



TOWN OF PURCELLVILLE, VIRGINIA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

TOWN OF PURCELLVILLE, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

TOWN OF PURCELLVILLE, VIRGINIA

COUNCIL

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C.J. Walker

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Town Manager

Elizabeth B. Krens

Director of Finance

Martha Mason Semmes

Planning and Zoning Director

Karin Franklin

Director of Public Works

David Simpson

Chief of Police

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Purcellville, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of the Town of Purcellville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Purcellville, Virginia's, basic financial statements. The accompanying financial information listed as supporting schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Town of Purcellville, Virginia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds. The statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Fann, Cox Associates

Charlottesville, Virginia
August 24, 2005

Town of Purcellville, Virginia Management's Discussion and Analysis

As management of the Town of Purcellville (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$55.6 million (*net assets*). Of this amount, \$14.98 million (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$.7 million, of which the governmental activities accounted for -\$.99 million of this increase and business-type activities accounted for \$1.69 million of this increase.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2.3 million, a decrease of \$.06 million in comparison with the prior year. 100% of this amount, is *available for spending* at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2.3 million, or 49% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The Town's total debt decreased by \$365,092 (3%) during the current fiscal year. The key factor in this net decrease was principal payments on outstanding debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets may reflect a changing manner in which the Town may have used previously accumulated funds.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements: (Continued)

Government-wide financial statements (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains one governmental fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

The Town maintains one type of *Proprietary Fund*. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 38 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan. Required supplementary information can be found on pages 39 and 40 of this report.

Overview of the Financial Statements: (Continued)

Government–Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$55.6 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$40.65 million, 73% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Assets:

Town of Purcellville, Virginia
Summary of Net Assets
As of June 30, 2005

	Governmental		Business-type		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 2,769,037	\$ 3,109,385	\$ 12,434,874	\$ 13,176,981	\$ 15,203,911	\$ 16,286,366
Capital assets	<u>33,875,985</u>	<u>32,896,221</u>	<u>17,671,291</u>	<u>18,888,432</u>	<u>51,547,276</u>	<u>51,784,653</u>
Total assets	<u>\$ 36,645,022</u>	<u>\$ 36,005,606</u>	<u>\$ 30,106,165</u>	<u>\$ 32,065,413</u>	<u>\$ 66,751,187</u>	<u>\$ 68,071,019</u>
Long-term liabilities						
outstanding	\$ 924,393	\$ 968,852	\$ 10,088,431	\$ 10,399,792	\$ 11,012,824	\$ 11,368,644
Other liabilities	<u>472,596</u>	<u>779,965</u>	<u>336,296</u>	<u>288,602</u>	<u>808,892</u>	<u>1,068,567</u>
Total liabilities	<u>\$ 1,396,989</u>	<u>\$ 1,748,817</u>	<u>\$ 10,424,727</u>	<u>\$ 10,688,394</u>	<u>\$ 11,821,716</u>	<u>\$ 12,437,211</u>
Net assets:						
Invested in capital assets,						
net of related debt	\$ 33,014,931	\$ 32,119,537	\$ 7,394,123	\$ 8,538,644	\$ 40,409,054	\$ 40,658,181
Unrestricted	<u>2,233,102</u>	<u>2,137,252</u>	<u>12,287,315</u>	<u>12,838,372</u>	<u>14,520,417</u>	<u>14,975,624</u>
Total net assets	<u>\$ 35,248,033</u>	<u>\$ 34,256,789</u>	<u>\$ 19,681,438</u>	<u>\$ 21,377,016</u>	<u>\$ 54,929,471</u>	<u>\$ 55,633,805</u>

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net assets, both for the Town as a whole, as well as for its separate governmental and business–type activities.

As noted previously, the Town's net assets increased by \$.7 million during the current fiscal year, generally due to the availability fees reported in the business-type activities.

