

TOWN OF PURCELLVILLE, VIRGINIA
FINANCIAL AND COMPLIANCE REPORTS
JUNE 30, 2002

TOWN OF PURCELLVILLE, VIRGINIA

OFFICIALS

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

TOWN COUNCIL

Russell G. Cox, Jr.
Beverly B. MacDonald
John Knight
Paul Eldridge
Stephen Varmecky

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1 and 2
GENERAL PURPOSE FINANCIAL STATEMENTS: (COMBINED STATEMENTS - OVERVIEW)	
Combined balance sheets - all fund types and account groups	3
Combined statements of revenues, expenditures, and changes in fund balances - all governmental fund types	4
Statements of revenues, expenditures, and changes in fund balances - budget (GAAP basis) and actual - general fund	5
Combined statements of revenues and expenses, and changes in retained earnings - all proprietary fund types	6
Combined statements of cash flows - all proprietary fund types	7
Notes to financial statements	8-22
SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Financial Statements	
General Fund:	
Statement of revenues - budget and actual	23 and 24
Statement of expenditures - budget and actual	25-29
Enterprise Funds:	
Combining balance sheets	30
Combining statements of revenues, expenses, and changes in retained earnings	31
Combining statements of cash flows	32
Other Supplementary Information	
Water Fund:	
Statement of revenues and expenses - budget and actual	33 and 34
Sewer Fund:	
Statement of revenues and expenses - budget and actual	35 and 36
Schedule of capital outlays	37 and 38
Schedule of funding progress	39
Statement of the treasurer's accountability	40
Statement of the treasurer's accountability to the town - all town funds	41

(Continued)

CONTENTS

	Page
STATISTICAL SECTION	
General governmental revenues by source	42
General governmental expenditures by function	43
Assessed value of taxable property	44
Property tax rates per \$100 of assessed value	45
Property tax levies and collections	46
Ratio of net general bonded debt to assessed value and net bonded debt per capita	47
Ratio of annual debt service expenditures for general bonded debt to total general governmental expenditures	48
Schedule of legal debt margin	49
COMPLIANCE SECTION	
Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants	50 and 51
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52 and 53
Independent Auditors' Report on Compliance with Requirements Applicable to a Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	54 and 55
Schedule of Expenditures of Federal Awards	56
Schedule of Findings and Questioned Costs	57



INDEPENDENT AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

We have audited the accompanying general-purpose financial statements of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town of Purcellville's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Purcellville, Virginia, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2002, on our consideration of the Town of Purcellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Located at 1041 South High Street
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Harrisonburg, VA 22801-2187
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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 accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the financial information listed as supplementary information and statistical section in the table of contents, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Young, Nicholas, Branner & Phillips, LLP

Harrisonburg, VA
August 21, 2002

TOWN OF PURCELLVILLE, VIRGINIA

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002 and 2001

ASSETS	Governmental Fund Types		Proprietary
	General Fund	Debt Service	Fund Types Enterprise Funds
Cash and investments (Note 6)	\$ 1 920 625	\$ -	\$ 5 659 554
Restricted, cash and investments (Note 6)	216 317	-	13 880
Virginia non-arbitrage funds (Note 7)	-	-	664 294
Receivables:			
Property taxes	33 203	-	-
Utility taxes	20 877	-	-
Accounts	66 740	-	299 208
Accrued interest	8 771	-	1 648
Due from other governmental units (Note 2)	58 186	-	-
Due from other funds	-	57 362	-
Property, plant and equipment (net of accumulated depreciation) (Note 3)	-	-	18 135 950
Unamortized bond discount	-	-	45 775
Amount to be provided for retirement of general long-term debt (Note 4)	-	-	-
Total assets	\$ 2 324 719	\$ 57 362	\$ 24 820 309
LIABILITIES			
Accounts payable	\$ 54 522	\$ -	\$ 136 820
Accounts payable, plant construction	-	-	420 797
Accrued interest payable	-	-	55 300
Compensated absences	120 114	-	34 028
Current maturities of long-term debt (Note 4)	-	-	234 709
Customer deposits	216 317	-	13 880
Deferred revenues	22 646	-	-
Due to other funds	57 362	-	-
Long-term debt (Note 4)	-	-	10 031 422
Total liabilities	\$ 470 961	\$ -	\$ 10 926 956
FUND EQUITY			
Investment in general fixed assets (Note 3)	\$ -	\$ -	\$ -
Contributed capital (Note 10)	-	-	2 681 446
Retained earnings	-	-	11 211 907
Fund balance:			
Unreserved	1 853 758	-	-
Designated for debt service (Note 4)	-	57 362	-
Total fund equity	\$ 1 853 758	\$ 57 362	\$ 13 893 353
Total liabilities and fund equity	\$ 2 324 719	\$ 57 362	\$ 24 820 309

See Notes to Financial Statements.

----- Account Groups -----		Totals (Memorandum Only)	
General Fixed Assets	General Long-Term Debt	June 30, 2002	2001
\$ -	\$ -	\$ 7 580 179	\$ 6 097 625
-	-	230 197	152 418
-	-	664 294	2 296 194
-	-	33 203	20 371
-	-	20 877	31 981
-	-	365 948	474 900
-	-	10 419	15 238
-	-	58 186	91 214
-	-	57 362	20 775
3 908 343	-	22 044 293	16 087 210
-	-	45 775	61 426
-	926 408	926 408	825 008
<u>\$ 3 908 343</u>	<u>\$ 926 408</u>	<u>\$ 32 037 141</u>	<u>\$ 26 174 360</u>
\$ -	\$ -	\$ 191 342	\$ 156 828
-	-	420 797	606 582
-	-	55 300	125 487
-	-	154 142	108 193
-	-	234 709	272 082
-	-	230 197	152 418
-	-	22 646	22 283
-	-	57 362	20 775
-	926 408	10 957 830	8 132 833
<u>\$ -</u>	<u>\$ 926 408</u>	<u>\$ 12 324 325</u>	<u>\$ 9 597 481</u>
\$ 3 908 343	\$ -	\$ 3 908 343	\$ 2 831 240
-	-	2 681 446	2 798 446
-	-	11 211 907	8 652 908
-	-	1 853 758	2 273 510
-	-	57 362	20 775
<u>\$ 3 908 343</u>	<u>\$ -</u>	<u>\$ 19 712 816</u>	<u>\$ 16 576 879</u>
<u>\$ 3 908 343</u>	<u>\$ 926 408</u>	<u>\$ 32 037 141</u>	<u>\$ 26 174 360</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Year Ended June 30, 2002

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types		Totals (Memorandum Only)	
	General Fund	Debt Service	June 30, 2002	June 30, 2001
REVENUES				
General property taxes	\$ 1 123 957	\$ -	\$ 1 123 957	\$ 894 057
Other local taxes	1 513 606	-	1 513 606	1 382 201
Permits and zoning	478 134	-	478 134	416 384
Fines and forfeitures	48 791	-	48 791	25 511
Revenues from use of money and property	60 029	-	60 029	130 871
Miscellaneous	170 758	-	170 758	292 944
Intergovernmental	95 562	-	95 562	100 065
Pass-through grant (Note 14)	438 028	-	438 028	230 688
Total revenues	<u>\$ 3 928 865</u>	<u>\$ -</u>	<u>\$ 3 928 865</u>	<u>\$ 3 472 721</u>
EXPENDITURES				
General government administration	\$ 1 484 053	\$ -	\$ 1 484 053	\$ 1 393 661
Public safety	485 791	-	485 791	475 223
Public works/maintenance	885 605	-	885 605	545 883
Capital outlay	1 118 130	-	1 118 130	636 127
Pass-through grant (Note 14)	438 028	-	438 028	230 688
Debt service:				
Principal retirement	-	22 544	22 544	18 957
Interest	-	57 597	57 597	57 795
Total expenditures	<u>\$ 4 411 607</u>	<u>\$ 80 141</u>	<u>\$ 4 491 748</u>	<u>\$ 3 358 334</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (482 742)</u>	<u>\$ (80 141)</u>	<u>\$ (562 883)</u>	<u>\$ 114 387</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	\$ 160 530	\$ -	\$ 160 530	\$ -
Operating transfers in	19 188	116 728	135 916	97 724
Operating transfers out	(116 728)	-	(116 728)	(78 536)
	<u>\$ 62 990</u>	<u>\$ 116 728</u>	<u>\$ 179 718</u>	<u>\$ 19 188</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (419 752)</u>	<u>\$ 36 587</u>	<u>\$ (383 165)</u>	<u>\$ 133 575</u>
FUND BALANCE AT BEGINNING OF YEAR				
	<u>2 273 510</u>	<u>20 775</u>	<u>2 294 285</u>	<u>2 160 710</u>
FUND BALANCE AT END OF YEAR				
	<u>\$ 1 853 758</u>	<u>\$ 57 362</u>	<u>\$ 1 911 120</u>	<u>\$ 2 294 285</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, 2002

