

**TOWN OF PURCELLVILLE, VIRGINIA**  
**FINANCIAL AND COMPLIANCE REPORTS**  
**JUNE 30, 1999**

**TOWN OF PURCELLVILLE, VIRGINIA**

**OFFICIALS**

**John Marsh, Mayor**  
**Robert W. Lohr, Jr., Town Manager**  
**Elizabeth B. Krens, Treasurer/Commissioner of Revenue**  
**James D. Pammel, Zoning Administrator/Asst. Town Manager**  
**Karin F. McKnight, Director of Public Works**  
**Duane L. Atkisson, Chief of Police**

**TOWN COUNCIL**

**Richard W. Clarke**  
**Beverly B. MacDonald**  
**Lisa G. Payne**

**Paul Eldridge**  
**Paul D. Arbogast**  
**Loren Kropat**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Town Council  
Town of Purcellville  
Purcellville, VA

We have audited the accompanying general-purpose financial statements of the Town of Purcellville, Virginia, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Purcellville's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Purcellville, Virginia, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 1999, on our consideration of the Town of Purcellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Town of Purcellville, Virginia, taken as a whole. The combining and other statements listed in the table of contents under supplementary information are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

1041 South High Street • P.O. Box 711  
Harrisonburg, VA 22801  
(540) 433-2581 • Fax (540) 433-0147

To the Honorable Town Council  
Town of Purcellville

The year 2000 supplementary information on Page 21 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Town of Purcellville is or will become year 2000 compliant, that the Town of Purcellville's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town of Purcellville does business are or will become year 2000 compliant.

The columns on the accompanying general-purpose financial statements captioned "Totals Memorandum Only" are not necessary for fair presentation of the financial statements, but are presented as additional analytical data.

*Young, Nicholas Branner & Phillips, LLP*

Harrisonburg, VA  
August 6, 1999

TOWN OF PURCELLVILLE, VIRGINIA

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS  
June 30, 1999 and 1998

ASSETS	Governmental Fund Types		Proprietary Fund Types
	General Fund	Debt Service	Enterprise Funds
Cash and investments (Note 6)	\$ 1 836 939	\$ -	\$ 2 338 063
Restricted, cash and investments (Note 6)	56 323	-	17 875
Receivables:			
Property taxes	30 226	-	-
Utility taxes	25 564	-	-
Accounts	39 285	-	191 546
Accrued interest	12 014	-	8 487
Train station	27 322	-	-
Prepaid expenses	-	-	-
Due from other governmental units (Note 2)	61 473	-	-
Due from other funds	-	17 755	-
Property, plant and equipment (net of accumulated depreciation) (Note 3)	-	-	7 515 700
Amount to be provided for retirement of general long-term debt (Note 4)	-	-	-
<b>Total assets</b>	<b>\$ 2 089 146</b>	<b>\$ 17 755</b>	<b>\$10 071 671</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 58 590	\$ -	\$ 47 491
Accounts payable, land	-	-	235 000
Accrued interest payable	-	-	1 773
Compensated absences	33 976	-	16 517
Current maturities of general obligation payable (Note 4)	-	-	15 761
Customer deposits	56 323	-	17 875
Deferred revenues	26 977	-	-
Due to other funds	17 755	-	-
Long-term debt - general obligation payable (Note 4)	-	-	1 958 585
<b>Total liabilities</b>	<b>\$ 193 621</b>	<b>\$ -</b>	<b>\$ 2 293 002</b>
<b>FUND EQUITY</b>			
Investment in general fixed assets (Note 3)	\$ -	\$ -	\$ -
Contributed capital (Note 10)	-	-	3 032 446
Retained earnings	-	-	4 746 223
Fund balance:			
Unreserved	1 895 525	-	-
Designated for debt service (Note 4)	-	17 755	-
<b>Total fund equity</b>	<b>\$ 1 895 525</b>	<b>\$ 17 755</b>	<b>\$ 7 778 669</b>
<b>Total liabilities and fund equity</b>	<b>\$ 2 089 146</b>	<b>\$ 17 755</b>	<b>\$10 071 671</b>

See Notes to Financial Statements.

----- Account Groups -----		Totals	
General	General	(Memorandum Only)	
Long-Term	Fixed	June 30,	
Debt	Assets	1999	1998
\$ -	\$ -	\$ 4 175 002	\$ 2 741 130
-	-	74 198	283 736
-	-	30 226	38 003
-	-	25 564	19 319
-	-	230 831	162 730
-	-	20 501	6 741
-	-	27 322	-
-	-	-	1 691
-	-	61 473	31 179
-	-	17 755	16 599
-	1 938 382	9 454 082	8 321 734
<u>864 709</u>	<u>-</u>	<u>864 709</u>	<u>882 212</u>
<u>\$ 864 709</u>	<u>\$ 1 938 382</u>	<u>\$ 14 981 663</u>	<u>\$ 12 505 074</u>
\$ -	\$ -	\$ 106 081	\$ 60 783
-	-	235 000	-
-	-	1 773	2 626
-	-	50 493	35 551
-	-	15 761	31 579
-	-	74 198	33 236
-	-	26 977	36 275
-	-	17 755	16 599
<u>864 709</u>	<u>-</u>	<u>2 823 294</u>	<u>1 963 681</u>
<u>\$ 864 709</u>	<u>\$ -</u>	<u>\$ 3 351 332</u>	<u>\$ 2 180 330</u>
\$ -	\$ 1 938 382	\$ 1 938 382	\$ 1 786 974
-	-	3 032 446	3 149 446
-	-	4 746 223	3 711 085
-	-	1 895 525	1 660 640
<u>-</u>	<u>-</u>	<u>17 755</u>	<u>16 599</u>
<u>\$ -</u>	<u>\$ 1 938 382</u>	<u>\$ 11 630 331</u>	<u>\$ 10 324 744</u>
<u>\$ 864 709</u>	<u>\$ 1 938 382</u>	<u>\$ 14 981 663</u>	<u>\$ 12 505 074</u>

