025	56,673	600,352
N. 21st Street sidewalk	-	253,124	53,061	200,063
Southern Collector road	-	889,373	407,288	482,085
Country Club and 33rd St.	-	1,149,168	979,184	169,984
A' Street sidewalk	-	730,000	118,191	611,809
Fireman's field upgrades	-	506,961	257,976	248,985
New town hall renovation	-	61,920	33,000	28,920
Total capital projects	\$ 300,000	\$ 7,269,755	\$ 2,190,996	\$ 5,078,759
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 56,271	\$ (56,271)
Total Capital Projects Fund	<u>\$ 300,000</u>	<u>\$ 7,269,755</u>	<u>\$ 2,247,267</u>	<u>\$ 5,022,488</u>
Total Primary Government	<u>\$ 9,711,277</u>	<u>\$ 17,312,592</u>	<u>\$ 19,781,864</u>	<u>\$ (2,469,272)</u>

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund:				
Operating revenues:				
Water meter fees	\$ 5,437	\$ 5,437	\$ 10,019	\$ 4,582
Water fees	2,233,007	2,233,007	2,022,154	(210,853)
Miscellaneous income	4,750	4,750	9,917	5,167
Penalties and interest	25,000	25,000	28,838	3,838
Water flushing	1,000	1,000	1,117	117
Total operating revenues	<u>\$ 2,269,194</u>	<u>\$ 2,269,194</u>	<u>\$ 2,072,045</u>	<u>\$ (197,149)</u>
Operating expenses:				
Personnel:				
Water staff	\$ 519,199	\$ 519,199	\$ 513,923	\$ 5,276
Overtime - Water	30,000	30,000	41,668	(11,668)
Employee benefits:				
Health insurance	95,698	95,698	113,571	(17,873)
Retirement	64,744	64,744	61,040	3,704
Workers' compensation	12,148	12,148	10,445	1,703
Payroll taxes	42,014	42,014	41,763	251
Drug testing	715	715	390	325
Life insurance	6,178	6,178	5,825	353
Long term disability	2,840	2,840	-	2,840
Deferred compensation match	3,640	3,640	3,560	80
Plant operations & meter reading:				
Electricity	18,000	18,000	16,824	1,176
Telephone	8,300	8,300	10,606	(2,306)
Supplies	21,100	21,100	14,419	6,681
Lab Equipment	14,500	14,500	416	14,084
Contracts	32,000	32,000	32,378	(378)
Uniforms	5,500	5,500	5,786	(286)
Safety	9,000	9,000	7,623	1,377
Sludge disposal	14,500	14,500	11,327	3,173
Cross connections	1,000	1,000	-	1,000
Plant repairs	51,000	51,000	27,557	23,443
Water line repairs	29,000	29,000	15,490	13,510
Leak detection	3,100	3,100	-	3,100
Meter repairs & testing	2,000	2,000	582	1,418
New water meters	11,600	11,600	8,590	3,010
Computer upgrades	3,200	3,200	1,556	1,644
Chemicals - plant	32,100	32,100	23,787	8,313
Generator WTP	2,000	2,000	-	2,000
Permits	6,800	6,800	3,531	3,269
Public education	2,000	2,000	-	2,000
VDH operations fee	13,600	13,600	8,121	5,479
GIS layers	10,000	10,000	10,000	-
Advertisements	1,000	1,000	860	140
Water samples	14,250	14,250	12,115	2,135
Training	9,000	9,000	2,180	6,820
Dues & subscriptions	1,200	1,200	1,195	5
Consumer reports	2,100	2,100	-	2,100
General expenses	2,000	2,000	711	1,289
Postage/mailings	11,500	11,500	6,186	5,314
Miscellaneous	-	-	3,427	(3,427)

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund: (Continued)				
Operating expenses: (Continued)				
Plant operations & meter reading: (Continued)				
Professional services	\$ 35,000	\$ 35,000	\$ 29,101	\$ 5,899
Watershed management	4,500	4,500	3,245	1,255
Forestry management	3,100	3,100	2,230	870
Environmental compliance	4,500	4,500	2,549	1,951
Administrative supplies	500	500	64	436
Water department emergency	4,200	4,200	-	4,200
Purchased water	106,000	106,000	28,947	77,053
Billing software	3,000	3,000	-	3,000
Water conservation development	4,250	4,250	4,894	(644)
New equipment & tools	32,000	32,000	13,258	18,742
Vehicle repairs and maintenance	14,500	14,500	17,588	(3,088)
Propane	12,500	12,500	17,038	(4,538)
Other expenses:				
Well operations:				
Electricity	42,000	42,000	50,893	(8,893)
Telephone	1,200	1,200	664	536
Supplies	31,500	31,500	14,838	16,662
Contracts	22,000	22,000	13,980	8,020
Spare parts	6,100	6,100	3,763	2,337
Repairs	43,500	43,500	34,790	8,710
Chemicals	24,500	24,500	17,125	7,375
Carbon change-out	21,000	21,000	-	21,000
Water samples	12,500	12,500	2,186	10,314
Depreciation	737,638	737,638	307,219	430,419
Capital outlay	25,000	1,406,700	-	1,406,700
Total operating expenses	\$ 2,299,514	\$ 3,681,214	\$ 1,581,824	\$ 2,099,390
Operating income (loss)	\$ (30,320)	\$ (1,412,020)	\$ 490,221	\$ 1,902,241
Nonoperating revenues (expenses):				
Interest earned	\$ 500	\$ 500	\$ 1,704	\$ 1,204
Cellular lease	140,000	140,000	147,590	7,590
Rental income	3,050	3,050	3,050	-
Intergovernmental revenue	29,704	29,704	29,368	(336)
Bond issuance costs	-	-	(109,209)	(109,209)
Interest expense	(494,667)	(494,667)	(425,202)	69,465
Total nonoperating revenues (expenses)	\$ (321,413)	\$ (321,413)	\$ (352,699)	\$ (31,286)
Net income (loss) before operating transfers and contributions	\$ (351,733)	\$ (1,733,433)	\$ 137,522	\$ 1,870,955
Other financing sources (uses):				
Contributed capital - availability fees	\$ 502,203	\$ 502,203	\$ 819,467	\$ 317,264
Issuance of debt	-	1,381,700	-	(1,381,700)
Transfers in	-	-	-	-
Transfers out	(557,952)	(557,952)	(557,952)	-
Total other financing sources (uses)	\$ (55,749)	\$ 1,325,951	\$ 261,515	\$ (1,064,436)
Net position increase (decrease)	\$ (407,482)	\$ (407,482)	\$ 399,037	\$ 806,519