	----- General Fund -----		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
General property taxes	\$ 958 000	\$ 1 123 957	\$ 165 957
Other local taxes	1 370 000	1 513 606	143 606
Permits and zoning	310 000	478 134	168 134
Fines and forfeitures	21 200	48 791	27 591
Revenues from use of money and property	109 500	60 029	(49 471)
Miscellaneous	536 700	170 758	(365 942)
Intergovernmental	93 000	95 562	2 562
Pass-through grant (Note 14)	-	438 028	438 028
Total revenues	<u>\$ 3 398 400</u>	<u>\$ 3 928 865</u>	<u>\$ 530 465</u>
EXPENDITURES			
General government administration	\$ 1 585 221	\$ 1 484 053	\$ 101 168
Public safety	498 744	485 791	12 953
Public works/maintenance	964 012	885 605	78 407
Capital outlay	1 172 500	1 118 130	54 370
Pass-through grant (Note 14)	-	438 028	(438 028)
Total expenditures	<u>\$ 4 220 477</u>	<u>\$ 4 411 607</u>	<u>\$ (191 130)</u>
Deficiency of revenues over expenditures	<u>\$ (822 077)</u>	<u>\$ (482 742)</u>	<u>\$ 339 335</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	\$ -	\$ 160 530	\$ 160 530
Operating transfers in	19 188	19 188	-
Operating transfers out	<u>(57 564)</u>	<u>(116 728)</u>	<u>(59 164)</u>
	<u>\$ (38 376)</u>	<u>\$ 62 990</u>	<u>\$ 101 366</u>
Deficiency of revenues other sources over expenditures and other uses	<u>\$ (860 453)</u>	<u>\$ (419 752)</u>	<u>\$ 440 701</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>2 273 510</u>	<u>2 273 510</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1 413 057</u>	<u>\$ 1 853 758</u>	<u>\$ 440 701</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, 2002

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise Funds	
	---- Water and Sewer ----	
	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Charges for services	\$ 1 219 751	\$ 1 095 156
Availabilities	2 586 500	1 303 000
Other	<u>79 209</u>	<u>53 605</u>
	<u>\$ 3 885 460</u>	<u>\$ 2 451 761</u>
OPERATING EXPENSES		
Personnel services	\$ 529 742	\$ 445 433
Employee benefits	169 692	136 129
Operations	385 475	311 216
Equipment and vehicles	29 055	42 866
Depreciation	447 119	334 534
Other	<u>80 252</u>	<u>53 663</u>
	<u>\$ 1 641 335</u>	<u>\$ 1 323 841</u>
Operating income	<u>\$ 2 244 125</u>	<u>\$ 1 127 920</u>
NONOPERATING REVENUE (EXPENSE)		
Water Quality Improvement Fund grant	\$ 550 871	\$ 862 899
Interest income	116 073	395 530
Interest expense	(484 783)	(367 125)
Rental income (Note 11)	<u>34 901</u>	<u>29 321</u>
	<u>\$ 217 062</u>	<u>\$ 920 625</u>
Net income before operating transfers	\$ 2 461 187	\$ 2 048 545
OPERATING TRANSFERS OUT	<u>(19 188)</u>	<u>(19 188)</u>
Net income	\$ 2 441 999	\$ 2 029 357
DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	<u>117 000</u>	<u>117 000</u>
Increase in retained earnings	\$ 2 558 999	\$ 2 146 357
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>8 652 908</u>	<u>6 506 551</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 11 211 907</u>	<u>\$ 8 652 908</u>

See Notes to Financial Statements.

TOWN OF PURCELLVILLE, VIRGINIA
 COMBINED STATEMENTS OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 Year Ended June 30, 2002
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise Funds	
	----- Water and Sewer -----	
	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 2 244 125	\$ 1 127 920
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	447 119	334 534
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	22 568	(90 930)
Increase (decrease) in accounts payable	10 792	4 121
Increase (decrease) in customer deposits	(830)	860
Increase (decrease) in liability for compensated absences	<u>12 683</u>	<u>2 771</u>
Net cash provided by operating activities	<u>\$ 2 736 457</u>	<u>\$ 1 379 276</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Water Quality Improvement Fund grant	\$ 550 871	\$ 862 899
Bond issue refund (costs)	13 026	(65 521)
Operating transfers out	(19 188)	(19 188)
Rental income	34 901	29 321
Purchase of equipment	(5 493 349)	(4 837 002)
Proceeds from long-term debt	2 873 351	5 717 453
Principal payments on long-term debt	(187 128)	(262 338)
Interest payments on long-term debt	<u>(554 969)</u>	<u>(243 395)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$(2 782 485)</u>	<u>\$ 1 182 229</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>\$ 124 195</u>	<u>\$ 389 686</u>
Net cash provided by investing activities	<u>\$ 124 195</u>	<u>\$ 389 686</u>
Net increase in cash and cash equivalents	\$ 78 167	\$ 2 951 191
CASH AND CASH EQUIVALENTS, BEGINNING	<u>6 259 561</u>	<u>3 308 370</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 6 337 728</u>	<u>\$ 6 259 561</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. Amounts shown in the accompanying financial statements as "budget" represent the final operating budget for the fiscal year 2002, as amended and approved by the Council of the Town. The Town budgeted carryover funds of \$860,453 for the year as general fund revenue to cover expenditures.

For the year ended June 30, 2002, the General Fund overspent its budget by \$191,130; however, the Town Council approved appropriations to authorize all cash expenditures.

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:		
SNAP draws	\$ 1 500 000	\$ 1 676 630
Carryover funds	(19 816)	-
Debt retirement (principal)	(15 000)	(14 066)
Capital outlay:		
Water projects	<u>(1 700 000)</u>	<u>(1 697 151)</u>
	<u>\$ (234 816)</u>	<u>\$ (34 587)</u>
Sewer Fund:		
Loan proceeds	\$ 2 500 000	\$ 2 873 351
Carryover funds	591 696	-
Debt retirement (principal)	(165 959)	(173 062)
Capital outlay:		
Sewer projects	<u>(4 270 000)</u>	<u>(3 629 948)</u>
	<u>\$(1 344 263)</u>	<u>\$ (929 659)</u>

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant and Equipment

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

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

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

H. Deferred Revenue

Deferred revenue represents uncollected tax billings at June 30, 2002, 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, 2002.

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, 2002, the accrued compensated absences are as follows:

<u>Total</u>	<u>General Fund</u>	<u>Enterprise Funds</u>
<u>\$154,142</u>	<u>\$ 120,114</u>	<u>\$ 34,028</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 \$23,537 and \$22,954 for the years ended June 30, 2002 and 2001, respectively. Advertising expense in the Water Fund was \$3,573 and \$2,569, for the years ended June 30, 2002 and 2001, respectively. Advertising expense in the Sewer Fund was \$952 and \$ - for the years ended June 30, 2002 and 2001, respectively.

T. Unamortized Bond Discount

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

Note 2. Due from Other Governmental Units

Due from other governmental units consists of the following:

Loudoun County, Virginia, sales tax \$ 58 186

Note 3. Property, Plant and Equipment

A summary of Proprietary Fund Type property, plant, and equipment at June 30, 2002, follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise</u>
Land	\$ 859 964	\$ 301 629	\$ 1 161 593
Water and sewer systems	8 400 730	12 317 054	20 717 784
Equipment	<u>459 787</u>	<u>253 578</u>	<u>713 365</u>
Total	\$ 9 720 481	\$12 872 261	\$ 22 592 742
Less accumulated depreciation	<u>2 382 337</u>	<u>2 074 455</u>	<u>4 456 792</u>
	<u>\$ 7 338 144</u>	<u>\$10 797 806</u>	<u>\$ 18 135 950</u>

A summary of changes in general fixed assets at June 30, 2002, follows:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2002</u>
Land and improvements	\$ 895 073	\$ 619 446	\$ -	\$ 1 514 519
Building and structures	964 540	217 990	-	1 182 530
Vehicles and equipment	682 615	228 704	41 027	870 292
Office equipment	274 016	51 990	-	326 006
Other	<u>14 996</u>	<u>-</u>	<u>-</u>	<u>14 996</u>
Total	<u>\$ 2 831 240</u>	<u>\$ 1 118 130</u>	<u>\$ 41 027</u>	<u>\$ 3 908 343</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, 2002, are as follows:

	<u>Enterprise Funds</u>	<u>General Long- Term Debt Account Group</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>General Obligation Bonds</u>				
\$1,230,080 1996 bond payable to Rural Development, U. S. Department of Agriculture, \$6,299 per month including interest at 5.375%. The loan matures October 18, 2036.	\$ 1 136 848	\$ -	\$ -	\$ 1 136 848
\$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.	-	803 813	21 693	825 506
\$7,304,000 1999 bond payable to Rural Development, U. S. Department of Agriculture, \$35,863 per month including interest at 5% to June 24, 2039.	6 264 283	-	-	6 264 283
\$2,865,000 2000 bond payable to Virginia Resources Authority. Annual principal payments on the loan commence April 1, 2003, and continue through April 1, 2020. The initial principal payment begins at \$100,000 and increases in \$5,000 - \$10,000 intervals until the final principal payment of \$240,000. In addition, interest is due on the loan at a true rate of 5.68%.	2 865 000	-	-	2 865 000
Total general obligation bonds	<u>\$10 266 131</u>	<u>\$ 803 813</u>	<u>\$ 21 693</u>	<u>\$ 11 091 637</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

The Town will continue to draw on the 1999 bond for financing of its sewer improvement projects. As of June 30, 2002, the Town had drawn \$6,440,576 on the loan and repaid principal of \$176,293.