## TOWN OF PURCELLVILLE, VIRGINIA

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

Year Ended June 30, 1999

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1998

	Governmental Fund Types		Totals (Memorandum Only)	
	General Fund	Debt Service	June 30, 1999	June 30, 1998
<b>REVENUES</b>				
General property taxes	\$ 631 462	\$ -	\$ 631 462	\$ 577 481
Other local taxes	893 473	-	893 473	823 906
Permits and zoning	163 826	-	163 826	145 210
Fines and forfeitures	5 734	-	5 734	13 134
Revenues from use of money and property	76 284	-	76 284	59 284
Miscellaneous	74 090	-	74 090	42 348
Intergovernmental	51 165	-	51 165	45 469
ISTEA grant (Note 14)	151 544	-	151 544	-
Total revenues	<u>\$ 2 047 578</u>	<u>\$ -</u>	<u>\$ 2 047 578</u>	<u>\$ 1 706 832</u>
<b>EXPENDITURES</b>				
General government administration	\$ 737 077	\$ -	\$ 737 077	\$ 591 670
Public safety	304 764	-	304 764	262 564
Public works	389 624	-	389 624	358 585
Capital outlay	170 964	-	170 964	118 227
ISTEA grant (Note 14)	151 544	-	151 544	-
Debt service:				
Principal retirement	-	16 347	16 347	5 874
Interest	-	60 405	60 405	58 086
Total expenditures	<u>\$ 1 753 973</u>	<u>\$ 76 752</u>	<u>\$ 1 830 725</u>	<u>\$ 1 395 006</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 293 605</u>	<u>\$ (76 752)</u>	<u>\$ 216 853</u>	<u>\$ 311 826</u>
<b>OPERATING TRANSFERS</b>				
Transfers in	\$ 19 188	\$ 77 908	\$ 97 096	\$ 80 984
Transfers out	(77 908)	-	(77 908)	(64 994)
	<u>\$ (58 720)</u>	<u>\$ 77 908</u>	<u>\$ 19 188</u>	<u>\$ 15 990</u>
Excess of revenues and transfers in over expenditures and transfers out	<u>\$ 234 885</u>	<u>\$ 1 156</u>	<u>\$ 236 041</u>	<u>\$ 327 816</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>				
	<u>1 660 640</u>	<u>16 599</u>	<u>1 677 239</u>	<u>1 349 423</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 1 895 525</u>	<u>\$ 17 755</u>	<u>\$ 1 913 280</u>	<u>\$ 1 677 239</u>

See Notes to Financial Statements.

## TOWN OF PURCELLVILLE, VIRGINIA

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND

Year Ended June 30, 1999

	----- General Fund -----		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
General property taxes	\$ 586 500	\$ 631 462	\$ 44 962
Other local taxes	719 000	893 473	174 473
Permits and zoning	80 000	163 826	83 826
Fines and forfeitures	10 200	5 734	(4 466)
Revenues from use of money and property	41 800	76 284	34 484
Miscellaneous	48 200	74 090	25 890
Intergovernmental	35 952	51 165	15 213
ISTEA grant (Note 14)	-	151 544	151 544
Total revenues	<u>\$ 1 521 652</u>	<u>\$ 2 047 578</u>	<u>\$ 525 926</u>
<b>EXPENDITURES</b>			
General government administration	\$ 718 003	\$ 737 077	\$ (19 074)
Public safety	285 878	304 764	(18 886)
Public works	405 926	389 624	16 302
Capital outlay	247 074	170 964	76 110
ISTEA grant (Note 14)	-	151 544	(151 544)
Total expenditures	<u>\$ 1 656 881</u>	<u>\$ 1 753 973</u>	<u>\$ (97 092)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (135 229)</u>	<u>\$ 293 605</u>	<u>\$ 428 834</u>
<b>OPERATING TRANSFERS</b>			
Transfers in	\$ 192 793	\$ 19 188	\$ (173 605)
Transfers out	(57 564)	(77 908)	(20 344)
	<u>\$ 135 229</u>	<u>\$ (58 720)</u>	<u>\$ (193 949)</u>
Excess of revenues and transfers in over expenditures and transfers out	\$ -	\$ 234 885	\$ 234 885
FUND BALANCE AT BEGINNING OF YEAR	<u>1 660 640</u>	<u>1 660 640</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1 660 640</u>	<u>\$ 1 895 525</u>	<u>\$ 234 885</u>

See Notes to Financial Statements.

## TOWN OF PURCELLVILLE, VIRGINIA

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

Year Ended June 30, 1999

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1998

	Enterprise Funds	
	---- Water and Sewer ----	
	1999	1998
<b>OPERATING REVENUES</b>		
Charges for services	\$ 899 018	\$ 833 323
Availabilities	788 000	760 000
Other	44 457	40 624
	<u>\$ 1 731 475</u>	<u>\$ 1 633 947</u>
<b>OPERATING EXPENSES</b>		
Personnel services	\$ 325 428	\$ 239 834
Employee benefits	87 385	70 127
Operations	277 721	160 854
Equipment and vehicles	18 441	30 409
Depreciation	265 279	229 745
Other	54 373	19 097
	<u>\$ 1 028 627</u>	<u>\$ 750 066</u>
Operating income	<u>\$ 702 848</u>	<u>\$ 883 881</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Interest income	\$ 48 197	\$ 20 455
Interest expense	(62 570)	(56 496)
Rental income (Note 11)	22 601	10 503
Timber sale, net of commissions	226 250	-
	<u>\$ 234 478</u>	<u>\$ (25 538)</u>
Net income before operating transfers	\$ 937 326	\$ 858 343
<b>OPERATING TRANSFERS OUT</b>	<u>(19 188)</u>	<u>(15 990)</u>
Net income	\$ 918 138	\$ 842 353
<b>DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL</b>	<u>117 000</u>	<u>117 000</u>
Increase in retained earnings	\$ 1 035 138	\$ 959 353
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<u>3 711 085</u>	<u>2 751 732</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 4 746 223</u>	<u>\$ 3 711 085</u>

See Notes to Financial Statements.

TOWN OF PURCELLVILLE, VIRGINIA  
 COMBINED STATEMENTS OF CASH FLOWS -  
 ALL PROPRIETARY FUND TYPES  
 Year Ended June 30, 1999  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1998

	Enterprise Funds	
	----- Water and Sewer -----	
	<u>1999</u>	<u>1998</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 702 848	\$ 883 881
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	265 279	229 745
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(63 648)	(17 279)
Increase (decrease) in accounts payable	2 305	60
Increase (decrease) in customer deposits	2 370	1 320
Increase (decrease) in liability for compensated absences	<u>6 435</u>	<u>449</u>
Net cash provided by operating activities	<u>\$ 915 589</u>	<u>\$ 1 098 176</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Timber sales proceeds	\$ 255 148	\$ -
Timber sale commissions	(28 898)	-
Operating transfers out	(19 188)	(15 990)
Rental income	22 601	10 503
Purchase of equipment	(997 223)	(407 503)
Proceeds from long-term debt	895 446	146 409
Principal payments on long-term debt	(34 148)	(28 718)
Interest payments on long-term debt	<u>(61 733)</u>	<u>(76 769)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ 32 005</u>	<u>\$ (372 068)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>\$ 41 436</u>	<u>\$ 20 498</u>
Net cash provided by investing activities	<u>\$ 41 436</u>	<u>\$ 20 498</u>
Net increase in cash and cash equivalents	\$ 989 030	\$ 746 606
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1 366 908</u>	<u>620 302</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2 355 938</u>	<u>\$ 1 366 908</u>

See Notes to Financial Statements.

## TOWN OF PURCELLVILLE, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

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

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

General Fund

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

Debt Service Fund

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

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

Enterprise Fund

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

- 3) Account Groups

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

General Fixed Assets

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

General Long-Term Debt

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

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

C. Combined/Combining Format

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

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

Budgetary Comparison Statements

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

Total Columns on Combined Statements - Overview

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

Comparative Totals

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

D. Transfers

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

E. Basis of Accounting1) Governmental Fund Types

Governmental Fund Types utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues - uncollected property taxes. Sales and utility taxes remitted to the Town are recognized as revenues and receivables generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenue when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure.