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund:				
Operating revenues:				
Sewer fees	\$ 3,108,064	\$ 3,108,064	\$ 2,624,003	\$ (484,061)
Penalties and interest	25,000	25,000	28,838	3,838
Miscellaneous income	1,286	1,286	7,059	5,773
Total operating revenues	\$ 3,134,350	\$ 3,134,350	\$ 2,659,900	\$ (474,450)
Operating expenses:				
Personnel:				
Sewer staff	\$ 566,078	\$ 566,078	\$ 568,828	\$ (2,750)
Overtime - Sewer	32,500	32,500	38,001	(5,501)
Employee benefits:				
Health insurance	90,220	90,220	115,493	(25,273)
Retirement	70,590	70,590	65,435	5,155
Workers' compensation	10,789	10,789	9,474	1,315
Payroll taxes	45,791	45,791	45,562	229
Drug testing	715	715	-	715
Deferred compensation match	3,120	3,120	2,740	380
Life insurance	6,736	6,736	6,244	492
Long term disability insurance	3,195	3,195	-	3,195
Plant operations:				
Electricity	136,500	136,500	143,563	(7,063)
Telephone	7,000	7,000	8,572	(1,572)
Plant supplies	5,000	5,000	3,009	1,991
Contracts	27,500	27,500	16,636	10,864
Permits	12,500	12,500	10,973	1,527
Uniforms	6,000	6,000	6,413	(413)
Plant repairs	50,000	44,000	32,019	11,981
Sewer line repairs	25,000	25,000	24,578	422
Safety	7,500	7,500	4,326	3,174
Lab supplies	30,000	30,000	28,142	1,858
New equipment & tools	35,000	41,000	37,810	3,190
Sludge removal	40,000	40,000	27,730	12,270
Chemicals	85,000	85,000	84,791	209
Lab certification	3,500	3,500	3,575	(75)
Sample analysis	5,000	5,000	2,470	2,530
Computer operations	5,000	5,000	-	5,000
GIS layers	20,000	20,000	15,925	4,075
Billing software	3,000	3,000	-	3,000
Waste disposal	2,500	2,500	2,567	(67)
Meter repairs, tools, and equipment	3,000	3,000	474	2,526
New water meters	12,000	12,000	11,000	1,000
Touch read HDW	3,500	3,500	2,575	925
Equipment - plant	13,500	13,500	11,402	2,098

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund: (Continued)				
Operating expenses: (Continued)				
Plant operations: (Continued)				
Vehicle purchase	25,000	50,000	5	49,995
Vehicle repairs	8,500	8,500	7,955	545
Dues & subscriptions	1,000	1,000	76	924
Advertisements	1,000	1,000	-	1,000
Training	5,000	5,000	2,709	2,291
Postage/mailings	11,000	11,000	7,421	3,579
Other expenses	5,000	5,000	3,388	1,612
Professional services	52,000	52,000	35,983	16,017
Mowing	5,000	5,000	2,245	2,755
Environmental compliance	3,200	3,200	-	3,200
Sewer department emergency	3,000	3,000	77	2,923
Administrative supplies	2,750	2,750	-	2,750
Public education	1,000	1,000	-	1,000
Pump station operations:				
Electricity	9,200	9,200	12,140	(2,940)
Telephone	600	600	582	18
Repairs	22,000	22,000	7,058	14,942
Contracts	5,000	5,000	2,895	2,105
Equipment	10,000	10,000	1,449	8,551
Gas and oil	4,200	4,200	1,006	3,194
Depreciation	1,331,330	1,331,330	650,541	680,789
Capital outlay	-	195,879	-	195,879
Total operating expenses	\$ 2,873,514	\$ 3,094,393	\$ 2,065,857	\$ 1,028,536
Operating income	\$ 260,836	\$ 39,957	\$ 594,043	\$ 554,086
Nonoperating revenues (expenses):				
Interest earned	\$ 1,800	\$ 1,800	\$ 540	\$ (1,260)
Bond issuance costs	-	-	(248,422)	(248,422)
Interest expense	(1,051,390)	(1,051,390)	(1,021,837)	29,553
Total nonoperating revenues (expenses)	\$ (1,049,590)	\$ (1,049,590)	\$ (1,269,719)	\$ (220,129)
Net income before operating transfers	\$ (788,754)	\$ (1,009,633)	\$ (675,676)	\$ 333,957
Other financing sources (uses):				
Contributed capital - availability fees	\$ 453,600	\$ 453,600	\$ 687,290	\$ 233,690
Issuance of debt	-	195,879	-	(195,879)
Transfers out	(557,952)	(557,952)	(557,952)	-
Total other financing sources (uses)	\$ (104,352)	\$ 91,527	\$ 129,338	\$ 37,811
Net position increase (decrease)	\$ (893,106)	\$ (918,106)	\$ (546,338)	\$ 371,768

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 As of June 30, 2014

	<u>2014</u>	<u>2013</u>
Governmental funds capital assets:		
Land	\$ 4,310,764	\$ 4,310,764
Buildings	12,080,410	12,080,410
Improvements other than buildings	4,057,511	2,443,993
Machinery and equipment	2,489,467	2,479,607
Vehicles	854,327	848,251
Infrastructure	51,539,898	50,271,031
Construction in progress	<u>8,298,520</u>	<u>9,089,824</u>
Total governmental funds capital assets	<u>\$ 83,630,897</u>	<u>\$ 81,523,880</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 83,630,897</u>	<u>\$ 81,523,880</u>
Total governmental funds capital assets	<u>\$ 83,630,897</u>	<u>\$ 81,523,880</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of June 30, 2014