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

	<u>Enterprise Funds</u>	<u>General Long- Term Debt Account Group</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>Capital Leases</u>				
Capital lease payable to Ford Motor Credit for vac truck. Due in annual installments of \$38,524 through September, 2005, including interest at 5.15%. The cost of the vac truck was \$174,680 and is being recorded in general fixed assets.	\$ -	\$ 104 617	\$ 31 513	\$ 136 130
Capital lease payable to Xerox for copier. Due in monthly installments of \$484 through October, 2006, with an \$800 purchase option. Includes interest at 8.5%. The cost of the copier was \$24,400 and is being recorded in the general fixed assets.	-	17 978	4 156	22 134
Total capital leases	<u>\$ -</u>	<u>\$ 122 595</u>	<u>\$ 35 669</u>	<u>\$ 158 264</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

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

	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
2003	\$ 256 402	\$ 35 669	\$ 292 071
2004	269 862	37 659	307 521
2005	283 787	39 765	323 552
2006	298 202	41 994	340 196
2007	313 134	3 177	316 311
Thereafter	<u>9 670 250</u>	<u>-</u>	<u>9 670 250</u>
Totals	<u>\$ 11 091 637</u>	<u>\$ 158 264</u>	<u>\$ 11 249 901</u>

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

	<u>Balance June 30, 2001</u>	<u>Principal Addition</u>	<u>Principal Payment</u>	<u>Transfer to Debt Service Fund</u>	<u>Balance June 30, 2002</u>
Amount to be provided for retirement of general long-term debt	<u>\$ 825 008</u>	<u>\$ 160 530</u>	<u>\$ (22 543)</u>	<u>\$ (36 587)</u>	<u>\$ 926 408</u>
General long-term debt payable:					
Bond payable	\$ 825 008	\$ -	\$ (20 277)	\$ (918)	\$ 803 813
Capital leases payable	<u>-</u>	<u>160 530</u>	<u>(2 266)</u>	<u>(35 669)</u>	<u>122 595</u>
	<u>\$ 825 008</u>	<u>\$ 160 530</u>	<u>\$ (22 543)</u>	<u>\$ (36 587)</u>	<u>\$ 926 408</u>

Note 5. Risk Management

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

The Town has insurance coverage with the Virginia Municipal Group Self Insurance Association and VaRisk. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 6. Cash and Investments

Deposits

At June 30, 2002, the carrying value of the Town's deposits with banks was \$1,227,172 and the bank balance was \$1,035,950. 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.

However, all qualified bank's public deposits are considered 100% "insured" (per GASB 3 paragraph 11) because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro rata basis to each member of the pool. Therefore, the Act ensures that there will be no loss of public funds and that makes the pool similar to depository insurance.

Petty Cash

The Town had \$550 of petty cash on June 30, 2002.

Investments

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

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

Below is a summary of the Town's investments as of June 30, 2002:

<u>Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Category 1:		
Repurchase Agreement (FHLB)	\$ 6 017 000	\$ 6 017 000
Investment not subject to categorization:		
Local Government Investment Pool	<u>565 654</u>	<u>565 654</u>
	<u>\$ 6 582 654</u>	<u>\$ 6 582 654</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Virginia Non-Arbitrage Funds

The Town has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. SNAP provides comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities and towns. As of June 30, 2002, the Town had \$664,294 in the SNAP short-term investment pool.

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Town temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Town treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund. At June 30, 2002, the Town had no arbitrage rebate liability.

Note 8. Property Taxes

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

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

Note 9. Defined Benefit Pension Plan

Plan description

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan (Continued)

Funding policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual compensation 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 2002 was 6.50% of annual covered payroll.

Annual pension cost

For 2002, the Town's annual pension cost of \$194,752 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the Plan's assets was determined using the modified market method. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a level percent, open basis. The remaining amortization period at June 30, 2001, was 3 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>
6/30/00	\$ 83 457	100%	\$ -
6/30/01	158 803	100%	-
6/30/02	194 752	100%	-

Note 10. Contributed Capital

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

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance, June 30, 2001	\$ 1 386 439	\$ 1 412 007	\$ 2 798 446
Depreciation transferred to contributed capital	<u>(50 800)</u>	<u>(66 200)</u>	<u>(117 000)</u>
Balance, June 30, 2002	<u>\$ 1 335 639</u>	<u>\$ 1 345 807</u>	<u>\$ 2 681 446</u>

NOTES TO FINANCIAL STATEMENTS

Note 11. Operating Lease Commitments

The Town receives rental income from several operating leases.

The Town leases its water tank and surrounding property to three communications companies under noncancelable operating leases for 59 months. The monthly rents received from the leases range from \$800 - \$1,075. Each lease is adjusted upward annually. Leases expire in June, 2003, June, 2005, and February, 2006. The following is a schedule by years of future minimum rentals under the leases at June 30, 2002:

<u>Year Ending June 30</u>	
2003	\$ 34 821
2004	24 393
2005	23 918
2006	9 991
	<u>\$ 93 123</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, 2002, is \$34,901.

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, 2002, 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, 2002, 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, 2002, totaling \$10,246.

Note 14. Pass-Through Grant

The Town administers a mass transit grant for Virginia Regional Transportation 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.

NOTES TO FINANCIAL STATEMENTS

Note 15. Segment Information on Enterprise Funds

The Town maintains enterprise funds. Financial segment information as of and for the year ended June 30, 2002, is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues	\$ 1 780 923	\$ 2 104 537	\$ 3 885 460
Depreciation expense	234 422	212 697	447 119
Operating income	845 243	1 398 882	2 244 125
Operating transfers out	(9 594)	(9 594)	(19 188)
Net income	722 158	1 719 841	2 441 999
Property, plant and equipment additions	1 697 151	3 629 948	5 327 099
Net working capital	2 648 253	3 094 797	5 743 050
Total assets	10 346 741	14 473 568	24 820 309
Long-term liabilities outstanding	3 887 003	6 144 419	10 031 422
Total equity	6 145 169	7 748 184	13 893 353

Note 16. Pending GASB Statements

At June 30, 2002, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 34, *Basic Financial Statement and-Management's Discussion and Analysis-for State and Local Governments*, issued June 1999, will be effective for the Town for the fiscal year ending June 30, 2004. This Statement imposes new standards for financial reporting. Financial managers will be required to provide a management's discussion and analysis (MD&A) that gives readers an analysis of the Town's overall financial position and results of the previous year's operations. The titles and formats of the financial statements change significantly. Governmental units will continue to provide budgetary information in their reports; however, under this Statement, they will be required to provide the government's *original budget* as well as the final budget and actual results. Management has not yet completed its assessment of this Statement; however, it will have a significant effect on the overall financial presentation.

GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, clarifies certain provisions of GASB 34 for more consistent application and modifies other GASB Statements to meet changing requirements. The provisions of Statement 37 will be implemented simultaneously with Statement 34.

GASB Statement 38, *Certain Financial Statement Note Disclosures* modifies, adds, and deletes various note disclosure requirements. The requirements address revenue recognition policies, actions taken in response to legal violation, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt. The provisions of Statement 38 will be effective when the provisions of Statement 34 are implemented.