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

2) Proprietary Fund Types

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

F. Budgets

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

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

	<u>Budget</u>	<u>Actual</u>
Water Fund:		
Loan proceeds	\$ 400 000	\$ 180 674
Carryover funds	129 626	-
Debt retirement (principal)	(30 000)	(26 908)
Capital outlay:		
Reserve	(50 000)	-
Water projects	(664 000)	(493 907)
Sewer Fund:		
Loan proceeds	\$ 600 000	\$ 714 772
Debt retirement (principal)	(6 692)	(7 240)
Capital outlay:		
Reserve	(222 998)	-
Sewer projects	(700 000)	(752 313)

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant and Equipment

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

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

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

H. Deferred Revenue

Deferred revenue represents uncollected tax billings at June 30, 1999, not available for funding of current expenditures. Taxes due at June 30 and collected within 45 days after June 30 are recognized as revenue in the accompanying financial statements.

I. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. No allowance amount was determined necessary as of June 30, 1999.

J. Restricted Cash

Cash is restricted for customer deposits held.

K. Pension Plan

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

L. Health Insurance

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

M. Unemployment Compensation

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

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences

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

The Town provides vacation and compensatory time leave to full-time employees. At June 30, 1999, the accrued compensated absences are as follows:

<u>Total</u>	<u>General Fund</u>	<u>Enterprise Funds</u>
<u>\$ 50 493</u>	<u>\$ 33 976</u>	<u>\$ 16 517</u>

O. Fund Equity Balances

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

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

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

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

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

Fund Balances - Unreserved - available for management designation.

P. Cash and Cash Equivalents

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

Q. Accounts Receivable

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

R. Estimates and Assumptions

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

## NOTES TO FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies (Continued)

S. Advertising

The Town expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expenditures in the General Fund were \$16,190 and \$16,295 for the years ended June 30, 1999, and 1998, respectively. Advertising expense in the Water Fund was \$4,727 and \$1,007, for the years ended June 30, 1999, and 1998, respectively. Advertising expense in the Sewer Fund was \$3,322 and \$ - for the years ended June 30, 1999 and 1998, respectively.

## Note 2. Due from Other Governmental Units

Due from other governmental units consists of the following:

Loudoun County, Virginia, sales tax \$ 61 473

## Note 3. Property, Plant and Equipment

A summary of Proprietary Fund Type property, plant, and equipment at June 30, 1999, follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise</u>
Land	\$ 782 665	\$ 292 101	\$ 1 074 766
Water and sewer systems	5 459 258	3 937 743	9 397 001
Equipment	<u>244 670</u>	<u>164 690</u>	<u>409 360</u>
Total	\$ 6 486 593	\$ 4 394 534	\$10 881 127
Less accumulated depreciation	<u>1 746 492</u>	<u>1 618 935</u>	<u>3 365 427</u>
	<u>\$ 4 740 101</u>	<u>\$ 2 775 599</u>	<u>\$ 7 515 700</u>

A summary of changes in general fixed assets at June 30, 1999 follows:

	<u>Balance June 30, 1998</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 1999</u>
Land and improvements	\$ 430 548	\$ 25 143	\$ -	\$ 455 691
Building and structures	846 988	33 116	-	880 104
Vehicles	339 048	94 821	(19 556)	414 313
Equipment	155 394	17 884	-	173 278
Other	<u>14 996</u>	<u>-</u>	<u>-</u>	<u>14 996</u>
Total	<u>\$ 1 786 974</u>	<u>\$ 170 964</u>	<u>\$ (19 556)</u>	<u>\$ 1 938 382</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 4. Long-Term Debt

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

The details of long-term debt as of June 30, 1999, are as follows:

	<u>Enterprise Funds</u>	<u>General Long- Term Debt Account Group</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$350,000 1980 bond payable to Rural Development, U. S. Department of Agriculture, \$1,691 per month including interest at 5% to April 25, 2020	\$ 256 633	\$ -	\$ -	\$ 256 633
\$1,230,080 1996 bond payable to Rural Development, U. S. Department of Agriculture, \$6,299 per month including interest at 5.375%. The loan matures October 18, 2036.	1 002 941	-	-	1 002 941
\$975,000 1991 bond payable to Rural Development, U. S. Department of Agriculture, \$6,396 per month including interest at 6.75% to October 10, 2021	-	864 709	17 755	882 464
\$7,304,000 1999 bond payable to Rural Development, U. S. Department of Agriculture. Amount drawn to date \$714,772. The interest rate is 5%. After the Town completes drawing on the loan, it expects to repay the balance with monthly payments of \$35,863.	<u>714 772</u>	<u>-</u>	<u>-</u>	<u>714 772</u>
	<u>\$1 974 346</u>	<u>\$ 864 709</u>	<u>\$ 17 755</u>	<u>\$ 2 856 810</u>

The Town will continue to draw on the 1996 bond for financing of its water improvement projects. As of June 30, 1999, the Town had drawn \$1,052,207 on the loan and repaid principal of \$49,266.

The Town will continue to draw on the 1999 bond for financing of its sewer improvement projects. As of June 30, 1999, the Town had drawn \$714,772.

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

## NOTES TO FINANCIAL STATEMENTS

## Note 4. Long-Term Debt (Continued)

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

	<u>Bonds Payable</u>
2000	\$ 33 516
2001	35 591
2002	43 547
2003	46 186
2004	48 987
Thereafter	<u>2 648 983</u>
Totals	<u>\$ 2 856 810</u>

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

	<u>Balance</u> <u>June 30, 1998</u>	<u>Principal</u> <u>Payment</u>	<u>Transfer to</u> <u>Debt Service</u> <u>Fund</u>	<u>Balance</u> <u>June 30, 1999</u>
Amount to be provided for retirement of general long-term debt	\$ <u>882 212</u>	\$ <u>(16 347)</u>	\$ <u>(1 156)</u>	\$ <u>864 709</u>
General long-term debt payable:				
Bond payable	\$ <u>882 212</u>	\$ <u>(16 347)</u>	\$ <u>(1 156)</u>	\$ <u>864 709</u>

## Note 5. 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## Note 6. Cash and Investments

Deposits

At June 30, 1999, the carrying value of the Town's deposits with banks was \$1,187,650 and the bank balance was \$1,306,899. Of the bank balance, the entire amount was covered by Federal depository insurance or by collateral held by the Virginia State Treasurer under the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan institutions.

## NOTES TO FINANCIAL STATEMENTS

## Note 6. Cash and Investments (Continued)

Petty Cash

The Town had \$550 of petty cash on June 30, 1999.

Investments

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

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

The Town's repurchase agreement is a risk Category 1 investment as defined above. On June 30, 1999, the carrying amount and market value of this investment was \$3,061,000.