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 3,877,612	\$ -	\$ 2,927,693
Finance and administration	-	-	3,819,631
Total general government administration	<u>\$ 3,877,612</u>	<u>\$ -</u>	<u>\$ 6,747,324</u>
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ 433,152	\$ 7,947,505	\$ 144,752
Maintenance of buildings and grounds	-	-	5,188,334
Total public works	<u>\$ 433,152</u>	<u>\$ 7,947,505</u>	<u>\$ 5,333,086</u>
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ 351,015	\$ -
Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ 351,015</u>	<u>\$ -</u>
Total governmental funds capital assets	<u><u>\$ 4,310,764</u></u>	<u><u>\$ 8,298,520</u></u>	<u><u>\$ 12,080,410</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	\$ -	\$ 7,327,485
-	328,360	76,814	-	4,224,805
\$ 110,931	\$ 552,141	\$ 264,282	\$ -	\$ 11,552,290
\$ 3,850	\$ 269,221	\$ 349,927	\$ -	\$ 622,998
\$ 3,850	\$ 269,221	\$ 349,927	\$ -	\$ 622,998
\$ 2,322,081	\$ 779,892	\$ 240,118	\$ 51,539,898	\$ 63,407,398
-	888,213	-	-	6,076,547
\$ 2,322,081	\$ 1,668,105	\$ 240,118	\$ 51,539,898	\$ 69,483,945
\$ 1,620,649	\$ -	\$ -	\$ -	\$ 1,971,664
\$ 1,620,649	\$ -	\$ -	\$ -	\$ 1,971,664
\$ 4,057,511	\$ 2,489,467	\$ 854,327	\$ 51,539,898	\$ 83,630,897

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended June 30, 2014

Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General government administration:				
Town council	\$ 7,327,485	\$ -	- \$	\$ 7,327,485
Finance and administration	4,226,619	120,705	(122,519)	4,224,805
Total general government administration	\$ 11,554,104	\$ 120,705	\$ (122,519)	\$ 11,552,290
Public safety:				
Police department	\$ 622,998	\$ -	- \$	\$ 622,998
Total public safety	\$ 622,998	\$ -	- \$	\$ 622,998
Public works:				
Highways and roads	\$ 61,574,293	\$ 1,833,105	-	\$ 63,407,398
Maintenance of buildings and grounds	6,058,797	17,750	-	6,076,547
Total public works	\$ 67,633,090	\$ 1,850,855	-	\$ 69,483,945
Parks, recreation, and cultural:				
Parks and recreation	\$ 1,713,688	\$ 257,976	-	\$ 1,971,664
Total parks, recreation, and cultural	\$ 1,713,688	\$ 257,976	-	\$ 1,971,664
Total governmental funds capital assets	\$ 81,523,880	\$ 2,229,536	\$ (122,519)	\$ 83,630,897

Statistical Section

Contents

Tables

Financial Trends

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

1 - 6

Revenue Capacity

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

7 - 10

Debt Capacity

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

11 - 14

Demographic and Economic Information

These tables offer 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.

15 - 16

Operating Information

These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates 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.

TOWN OF PURCELLVILLE, VIRGINIA

Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 32,119,537	\$ 31,508,203	\$ 32,879,544	\$ 31,855,360
Restricted	-	-	-	-
Unrestricted	<u>2,137,252</u>	<u>4,465,328</u>	<u>2,641,704</u>	<u>2,794,536</u>
Total governmental activities net position	<u>\$ 34,256,789</u>	<u>\$ 35,973,531</u>	<u>\$ 35,521,248</u>	<u>\$ 34,649,896</u>
Business-type activities				
Net investment in capital assets	\$ 8,538,644	\$ 9,222,830	\$ 10,214,935	\$ 10,211,089
Unrestricted	<u>12,838,372</u>	<u>12,238,724</u>	<u>12,237,431</u>	<u>12,737,618</u>
Total business-type activities net position	<u>\$ 21,377,016</u>	<u>\$ 21,461,554</u>	<u>\$ 22,452,366</u>	<u>\$ 22,948,707</u>
Primary government				
Net investment in capital assets	\$ 40,658,181	\$ 40,731,033	\$ 43,094,479	\$ 42,066,449
Restricted	-	-	-	-
Unrestricted	<u>14,975,624</u>	<u>16,704,052</u>	<u>14,879,135</u>	<u>15,532,154</u>
Total primary government net position	<u>\$ 55,633,805</u>	<u>\$ 57,435,085</u>	<u>\$ 57,973,614</u>	<u>\$ 57,598,603</u>

Table 1

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 30,862,894	\$ 30,549,900	\$ 30,838,249	\$ 33,175,084	\$ 33,837,613	\$ 34,615,139
-	-	-	-	2,546,527	1,992,726
<u>4,809,256</u>	<u>7,932,422</u>	<u>7,181,242</u>	<u>4,712,380</u>	<u>3,450,049</u>	<u>3,445,511</u>
<u>\$ 35,672,150</u>	<u>\$ 38,482,322</u>	<u>\$ 38,019,491</u>	<u>\$ 37,887,464</u>	<u>\$ 39,834,189</u>	<u>\$ 40,053,376</u>
\$ 13,004,232	\$ 13,731,932	\$ 12,743,081	\$ 14,149,999	\$ 14,345,188	\$ 13,902,748
<u>13,246,469</u>	<u>10,273,480</u>	<u>10,523,471</u>	<u>7,260,056</u>	<u>3,893,882</u>	<u>4,189,021</u>
<u>\$ 26,250,701</u>	<u>\$ 24,005,412</u>	<u>\$ 23,266,552</u>	<u>\$ 21,410,055</u>	<u>\$ 18,239,070</u>	<u>\$ 18,091,769</u>
\$ 43,867,126	\$ 44,281,832	\$ 43,581,330	\$ 47,325,083	\$ 48,182,801	\$ 48,517,887
-	-	-	-	2,546,527	1,992,726
<u>18,055,725</u>	<u>18,205,902</u>	<u>17,704,713</u>	<u>11,972,436</u>	<u>7,343,931</u>	<u>7,634,532</u>
<u>\$ 61,922,851</u>	<u>\$ 62,487,734</u>	<u>\$ 61,286,043</u>	<u>\$ 59,297,519</u>	<u>\$ 58,073,259</u>	<u>\$ 58,145,145</u>