TOWN OF PURCELLVILLE, VIRGINIA
 GENERAL FUND
 STATEMENT OF REVENUES - BUDGET AND ACTUAL
 Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL PROPERTY TAXES			
Real estate taxes	\$ 760 000	\$ 886 269	\$ 126 269
Personal property taxes	<u>198 000</u>	<u>237 688</u>	<u>39 688</u>
	<u>\$ 958 000</u>	<u>\$ 1 123 957</u>	<u>\$ 165 957</u>
OTHER LOCAL TAXES			
Sales taxes	\$ 350 000	\$ 357 246	\$ 7 246
Utility taxes	175 000	213 626	38 626
Business licenses	280 000	319 372	39 372
Auto decals	68 000	81 120	13 120
Bank franchise tax	56 000	86 424	30 424
Cable franchise tax	33 000	27 349	(5 651)
Meals tax	275 000	314 966	39 966
Cigarette tax	125 000	113 503	(11 497)
Cellular tax	8 000	-	(8 000)
	<u>\$ 1 370 000</u>	<u>\$ 1 513 606</u>	<u>\$ 143 606</u>
PERMITS AND ZONING			
Zoning fees	\$ 300 000	\$ 429 352	\$ 129 352
Proffers	<u>10 000</u>	<u>48 782</u>	<u>38 782</u>
	<u>\$ 310 000</u>	<u>\$ 478 134</u>	<u>\$ 168 134</u>
FINES AND FORFEITURES			
Parking tickets	\$ 1 200	\$ 3 500	\$ 2 300
Criminal fines	<u>20 000</u>	<u>45 291</u>	<u>25 291</u>
	<u>\$ 21 200</u>	<u>\$ 48 791</u>	<u>\$ 27 591</u>
REVENUES FROM USE OF MONEY AND PROPERTY			
Interest earned	\$ 105 000	\$ 54 529	\$ (50 471)
Rent - house	<u>4 500</u>	<u>5 500</u>	<u>1 000</u>
	<u>\$ 109 500</u>	<u>\$ 60 029</u>	<u>\$ (49 471)</u>
INTERGOVERNMENTAL			
ABC profits	\$ 4 000	\$ 14 794	\$ 10 794
Law enforcement grants	85 000	80 768	(4 232)
Firemen's fund	<u>4 000</u>	<u>-</u>	<u>(4 000)</u>
	<u>\$ 93 000</u>	<u>\$ 95 562</u>	<u>\$ 2 562</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA
 GENERAL FUND
 STATEMENT OF REVENUES - BUDGET AND ACTUAL
 Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
MISCELLANEOUS			
Penalties and interest	\$ 20 000	\$ 15 332 ✓	\$ (4 668)
Street revenue	20 000	27 778	7 778
Insurance dividend	28 000	26 448	(1 552)
Special meetings	700	-	(700)
Other	10 000	6 803	(3 197)
SCR funding	400 000	-	(400 000)
Proceeds from sale of property	8 000	9 397	1 397
James Building grant	50 000	-	(50 000)
Donation – Martin land acquisition	-	85 000	85 000
	<u>\$ 536 700</u>	<u>\$ 170 758</u>	<u>\$ (365 942)</u>
PASS-THROUGH GRANT (Note 14)	<u>\$ -</u>	<u>\$ 438 028</u>	<u>\$ 438 028</u>
	<u>\$ -</u>	<u>\$ 438 028</u>	<u>\$ 438 028</u>
Total revenues	<u>\$ 3 398 400</u>	<u>\$ 3 928 865</u>	<u>\$ 530 465</u>

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT ADMINISTRATION			
Mayor and Council:			
Mayor salary	\$ 6 500	\$ 6 500	\$ -
Council salaries	30 000	29 584	416
Travel and general expenses	4 000	2 028	1 972
Special meetings	700	-	700
	<u>\$ 41 200</u>	<u>\$ 38 112</u>	<u>\$ 3 088</u>
Planning Commission:			
Commission salaries	\$ 12 900	\$ 13 800	\$ (900)
Travel and training	800	675	125
General expenses	700	18	682
Certification programs	1 000	-	1 000
	<u>\$ 15 400</u>	<u>\$ 14 493</u>	<u>\$ 907</u>
Planning Department:			
Planning staff	\$ 173 681	\$ 150 486	\$ 23 195
Dues and subscriptions	1 300	1 315	(15)
Overtime	2 500	2 460	40
Travel and training	5 000	3 790	1 210
General expenses	3 000	4 535	(1 535)
Field inspection/plan review	35 000	30 760	4 240
Consulting/engineering	35 000	20 330	14 670
Annexation/comprehensive plan	2 000	37	1 963
Legal advertising	11 000	9 457	1 543
Vehicle maintenance and gas	1 500	1 357	143
	<u>\$ 269 981</u>	<u>\$ 224 527</u>	<u>\$ 45 454</u>
Economic Development Commission:			
Special projects	\$ 18 500	\$ 21 892	\$ (3 392)
General expenses	3 000	4 433	(1 433)
Travel	500	9	491
	<u>\$ 22 000</u>	<u>\$ 26 334</u>	<u>\$ (4 334)</u>
Board of Zoning Appeals:			
Salaries	\$ 3 000	\$ 200	\$ 2 800
General expenses	1 500	-	1 500
Travel	200	-	200
	<u>\$ 4 700</u>	<u>\$ 200</u>	<u>\$ 4 500</u>
Park Commission:			
General expenses	\$ 15 000	\$ 4 815	\$ 10 185
Master plan/consulting	5 000	-	5 000
	<u>\$ 20 000</u>	<u>\$ 4 815</u>	<u>\$ 15 185</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Administrative personnel:			
Administrative staff	\$ 213 430	\$ 223 629	\$ (10 199)
Administrative overtime	2 000	983	1 017
	\$ 215 430	\$ 224 612	\$ (9 182)
Finance personnel:			
Finance staff	\$ 137 008	\$ 140 725	\$ (3 717)
Overtime	2 000	860	1 140
Credit collection	2 000	104	1 896
	\$ 141 008	\$ 141 689	\$ (681)
Building maintenance:			
Cleaning	\$ 9 000	\$ 9 436	\$ (436)
Electricity	8 000	9 161	(1 161)
Telephone	16 000	15 265	735
Supplies	2 000	162	1 838
Repairs	6 000	7 279	(1 279)
Pest control	350	312	38
	\$ 41 350	\$ 41 615	\$ (265)
Miscellaneous:			
Equipment repairs and supplies, office	\$ 35 000	\$ 31 662	\$ 3 338
Computer operations	8 000	9 947	(1 947)
Contracted equipment maintenance	15 000	14 938	62
Dues and subscriptions	2 000	2 089	(89)
Town manager travel and expenses	6 500	6 769	(269)
Legal advertisements	16 000	14 080	1 920
Special programs	5 000	5 522	(522)
Travel and training	7 000	6 895	105
Postage	8 000	6 314	1 686
Vehicle maintenance and gas	2 000	289	1 711
Election expense	1 000	-	1 000
	\$ 105 500	\$ 98 505	\$ 6 995
Employee benefits:			
Health insurance	\$ 188 470	\$ 187 422	\$ 1 048
Life insurance	10 405	7 709	2 696
Retirement	149 565	147 476	2 089
Workers' compensation	30 000	21 076	8 924
Payroll taxes	115 572	119 262	(3 690)
Unemployment compensation	1 500	2 201	(701)
Performance bonuses	13 000	15 480	(2 480)
Drug testing	1 500	332	1 168
Deferred compensation match	14 640	10 960	3 680
	\$ 524 652	\$ 511 918	\$ 12 734

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Other:			
Municipal insurance - autos, buildings, equipment and liability	\$ 50 000	\$ 47 154	\$ 2 846
Miscellaneous	1 000	298	702
Firemen's fund	4 000	-	4 000
Contributions:			
Rescue Squad	15 000	15 075	(75)
Fire Department	15 000	15 000	-
Business and Professional Association	2 000	2 000	-
Community Center	2 000	2 000	-
Environmental audit	5 000	4 917	83
Legal services	75 000	59 724	15 276
Auditing services	15 000	11 065	3 935
	<u>\$ 184 000</u>	<u>\$ 157 233</u>	<u>\$ 26 767</u>
Total general government administration	<u>\$ 1 585 221</u>	<u>\$ 1 484 053</u>	<u>\$ 101 168</u>
 PUBLIC SAFETY			
Salaries:			
Police staff	\$ 380 329	\$ 392 631	\$ (12 302)
Overtime	35 000	36 160	(1 160)
	<u>\$ 415 329</u>	<u>\$ 428 791</u>	<u>\$ (13 462)</u>
Administration:			
Telephone	\$ 5 000	\$ 4 641	\$ 359
Supplies	8 500	5 622	2 878
Small equipment	8 020	10 795	(2 775)
Equipment repairs	5 500	4 098	1 402
Dues and subscriptions	1 195	778	417
Travel and training	7 100	7 424	(324)
Public education	4 500	1 538	2 962
Uniforms	7 000	4 065	2 935
Technical support	3 500	3 041	459
Grant expenditures	15 000	-	15 000
	<u>\$ 65 315</u>	<u>\$ 42 002</u>	<u>\$ 23 313</u>
Vehicle expenses:			
Repairs	\$ 6 000	\$ 5 106	\$ 894
Tires	3 100	1 450	1 650
Gas and oil	9 000	8 442	558
	<u>\$ 18 100</u>	<u>\$ 14 998</u>	<u>\$ 3 102</u>
Total public safety	<u>\$ 498 744</u>	<u>\$ 485 791</u>	<u>\$ 12 953</u>