## Note 7. Property Taxes

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

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

## Note 8. Surety Bonds

Surety bonds in force at June 30, 1999, consist of the following:

Robert W. Lohr, Jr., Town Manager	<u>\$ 100,000</u>
Elizabeth B. Krens, Treasurer	<u>\$ 100,000</u>

## Note 9. Defined Benefit Pension Plan

Plan description

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

## NOTES TO FINANCIAL STATEMENTS

## Note 9. Defined Benefit Pension Plan (Continued)

All full time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.5% of their average final salary (AFS) up to \$13,200 plus 1.65% of AFS over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 35 years or more of credited service are entitled to an annual benefit equal to 1.65 percent of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

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

Funding policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Town of Purcellville, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town employees' contribution rate for the fiscal year ended 1999 was 2.50% of annual covered payroll.

Annual pension cost

For 1999, the Town's annual pension cost of \$55,350 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 1996, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.00% to 6.15% per year, and (c) 3.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.00%. The actuarial value of the Plan's assets was determined using the modified market method. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a level percent, open basis. The remaining amortization period at June 30, 1996, was 6 years.

## Three-Year Trend Information for the Town of Purcellville

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/97	\$ 48 109	100%	\$ -
6/30/98	50 409	100%	-
6/30/99	55 350	100%	-

## NOTES TO FINANCIAL STATEMENTS

## Note 9. Defined Benefit Pension Plan (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) --Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/96	\$ 952 810	\$ 867 298	\$ (85 512)	109.9%	\$ 610 304	(14.0%)
6/30/98	1 288 257	1 413 862	125 605	91.1%	671 134	18.7%

## Note 10. Contributed Capital

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

	Enterprise Funds		
	Water	Sewer	Total
Balance, June 30, 1998	\$ 1 538 839	\$ 1 610 607	\$ 3 149 446
Depreciation transferred to contributed capital	(50 800)	(66 200)	(117 000)
Balance, June 30, 1999	<u>\$ 1 488 039</u>	<u>\$ 1 544 407</u>	<u>\$ 3 032 446</u>

## Note 11. Operating Lease Commitments

The Town receives rental income from several operating leases.

The Town leases its water tank to two communications companies under noncancelable operating leases for 59 months. The monthly rent received from the leases starts at \$900 each and is adjusted upward each year. One lease expires in June, 2000 and the other expires June, 2003. The companies use the tank to mount their antennas. The following is a schedule by years of future minimum rentals under the leases at June 30, 1999:

Year Ending June 30	
2000	\$ 22 266
2001	11 457
2002	11 800
2003	11 142
	<u>\$ 56 665</u>

The total rental income from these leases that is included in the Water Fund's statement of revenues and expenses for the year ended June 30, 1999, is \$22,601.

## NOTES TO FINANCIAL STATEMENTS

## Note 11. Operating Lease Commitments (Continued)

The Town leases office space in its Town Hall under a noncancelable operating lease for 59 months. The monthly rent received from the lease starts at \$539 and is adjusted upward each year. The following is a schedule by years of future minimum rentals under the lease at June 30, 1999:

Year Ending June 30

2000	\$ 7 135
2001	<u>4 863</u>
	<u>\$ 11 998</u>

The total rental income from this lease that is included in the General Fund's statement of revenues and expenditures for the year ended June 30, 1999, is \$6,922.

## Note 12. Fair Value of Financial Instruments

The Town has a number of financial instruments, none of which are held for trading purposes. The Town estimates that the fair value of all financial instruments at June 30, 1999, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined balance sheet. The estimated fair value amounts have been determined by the Town using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Town could realize in a current market exchange.

## Note 13. Transactions with Related Party

Paul D. Arbogast, a member of the Town Council during the year ended June 30, 1999, is owner of Arbogast Lawn and Tree. The Town has procured the Company's services under a competitive bidding process. The Town has transactions with the Company that are included in the results of operations during the year ended June 30, 1999, totaling \$1,992.

## Note 14. ISTEA Grant

The Town administers an Intermodal Surface Transportation Efficiency Act (ISTEA) grant for the Purcellville Preservation Association. The funds from the grant pass-through the Town to the Association for its expenditure.

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

TOWN OF PURCELLVILLE, VIRGINIA

SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

The Town of Purcellville has completed an inventory of computer systems and electronic equipment that may be affected by the year 2000 issue and that are necessary to conduct Town operations. Based on this inventory, the Town of Purcellville is in the final stages of remediation. The Town has identified non-compliant systems in all operational areas and the Town is currently repairing or replacing these items. The Town is in the process of installing back-up sources of electrical power for critical services. Contingency planning is underway to determine responses to any potential problems related to the year 2000.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Town is or will be year 2000 ready, that the Town's remediation efforts will be successful in whole or part, or that parties with whom the Town does business will be year 2000 ready.

TOWN OF PURCELLVILLE, VIRGINIA  
 GENERAL FUND  
 STATEMENT OF REVENUES - BUDGET AND ACTUAL  
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL PROPERTY TAXES</b>			
Real estate taxes	\$ 465 000	\$ 497 116	\$ 32 116
Personal property taxes	<u>121 500</u>	<u>134 346</u>	<u>12 846</u>
	<u>\$ 586 500</u>	<u>\$ 631 462</u>	<u>\$ 44 962</u>
<b>OTHER LOCAL TAXES</b>			
Sales taxes	\$ 160 000	\$ 230 085	\$ 70 085
Utility taxes	140 000	148 660	8 660
Business licenses	150 000	203 813	53 813
Auto decals	50 000	57 720	7 720
Bank franchise tax	50 000	44 640	(5 360)
Cable franchise tax	19 000	24 195	5 195
Meals tax	<u>150 000</u>	<u>184 360</u>	<u>34 360</u>
	<u>\$ 719 000</u>	<u>\$ 893 473</u>	<u>\$ 174 473</u>
<b>PERMITS AND ZONING</b>			
Zoning fees	\$ 80 000	\$ 163 826	\$ 83 826
	<u>\$ 80 000</u>	<u>\$ 163 826</u>	<u>\$ 83 826</u>
<b>FINES AND FORFEITURES</b>			
Parking meter fines	\$ 1 200	\$ 593	\$ (607)
Criminal fines	<u>9 000</u>	<u>5 141</u>	<u>(3 859)</u>
	<u>\$ 10 200</u>	<u>\$ 5 734</u>	<u>\$ (4 466)</u>
<b>REVENUES FROM USE OF MONEY AND PROPERTY</b>			
Interest earned	\$ 30 000	\$ 65 237	\$ 35 237
Rent:			
House	4 800	4 125	(675)
Town Hall (Note 11)	<u>7 000</u>	<u>6 922</u>	<u>(78)</u>
	<u>\$ 41 800</u>	<u>\$ 76 284</u>	<u>\$ 34 484</u>
<b>INTERGOVERNMENTAL</b>			
ABC profits	\$ 3 952	\$ 7 527	\$ 3 575
Law enforcement grants	28 000	39 638	11 638
Firemen's fund	<u>4 000</u>	<u>4 000</u>	<u>-</u>
	<u>\$ 35 952</u>	<u>\$ 51 165</u>	<u>\$ 15 213</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA  
 GENERAL FUND  
 STATEMENT OF REVENUES - BUDGET AND ACTUAL  
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
MISCELLANEOUS			
Penalties and interest	\$ 10 000	\$ 15 058	\$ 5 058
Parking meter receipts	1 500	1 857	357
Insurance dividend	25 000	27 372	2 372
Special meetings	700	-	(700)
Other	3 000	12 055	9 055
PPTRA car tax reform grant	-	10 208	10 208
Proceeds from sale of property	8 000	7 540	(460)
	<u>\$ 48 200</u>	<u>\$ 74 090</u>	<u>\$ 25 890</u>
ISTEA GRANT (Note 14)	<u>\$ -</u>	<u>\$ 151 544</u>	<u>\$ 151 544</u>
	<u>\$ -</u>	<u>\$ 151 544</u>	<u>\$ 151 544</u>
Total revenues	<u>\$ 1 521 652</u>	<u>\$ 2 047 578</u>	<u>\$ 525 926</u>