Government—Wide Financial Analysis: (Continued)

Governmental activities decreased the Town's net assets by \$.99 million thereby accounting for -9% of the total growth in the net assets of the Town. The following table summarizes the Town's Statement of Activities:

Town of Purcellville, Virginia
Changes in Net Assets
As of June 30, 2005

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues:						
Charges for services	\$ 136,264	\$ 178,096	\$ 1,601,116	\$ 1,972,317	\$ 1,737,380	\$ 2,150,413
Operating grants and contributions	504,620	114,921	11,101	-	515,721	114,921
General revenues:						
Property taxes	1,373,678	1,677,627	-	-	1,373,678	1,677,627
Other taxes	1,853,901	2,224,667	-	-	1,853,901	2,224,667
Fines and forfeitures	59,282	66,885	-	-	59,282	66,885
Unrestricted revenues	16,693	29,961	50,894	175,270	67,587	205,231
Miscellaneous	64,465	76,994	112,717	119,670	177,182	196,664
Grants and contributions not restricted to specific programs	202,229	194,092	-	-	202,229	194,092
Total revenues	\$ 4,211,132	\$ 4,563,243	\$ 1,775,828	\$ 2,267,257	\$ 5,986,960	\$ 6,830,500
Expenses:						
General government administration	\$ 1,824,860	\$ 1,450,167	\$ -	\$ -	\$ 1,824,860	\$ 1,450,167
Public safety	613,440	987,686	-	-	613,440	987,686
Public works	2,587,276	2,979,121	-	-	2,587,276	2,979,121
Parks, recreation and culture	-	17,077	-	-	-	17,077
Community development	-	451,194	-	-	-	451,194
Interest on long-term debt	35,466	28,853	-	-	35,466	28,853
Water fund	-	-	1,228,332	1,221,858	1,228,332	1,221,858
Sewer fund	-	-	1,314,089	1,531,506	1,314,089	1,531,506
Total expenses	\$ 5,061,042	\$ 5,914,098	\$ 2,542,421	\$ 2,753,364	\$ 7,603,463	\$ 8,667,462
Increase in net assets before transfers and capital contributions	\$ (849,910)	\$ (1,350,855)	\$ (766,593)	\$ (486,107)	\$ (1,616,503)	\$ (1,836,962)
Transfers	\$ 20,359	\$ 17,314	\$ (20,359)	\$ (17,314)	\$ -	\$ -
Capital contributions	434,452	342,297	5,419,596	2,199,000	5,854,048	2,541,297
Increase in net assets	\$ (395,099)	\$ (991,244)	\$ 4,632,644	\$ 1,695,579	\$ 4,237,545	\$ 704,335
Net assets-beginning of year	\$ 35,643,132	\$ 35,248,033	\$ 15,048,793	\$ 19,681,437	\$ 50,691,925	\$ 54,929,470
Net assets-end of year	\$ 35,248,033	\$ 34,256,789	\$ 19,681,437	\$ 21,377,016	\$ 54,929,470	\$ 55,633,805

Government—Wide Financial Analysis (Continued)

Generally, net asset changes are for the difference between revenues and expenses. A key element of this decrease follows:

- The decrease in net assets can be attributed to the reporting of depreciation expense, a non—cash expense, in relation to the Town’s capital assets. Depreciation expense accounted for \$1.2 million of the decrease.

Business—type activities increased the Town’s net assets by \$1.69 million, accounting for 100% of the total growth in the Town’s net assets. Similar to how changes arise in the governmental activities, business—type activities also experience budgetary differences; however, as a public utility function comprises the Town’s business—type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. The implementation of an availability fee, which is to be used for the expansion and improvement of the public water and sewer system accounts for \$2.2 million of the increase.

Financial Analysis of the Town’s Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance—related legal requirements.

Governmental fund: The focus of the Town’s *governmental fund* is to provide information on near—term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town’s governmental fund reported an ending fund balance of \$2.36 million, an increase of \$.44 million in comparison with the prior year. The entire amount of this total is reported as unreserved, which is available for spending at the Town’s discretion.

At the end of the current fiscal year, unreserved fund balance as well as total fund balance of the General Fund was \$2.39 million. As a measure of the General Fund’s liquidity, the fund balance represents 46.0% of total General Fund expenditures.

Proprietary funds: The Town’s proprietary funds provide the same type of information found in the government—wide financial statements, but in more detail. Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$21.38 million. The total growth in net assets was \$1.69 million.