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PUBLIC WORKS/MAINTENANCE			
Public works/engineering:			
Public works/engineering staff	\$ 252 357	\$ 252 402	\$ (45)
Overtime	4 000	9 117	(5 117)
Dues and subscriptions	2 000	399	1 601
Travel and training	5 000	2 631	2 369
General expense	3 000	880	2 120
Field inspections	55 000	206	54 794
Engineering/consulting	30 000	6 118	23 882
Equipment and field supplies	8 000	6 597	1 403
Vehicle maintenance and gas	6 000	3 723	2 277
	<u>\$ 365 357</u>	<u>\$ 282 073</u>	<u>\$ 83 284</u>
Maintenance personnel:			
Maintenance staff	\$ 243 605	\$ 262 240	\$ (18 635)
Overtime/leave	12 000	9 201	2 799
	<u>\$ 255 605</u>	<u>\$ 271 441</u>	<u>\$ (15 836)</u>
Administration:			
Safety	\$ 6 000	\$ 4 491	\$ 1 509
Electricity/heating	2 775	1 375	1 400
Waste disposal	600	3 258	(2 658)
Telephone	2 375	2 863	(488)
Supplies	11 000	7 756	3 244
Small equipment and tools	3 000	4 302	(1 302)
Dues and subscriptions	400	90	310
Travel and training	3 000	2 261	739
Uniforms	7 000	7 169	(169)
Building expenses	5 000	2 728	2 272
	<u>\$ 41 150</u>	<u>\$ 36 293</u>	<u>\$ 4 857</u>
Vehicle expenses:			
Repairs	\$ 6 000	\$ 7 180	\$ (1 180)
Tires	2 000	1 858	142
Gas and oil	7 700	6 788	912
Equipment repairs	9 500	9 149	351
	<u>\$ 25 200</u>	<u>\$ 24 975</u>	<u>\$ 225</u>
Streets:			
Street repair	\$ 3 000	\$ 14 406	\$ (11 406)
Sidewalk repair	3 000	1 112	1 888
Snow removal	8 000	3 688	4 312
Street lights	30 000	32 535	(2 535)

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL FUND
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
 Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Signs	\$ 3 000	\$ 3 791	\$ (791)
Miss Utility	3 000	1 908	1 092
Storm drainage	1 800	1 606	194
Tree removal	6 000	4 011	1 989
Land use permits	400	-	400
Parking lot maintenance	2 500	27	2 473
Street inspections	5 000	-	5 000
Landscaping/mowing	<u>3 000</u>	<u>2 648</u>	<u>352</u>
	<u>\$ 68 700</u>	<u>\$ 65 732</u>	<u>\$ 2 968</u>
 Refuse contract	 <u>\$ 208 000</u>	 <u>\$ 205 091</u>	 <u>\$ 2 909</u>
Total public works/maintenance	<u>\$ 964 012</u>	<u>\$ 885 605</u>	<u>\$ 78 407</u>
 CAPITAL OUTLAY	 <u>\$ 1 172 500</u>	 <u>\$ 1 118 130</u>	 <u>\$ 54 370</u>
Total capital outlay	<u>\$ 1 172 500</u>	<u>\$ 1 118 130</u>	<u>\$ 54 370</u>
 PASS-THROUGH GRANT (Note 14)	 <u>\$ -</u>	 <u>\$ 438 028</u>	 <u>\$ (438 028)</u>
Total pass-through grant	<u>\$ -</u>	<u>\$ 438 028</u>	<u>\$ (438 028)</u>
 Total expenditures	 <u>\$ 4 220 477</u>	 <u>\$ 4 411 607</u>	 <u>\$ (191 130)</u>

TOWN OF PURCELLVILLE, VIRGINIA

 ENTERPRISE FUNDS
 COMBINING BALANCE SHEETS
 June 30, 2002

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash	\$ 2 176 110	\$ 3 483 444	\$ 5 659 554
Restricted cash	13 880	-	13 880
Virginia non-arbitrage funds	664 294	-	664 294
Receivables:			
Accounts	107 920	191 288	299 208
Accrued interest	618	1 030	1 648
Property, plant and equipment (net of accumulated depreciation)	7 338 144	10 797 806	18 135 950
Unamortized bond discount	<u>45 775</u>	<u>-</u>	<u>45 775</u>
 Total assets	 <u>\$10 346 741</u>	 <u>\$ 14 473 568</u>	 <u>\$ 24 820 309</u>
 LIABILITIES			
Accounts payable	\$ 131 417	\$ 5 403	\$ 136 820
Accounts payable, plant construction	-	420 797	420 797
Accrued interest payable	41 570	13 730	55 300
Compensated absences	12 857	21 171	34 028
Current maturities of general obligation payable	114 845	119 864	234 709
Customer deposits	13 880	-	13 880
Long-term debt, general obligation payable	<u>3 887 003</u>	<u>6 144 419</u>	<u>10 031 422</u>
 Total liabilities	 <u>\$ 4 201 572</u>	 <u>\$ 6 725 384</u>	 <u>\$ 10 926 956</u>
 FUND EQUITY			
Contributed capital	\$ 1 335 639	\$ 1 345 807	\$ 2 681 446
Retained earnings, unreserved	<u>4 809 530</u>	<u>6 402 377</u>	<u>11 211 907</u>
 Total fund equity	 <u>\$ 6 145 169</u>	 <u>\$ 7 748 184</u>	 <u>\$ 13 893 353</u>
 Total liabilities and fund equity	 <u>\$10 346 741</u>	 <u>\$ 14 473 568</u>	 <u>\$ 24 820 309</u>

TOWN OF PURCELLVILLE, VIRGINIA

ENTERPRISE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 Year Ended June 30, 2002

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services and connection fees	\$ 520 597	\$ 699 154	\$ 1 219 751
Availabilities	1 195 500	1 391 000	2 586 500
Other	<u>64 826</u>	<u>14 383</u>	<u>79 209</u>
	<u>\$ 1 780 923</u>	<u>\$ 2 104 537</u>	<u>\$ 3 885 460</u>
OPERATING EXPENSES			
Personnel services	\$ 279 751	\$ 249 991	\$ 529 742
Employee benefits	81 044	88 648	169 692
Plant operations	154 195	114 370	268 565
Well operations	98 045	-	98 045
Pump station operations	-	18 865	18 865
Equipment and vehicles	18 942	10 113	29 055
Depreciation	234 422	212 697	447 119
Other	<u>69 281</u>	<u>10 971</u>	<u>80 252</u>
	<u>\$ 935 680</u>	<u>\$ 705 655</u>	<u>\$ 1 641 335</u>
Operating income	<u>\$ 845 243</u>	<u>\$ 1 398 882</u>	<u>\$ 2 244 125</u>
NONOPERATING REVENUE (EXPENSE)			
Water Quality Improvement Fund grant	\$ -	\$ 550 871	\$ 550 871
Interest income	71 350	44 723	116 073
Interest expense	(219 742)	(265 041)	(484 783)
Rental income (Note 11)	<u>34 901</u>	<u>-</u>	<u>34 901</u>
	<u>\$ (113 491)</u>	<u>\$ 330 553</u>	<u>\$ 217 062</u>
Net income before operating transfers	\$ 731 752	\$ 1 729 435	\$ 2 461 187
OPERATING TRANSFERS OUT	<u>(9 594)</u>	<u>(9 594)</u>	<u>(19 188)</u>
Net income	\$ 722 158	\$ 1 719 841	\$ 2 441 999
DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	<u>50 800</u>	<u>66 200</u>	<u>117 000</u>
Increase in retained earnings	\$ 772 958	\$ 1 786 041	\$ 2 558 999
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>4 036 572</u>	<u>4 616 336</u>	<u>8 652 908</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 4 809 530</u>	<u>\$ 6 402 377</u>	<u>\$ 11 211 907</u>

TOWN OF PURCELLVILLE, VIRGINIA
 ENTERPRISE FUNDS
 COMBINING STATEMENTS OF CASH FLOWS
 Year Ended June 30, 2002

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 845 243	\$ 1 398 882	\$ 2 244 125
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	234 422	212 697	447 119
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	33 943	(11 375)	22 568
Increase (decrease) in accounts payable	10 397	395	10 792
Increase (decrease) in customer deposits	(830)	-	(830)
Increase (decrease) in liability for compensated absences	<u>4 204</u>	<u>8 479</u>	<u>12 683</u>
Net cash provided by operating activities	<u>\$ 1 127 379</u>	<u>\$ 1 609 078</u>	<u>\$ 2 736 457</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Water Quality Improvement Fund grant	\$ -	\$ 550 871	\$ 550 871
Rental income	34 901	-	34 901
Bond issue refund	13 026	-	13 026
Purchase of equipment	(1 679 021)	(3 814 328)	(5 493 349)
Operating transfers out	(9 594)	(9 594)	(19 188)
Proceeds from long-term debt	-	2 873 351	2 873 351
Principal payments on long-term debt	(14 066)	(173 062)	(187 128)
Interest payments on long-term debt	<u>(219 767)</u>	<u>(335 202)</u>	<u>(554 969)</u>
Net cash used in capital and related financing activities	<u>\$(1 874 521)</u>	<u>\$ (907 964)</u>	<u>\$(2 782 485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>\$ 74 457</u>	<u>\$ 49 738</u>	<u>\$ 124 195</u>
Net cash provided by investing activities	<u>\$ 74 457</u>	<u>\$ 49 738</u>	<u>\$ 124 195</u>
Net increase (decrease) in cash and cash equivalents	\$ (672 685)	\$ 750 852	\$ 78 167
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3 526 969</u>	<u>2 732 592</u>	<u>6 259 561</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2 854 284</u>	<u>\$ 3 483 444</u>	<u>\$ 6 337 728</u>