TOWN OF PURCELLVILLE, VIRGINIA  
 GENERAL FUND  
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>GENERAL GOVERNMENT ADMINISTRATION</b>			
<b>Mayor and Council:</b>			
Mayor salary	\$ 4 500	\$ 4 500	\$ -
Council salaries	18 000	18 000	-
Travel and general expenses	4 000	1 549	2 451
Special meetings	700	-	700
	<u>\$ 27 200</u>	<u>\$ 24 049</u>	<u>\$ 3 151</u>
<b>Planning Commission:</b>			
Commission salaries	\$ 8 800	\$ 8 700	\$ 100
Travel and training	600	645	(45)
General expenses	700	-	700
Certification programs	500	158	342
	<u>\$ 10 600</u>	<u>\$ 9 503</u>	<u>\$ 1 097</u>
<b>Planning Department:</b>			
Town Engineer	\$ 20 466	\$ 20 398	\$ 68
Zoning Administrator	38 232	38 175	57
Dues and subscriptions	1 300	589	711
Overtime/leave	2 000	2 297	(297)
Travel and training	4 000	4 017	(17)
General expenses	1 000	1 596	(596)
Engineering	9 000	8 659	341
Interns	25 000	26 813	(1 813)
Consulting	30 000	32 845	(2 845)
Annexation	10 000	1 749	8 251
Legal advertising	2 500	6 003	(3 503)
Vehicle maintenance and gas	3 000	776	2 224
	<u>\$ 146 498</u>	<u>\$ 143 917</u>	<u>\$ 2 581</u>
<b>Economic Development Commission:</b>			
Special projects	\$ 22 300	\$ 16 929	\$ 5 371
General expenses	6 500	1 676	4 824
Travel	500	20	480
	<u>\$ 29 300</u>	<u>\$ 18 625</u>	<u>\$ 10 675</u>
<b>Board of Zoning Appeals:</b>			
Salaries	\$ 1 200	\$ 1 700	\$ (500)
General expenses	500	398	102
Travel	200	-	200
	<u>\$ 1 900</u>	<u>\$ 2 098</u>	<u>\$ (198)</u>
<b>Park Commission:</b>			
General expenses	\$ 2 500	\$ 768	\$ 1 732
Master plan	2 500	-	2 500
	<u>\$ 5 000</u>	<u>\$ 768</u>	<u>\$ 4 232</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA  
 GENERAL FUND  
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Administrative salaries and fees:</b>			
Town Manager	\$ 53 093	\$ 53 093	\$ -
Administrative Assistant	29 956	29 837	119
Attorney fees	30 000	34 590	(4 590)
Auditor	9 000	9 334	(334)
Treasurer	29 956	29 909	47
Overtime/leave	3 500	4 714	(1 214)
Recording Secretary	8 000	6 386	1 614
COLT Secretary, net	450	(134)	584
Interns	6 000	6 320	(320)
Part-time employees	15 000	30 394	(15 394)
	<u>\$ 184 955</u>	<u>\$ 204 443</u>	<u>\$ (19 488)</u>
<b>Building maintenance:</b>			
Cleaning	\$ 8 000	\$ 8 096	\$ (96)
Electricity	7 500	6 841	659
Telephone	7 500	10 025	(2 525)
Supplies	15 000	2 665	12 335
Repairs	2 000	2 311	(311)
Pest control	300	301	(1)
	<u>\$ 40 300</u>	<u>\$ 30 239</u>	<u>\$ 10 061</u>
<b>Miscellaneous:</b>			
Equipment repairs and supplies, office	\$ 3 000	\$ 21 167	\$ (18 167)
Town decals	7 600	1 463	6 137
Contracted equipment maintenance	5 500	11 757	(6 257)
Dues and subscriptions	1 900	1 148	752
Town manager travel and expenses	6 000	5 922	78
Legal advertisements	5 000	10 188	(5 188)
Newsletters	2 500	1 826	674
Travel and training	2 000	3 007	(1 007)
Election expense	500	-	500
Postage	5 000	4 977	23
Vehicle maintenance and gas	1 500	272	1 228
	<u>\$ 40 500</u>	<u>\$ 61 727</u>	<u>\$ (21 227)</u>
<b>Employee benefits:</b>			
Health insurance	\$ 75 000	\$ 82 436	\$ (7 436)
Retirement	38 000	37 245	755
Workers' compensation	12 000	14 369	(2 369)
Payroll taxes	47 000	50 845	(3 845)
Unemployment compensation	3 000	-	3 000
Performance bonuses	8 250	9 720	(1 470)
Drug testing	1 500	246	1 254
	<u>\$ 184 750</u>	<u>\$ 194 861</u>	<u>\$ (10 111)</u>

(Continued)

## TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other:			
Municipal insurance - autos, buildings, equipment and liability	\$ 40 000	\$ 37 815	\$ 2 185
Miscellaneous	1 000	3 032	(2 032)
Firemen's fund	4 000	4 000	-
Contributions:			
Business and Professional Association	1 000	1 000	-
Community Center	1 000	1 000	-
	<u>\$ 47 000</u>	<u>\$ 46 847</u>	<u>\$ 153</u>
 Total general government administration	 <u>\$ 718 003</u>	 <u>\$ 737 077</u>	 <u>\$ (19 074)</u>
 PUBLIC SAFETY			
Salaries:			
Chief of Police	\$ 38 963	\$ 44 732	\$ (5 769)
Patrolmen	135 735	125 918	9 817
Sergeant	28 530	25 885	2 645
Overtime/leave	18 000	24 711	(6 711)
Clerical	11 000	10 521	479
	<u>\$ 232 228</u>	<u>\$ 231 767</u>	<u>\$ 461</u>
 Administration:			
Telephone	\$ 2 300	\$ 4 253	\$ (1 953)
Supplies	4 000	6 700	(2 700)
Small equipment	5 500	7 812	(2 312)
Equipment repairs	2 000	3 082	(1 082)
Dues and subscriptions	1 000	2 101	(1 101)
Travel and training	2 500	3 825	(1 325)
Public education	2 000	2 590	(590)
Uniforms	4 100	9 810	(5 710)
Technical support	1 500	3 526	(2 026)
	<u>\$ 24 900</u>	<u>\$ 43 699</u>	<u>\$ (18 799)</u>
 Vehicle expenses:			
Repairs	\$ 5 000	\$ 8 230	\$ (3 230)
Tires	1 750	1 237	513
Gas and oil	7 000	4 831	2 169
	<u>\$ 13 750</u>	<u>\$ 14 298</u>	<u>\$ (548)</u>
 Contributions:			
Rescue squad	\$ 7 500	\$ 7 500	\$ -
Fire department	7 500	7 500	-
	<u>\$ 15 000</u>	<u>\$ 15 000</u>	<u>\$ -</u>
 Total public safety	 <u>\$ 285 878</u>	 <u>\$ 304 764</u>	 <u>\$ (18 886)</u>