General Fund Budgetary Highlights

There was a slight increase of \$45,960 between the original budget and the final amended budget expenditures. The increase can be attributed to general and financial administration—\$24,000 and public safety—\$21,960.

Capital Asset and Debt Administration

Capital assets: The Town’s investment in capital assets for its governmental and business—type activities as of June 30, 2005, amounts to \$51.78 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Capital Asset and Debt Administration: (Continued)

Capital assets, net of accumulated depreciation, are illustrated in the following table:

Town of Purcellville, Virginia
Capital Assets
(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2005	2004	2005	2004	2005
Land	\$ 50,000	\$ 50,000	\$ 842,670	\$ 842,670	\$ 892,670	\$ 892,670
Buildings	665,917	658,301	-	-	665,917	658,301
Utility plant in service	-	-	15,798,959	15,896,985	15,798,959	15,896,985
Improvements other than buildings	19,669	15,338	346,300	325,500	365,969	340,838
Infrastructure	32,690,907	31,658,836	-	-	32,690,907	31,658,836
Machinery & Equipment	323,403	268,770	56,241	59,474	379,644	328,244
Vehicles	126,089	105,185	35,000	25,200	161,089	130,385
Construction in progress	-	139,791	592,121	1,738,603	592,121	1,878,394
Total	\$ 33,875,985	\$ 32,896,221	\$ 17,671,291	\$ 18,888,432	\$ 51,547,276	\$ 51,784,653

Additional information on the Town's capital assets can be found in note 4 on pages 29 through 30 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total outstanding debt of \$11.37 million and details are summarized in the following table:

Town of Purcellville, Virginia
Outstanding Debt
For the Year Ended June 30, 2005

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2005	2004	2005	2004	2005
Bonds Payable:						
General obligation bonds	\$ 776,173	\$ 731,571	\$ -	\$ -	\$ 776,173	\$ 731,571
Revenue bonds	-	-	10,277,168	10,349,788	10,277,168	10,349,788
Capital leases	84,881	45,113	-	-	84,881	45,113
Compensated absences	147,709	192,168	45,039	50,004	192,748	242,172
Total	\$ 1,008,763	\$ 968,852	\$ 10,322,207	\$ 10,399,792	\$ 11,330,970	\$ 11,368,644

Debt associated with governmental activities decreased by \$84,370 while debt associated with business-type activities decreased by \$280,722. The key factors in the governmental activities decrease were principal payments on outstanding debt. The business-type activities issued additional debt of \$353,342. However the overall decrease in debt can be attributed to principal payments on outstanding debt.

Capital Asset and Debt Administration: (Continued)

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2005.

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

Economic Factors and Next Year's Budgets and Rates

The Town has continued to feel the effects of the explosive growth of our region which we expect to continue into 2006. Along with new homes and businesses, the Town has seen population increases from 5,462 in July 2004 to 5,500 in July 2005. It can be a difficult balance to manage the soaring operational and capital project costs with the enhanced revenue stream associated with this growth in development. The high cost of living and high employment levels of the region have also impacted the Town's personnel costs.

The Town again experienced a large real estate assessment increase in tax year 2005 at over 20%. Due to the large assessment increases of the past few years, the Town Council has reduced the tax rate from \$.24 in tax year 2002 to \$.22 in tax year in 2003 and again in tax year 2004 to \$.21. The Town Council further reduced the tax rate to \$.20 for the 2005 tax year. According to information received from the assessor's office in Loudoun County we expect another 20% increase in assessments in 2006. We have also experienced growth in many other revenue items such as personal property tax assessments, business license tax, and meals tax. The Council increased the meals tax rate from \$.03 to \$.04 and increased the cigarette tax by \$.05.

For the second year water and sewer utility rates will be increased for the fiscal year 2005. Water rates will increase from \$4.35 to \$4.87 and sewer will increase by \$.76 to \$7.09. The rise in utility rates is attributable to the need for upgrades within the Town's water and sewer systems. In addition to the increase in rates, the Town has approved the issuance of up to \$11,000,000 in debt to aid in financing these improvements.