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Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 1,450,167	\$ 1,451,606	\$ 1,876,357	\$ 2,226,330	\$ 2,574,927	\$ 2,472,829	\$ 1,890,188	\$ 3,214,457	\$ 3,100,979	\$ 2,923,193
Public safety	987,686	1,367,893	1,466,000	1,663,801	1,696,590	1,692,290	1,720,461	1,809,443	1,916,652	1,919,119
Public works	2,979,121	3,474,333	3,286,874	3,472,004	4,130,972	3,788,818	3,645,872	2,802,812	3,478,574	3,472,819
Parks, recreation and cultural	17,077	32,704	35,241	81,503	66,748	124,442	1,573,776	94,152	68,927	265,740
Community development	451,194	455,350	526,780	584,944	349,850	461,341	377,000	1,666,302	1,708,045	1,858,057
Interest on long-term debt	28,853	104,799	113,602	100,727	304,336	228,749	727,584	682,642	742,904	833,107
Total governmental activities expenses	\$ 5,914,098	\$ 6,886,685	\$ 7,304,854	\$ 8,129,309	\$ 9,123,423	\$ 8,768,469	\$ 9,934,881	\$ 10,269,808	\$ 11,016,081	\$ 11,272,035
Business-type activities:										
Water	\$ 1,221,858	\$ 1,845,569	\$ 2,449,890	\$ 2,262,486	\$ 2,069,090	\$ 2,179,820	\$ 2,092,401	\$ 2,045,177	\$ 4,227,361	\$ 2,116,235
Sewer	1,531,506	1,704,589	1,868,553	1,962,968	1,726,879	3,069,217	2,702,696	3,051,529	3,023,902	3,336,116
Total business-type activities expenses	\$ 2,753,364	\$ 3,550,158	\$ 4,318,443	\$ 4,225,454	\$ 3,795,969	\$ 5,249,037	\$ 4,795,097	\$ 5,096,706	\$ 7,251,263	\$ 5,452,351
Total primary government expenses	\$ 8,667,462	\$ 10,436,843	\$ 11,623,297	\$ 12,354,763	\$ 12,919,392	\$ 14,017,506	\$ 14,729,978	\$ 15,366,514	\$ 18,267,344	\$ 16,724,386
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 175,596	\$ 145,948	\$ 140,718	\$ 91,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	66,885	78,732	77,431	83,729	66,087	65,268	80,287	73,046	84,156	64,947
Public works	2,500	2,819	1,846	592	192,209	103,501	94,043	81,782	102,822	217,668
Operating grants and contributions	114,921	233,193	247,883	294,341	659,113	815,203	784,645	736,855	739,275	789,086
Capital grants and contributions	342,297	518,521	574,687	777,854	253,195	388,843	418,501	2,082,699	2,974,978	1,862,645
Total governmental activities program revenues	\$ 702,199	\$ 979,213	\$ 1,042,565	\$ 1,247,585	\$ 1,170,604	\$ 1,372,815	\$ 1,377,476	\$ 2,974,382	\$ 3,901,231	\$ 2,934,346
Business-type activities:										
Charges for services:										
Water	\$ 829,368	\$ 801,186	\$ 1,028,062	\$ 975,004	\$ 1,083,580	\$ 1,372,182	\$ 1,828,883	\$ 1,933,357	\$ 1,996,566	\$ 2,062,128
Sewer	1,142,949	1,100,214	1,574,790	1,358,261	1,472,164	1,733,717	2,016,920	2,224,268	2,386,434	2,652,841
Operating grants and contributions	-	-	-	-	-	-	-	-	33,237	29,368
Capital grants and contributions	2,199,000	893,000	2,076,400	1,032,096	5,308,197	1,031,874	1,113,674	780,144	604,954	1,506,757
Total business-type activities program revenues	\$ 4,171,317	\$ 2,794,400	\$ 4,679,252	\$ 3,365,361	\$ 7,863,941	\$ 4,137,773	\$ 4,959,477	\$ 4,937,769	\$ 5,021,191	\$ 6,251,094
Total primary government program revenues	\$ 4,873,516	\$ 3,773,613	\$ 5,721,817	\$ 4,612,946	\$ 9,034,545	\$ 5,510,588	\$ 6,336,953	\$ 7,912,151	\$ 8,922,422	\$ 9,185,440
Net (expense) / revenue										
Governmental activities	\$ (5,211,899)	\$ (5,907,472)	\$ (6,262,289)	\$ (6,881,724)	\$ (7,952,819)	\$ (7,395,654)	\$ (8,557,405)	\$ (7,295,426)	\$ (7,114,850)	\$ (8,337,689)
Business-type activities	1,417,953	(755,758)	360,809	(860,093)	4,067,972	(1,111,264)	164,380	(158,937)	(2,230,072)	798,743
Total primary government net (expense) / revenue	\$ (3,793,946)	\$ (6,663,230)	\$ (5,901,480)	\$ (7,741,817)	\$ (3,884,847)	\$ (8,506,918)	\$ (8,393,025)	\$ (7,454,363)	\$ (9,344,922)	\$ (7,538,946)

Changes in Net Position
Last Ten Fiscal Years (Continued)
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 1,677,627	\$ 2,102,097	\$ 2,428,380	\$ 2,464,023	\$ 2,763,362	\$ 2,474,112	\$ 2,493,115	\$ 2,557,786	\$ 2,822,718	\$ 3,088,573
Local sales and use taxes	404,052	616,091	652,195	678,260	688,327	811,566	878,531	952,497	931,067	898,669
Meals taxes	459,910	638,441	699,300	625,138	689,856	679,083	775,398	788,948	1,229,495	1,384,194
Consumer utility taxes	287,238	301,533	256,927	200,387	201,503	204,768	208,945	201,784	209,182	218,543
Business licenses	585,062	572,165	525,813	682,534	534,537	633,268	549,271	621,289	709,692	666,178
Other local taxes	488,405	531,590	665,311	711,683	673,677	553,191	584,435	627,090	625,807	662,091
Unrestricted grants and contributions	194,092	400,881	210,019	208,556	204,253	372,869	386,923	368,625	369,061	392,714
Unrestricted revenues from use of money and property	29,961	105,679	151,843	126,148	98,761	55,765	69,615	50,350	44,400	41,890
Miscellaneous	76,994	72,547	52,916	96,347	1,900,565	2,103,213	2,130,196	70,166	80,487	88,120
Gain on sale of capital asset	-	-	-	-	-	-	-	-	923,762	-
Transfers	17,314	17,308	167,302	217,296	1,220,232	1,220,232	1,115,904	1,115,904	1,115,904	1,115,904
Total governmental activities	\$ 4,220,655	\$ 5,358,332	\$ 5,810,006	\$ 6,010,372	\$ 8,975,073	\$ 9,108,067	\$ 9,192,333	\$ 7,354,439	\$ 9,061,575	\$ 8,556,876
Business-type activities:										
Miscellaneous	\$ 119,670	\$ 162,433	\$ 135,860	\$ 1,095,464	\$ 133,621	\$ 161,020	\$ 154,736	\$ 176,481	\$ 169,673	\$ 167,616
Unrestricted revenues from use of money and property	175,270	533,249	661,445	478,266	320,633	92,566	57,927	18,870	5,318	2,244
Transfers	(17,314)	(17,308)	(167,302)	(217,296)	(1,220,232)	(1,220,232)	(1,115,904)	(1,115,904)	(1,115,904)	(1,115,904)
Total business-type activities	\$ 277,626	\$ 678,374	\$ 630,003	\$ 1,356,434	\$ (765,978)	\$ (966,646)	\$ (903,241)	\$ (920,553)	\$ (940,913)	\$ (946,044)
Total primary government	\$ 4,498,281	\$ 6,036,706	\$ 6,440,009	\$ 7,366,806	\$ 8,209,095	\$ 8,141,421	\$ 8,289,092	\$ 6,433,886	\$ 8,120,662	\$ 7,610,832
Change in Net Position										
Governmental activities	\$ (991,244)	\$ (549,140)	\$ (452,283)	\$ (871,352)	\$ 1,022,254	\$ 1,712,413	\$ 634,928	\$ 59,013	\$ 1,946,725	\$ 219,187
Business-type activities	1,695,579	(77,384)	990,812	496,341	3,301,994	(2,077,910)	(738,861)	(1,079,490)	(3,170,985)	(147,301)
Total primary government	\$ 704,335	\$ (626,524)	\$ 538,529	\$ (375,011)	\$ 4,324,248	\$ (365,497)	\$ (103,933)	\$ (1,020,477)	\$ (1,224,260)	\$ 71,886