(Continued)

## TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>PUBLIC WORKS</b>			
<b>Salaries:</b>			
Superintendent	\$ 29 956	\$ 29 837	\$ 119
Maintenance employees	77 000	79 404	(2 404)
Public Works Inspector	24 645	23 099	1 546
Overtime/leave	8 000	11 868	(3 868)
Part-time employees	5 000	5 382	(382)
	<u>\$ 144 601</u>	<u>\$ 149 590</u>	<u>\$ (4 989)</u>
<b>Administration:</b>			
Safety	\$ 2 500	\$ 11 056	\$ (8 556)
Electricity	1 850	2 779	(929)
Waste disposal	600	5	595
Telephone	2 100	2 326	(226)
Supplies	13 000	15 096	(2 096)
Small equipment and tools	1 800	2 110	(310)
Dues and subscriptions	400	40	360
Travel and training	2 000	2 176	(176)
Uniforms	5 075	4 609	466
Inspector	400	548	(148)
Building expenses	1 000	1 583	(583)
	<u>\$ 30 725</u>	<u>\$ 42 328</u>	<u>\$ (11 603)</u>
<b>Vehicle expenses:</b>			
Repairs	\$ 4 000	\$ 5 030	\$ (1 030)
Tires	1 500	689	811
Gas and oil	6 000	4 723	1 277
Equipment repairs	8 000	3 646	4 354
	<u>\$ 19 500</u>	<u>\$ 14 088</u>	<u>\$ 5 412</u>
<b>Streets:</b>			
Street repair	\$ 2 000	\$ 948	\$ 1 052
Sidewalk repair	4 000	-	4 000
Snow removal	5 000	1 833	3 167
Street lights	28 000	21 891	6 109
Signs	1 000	768	232
Miss Utility	700	1 050	(350)
Storm damage	2 000	-	2 000
Tree removal (Note 13)	3 000	1 992	1 008
Land use permits	400	18	382
	<u>\$ 46 100</u>	<u>\$ 28 500</u>	<u>\$ 17 600</u>
Refuse contract	<u>\$ 165 000</u>	<u>\$ 155 118</u>	<u>\$ 9 882</u>
	<u>\$ 165 000</u>	<u>\$ 155 118</u>	<u>\$ 9 882</u>
<b>Total public works</b>	<u>\$ 405 926</u>	<u>\$ 389 624</u>	<u>\$ 16 302</u>

(Continued)

## TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CAPITAL OUTLAY	\$ 247 074	\$ 170 964	\$ 76 110
Total capital outlay	\$ 247 074	\$ 170 964	\$ 76 110
ISTEA GRANT (Note 14)	\$ -	\$ 151 544	\$ (151 544)
Total ISTE A grant	\$ -	\$ 151 544	\$ (151 544)
Total expenditures	<u>\$ 1 656 881</u>	<u>\$ 1 753 973</u>	<u>\$ (97 092)</u>

## TOWN OF PURCELLVILLE, VIRGINIA

 ENTERPRISE FUNDS  
 COMBINING BALANCE SHEETS  
 June 30, 1999

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash	\$ 766 186	\$ 1 571 877	\$ 2 338 063
Restricted cash	17 875	-	17 875
Receivables:			
Accounts	82 206	109 340	191 546
Accrued interest	5 186	3 301	8 487
Property, plant and equipment (net of accumulated depreciation)	<u>4 740 101</u>	<u>2 775 599</u>	<u>7 515 700</u>
Total assets	<u>\$ 5 611 554</u>	<u>\$ 4 460 117</u>	<u>\$10 071 671</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 45 280	\$ 2 211	\$ 47 491
Accounts payable, land	-	235 000	235 000
Accrued interest payable	1 773	-	1 773
Compensated absences	8 250	8 267	16 517
Current maturities of general obligation payable	8 110	7 651	15 761
Customer deposits	17 875	-	17 875
Long-term debt, general obligation payable	<u>994 831</u>	<u>963 754</u>	<u>1 958 585</u>
Total liabilities	<u>\$ 1 076 119</u>	<u>\$ 1 216 883</u>	<u>\$ 2 293 002</u>
<b>FUND EQUITY</b>			
Contributed capital	\$ 1 488 039	\$ 1 544 407	\$ 3 032 446
Retained earnings, unreserved	<u>3 047 396</u>	<u>1 698 827</u>	<u>4 746 223</u>
Total fund equity	<u>\$ 4 535 435</u>	<u>\$ 3 243 234</u>	<u>\$ 7 778 669</u>
Total liabilities and fund equity	<u>\$ 5 611 554</u>	<u>\$ 4 460 117</u>	<u>\$10 071 671</u>

## TOWN OF PURCELLVILLE, VIRGINIA

ENTERPRISE FUNDS  
 COMBINING STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 Year Ended June 30, 1999

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services and connection fees	\$ 382 537	\$ 516 481	\$ 899 018
Availabilities	348 000	440 000	788 000
Other	<u>28 025</u>	<u>16 432</u>	<u>44 457</u>
	<u>\$ 758 562</u>	<u>\$ 972 913</u>	<u>\$ 1 731 475</u>
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 184 700	\$ 140 728	\$ 325 428
Employee benefits	45 839	41 546	87 385
Operations	160 332	117 389	277 721
Equipment and vehicles	7 406	11 035	18 441
Depreciation	156 036	109 243	265 279
Other	<u>44 085</u>	<u>10 288</u>	<u>54 373</u>
	<u>\$ 598 398</u>	<u>\$ 430 229</u>	<u>\$ 1 028 627</u>
Operating income	<u>\$ 160 164</u>	<u>\$ 542 684</u>	<u>\$ 702 848</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest income	\$ 21 590	\$ 26 607	\$ 48 197
Interest expense	(47 826)	(14 744)	(62 570)
Rental income (Note 11)	22 601	-	22 601
Timber sale, net of commissions	<u>226 250</u>	<u>-</u>	<u>226 250</u>
	<u>\$ 222 615</u>	<u>\$ 11 863</u>	<u>\$ 234 478</u>
Net income before operating transfers	\$ 382 779	\$ 554 547	\$ 937 326
OPERATING TRANSFERS OUT	<u>(9 594)</u>	<u>(9 594)</u>	<u>(19 188)</u>
Net income	\$ 373 185	\$ 544 953	\$ 918 138
DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	<u>50 800</u>	<u>66 200</u>	<u>117 000</u>
Increase in retained earnings	\$ 423 985	\$ 611 153	\$ 1 035 138
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>2 623 411</u>	<u>1 087 674</u>	<u>3 711 085</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 3 047 396</u>	<u>\$ 1 698 827</u>	<u>\$ 4 746 223</u>