Even with mixed economic reports, rising interest rates, longer commutes and other similar issues, the Town of Purcellville continues to be a very attractive place to live and shop. Coupled with the increase in demand for services and goods. Purcellville is also becoming a place to start or expand your business. With this in mind, the Town should see sustained growth in the near future.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Purcellville, 130 East Main Street, Purcellville, VA 20132.

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Basic Financial Statements

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Government—wide Financial Statements

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Statement of Net Assets
For the Year Ended June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 747,646	\$ 735,344	\$ 1,482,990
Investments	2,045,439	12,086,449	14,131,888
Receivables (net of allowance for uncollectibles):			
Taxes receivable	53,608	-	53,608
Accounts receivable	92,863	352,147	445,010
Interest receivable	-	3,041	3,041
Due from other governmental units	169,829	-	169,829
Capital assets (net of accumulated depreciation):			
Land	50,000	842,670	892,670
Buildings and system	658,301	-	658,301
Improvements other than buildings	15,338	325,500	340,838
Machinery and equipment	268,770	59,474	328,244
Vehicles	105,185	25,200	130,385
Infrastructure	31,658,836	-	31,658,836
Utility plant in service	-	15,896,985	15,896,985
Construction in progress	139,791	1,738,603	1,878,394
Total assets	\$ 36,005,606	\$ 32,065,413	\$ 68,071,019
LIABILITIES			
Accounts payable	\$ 196,801	\$ 222,772	\$ 419,573
Accrued liabilities	135,615	-	135,615
Customers' deposits	-	21,234	21,234
Accrued interest payable	5,981	44,599	50,580
Unearned revenue	92,039	-	92,039
Deposits held in escrow	349,529	-	349,529
Long-term liabilities:			
Due within one year	88,026	228,172	316,198
Due in more than one year	880,826	10,171,620	11,052,446
Total liabilities	\$ 1,748,817	\$ 10,688,397	\$ 12,437,214
NET ASSETS			
Invested in capital assets, net of related debt	\$ 32,119,537	\$ 8,538,644	\$ 40,658,181
Unrestricted (deficit)	2,137,252	12,838,372	14,975,624
Total net assets	\$ 34,256,789	\$ 21,377,016	\$ 55,633,805

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

TOWN OF PURCELLVILLE, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,450,167	\$ 175,596	\$ -	\$ -
Public safety	987,686	-	114,921	-
Public works	2,979,121	2,500	-	342,297
Parks, recreation, and cultural	17,077	-	-	-
Community development	451,194	-	-	-
Interest on long-term debt	28,853	-	-	-
Total government activities	\$ 5,914,098	\$ 178,096	\$ 114,921	\$ 342,297
Business-type activities:				
Water	\$ 1,221,858	\$ 829,368	\$ -	\$ 1,164,000
Sewer	1,531,506	1,142,949	-	1,035,000
Total business-type activities	\$ 2,753,364	\$ 1,972,317	\$ -	\$ 2,199,000
Total primary government	\$ 8,667,462	\$ 2,150,413	\$ 114,921	\$ 2,541,297

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use tax
 - Business licenses
 - Utility taxes
 - Restaurant food taxes
 - Other local taxes
- Fines and forfeitures
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Transfers

Total general revenues and transfers

- Change in net assets
- Net assets - beginning
- Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,274,571)	\$ -	\$ (1,274,571)
(872,765)	-	(872,765)
(2,634,324)	-	(2,634,324)
(17,077)	-	(17,077)
(451,194)	-	(451,194)
(28,853)	-	(28,853)
<u>\$ (5,278,784)</u>	<u>\$ -</u>	<u>\$ (5,278,784)</u>
\$ -	\$ 771,510	\$ 771,510
-	646,443	646,443
<u>\$ -</u>	<u>\$ 1,417,953</u>	<u>\$ 1,417,953</u>
<u>\$ (5,278,784)</u>	<u>\$ 1,417,953</u>	<u>\$ (3,860,831)</u>
\$ 1,677,627	\$ -	\$ 1,677,627
404,052	-	404,052
585,062	-	585,062
287,238	-	287,238
459,910	-	459,910
488,405	-	488,405
66,885	-	66,885
29,961	175,270	205,231
76,994	119,670	196,664
194,092	-	194,092
17,314	(17,314)	-
<u>\$ 4,287,540</u>	<u>\$ 277,626</u>	<u>\$ 4,565,166</u>
(991,244)	1,695,579	704,335
<u>35,248,033</u>	<u>19,681,437</u>	<u>54,929,470</u>
<u>\$ 34,256,789</u>	<u>\$ 21,377,016</u>	<u>\$ 55,633,805</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 For the Year Ended June 30, 2005