TOWN OF PURCELLVILLE, VIRGINIA

WATER FUND
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water fees	\$ 435 000	\$ 520 597	\$ 85 597
Water availabilities	600 000	1 195 500	595 500
Water flushing	8 000	2 361	(5 639)
Late charges	5 000	14 955	9 955
Service charges	15 000	14 381	(619)
Miscellaneous	5 000	3 293	(1 707)
Water meters	10 000	29 836	19 836
Proffers	5 000	-	(5 000)
Lawn establishment fee	40 000	-	(40 000)
	<u>\$ 1 123 000</u>	<u>\$ 1 780 923</u>	<u>\$ 657 923</u>
OPERATING EXPENSES			
Personnel:			
Water staff	\$ 199 559	\$ 203 789	\$ (4 230)
Overtime	50 000	74 522	(24 522)
Performance bonuses	3 000	1 440	1 560
Employee benefits:			
Health insurance	34 870	29 946	4 924
Life insurance	1 556	1 114	442
Retirement	22 374	21 805	569
Workers' compensation	6 000	8 359	(2 359)
Payroll taxes	19 091	18 130	961
Drug testing	500	70	430
Deferred compensation match	2 340	1 620	720
Plant operations:			
Electricity	20 000	23 639	(3 639)
Telephone	2 500	3 288	(788)
Supplies	10 000	7 501	2 499
Lab equipment	12 000	11 101	899
Contracts	8 000	6 097	1 903
Uniforms and safety	6 400	4 843	1 557
New water meters	10 000	24 863	(14 863)
Plant repairs	32 000	29 053	2 947
Water line repairs	20 000	11 361	8 639
Leak detection	6 000	1 309	4 691
Meter repairs and testing	3 500	2 553	947
Cross connections	500	-	500
Chemicals, plant	30 000	27 030	2 970
Lab certification	5 000	-	5 000
Spare parts	6 000	1 557	4 443

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

WATER FUND
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Well operations:			
Electricity	\$ 10 000	\$ 18 770	\$ (8 770)
Telephone	1 000	281	719
Supplies	5 000	4 879	121
Contracts	3 000	3 000	-
Spare parts	4 000	2 121	1 879
Repairs	30 000	35 320	(5 320)
Chemicals	10 000	5 978	4 022
Carbon change-out	30 000	27 696	2 304
Equipment and vehicles:			
New equipment and tools	8 500	5 655	2 845
Vehicle repairs	1 500	2 058	(558)
Gas and oil	4 200	2 967	1 233
Propane	15 000	8 262	6 738
Other expenses:			
Watershed management	8 000	6 641	1 359
Forestry management	10 000	-	10 000
Advertisements	4 300	3 573	727
Water samples	38 000	30 081	7 919
Training	6 400	4 470	1 930
Miscellaneous	4 000	3 737	263
Engineering	15 000	15 190	(190)
Consumer report	2 000	2 811	(811)
Postage/mailings	3 000	1 451	1 549
Environmental audit	5 000	1 327	3 673
Depreciation	-	234 422	(234 422)
	<u>\$ 729 090</u>	<u>\$ 935 680</u>	<u>\$ (206 590)</u>
Operating income	<u>\$ 393 910</u>	<u>\$ 845 243</u>	<u>\$ 451 333</u>
NONOPERATING REVENUE (EXPENSE)			
Interest earned	\$ 45 000	\$ 71 350	\$ 26 350
Interest expense	(228 500)	(219 742)	8 758
Rental income (Note 11)	34 000	34 901	901
	<u>\$ (149 500)</u>	<u>\$ (113 491)</u>	<u>\$ 36 009</u>
Net income before operating transfers	\$ 244 410	\$ 731 752	\$ 487 342
OPERATING TRANSFERS			
Transfers out	<u>(9 594)</u>	<u>(9 594)</u>	<u>-</u>
Net income	<u>\$ 234 816</u>	<u>\$ 722 158</u>	<u>\$ 487 342</u>

TOWN OF PURCELLVILLE, VIRGINIA

SEWER FUND
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Sewer fees	\$ 675 000	\$ 699 154	\$ 24 154
Sewer availabilities	700 000	1 391 000	691 000
Late charges	5 000	-	(5 000)
Service charges	15 000	14 383	(617)
Miscellaneous	5 000	-	(5 000)
Proffers	5 000	-	(5 000)
	<u>\$ 1 405 000</u>	<u>\$ 2 104 537</u>	<u>\$ 699 537</u>
OPERATING EXPENSES			
Personnel:			
Sewer staff	\$ 201 704	\$ 224 746	\$ (23 042)
Overtime	40 000	23 085	16 915
Performance bonuses	3 000	2 160	840
Employee benefits:			
Health insurance	29 998	36 567	(6 569)
Life insurance	1 614	1 308	306
Retirement	23 196	25 471	(2 275)
Workers' compensation	6 000	3 519	2 481
Payroll taxes	18 490	19 053	(563)
Drug testing	500	70	430
Deferred compensation match	2 340	2 660	(320)
Plant operations:			
Electricity	27 000	33 126	(6 126)
Telephone	3 000	4 699	(1 699)
Supplies	15 000	16 142	(1 142)
Contracts	12 000	538	11 462
Uniforms and safety	4 500	5 362	(862)
Plant repairs	23 900	13 037	10 863
Sewer line repairs	15 000	17 124	(2 124)
I & I detection	2 000	7	1 993
New equipment and tools	500	220	280
Sludge removal	36 760	19 745	17 015
Chemicals	19 800	4 370	15 430
Pump station operations:			
Electricity	10 250	10 530	(280)
Telephone	700	673	27
Repairs	15 500	4 562	10 938
Contracts	2 000	2 400	(400)
Equipment	9 750	700	9 050
Equipment and vehicles:			
Equipment repairs and small equipment	15 800	7 340	8 460
Gas and oil	2 000	1 717	283
Vehicle repairs	1 500	1 056	444

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SEWER FUND
 STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
 Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Other expenses:			
Advertisements	\$ 1 500	\$ 952	\$ 548
Training	4 000	3 187	813
Miscellaneous	2 000	865	1 135
Postage/mailings	2 800	1 702	1 098
Engineering	2 000	2 938	(938)
Environmental audit	5 000	1 327	3 673
Depreciation	-	212 697	(212 697)
	<u>\$ 561 102</u>	<u>\$ 705 655</u>	<u>\$ (144 553)</u>
Operating income	<u>\$ 843 898</u>	<u>\$ 1 398 882</u>	<u>\$ 554 984</u>
 NONOPERATING REVENUE (EXPENSE)			
Water Quality Improvement Fund grant	\$ 700 000	\$ 550 871	\$ (149 129)
Interest earned	75 000	44 723	(30 277)
Interest expense	(265 041)	(265 041)	-
	<u>\$ 509 959</u>	<u>\$ 330 553</u>	<u>\$ (179 406)</u>
Net income before operating transfers	\$ 1 353 857	\$ 1 729 435	\$ 375 578
 OPERATING TRANSFERS			
Transfers out	(9 594)	(9 594)	-
Net income	<u>\$ 1 344 263</u>	<u>\$ 1 719 841</u>	<u>\$ 375 578</u>

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2002

GENERAL FUND

Public Safety:

Police department renovations	\$	8 454
Retrofit Explorer for police use		1 633
2002 Ford police car		22 207
	\$	<u>32 294</u>

Public Works:

2002 Sterling L7500 vac truck	\$	<u>174 680</u>
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Stormwater Management:

Stormwater improvements – W & OD	\$	<u>5 267</u>
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Transportation/Beautification:

Main Street paving	\$	138 806
Maple Avenue sidewalk improvements		75 935
Street planting and landscaping		8 106
Scarborough litter receptacles		2 121
Scarborough benches		1 509
Southern Collector Road engineering		3 225
Nursery Avenue sidewalk engineering		2 550
12 th Street sidewalk improvement		28 324
	\$	<u>260 576</u>

Administration:

Office renovations/equipment	\$	209 536
E Government computer implementation		21 173
Copier – Xerox 440S		24 400
2002 Ford Escape – Public Works Department		25 919
HT 750 mobile radios		3 339
Gateway 450L laptop computer		1 761
Mitsubishi video projector		3 312
Computer		999
Flat screen monitor		345
Town vehicle decals		926
	\$	<u>291 710</u>