TOWN OF PURCELLVILLE, VIRGINIA  
 ENTERPRISE FUNDS  
 COMBINING STATEMENTS OF CASH FLOWS  
 Year Ended June 30, 1999

	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 160 164	\$ 542 684	\$ 702 848
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	156 036	109 243	265 279
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(27 181)	(36 467)	(63 648)
Increase (decrease) in accounts payable	3 889	(1 584)	2 305
Increase (decrease) in customer deposits	2 370	-	2 370
Increase (decrease) in liability for compensated absences	3 299	3 136	6 435
Net cash provided by operating activities	<u>\$ 298 577</u>	<u>\$ 617 012</u>	<u>\$ 915 589</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Timber sale proceeds	\$ 255 148	\$ -	\$ 255 148
Timber sale commissions	(28 898)	-	(28 898)
Rental income	22 601	-	22 601
Purchase of equipment	(476 023)	(521 200)	(997 223)
Operating transfers out	(9 594)	(9 594)	(19 188)
Proceeds from long-term debt	180 674	714 772	895 446
Principal payments on long-term debt	(26 908)	(7 240)	(34 148)
Interest payments on long-term debt	(48 680)	(13 053)	(61 733)
Net cash provided by (used in) capital and related financing activities	<u>\$ (131 680)</u>	<u>\$ 163 685</u>	<u>\$ 32 005</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	<u>\$ 17 253</u>	<u>\$ 24 183</u>	<u>\$ 41 436</u>
Net cash provided by investing activities	<u>\$ 17 253</u>	<u>\$ 24 183</u>	<u>\$ 41 436</u>
Net increase in cash and cash equivalents	\$ 184 150	\$ 804 880	\$ 989 030
CASH AND CASH EQUIVALENTS, BEGINNING	<u>599 911</u>	<u>766 997</u>	<u>1 366 908</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 784 061</u>	<u>\$ 1 571 877</u>	<u>\$ 2 355 938</u>

## TOWN OF PURCELLVILLE, VIRGINIA

WATER FUND  
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Water fees	\$ 340 000	\$ 382 537	\$ 42 537
Water availabilities	200 000	348 000	148 000
Water connections	1 500	-	(1 500)
Late charges	2 500	3 497	997
Service charges	4 500	10 116	5 616
Miscellaneous	9 000	3 967	(5 033)
Water meters	10 000	10 445	445
Proffers	5 000	-	(5 000)
	<u>\$ 572 500</u>	<u>\$ 758 562</u>	<u>\$ 186 062</u>
<b>OPERATING EXPENSES</b>			
<b>Personnel:</b>			
Superintendent	\$ 33 027	\$ 41 475	\$ (8 448)
Operators	85 625	63 974	21 651
Overtime/leave	10 000	55 658	(45 658)
Secretary	12 322	12 309	13
Town Engineer	10 233	10 234	(1)
Performance bonuses	1 875	1 050	825
<b>Employee benefits:</b>			
Health insurance	24 500	19 724	4 776
Retirement	11 500	8 825	2 675
Workers' compensation	6 800	3 121	3 679
Payroll taxes	12 000	13 935	(1 935)
Drug testing	500	234	266
<b>Operations:</b>			
Electricity	29 500	22 285	7 215
Telephone	2 500	3 190	(690)
Supplies	11 500	11 250	250
Lab equipment	10 850	10 906	(56)
Contracts	1 800	1 800	-
Uniforms and safety	5 000	5 333	(333)
Well repairs	10 000	35 182	(25 182)
Plant repairs	12 000	18 323	(6 323)
Water line repairs	7 000	16 927	(9 927)
Leak detection	3 000	5 281	(2 281)
Meter repairs and testing	3 000	1 419	1 581
Cross connections	500	41	459
Chemicals, plant	23 500	19 439	4 061
Chemicals, well	3 200	4 204	(1 004)
Spare parts	5 000	4 752	248
<b>Equipment and vehicles:</b>			
Equipment repairs and small equipment	5 300	3 040	2 260
Vehicle repairs	2 000	2 707	(707)
Gas and oil	2 600	1 659	941

(Continued)

## TOWN OF PURCELLVILLE, VIRGINIA

WATER FUND  
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
 Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other expenses:			
Watershed management	\$ 10 000	\$ 15 940	\$ (5 940)
Advertisements	1 800	4 727	(2 927)
Water samples	3 000	9 415	(6 415)
Training	4 000	4 000	-
Miscellaneous	3 600	3 992	(392)
Engineering	6 000	6 000	-
Water refunds, net	3 500	11	3 489
Depreciation	-	156 036	(156 036)
	<u>\$ 378 532</u>	<u>\$ 598 398</u>	<u>\$ (219 866)</u>
Operating income	<u>\$ 193 968</u>	<u>\$ 160 164</u>	<u>\$ (33 804)</u>
 NONOPERATING REVENUE (EXPENSE)			
Interest earned	\$ 6 000	\$ 21 590	\$ 15 590
Interest expense	(55 000)	(47 826)	7 174
Rental income (Note 11)	12 000	22 601	10 601
Timber sale, net of commissions	67 000	226 250	159 250
	<u>\$ 30 000</u>	<u>\$ 222 615</u>	<u>\$ 192 615</u>
Net income before operating transfers	<u>\$ 223 968</u>	<u>\$ 382 779</u>	<u>\$ 158 811</u>
 OPERATING TRANSFERS			
Transfers out	<u>(9 594)</u>	<u>(9 594)</u>	<u>-</u>
Net income	<u>\$ 214 374</u>	<u>\$ 373 185</u>	<u>\$ 158 811</u>