Governmental Activities Tax Revenues by Source
 Last Ten 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>Meals Tax</u>	<u>Business Licenses</u>	<u>Other Local Taxes</u>	<u>Total</u>
2014	\$ 3,088,573	\$ 898,669	\$ 218,543	\$ 1,384,194	\$ 666,178	\$ 662,091	\$ 6,918,248
2013	2,822,718	931,067	209,182	1,229,495	709,692	625,807	6,527,961
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

TOWN OF PURCELLVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental funds:				
Nonspendable:				
Prepaid items	\$ -	\$ -	\$ 38,951	\$ 43,196
Restricted for:				
State highway maintenance	\$ -	\$ -	\$ -	\$ -
Loudoun County settlement funds	-	-	-	-
Loudoun County - transportation and sidewalk projects	-	-	-	-
Fireman's field	-	-	-	-
USDA bond covenant	-	-	-	-
Unspent bond proceeds	-	-	920,511	2,136,455
Total restricted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 920,511</u>	<u>\$ 2,136,455</u>
Committed for:				
Loudoun County settlement funds	\$ -	\$ -	\$ -	\$ -
Street bonds	-	-	-	-
Capital expense	-	-	260,116	-
Total committed fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,116</u>	<u>\$ -</u>
Assigned for:				
Capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	<u>\$ 2,298,757</u>	<u>\$ 4,121,456</u>	<u>\$ 2,560,453</u>	<u>\$ 3,102,709</u>
Total governmental funds	<u>\$ 2,298,757</u>	<u>\$ 4,121,456</u>	<u>\$ 3,780,031</u>	<u>\$ 5,282,360</u>

Table 4

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 48,897	\$ 51,782	\$ 52,722	\$ 52,902	\$ 48,661	\$ 63,487
\$ 170,807	\$ 94,890	\$ 120,260	\$ 66,503	\$ 397,701	\$ 35,051
-	-	-	2,193,686	1,730,952	945,882
-	-	-	-	-	611,809
-	-	-	-	357,961	399,984
-	-	-	-	59,913	-
1,157,112	627,311	2,876,577	57,669	237,332	42,636
<u>\$ 1,327,919</u>	<u>\$ 722,201</u>	<u>\$ 2,996,837</u>	<u>\$ 2,317,858</u>	<u>\$ 2,783,859</u>	<u>\$ 2,035,362</u>
\$ 1,394,619	\$ 2,840,945	\$ 3,314,618	\$ -	\$ -	\$ -
28,733	28,733	10,328	-	-	-
-	-	-	10,000	768,892	691,135
<u>\$ 1,423,352</u>	<u>\$ 2,869,678</u>	<u>\$ 3,324,946</u>	<u>\$ 10,000</u>	<u>\$ 768,892</u>	<u>\$ 691,135</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,654
<u>\$ 3,719,677</u>	<u>\$ 4,363,277</u>	<u>\$ 4,368,340</u>	<u>\$ 3,427,576</u>	<u>\$ 3,884,533</u>	<u>\$ 4,209,033</u>
<u>\$ 6,519,845</u>	<u>\$ 8,006,938</u>	<u>\$ 10,742,845</u>	<u>\$ 5,808,336</u>	<u>\$ 7,485,945</u>	<u>\$ 7,020,671</u>

TOWN OF PURCELLVILLE, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
General property taxes	\$ 1,663,988	\$ 2,092,568	\$ 2,409,596	\$ 2,469,194
Other local taxes	2,224,667	2,659,820	2,799,546	2,898,002
Permits, privilege fees and regulatory licenses	178,096	148,767	142,564	91,661
Fines and forfeitures	66,885	78,732	77,431	83,729
Revenue from use of money and property	29,961	105,679	151,842	126,148
Miscellaneous	76,994	79,747	52,917	96,347
Intergovernmental:				
Local government	-	89,500	204,000	126,000
Commonwealth	636,121	900,310	824,384	1,294,824
Federal	15,189	155,585	4,205	123,533
Total revenues	<u>\$ 4,891,901</u>	<u>\$ 6,310,708</u>	<u>\$ 6,666,485</u>	<u>\$ 7,309,438</u>
Expenditures				
General government administration	\$ 1,225,017	\$ 1,462,066	\$ 1,903,006	\$ 2,096,975
Public safety	921,222	1,128,938	1,393,867	1,506,641
Public works	1,707,738	2,152,098	2,093,861	2,120,074
Parks, recreation and cultural	17,077	17,806	21,720	41,174
Community development	431,104	665,467	529,779	607,290
Capital outlay	558,864	1,201,440	993,440	3,329,921
Debt service				
Principal	84,370	73,865	125,752	224,322
Interest and other fiscal charges	29,217	84,750	113,786	100,002
Bond issue costs	-	-	-	-
Total expenditures	<u>\$ 4,974,609</u>	<u>\$ 6,786,430</u>	<u>\$ 7,175,211</u>	<u>\$ 10,026,399</u>
Excess of revenues over (under) expenditures	<u>\$ (82,708)</u>	<u>\$ (475,722)</u>	<u>\$ (508,726)</u>	<u>\$ (2,716,961)</u>
Other financing sources (uses)				
Transfers in	\$ 17,314	\$ 17,308	\$ 1,160,741	\$ 1,771,518
Transfers out	-	-	(993,440)	(1,554,222)
Refunding bonds issued (including bond premiums)	-	-	-	2,565,600
Issuance of debt	-	2,233,000	-	1,700,000
Proceeds from sale of property	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>\$ 17,314</u>	<u>\$ 2,250,308</u>	<u>\$ 167,301</u>	<u>\$ 4,482,896</u>
Net change in fund balances	<u>\$ (65,394)</u>	<u>\$ 1,774,586</u>	<u>\$ (341,425)</u>	<u>\$ 1,765,935</u>