	<u>General</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 2,201,175
Investments	591,910
Receivables (net of allowance for uncollectibles):	
Taxes receivable (Note 1)	53,608
Accounts receivable	92,863
Interest receivable	-
Due from other governmental units (Note 3)	<u>169,829</u>
Total assets	<u><u>\$ 3,109,385</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 196,801
Accrued liabilities	135,615
Unearned revenue	128,683
Customer deposits	<u>349,529</u>
Total liabilities	<u><u>\$ 810,628</u></u>
Fund balances:	
Unreserved, designated reported in:	
General fund	\$ 573,044
Unreserved, undesignated reported in:	
General fund	<u>1,725,713</u>
Total fund balances	<u><u>\$ 2,298,757</u></u>
Total liabilities and fund balances	<u><u>\$ 3,109,385</u></u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 For the Year Ended June 30, 2005

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,298,757
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,896,221
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	36,644
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(974,833)</u>
Net assets of governmental activities	<u>\$ 34,256,789</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2005

	<u>General</u>
REVENUES	
General property taxes	\$ 1,663,988
Other local taxes	2,224,667
Permits, privilege fees, and regulatory licenses	178,096
Fines and forfeitures	66,885
Revenue from the use of money and property	29,961
Miscellaneous	76,994
Intergovernmental revenues:	
Local government	-
Commonwealth	636,121
Federal	15,189
	<u>4,891,901</u>
Total revenues	\$ <u>4,891,901</u>
EXPENDITURES	
Current:	
General government administration	\$ 1,225,017
Public safety	921,222
Public works	1,707,738
Parks, recreation, and cultural	17,077
Community development	431,104
Capital outlay	558,864
Debt service:	
Principal retirement	84,370
Interest and other fiscal charges	29,217
	<u>4,974,609</u>
Total expenditures	\$ <u>4,974,609</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(82,708)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ <u>17,314</u>
Total other financing sources (uses)	\$ <u>17,314</u>
Net change in fund balances	\$ (65,394)
Fund balances - beginning	<u>2,364,151</u>
Fund balances - ending	<u><u>\$ 2,298,757</u></u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds	\$ (65,394)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(979,764)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,639
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	84,370
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(44,095)</u>
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Change in net assets of governmental activities	<u><u>\$ (991,244)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2005

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 192,492	\$ 542,852	\$ 735,344
Investments	5,151,544	6,934,905	12,086,449
Receivables, net of allowances for uncollectibles			
Accounts	183,134	169,013	352,147
Accrued interest	1,317	1,724	3,041
Total current assets	\$ 5,528,487	\$ 7,648,494	\$ 13,176,981
Capital assets:			
Utility plant in service	\$ 7,497,239	\$ 10,396,885	\$ 17,894,124
Land	475,570	367,100	842,670
Improvements other than buildings	445,000	-	445,000
Vehicles	48,622	36,777	85,399
Machinery and equipment	45,499	44,656	90,155
Construction in progress	1,207,516	531,087	1,738,603
Less accumulated depreciation	(1,285,778)	(921,741)	(2,207,519)
Total capital assets	\$ 8,433,668	\$ 10,454,764	\$ 18,888,432
Total noncurrent assets	\$ 8,433,668	\$ 10,454,764	\$ 18,888,432
Total assets	\$ 13,962,155	\$ 18,103,258	\$ 32,065,413
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 192,595	\$ 30,177	\$ 222,772
Customers' deposits	21,234	-	21,234
Accrued interest payable	38,141	6,458	44,599
Bonds payable - current portion	132,436	95,736	228,172
Total current liabilities	\$ 384,406	\$ 132,371	\$ 516,777
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 3,481,465	\$ 6,640,151	\$ 10,121,616
Compensated absences	21,600	28,404	50,004
Total noncurrent liabilities	\$ 3,503,065	\$ 6,668,555	\$ 10,171,620
Total liabilities	\$ 3,887,471	\$ 6,800,926	\$ 10,688,397
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,819,767	\$ 3,718,877	\$ 8,538,644
Unrestricted	5,254,917	7,583,455	12,838,372
Total net assets	\$ 10,074,684	\$ 11,302,332	\$ 21,377,016
Total liabilities and net assets	\$ 13,962,155	\$ 18,103,258	\$ 32,065,413