## TOWN OF PURCELLVILLE, VIRGINIA

SEWER FUND  
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Sewer fees	\$ 420 000	\$ 516 481	\$ 96 481
Sewer availabilities	250 000	440 000	190 000
Sewer connections	1 500	-	(1 500)
Late charges	2 300	3 496	1 196
Service charges	4 500	10 116	5 616
Miscellaneous	3 500	2 820	(680)
Proffers	5 000	-	(5 000)
	<u>\$ 686 800</u>	<u>\$ 972 913</u>	<u>\$ 286 113</u>
<b>OPERATING EXPENSES</b>			
Personnel:			
Superintendent	\$ 33 027	\$ 37 714	\$ (4 687)
Operators	69 848	71 979	(2 131)
Overtime/leave	5 000	6 674	(1 674)
Secretary	12 322	12 297	25
Town Engineer	10 233	10 234	(1)
Performance bonuses	1 875	1 830	45
Employee benefits:			
Health insurance	24 500	19 635	4 865
Retirement	9 411	10 038	(627)
Workers' compensation	6 000	1 249	4 751
Payroll taxes	9 500	10 476	(976)
Drug testing	500	148	352
Operations:			
Electricity	36 000	32 515	3 485
Telephone	2 500	2 802	(302)
Supplies	15 750	9 843	5 907
Contracts	12 000	11 359	641
Uniforms and safety	4 500	3 728	772
Plant repairs	16 500	13 864	2 636
Sewer line repairs	5 000	2 394	2 606
I & I detection	2 000	-	2 000
Pump station	5 000	27 968	(22 968)
Tools	500	447	53
Sludge removal	12 000	6 825	5 175
Chemicals	8 200	5 644	2 556
Equipment and vehicles:			
Equipment repairs and small equipment	30 000	9 241	20 759
Gas and oil	1 500	1 170	330
Vehicle repairs	1 250	624	626
Other expenses:			
Advertisements	1 000	3 322	(2 322)
Training	4 000	1 161	2 839
Miscellaneous	2 000	5 805	(3 805)
Engineering	2 000	-	2 000
Depreciation	-	109 243	(109 243)
	<u>\$ 343 916</u>	<u>\$ 430 229</u>	<u>\$ (86 313)</u>
Operating income	<u>\$ 342 884</u>	<u>\$ 542 684</u>	<u>\$ 199 800</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA  
SEWER FUND  
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest earned	\$ 10 000	\$ 26 607	\$ 16 607
Interest expense	<u>(13 600)</u>	<u>(14 744)</u>	<u>(1 144)</u>
	<u>\$ (3 600)</u>	<u>\$ 11 863</u>	<u>\$ 15 463</u>
Net income before operating transfers	\$ 339 284	\$ 554 547	\$ 215 263
<b>OPERATING TRANSFERS</b>			
Transfers out	<u>(9 594)</u>	<u>(9 594)</u>	<u>-</u>
Net income	<u>\$ 329 690</u>	<u>\$ 544 953</u>	<u>\$ 215 263</u>

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

To the Honorable Town Council  
Town of Purcellville  
Purcellville, VA

We have audited the financial statements of the Town of Purcellville as of and for the year ended June 30, 1999, and have issued our report thereon dated August 6, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town of Purcellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Purcellville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Purcellville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs (Item 2).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of findings and questioned costs is a material weakness.

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

*Young, Nicholas Branner & Phillips LLP*

Harrisonburg, VA  
August 6, 1999

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

To the Honorable Town Council  
Town of Purcellville  
Purcellville, VA

Compliance

We have audited the compliance of the Town of Purcellville with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The Town of Purcellville's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs (Item 7). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Purcellville's management. Our responsibility is to express an opinion on the Town of Purcellville's compliance based on our audit.

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

In our opinion, the Town of Purcellville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the Town of Purcellville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Purcellville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

*Young, Nicholas, Branner & Phillips, LLP*

Harrisonburg, VA  
August 6, 1999

## TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 1999

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal Catalogue Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>Department of Agriculture</u>		
Rural Development Loan Guarantee: Water and Waste Disposal Systems for Rural Communities (\$1,230,080 General Obligation Water and Sewer Bond, Series of 1996)	10.760*	\$ 180 674
Rural Development Loan Guarantee: Water and Waste Disposal Systems for Rural Communities (\$7,304,000 General Obligation Water and Sewer Bond, Series of 1999)	10.760*	<u>\$ 714 772</u>
Total Department of Agriculture		<u>\$ 895 446</u>
<u>Department of Justice</u>		
Direct Program: Public Safety Partnership and Community Policing Grants (COPS FAST Grant)	16.710	\$ 16 045
Passed through State Department of Criminal Justice Services: Local Law Enforcement Block Grants Program	16.592	<u>3 586</u>
Total Department of Justice		<u>\$ 19 631</u>
<u>Department of Transportation - Federal Highway Administration</u>		
Passed through State Department of Transportation: Highway Planning and Construction/Intermodal Surface Transportation Efficiency Act (ISTEA) Grant	20.205	<u>\$ 151 544</u>
Total Department of Transportation		<u>\$ 151 544</u>
Total Federal financial assistance		<u>\$ 1 066 621</u>

\* Denotes Major Program

(Continued)

## TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 1999

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

## NOTE B--RURAL DEVELOPMENT LOAN

Below is a summary of the outstanding loan balance on the 1996 bond payable to Rural Development:

<u>Year</u>	<u>Principal Advanced- Fiscal Year Ended June 30,</u>	<u>Principal Repaid- Fiscal Year Ended June 30,</u>	<u>Balance Owed June 30,</u>
1997	\$ 725 124	\$ -	\$ 725 124
1998	146 409	22 358	849 175
1999	<u>180 674</u>	<u>26 908</u>	1 002 941
	<u>\$ 1 052 207</u>	<u>\$ 49 266</u>	

## NOTE C--RURAL DEVELOPMENT LOAN

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

<u>Year</u>	<u>Principal Advanced- Fiscal Year Ended June 30,</u>	<u>Principal Repaid- Fiscal Year Ended June 30,</u>	<u>Balance Owed June 30,</u>
1999	<u>\$ 714 772</u>	<u>\$ -</u>	\$ 714 772

## NOTE D--ISTEA GRANT

The Town administers the ISTEA grant for the Purcellville Preservation Association. The funds from the grant pass-through the Town to the Association for its expenditure.

## TOWN OF PURCELLVILLE, VA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 1999

## A. SUMMARY OF AUDIT RESULTS

1. Type of auditors' report issued on the financial statements of the Town of Purcellville, Virginia-unqualified opinion.
2. Reportable condition (also considered a material weakness) that was referred to in the "Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*":

Proper internal control is not always possible due to the relatively small number of persons involved in processing transactions. We recognize that because of the small size of the Town, it may not be economically feasible to have adequate segregation of duties, but we are required to report this condition under our professional responsibilities. This item was also included in our audit report for the year ended June 30, 1998.

The Town has segregated certain duties of its employees to help prevent or promptly detect errors in financial reporting. The employees appear to perform their duties in a structured and conscientious manner. The problem is that when you have a small staff, it is hard to totally divide the functions of executing a transaction, recording the transaction, and keeping custody of the assets.

In the future, the Town plans to continue to segregate employee duties as much as possible. The Town Council and Officials also plan to continue to be actively involved in overseeing the Town's financial operations.

3. The audit did not disclose any noncompliance that is material to the financial statements of the Town of Purcellville, Virginia.
4. The "Independent Auditors' Report on Compliance with Requirements Applicable to a Major Program and Internal Control over Compliance in accordance with OMB Circular A-133" did not disclose any reportable conditions in internal control over the major program.
5. Type of auditors' report issued on compliance for the major program of the Town of Purcellville, Virginia-unqualified opinion.
6. There were no audit findings that need to be reported under Section 510(a) of OMB Circular A-133.
7. Major federal program of the Town of Purcellville, Virginia-Department of Agriculture/Rural Development's "Water and Waste Disposal Systems for Rural Communities".
8. The above federal program was selected as Type A and major because its expenditures exceeded \$300,000. This was the only federal program of the Town of Purcellville that exceeded that amount. The auditors' professional judgment does not consider the above program to be low-risk under Section 520 and 525 of OMB Circular A-133.
9. The Town of Purcellville, Virginia, does not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

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

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS**

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

Note: This report does not include a summary schedule of prior audit findings because the audit of the Town of Purcellville for the year ended June 30, 1998, did not disclose any audit findings or questioned costs relative to federal awards.