Debt service as a percentage of noncapital expenditures	2.46%	2.90%	3.77%	4.99%
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Table 5

	2009	2010	2011	2012	2013	2014
\$	2,728,737	\$ 2,487,151	\$ 2,526,829	\$ 2,526,297	\$ 2,850,968	\$ 3,095,888
	2,787,900	2,881,876	2,996,580	3,191,608	3,705,243	3,829,675
	192,209	103,501	118,070	81,782	102,822	217,668
	66,087	65,268	80,287	73,046	84,156	64,947
	98,761	55,765	69,615	50,350	44,400	41,890
	1,900,565	2,103,213	2,106,173	70,166	80,487	88,119
	150,000	165,000	-	-	687,739	1,102,228
	956,767	1,282,739	1,380,629	1,498,138	3,361,171	1,830,329
	9,794	129,176	209,437	1,690,041	34,404	111,888
\$	<u>8,890,820</u>	<u>\$ 9,273,689</u>	<u>\$ 9,487,620</u>	<u>\$ 9,181,428</u>	<u>\$ 10,951,390</u>	<u>\$ 10,382,632</u>
\$	2,342,444	\$ 2,109,213	\$ 2,348,933	\$ 2,366,088	\$ 2,390,979	\$ 2,515,213
	1,566,094	1,606,485	1,626,498	1,788,562	1,838,119	1,906,858
	2,812,620	2,724,992	2,821,523	2,769,287	2,747,417	3,285,281
	27,794	33,063	26,800	80,475	153,330	183,440
	517,069	486,933	412,050	420,361	426,093	420,836
	2,626,704	7,966,091	5,885,407	6,468,774	4,723,932	2,190,996
	265,970	448,699	496,895	672,460	3,440,182	8,517,384
	169,385	318,906	570,022	665,834	769,333	596,339
	-	88,274	143,973	-	-	165,517
\$	<u>10,328,080</u>	<u>\$ 15,782,656</u>	<u>\$ 14,332,101</u>	<u>\$ 15,231,841</u>	<u>\$ 16,489,385</u>	<u>\$ 19,781,864</u>
\$	<u>(1,437,260)</u>	<u>\$ (6,508,967)</u>	<u>\$ (4,844,481)</u>	<u>\$ (6,050,413)</u>	<u>\$ (5,537,995)</u>	<u>\$ (9,399,232)</u>
\$	2,263,960	\$ 5,223,555	\$ 8,071,938	\$ 5,838,232	\$ 1,115,904	\$ 1,579,416
	(1,043,728)	(4,003,323)	(6,956,034)	(4,722,328)	-	(463,512)
	-	-	4,241,000	-	-	12,473,453
	1,454,523	6,775,828	6,366,117	-	4,840,000	-
	-	-	-	-	1,259,700	-
	-	-	(4,142,633)	-	-	(4,655,399)
\$	<u>2,674,755</u>	<u>\$ 7,996,060</u>	<u>\$ 7,580,388</u>	<u>\$ 1,115,904</u>	<u>\$ 7,215,604</u>	<u>\$ 8,933,958</u>
\$	<u>1,237,495</u>	<u>\$ 1,487,093</u>	<u>\$ 2,735,907</u>	<u>\$ (4,934,509)</u>	<u>\$ 1,677,609</u>	<u>\$ (465,274)</u>
	5.94%	10.98%	13.90%	14.63%	33.99%	51.92%

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Meals Tax	Business Licenses	Other Local Taxes	Total
2014	\$ 3,095,888	\$ 898,669	\$ 218,543	\$ 153,981	\$ 1,384,194	\$ 666,178	\$ 508,110	\$ 6,925,563
2013	2,850,968	931,067	209,182	149,973	1,229,495	709,692	475,834	6,556,211
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	2,898,002	652,195	256,927	128,959	699,300	525,813	536,352	5,697,548
2006	2,799,546	616,091	301,533	130,093	638,441	572,165	401,497	5,459,366
2005	1,663,988	404,052	287,238	124,902	459,910	585,062	363,503	3,888,655

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
2014	\$ 1,064,663,675	\$ 64,959,370	\$ 20,976,414	\$ 1,150,599,459	1,150,599,459	100.00%
2013	1,010,965,950	63,685,657	20,575,695	1,095,227,302	1,095,227,302	100.00%
2012	976,555,250	61,387,349	17,270,331	1,055,212,930	1,055,212,930	100.00%
2011	960,616,700	62,755,192	12,415,217	1,035,787,109	1,035,787,109	100.00%
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100.00%
2009	1,048,886,350 *	108,172,940	12,226,592	1,169,285,882	1,169,285,882	100.00%
2008	1,160,800,550	56,347,033	11,912,214	1,229,059,797	1,229,059,797	100.00%
2007	1,195,641,850	58,069,859	11,220,869	1,264,932,578	1,264,932,578	100.00%
2006	1,013,555,550	49,728,198	9,652,257	1,072,936,005	1,072,936,005	100.00%
2005	734,660,050	36,787,240	9,280,605	780,727,895	780,727,895	100.00%

Source: Loudoun County Commissioner of Revenue and Assessor of Real Estate - County Wide Assessment Summary Report