Land Acquisition:

Terry Martin property	\$	<u>339 038</u>
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KBM Improvements:

Sidewalk and steps for Tot Lot	\$	<u>3 970</u>
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James Building Property:

Demolition of building	\$	9 295
Title and environmental survey		1 300
	\$	<u>10 595</u>

Total general fund	\$	<u>1 118 130</u>
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(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2002

WATER FUND

Water Department Projects:

Proroad meter reading equipment	\$ 13 648
Proroad water meters	41 371
Disinfection Bi-Product engineer study	58 500
Waterline mapping – Reservoir to Cooper Spring	5 358
Water plant paving and concrete work	4 540
Heskett property – 26.23 acres	41 274
	<u>\$ 164 691</u>

VRA Water Improvements:

Main Street waterline replacement	\$ 1 236 009
Hirst well development/resources	234 536
Village case well development	12 858
Water resources at reservoir	19 006
Nature park well development	26 296
Water tank altitude valve	3 755
	<u>\$ 1 532 460</u>

Total water fund

\$ 1 697 151

SEWER FUND

Sewer Department Projects:

East End pump station improvements	\$ 285 501
Sewer lining maxliner lateral replacement	22 000
Additional costs – camera van truck improvements	5 941
Refund on TV inspection system	(13 250)
	<u>\$ 300 192</u>

BSWF Construction:

Bongiovanni contract - construction	\$ 3 126 088
Parsons contract - engineering	170 632
BSWF – other costs	6 139
Kubota M4900SD 4WD tractor	26 897
	<u>\$ 3 329 756</u>

Total sewer fund

\$ 3 629 948

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF FUNDING PROGRESS

Year Ended June 30, 2002

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (Asset)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability (Asset) as a Percentage of Covered Payroll</u>
6/30/01	\$2 040 856	\$2 078 691	\$ 37 835	98.2%	\$ 1 514 821	2.5%
6/30/00	1 809 527	1 843 428	33 901	98.2%	1 143 874	3.0%
6/30/99	1 535 825	1 719 633	183 808	89.3%	776 333	23.7%

TOWN OF PURCELLVILLE, VIRGINIA
 STATEMENT OF THE TREASURER'S ACCOUNTABILITY
 June 30, 2002

Asset Held by Treasurer:	
CASH ON HAND	\$ <u>550</u>
DEPOSITS IN BANKS:	
Checking/money market/savings:	
First Virginia Bank – checking	\$ <u>623 669</u>
Certificates of deposit:	
Middleburg Bank, 1.89%	\$ 100 473
Middleburg Bank, 4.00%	103 030
BB&T, 3.90%	100 000
BB&T, 2.47%	50 000
BB&T, 2.47%	50 000
Community Bank, 2.98%	100 000
First Union National Bank, 4.02%	<u>100 000</u>
Total certificates of deposit	\$ <u>603 503</u>
Total deposits in banks	<u>\$ 1 227 722</u>
INVESTMENTS:	
Repurchase agreement, First Virginia Bank, 1.375%	\$ 6 017 000
Commonwealth of Virginia LGIP	565 654
Virginia non-arbitrage funds, SNAP	<u>664 294</u>
Total investments	<u>\$ 7 246 948</u>
Total assets	<u>\$ 8 474 670</u>
Liabilities of the Treasurer:	
Balance of Town funds	<u>\$ 8 474 670</u>

TOWN OF PURCELLVILLE, VIRGINIA

STATEMENT OF THE TREASURER'S ACCOUNTABILITY TO THE TOWN -
ALL TOWN FUNDS (1)
June 30, 2002

	Governmental Fund <u>General</u>	Proprietary Fund <u>Enterprise</u>	Total "Memorandum Only"
Balance, July 1, 2001	\$ 2 286 676	\$ 6 259 561	\$ 8 546 237
Receipts:			
General property taxes	\$ 1 111 488	\$ -	\$ 1 111 488
Other local taxes	1 550 085	-	1 550 085
Charge for services	-	3 907 198	3 907 198
Permits, zoning and customer deposits	545 543	-	545 543
Fines and forfeitures	48 791	-	48 791
Use of money and property	59 351	172 122	231 473
Miscellaneous	272 008	-	272 008
Proceeds from indebtedness	-	2 873 351	2 873 351
Intergovernmental	91 562	550 871	642 433
Pass-through grants	446 015	-	446 015
Total receipts	<u>\$ 4 124 843</u>	<u>\$ 7 503 542</u>	<u>\$ 11 628 385</u>
Total receipts and balance	<u>\$ 6 411 519</u>	<u>\$ 13 763 103</u>	<u>\$ 20 174 622</u>
Disbursements:			
Warrants (checks) issued	\$ 4 213 624	\$ 6 664 090	\$ 10 877 714
Retirement of indebtedness	22 544	187 128	209 672
Interest and other debt costs	57 597	554 969	612 566
Total disbursements	<u>\$ 4 293 765</u>	<u>\$ 7 406 187</u>	<u>\$ 11 699 952</u>
Interfund transfers in (out)	<u>\$ 19 188</u>	<u>\$ (19 188)</u>	<u>\$ -</u>
Balance, June 30, 2002	<u>\$ 2 136 942</u>	<u>\$ 6 337 728</u>	<u>\$ 8 474 670</u>

- (1) These receipts and disbursements are recorded on a cash basis. Revenues and expenditures reflected in the other supporting schedules and basic financial statements are recorded on the accrual and/or modified accrual basis.

TOWN OF PURCELLVILLE, VIRGINIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	General Property Taxes (1)	Other Local Taxes (2)	Permits and Zoning	Fines and Forfeitures	Revenues from the Use of Money and Property			Miscellaneous(3)	Inter-governmental	Pass-Through Grants	Total
1993	\$ 494 877	\$ 413 495	\$ 20 731	\$ 10 786	\$ 11 200	\$ 7 567	\$ 29 224	\$ -	\$ -	\$ 987 880	
1994	670 254	597 699	42 543	9 706	15 900	106 278	29 159	-	-	1 471 539	
1995	507 582	654 494	17 465	13 389	31 003	177 171	29 015	-	-	1 430 119	
1996	543 494	682 620	11 610	8 636	40 360	42 994	53 665	-	-	1 383 379	
1997	572 758	751 239	55 628	11 191	51 910	73 957	58 364	16 425	-	1 591 472	
1998	577 481	823 906	145 210	13 134	59 284	42 348	45 469	-	-	1 706 832	
1999	631 462	893 473	163 826	5 734	76 284	74 090	51 165	151 544	-	2 047 578	
2000	745 648	1 149 794	260 698	13 660	97 002	72 859	105 784	27 522	-	2 472 967	
2001	894 057	1 382 201	416 384	25 511	130 871	292 944	100 065	230 688	-	3 472 721	
2002	1 123 957	1 513 606	478 134	48 791	60 029	170 758	95 562	438 028	-	3 928 865	

(1) In fiscal year 1994, the Town had a "windfall" by converting real estate bills from single to multiple annual payments.

(2) In fiscal years 1994 and 2000, the Town commenced meals and cigarettes taxes, respectively.

(3) Fiscal year 1995 included the sale of the old town hall. Fiscal year 2001 included federal funds received for TEA-21 grant and a called developer performance bond.

TOWN OF PURCELLVILLE, VIRGINIA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Other	Capital Outlay					Debt Service	Pass-Through Grants	Total
					General Government Administration	Public Safety	Public Works	Public Safety	Public Works			
1993	\$ 427 149	\$172 562	\$226 189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942 880
1994	474 417	162 208	274 571	13 889	-	-	1 849	76 753	-	-	-	1 004 382
1995	491 652	189 079	270 124	844	14 800	34 681	63 677	76 752	-	-	-	1 141 609
1996	567 708	217 778	302 412	-	40 735	23 012	40 383	83 148	-	-	-	1 275 176
1997	556 350	246 285	341 548	-	41 648	1 093	120 146	83 148	-	16 425	-	1 406 643
1998	591 670	262 564	358 585	-	34 448	22 047	61 732	63 960	-	-	-	1 395 006
1999	737 077	304 764	389 624	-	45 317	4 259	121 388	76 752	-	151 544	-	1 830 725
2000	1 018 224	399 176	466 320	-	86 859	79 317	90 555	76 752	-	27 522	-	2 244 725
2001	1 393 661	475 223	545 883	-	240 877	34 718	360 532	76 752	-	230 688	-	3 358 334
2002	1 484 053	485 791	885 605	-	641 343	32 294	444 493	80 141	-	438 028	-	4 491 748

TOWN OF PURCELLVILLE, VIRGINIA
 ASSESSED VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Fiscal Year	Real Property	Public Service Corporation Real Estate Equalized	Personal Property				Computers	Total
			Motor Vehicles (1)	Volunteers (2)	Business	Machinery and Tools		
1993	\$174,290,448	\$ 4,880,183	\$ 6,611,283	203,525	\$ 974,813	\$ 143,001	\$187,103,253	
1994	172,564,800	5,031,117	6,545,825	201,510	965,162	141,586	185,450,000	
1995	177,538,300	5,181,043	7,570,066	233,066	1,116,183	206,419	191,845,077	
1996	182,556,400	5,206,177	8,332,183	256,527	1,228,802	195,742	197,775,831	
1997	184,164,720	5,219,047	10,328,509	317,980	1,301,522	201,069	201,532,847	
1998	203,342,106	5,231,916	10,491,486	323,100	1,244,124	184,621	220,817,353	
1999	215,680,750	5,448,750	11,230,711	325,568	1,429,536	239,394	234,354,709	
2000	251,437,692	6,975,208	12,672,693	362,753	3,216,520	792,918	275,457,784	
2001	313,513,634	7,885,696	17,585,967	331,650	2,149,823	736,482	342,203,252	
2002	411,026,000	10,419,804	20,219,645	325,987	1,839,174	413,185	445,036,706	

(1) Includes personal property tax relief from the Commonwealth of Virginia.