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2005

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 791,992	\$ 1,052,684	\$ 1,844,676
Other revenues	37,376	90,265	127,641
Miscellaneous	15,726	10,361	26,087
Total operating revenues	<u>\$ 845,094</u>	<u>\$ 1,153,310</u>	<u>\$ 1,998,404</u>
OPERATING EXPENSES			
Personnel services	\$ 328,856	\$ 348,125	\$ 676,981
Employee benefits	134,065	139,515	273,580
Plant operations	181,375	205,115	386,490
Well operations	79,239	-	79,239
Pump station operations	-	42,201	42,201
Equipment and vehicles	20,817	7,449	28,266
Depreciation	145,540	194,501	340,041
Other	126,413	266,389	392,802
Total operating expenses	<u>\$ 1,016,305</u>	<u>\$ 1,203,295</u>	<u>\$ 2,219,600</u>
Operating income (loss)	<u>\$ (171,211)</u>	<u>\$ (49,985)</u>	<u>\$ (221,196)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 78,148	\$ 97,122	\$ 175,270
Cellular lease	93,583	-	93,583
Interest expense	(205,553)	(328,211)	(533,764)
Total nonoperating revenues (expenses)	<u>\$ (33,822)</u>	<u>\$ (231,089)</u>	<u>\$ (264,911)</u>
Income before contributions and transfers	\$ (205,033)	\$ (281,074)	\$ (486,107)
Contributed capital - availability fees	\$ 1,164,000	\$ 1,035,000	\$ 2,199,000
Transfers out	(8,657)	(8,657)	(17,314)
Change in net assets	\$ 950,310	\$ 745,269	\$ 1,695,579
Total net assets - beginning, as adjusted	<u>9,124,374</u>	<u>10,557,063</u>	<u>19,681,437</u>
Total net assets - ending	<u>\$ 10,074,684</u>	<u>\$ 11,302,332</u>	<u>\$ 21,377,016</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 756,382	\$ 1,112,419	\$ 1,868,801
Payments to suppliers	(223,859)	(496,397)	(720,256)
Payments to and on behalf of employees	(473,335)	(497,722)	(971,057)
Net cash provided (used by) operating activities	\$ 59,188	\$ 118,300	\$ 177,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cellular lease	\$ 93,583	\$ -	\$ 93,583
Transfers to other funds	(8,657)	(8,657)	(17,314)
Net cash provided (used) by noncapital financing activities	\$ 84,926	\$ (8,657)	\$ 76,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (1,012,845)	\$ (544,338)	\$ (1,557,183)
Availability fees	1,164,000	1,035,000	2,199,000
Retirements of long-term indebtedness	(152,446)	(128,276)	(280,722)
Proceeds from indebtedness	-	353,342	353,342
Interest payments	(205,553)	(328,211)	(533,764)
Net cash provided (used) by capital and related financing activities	\$ (206,844)	\$ 387,517	\$ 180,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 78,148	\$ 97,122	\$ 175,270
Net cash provided (used) by investing activities	\$ 78,148	\$ 97,122	\$ 175,270
Net increase (decrease) in cash and cash equivalents	\$ 15,418	\$ 594,282	\$ 609,700
Cash and cash equivalents - beginning	5,328,618	6,883,475	12,212,093
Cash and cash equivalents - ending	\$ 5,344,036	\$ 7,477,757	\$ 12,821,793

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2004 (Continued)