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

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

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

Fiscal Years	Direct Rates						Overlapping Rates County of Loudoun, Virginia		
	Real Estate	FF Service Tax District	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property	Machinery and Tools
2014	.225/ .21	.035/ .035	1.05	0.01	0.55	N/A	1.155	4.20	2.75
2013	.225/ .225	NA/ .035	1.05	0.01	0.55	N/A	1.205	4.20	2.75
2012	.23/ .225	N/A	1.05	0.01	0.55	N/A	1.24	4.20	2.75
2011	.23/ .23	N/A	1.05	0.01	0.55	N/A	1.29	4.20	2.75
2010	.225/ .23	N/A	1.05	0.01	0.55	N/A	1.30	4.20	2.75
2009	0.19/ .225	N/A	1.05	0.01	0.55	N/A	1.245	4.20	2.75
2008	0.18/0.19	N/A	1.05	0.01	0.55	N/A	1.14	4.20	2.75
2007	0.17/0.18	N/A	1.05	0.01	0.55	N/A	0.92	4.20	2.75
2006	0.20/0.17	N/A	1.05	0.01	0.55	N/A	0.89	4.20	2.75
2005	0.21/0.20	N/A	1.05	0.01	0.55	N/A	1.04	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 Years Ago

Taxpayer	Type Business	Fiscal Year 2014		Fiscal Year 2005	
		2014 Assessed Valuation	% of Total Assessed Valuation	2005 Assessed Valuation	% of Total Assessed Valuation
Jordan River Acquisitions LLC	Shopping Center (1251 E Main St)	\$ 16,187,830	1.48%	1,303,800	0.16%
Main St. Station LLC	Shopping Center (1000 E Main St)	14,968,030	1.37%	\$ 10,518,800	1.25%
S R B Enterprises LLC	Shopping Center (711 E Main St)	10,977,490	1.01%	4,305,000	0.51%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	10,716,390	0.98%	8,560,900	1.02%
Valley Medical Center LLC	Medical Center (125 Hirst Road)	9,300,920	0.85%	N/A	N/A
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,195,660	0.48%	5,000,300	0.60%
Main Street Associates LP	Apartments (123 16th St)	4,218,260	0.39%	4,707,700	0.56%
413 Browning Court LLC	Office Building(413 Browning Court)	3,426,720	0.31%	N/A	N/A
C K D Purcellville LLC	Office Building (400 Browning Ct)	3,351,140	0.31%	N/A	N/A
Rite Aid of VA Inc	Shopping Center (801 E Main St)	3,217,830	0.30%	N/A	N/A
		<u>\$ 81,560,270</u>	<u>7.48%</u>	<u>\$ 33,092,700</u>	<u>3.95%</u>

Source: Loudoun County Assessor of Real Estate taxable data

Note: Total Assessed Value is adjusted for land use deferral.

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
2014	2,684,760	431,752	3,116,512	3,021,519	96.95%	N/A	3,021,519	96.95%
2013	2,448,170	422,435	2,870,605	2,746,752	95.69%	110,236	2,746,752	95.69%
2012	2,214,116	395,634	2,609,750	2,523,249	96.69%	79,233	2,602,482	99.72%
2011	2,208,797	383,180	2,591,977	2,494,927	96.26%	92,933	2,587,860	99.84%
2010	2,192,212	319,036	2,511,248	2,436,375	97.02%	71,093	2,507,468	99.85%
2009	2,183,022	633,639 *	2,816,661	2,725,048	96.75%	84,379	2,809,427	99.74%
2008	2,137,439	343,010	2,480,449	2,435,698	98.20%	40,063	2,475,761	99.81%
2007	2,075,259	336,483	2,411,741	2,347,023	97.32%	61,092	2,408,114	99.85%
2006	1,873,509	496,583	2,370,092	2,302,526	97.15%	61,435	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%

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			
2014	\$ 19,642,757	\$ 1,105,000	\$ -	\$ 44,173,657	\$ 64,921,414	14.02%	\$ 8,141
2013	19,929,554	1,190,000	-	43,194,735	64,314,289	14.00%	8,132
2012	18,444,736	1,275,000	-	44,146,465	63,866,201	14.10%	8,158
2011	19,032,196	1,360,000	-	45,216,445	65,608,641	14.70%	8,416
2010	12,953,021	1,445,000	-	47,287,639	61,685,660	14.83%	7,983
2009	6,483,776	1,530,000	-	40,873,842	48,887,618	12.68%	6,406
2008	5,220,223	1,605,000	-	27,122,557	33,947,780	8.75%	4,528
2007	2,783,945	-	-	13,380,619	16,164,564	4.46%	2,213
2006	2,906,550	-	3,147	13,758,440	16,668,137	5.05%	2,340
2005	731,571	-	45,113	10,349,788	11,126,472	3.90%	1,660

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 78,604,002	\$ 107,885,328	\$ 124,464,884	\$ 122,474,266
Total net debt applicable to limit	<u>11,126,472</u>	<u>16,668,137</u>	<u>16,164,564</u>	<u>33,947,780</u>
Legal debt margin	\$ <u><u>67,477,530</u></u>	\$ <u><u>91,217,191</u></u>	\$ <u><u>108,300,320</u></u>	\$ <u><u>88,526,486</u></u>
Total net debt applicable to the limit as a percentage of debt limit	14.16%	15.45%	12.99%	27.72%

Table 12

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 111,097,731	\$ 103,391,108	\$ 103,343,018	\$ 99,381,070	\$ 102,790,304	\$ 108,560,416
<u>48,887,618</u>	<u>61,685,660</u>	<u>65,608,641</u>	<u>63,866,201</u>	<u>64,174,788</u>	<u>64,921,414</u>
\$ <u><u>62,210,113</u></u>	\$ <u><u>41,705,448</u></u>	\$ <u><u>37,734,377</u></u>	\$ <u><u>35,514,869</u></u>	\$ <u><u>38,615,516</u></u>	\$ <u><u>43,639,002</u></u>
44.00%	59.66%	63.49%	64.26%	62.43%	59.80%

Legal Debt Margin Calculation for Fiscal Year 2014

Total assessed value of real estate	\$ 1,085,604,159
Debt limit (10% of total assessed value)	108,560,416
Net debt applicable to limit	<u>64,921,414</u>
Legal debt margin	\$ <u><u>43,639,002</u></u>

Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

<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			\$ 20,747,757
Total direct and overlapping debt			\$ 20,765,500

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), (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita
2014	\$ 19,642,757	1.81%	\$ 2,463
2013	19,929,554	1.94%	2,520
2012	18,444,736	1.86%	2,356
2011	19,032,196	1.84%	2,441
2010	12,953,021	1.25%	1,676
2009	6,483,776	0.58%	850
2008	5,220,223	0.43%	696
2007	2,783,945	0.22%	381
2006	2,906,550	0.27%	408
2005	731,571	0.09%	109