(2) Fire department and rescue squad members.

TOWN OF PURCELLVILLE, VIRGINIA
 PROPERTY TAX RATES PER \$100 OF ASSESSED VALUE
 Last Ten Fiscal Years

Fiscal Year	Real Property	Public Service Corporation Real Estate Equalized	Motor Vehicles (1)	Personal Property			
				Volunteers (2)	Business	Machinery and Tools	Computers
1993	0.24	0.24	1.05	0.01	1.05	1.05	-
1994	0.24	0.24	1.05	0.01	1.05	1.05	-
1995	0.24	0.24	1.05	0.01	1.05	1.05	-
1996	0.24	0.24	1.05	0.01	1.05	1.05	-
1997	0.24	0.24	1.05	0.01	1.05	1.05	-
1998	0.24	0.24	1.05	0.01	1.05	1.05	-
1999	0.24	0.24	1.05	0.01	1.05	1.05	-
2000	0.24	0.24	1.05	0.01	1.05	1.05	-
2001	0.24	0.24	1.05	0.01	1.05	1.05	-
2002	0.24	0.24	1.05	0.01	0.55	0.55	0.55

(1) Includes personal property tax relief from the Commonwealth of Virginia.

(2) Fire department and rescue squad members.

TOWN OF PURCELLVILLE, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)		Current Tax Collections		Percent of Levy Collected		Delinquent Tax Collections		Total Tax Collections (1)		Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes		Percent of Delinquent Taxes to Tax Levy	
	\$		\$		%		\$		\$		\$	%	\$		\$	%
1993	515,610		478,398		92.78%		16,479		494,877		95.98%		48,294		9.37%	
1994	662,783		649,339		97.97%		20,915		670,254		101.13%		67,446		10.18%	
1995	503,802		489,378		97.14%		18,511		507,889		100.81%		63,359		12.58%	
1996	528,423		510,172		96.55%		28,064		538,236		101.86%		53,546		10.13%	
1997	555,104		536,495		96.65%		36,767		573,262		103.27%		38,988		7.02%	
1998	584,060		566,567		97.00%		17,451		584,018		99.99%		39,030		6.68%	
1999	621,538		604,312		97.23%		26,031		630,343		101.42%		30,225		4.86%	
2000	740,923		717,010		96.77%		20,644		737,654		99.56%		33,494		4.52%	
2001	902,835		874,785		96.89%		24,567		899,352		99.61%		38,123		4.22%	
2002	1,114,062		1,085,562		97.44%		26,483		1,112,045		99.82%		38,965		3.50%	

(1) Includes personal property tax relief from the Commonwealth of Virginia.

TOWN OF PURCELLVILLE, VIRGINIA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Gross Bonded Debt (1)	Less Debt Payable From Enterprise Revenues (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Values	Net Bonded Debt per Capita
1993	2103	\$ 187 103 253	\$ 1 707 367	\$ 739 896	\$ 967 471	0.0052	\$ 460
1994	2291	185 450 000	1 644 427	689 467	954 960	0.0051	417
1995	2392	191 845 077	1 581 700	638 352	943 348	0.0049	394
1996	2408	197 775 831	1 509 498	582 200	927 298	0.0047	385
1997	2883	201 532 847	1 900 042	995 357	904 685	0.0045	314
1998	3143	220 817 353	2 011 859	1 113 048	898 811	0.0041	286
1999	3476	234 354 709	2 856 810	1 974 346	882 464	0.0038	254
2000	3584	275 457 784	2 989 534	2 124 793	864 741	0.0031	241
2001	3842	342 203 252	8 425 690	7 579 907	845 783	0.0025	220
2002	4231	445 036 706	11 091 637	10 266 131	825 506	0.0019	195

(1) Includes all long-term general obligation debt except claims and compensated absences.

(2) These amounts include the general obligation debt that is being repaid from the water and sewer revenues.

TOWN OF PURCELLVILLE, VIRGINIA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED
DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
Last Ten Fiscal Years

Fiscal Year (1)	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1993	\$ 7 529	\$ 109 451	\$ 116 980	\$ 942 880	12.41%
1994	12 511	64 242	76 753	1 004 382	7.64%
1995	11 612	65 140	76 752	1 141 609	6.72%
1996	16 051	67 097	83 148	1 275 176	6.52%
1997	22 612	60 536	83 148	1 406 643	5.91%
1998	5 874	58 086	63 960	1 395 006	4.58%
1999	16 347	60 405	76 752	1 830 725	4.19%
2000	17 723	59 029	76 752	2 244 725	3.42%
2001	18 957	57 795	76 752	3 358 334	2.29%
2002	22 544	57 597	80 141	4 491 748	1.78%

(1) General obligation bonds reported in the enterprise funds have been excluded.

(2) Total general governmental expenditures include general and debt service funds.

TOWN OF PURCELLVILLE, VIRGINIA

LEGAL DEBT MARGIN
Year Ended June 30, 2002

Legal debt limit:	
10% of assessed value of taxable real estate of \$421,445,804	\$ 42 144 580
Deduct:	
Bonds payable	<u>11 091 637</u>
Legal margin from creation of additional debt	<u>\$ 31 052 943</u>



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

We have audited the general-purpose financial statements of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 21, 2002.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of the Commonwealth of Virginia's 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 such provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grants (as specified in *Specifications for Audits of Counties, Cities and Towns*, Chapter Three) for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act
- Personal Property Tax Relief Act

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The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town had not complied, in all material respects, with those provisions.

This report is intended solely for the information of Town Council, management, the Auditor of Public Accounts and applicable state agencies, 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 21, 2002



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

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

We have audited the general-purpose financial statements of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

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

Young, Nicholas, Branner & Phillips, LLP

Harrisonburg, VA
August 21, 2002



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

To the Honorable Town Council
Town of Purcellville
Purcellville, VA

Compliance

We have audited the compliance of the Town of Purcellville, Virginia, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The Town of Purcellville's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs (Item 7). Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Purcellville's management. Our responsibility is to express an opinion on the Town of Purcellville's compliance based on our audit.

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

In our opinion, the Town of Purcellville, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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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 21, 2002

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2002

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal Catalogue Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>Department of Agriculture</u>		
Rural Development Loan Guarantee: Water and Waste Disposal Systems for Rural Communities (\$7,304,000 General Obligation Water and Sewer Bond, Series of 1999)	10.760	\$ <u>2 873 351</u>
Total Department of Agriculture		\$ <u>2 873 351</u>
<u>Department of Justice</u>		
Direct Program: Public Safety Partnership and Community Policing Grants (COPS FAST Grant)	16.710	\$ 16 000
Passed through State Department of Criminal Justice Services: Local Law Enforcement Block Grants Program	16.592	<u>3 449</u>
Total Department of Justice		\$ <u>19 449</u>
Total Federal financial assistance		\$ <u>2 892 800</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--RURAL DEVELOPMENT LOAN

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

<u>Year</u>	<u>Principal Advanced- Fiscal Year Ended June 30,</u>	<u>Principal Repaid- Fiscal Year Ended June 30,</u>	<u>Balance Owed June 30,</u>
1999	\$ 714 772	\$ -	\$ 714 772
2000	-	3 232	711 540
2001	2 852 453	-	3 563 993
2002	<u>2 873 351</u>	<u>173 061</u>	<u>6 264 283</u>
	<u>\$ 6 440 576</u>	<u>\$ 176 293</u>	<u>\$ 6 264 283</u>

TOWN OF PURCELLVILLE, VA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2002

A. SUMMARY OF AUDIT RESULTS

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

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

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

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

Note: This report does not include a summary schedule of prior audit findings because the audit of the Town of Purcellville for the year ended June 30, 2001, did not disclose any audit findings or questioned costs relative to federal awards.