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (171,211)	\$ (49,985)	\$ (221,196)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	145,540	194,501	340,041
(Increase) decrease in accounts receivable	(91,516)	(40,479)	(131,995)
(Increase) decrease in accrued interest receivable	-	(412)	(412)
Increase (decrease) in compensated absences	2,131	2,834	4,965
Increase (decrease) in payroll liabilities	(12,545)	(12,916)	(25,461)
Increase (decrease) in accounts payable	184,874	23,627	208,501
Increase (decrease) accrued interest payable	(889)	1,130	241
Increase (decrease) customer deposits	2,804	-	2,804
Total adjustments	\$ 230,399	\$ 168,285	\$ 398,684
Net cash provided (used) by operating activities	\$ 59,188	\$ 118,300	\$ 177,488

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005

Note 1—Summary of Significant Accounting Policies:

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Purcellville, Virginia.

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

Government-wide financial statements—The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its components unit. For the most part, effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Assets—The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit, if applicable. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense—the cost of “using up” capital assets—in the Statement of Activities. The net assets of a government will be broken down into three categories—1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities—The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

B. Government—wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government—wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government—wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business—type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Similar Trust Funds. The Governmental Fund measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The individual Governmental Funds are:

General Fund

The General Fund is the general operating fund of the Town. The fund accounts for all revenues and expenditures of the Town which are not accounted for in other funds.

2. Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Currently the Town's Water and Sewer Funds are accounted for as enterprise funds.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting:

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

D. Budgets and Budgetary Accounting: (Continued)

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budget data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

E. Cash and Cash Equivalents:

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

F. Investments:

Investments are stated at fair market value. Certificates of deposits, money market mutual funds and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

G. Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, infrastructure, vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not included in the capital assets of the Government-wide statements or capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2005 was immaterial.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

G. Capital Assets: (Continued)

Depreciation for capital assets is computed over the following useful lives using the straight line method.

Buildings	50 Years
Utility Plant & Lines	50 Years
Automobiles	5-7 Years
Equipment	7-10 Years
Infrastructure	75 Years

H. Compensated Absences:

Vested or accumulated vacation leave is reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

I. Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Allowance for Uncollectible Accounts:

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowances amounted to approximately \$2,303 at June 30, 2005 for uncollectible local property taxes.

K. Property Taxes

Real property is assessed by Loudoun County, Virginia at its value on January 1 and is payable semi-annually on December 5th and June 5th. Personal property taxes are assessed by Loudoun County, Virginia as of January 1 and are payable on December 5th. Taxes attach as an enforceable lien as of the date assessed. The Town bills and collects its own property taxes based on the assessed values provided by the County.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

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

L. Use of Estimates

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

M. Restricted & Unrestricted Net Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

N. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

Note 2—Deposits and Investments:

Deposits:

All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2—4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. 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. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

To protect the Town against potential fraud, the investment policy states that the assets of the Town shall be secured through third-party custody and safe-keeping procedures. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery vs. payment procedure.

The Town's investments at June 30, 2005 were held by the Town or in the Town's name by the Town's custodial banks.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 2—Deposits and Investments:

Credit Risk of Debt Securities:

The Town's investment policy states that no individual investments shall be undertaken that jeopardizes the capital position of the Town or does not bear the full faith and credit of the United States government or is not fully collateralized or insured.

The Town's rated debt investments as of June 30, 2005 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Locality's Rated Debt Investments

<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>				
	<u>AAAm</u>	<u>AAA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 6,724,000	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 6,724,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk:

The Town does not have an investment policy regarding the concentration of credit risk.

The Town had investments at June 30, 2005, with more than 5 percent of the total in the securities underlying the Repurchase Agreement with BB&T bank. This investment represented 52 percent of total investments.

Interest Rate Risk:

The Town's investment policy prohibits investing in instruments with a maturity date of greater than one year from the date of purchase.