(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

(3) Net bonded debt is tax supported debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Purcellville Population (1)	Loudoun County Per Capita Income (2)	Purcellville Median Age (3)	Purcellville School Age Population (4)	Loudoun County Unemployment Rate (5)
2014	7,975	60,036	33.5	2,528	4.4
2013	7,902	59,156	33.5	2,505	4.6
2012	7,820	59,683	33.5	2,330	4.5
2011	7,786	58,953	33.6	2,297	4.7
2010	7,727	54,301	33.6	2,105	5.0
2009	7,632	51,469	33.8	2,105	5.3
2008	7,497	51,950	33.9	2,105	2.9
2007	7,304	50,252	34.0	1,511	2.2
2006	7,122	47,228	34.1	1,511	2.4
2005	6,704	43,363	34.1	1,511	2.7

Sources:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.
2002-2009,2011-2014: Loudoun County Department of Planning, April 16, 2014.
- (2) 2005-2012: Bureau of Economic Analysis, US Department of Commerce, November 21, 2013.
2013-2014: Loudoun County Department of Management & Financial Services, October 2, 2014.
- (3) 2010: US Bureau of Census, 2010 Decennial Census.
2002-2009,2011-2014: Loudoun County Department of Planning, April 15, 2014.
- (4) 2003-2009: Loudoun School Census (triennial), Loudoun County Public Schools;
2010-2013: Weldon Cooper Center for Public Service, Demographics & Workforce Group School-Age Population Estimates for July 1, 2013 (July 2014). 2014 is Department of Management & Financial Services estimate.
- (5) Local Area Unemployment Statistics, Virginia Employment Commission, Month of June each year.
Values for 2012-2013 are revised.

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 Six Years Ago

Employer	Fiscal Year 2014		Fiscal Year 2008	
	Employees	Rank	Employees	Rank
Loudoun County Schools	553	1	483	1
Blue Ridge Veterinary Assoc., Inc.	125	2	90	7
Harris Teeter	125	3	n/a	n/a
Home School Legal Defense	112	4	90	6
Veolia Transportaion Services	100	5	131	4
Patrick Henry College	85	6	100+	5
Giant	85	7	147	2
Magnolia's at the Mill	81	8	n/a	n/a
Town of Purcellville	77	9	75	9
Wholesale Screening Solutions	63	10	n/a	n/a

Source: Town Business License Renewal
Information prior to 2008 unavailable

Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	6.3	7.75	7.75	7.75	7.50	7.75	7.50	8.50	8.50	8.50
Finance Administration	6.0	5.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Public Safety/Police	14.0	14.50	15.50	14.50	14.00	15.00	15.00	15.00	15.00	16.00
Public Works	4.0	4.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
General Maintenance	10.0	9.25	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00
Planning & Zoning	4.0	4.75	6.75	4.75	4.75	4.00	3.00	4.00	4.00	4.00
Parks & Recreation	N/A	1.00	1.00	1.00						
Water Treatment	9.5	10.00	9.00	9.00	9.00	9.00	9.00	8.00	8.00	8.00
Wastewater Treatment	10.5	10.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Totals	<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>	<u>70.00</u>	<u>71.00</u>

Source: IRS Form 941s

Operating Indicators by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Administration</u>										
Special Events	19	22	18	19	17	23	22	19	20	22
FOIA Requests Processed	N/A	90	116	160	75	157	227	161	115	105
<u>Finance</u>										
Utility Bills Processed	15,309	15,168	15,096	15,188	15,392	15,201	15,209	15,763	15,913	15,590
Tax Bills Processed	10,906	10,532	11,517	11,757	19,366	12,342	12,959	12,740	12,881	13,372
Accounts Payable Transactions	N/A	N/A	5,885	6,157	6,139	6,089	6,133	6,133	6,175	6,652
<u>Public Safety</u>										
Parking Violations	151	170	316	183	163	177	172	128	229	358
Traffic violations	1,386	1,579	1,637	1,618	1,356	1,671	1,692	1,021	1,457	1,152
Incident Reports	586	739	856	912	829	1,103	986	680	933	865
<u>Public Works</u>										
<u>Maintenance Dept.</u>										
Work Orders, number of	N/A	570	264	596	890	902	1,190	1,406	1,356	1,583
New Meters Installed	N/A	N/A	14	53	22	13	12	22	27	25
Miss Utility's Processed	N/A	N/A	711	1,355	830	899	783	1,186	905	1,014
<u>Water Dept.</u>										
Total Gallons Treated (millions)	N/A	N/A	190	206	207	203	202	196	194	192
Samples in Compliance, % of	N/A	N/A	100%	100%	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	638,400	614,200
Complaints, number of	N/A	N/A	-	3	2	3	-	-	1	1
<u>Planning and Zoning</u>										
Occupancy Permits Issued	294	144	92	120	98	108	83	82	90	102
Zoning Permits Issued	676	436	375	286	178	183	178	268	137	214
Development Plans Processed	N/A	54	63	85	30	26	19	13	15	17

Source: Individual town departments.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration										
Administration Buildings	2	2	2	2	2	2	2	2	1	1
Bus Stops for Public Transportation	-	-	1	1	1	1	1	6	6	6
Public Parking Lots	2	2	2	2	2	2	2	4	4	4
Vehicles	1	2	2	2	2	2	1	1	1	1
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Parks and Recreation										
Recreation Facilities - Buildings	1	1	1	2	2	2	2	2	2	2
Recreation Facilities - Fields, Parks	-	-	-	1	1	1	1	1	1	1
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	3	3	3	3	3	3	3	1	-	-
Vehicles	7	9	12	13	11	10	10	11	11	12
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	9	11	11	13	14	17	20	20	22	22
Maintenance Facility	1	1	1	1	1	2	2	2	2	2
Message Boards	2	3	3	3	3	3	3	3	3	3
Traffic Signals	-	-	-	2	2	2	2	2	2	2
Vehicles	13	14	16	16	18	18	21	21	20	20
<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	3	3	3	3	4	4	4	4
Vehicles	3	3	3	4	4	4	4	5	6	5
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	1	1
Wells/Well Houses	3	4	4	5	7	8	8	9	9	9
<u>Wastewater Dept.</u>										
Pump Stations	9	9	9	9	6	6	6	6	6	6
Vehicles	2	3	3	5	5	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.

**Independent Auditors' 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 Town Council
Town of Purcellville, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Purcellville, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Purcellville, Virginia's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Purcellville, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Town of Purcellville, Virginia's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Purcellville, Virginia's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer Cox Associates
(Charlottesville, Virginia
November 10, 2014