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10 Years +</u>
Repurchase Agreements:					
U.S. Treasuries	\$ 7,407,889	\$ 7,407,889	\$ -	\$ -	\$ -
Total	<u>\$ 7,407,889</u>	<u>\$ 7,407,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

External Investment Pools

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non—Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 3—Due from Other Governmental Units:

County of Loudoun:		
Local Sales Tax	\$	70,602
Commonwealth of Virginia:		
Highway Maintenance		<u>99,227</u>
Total	\$	<u><u>169,829</u></u>

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets at June 30, 2005 follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>-</u>	<u>139,791</u>	<u>-</u>	<u>139,791</u>
Total capital assets not being depreciated	<u>\$ 50,000</u>	<u>\$ 139,791</u>	<u>\$ -</u>	<u>\$ 189,791</u>
Capital assets being depreciated:				
Buildings	\$ 989,097	\$ 22,171	\$ -	\$ 1,011,268
Improvements other than buildings	88,887	-	-	88,887
Machinery and equipment	683,161	31,454	-	714,615
Vehicles	282,467	35,104	-	317,571
Infrastructure	<u>46,407,414</u>	<u>17,289</u>	<u>-</u>	<u>46,424,703</u>
Subtotal	\$ 48,451,026	\$ 106,018	\$ -	\$ 48,557,044
Less: accumulated depreciation	<u>(14,625,041)</u>	<u>(1,225,573)</u>	<u>-</u>	<u>(15,850,614)</u>
Net capital assets being depreciated	<u>\$ 33,825,985</u>	<u>\$ (1,119,555)</u>	<u>\$ -</u>	<u>\$ 32,706,430</u>
Capital assets, net	<u><u>\$ 33,875,985</u></u>	<u><u>\$ (979,764)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,896,221</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business Type Activities)

A summary of changes in capital assets at June 30, 2005 follows:

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 842,670	\$ -	\$ -	\$ 842,670
Construction in progress	592,121	1,442,918	296,436	1,738,603
Total capital assets not being depreciated	<u>\$ 1,434,791</u>	<u>\$ 1,442,918</u>	<u>\$ 296,436</u>	<u>\$ 2,581,273</u>
Capital assets being depreciated:				
Utility plant in service	\$ 17,496,674	\$ 397,450	\$ -	\$ 17,894,124
Improvements other than buildings	445,000	-	-	445,000
Vehicles	85,399	-	-	85,399
Machinery and equipment	76,905	13,250	-	90,155
Subtotal	\$ 18,103,978	\$ 410,700	\$ -	\$ 18,514,678
Less: accumulated depreciation	<u>(1,867,478)</u>	<u>(340,041)</u>	<u>-</u>	<u>(2,207,519)</u>
Net capital assets being depreciated	<u>\$ 16,236,500</u>	<u>\$ 70,659</u>	<u>\$ -</u>	<u>\$ 16,307,159</u>
Capital assets, net	<u><u>\$ 17,671,291</u></u>	<u><u>\$ 1,513,577</u></u>	<u><u>\$ 296,436</u></u>	<u><u>\$ 18,888,432</u></u>

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

Governmental activities:

General government	\$ 74,908
Public safety	35,720
Public works (Highways and streets)	<u>1,114,945</u>
Total governmental activities	<u><u>\$ 1,225,573</u></u>
Enterprise funds	<u><u>\$ 340,041</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Long—Term Debt:

Governmental Activities:

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

Year Ending June 30,	Capital Leases		Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 41,966	\$ 2,367	\$ 46,060	\$ 23,169
2007	3,147	74	47,566	21,639
2008	-	-	49,122	20,058
2009	-	-	50,728	18,425
2010	-	-	52,387	16,789
2011-2015	-	-	288,778	56,413
2016-2019	-	-	196,930	9,798
Total	\$ <u>45,113</u>	\$ <u>2,441</u>	\$ <u>731,571</u>	\$ <u>166,291</u>

Changes in Long—term Obligations:

The following is a summary of long—term debt transactions of the Town for the year ended June 30, 2005:

	Capital Leases	Bonds Payable	Compensated Absences	Total
Long term debt payable at July 1, 2004	\$ 84,881	\$ 776,173	\$ 147,709	\$ 1,008,763
Increases:				
Issuances	-	-	44,459	44,459
Decreases:				
Retirements	<u>39,768</u>	<u>44,602</u>	<u>-</u>	<u>84,370</u>
Long Term Debt payable at June 30, 2005	\$ <u>45,113</u>	\$ <u>731,571</u>	\$ <u>192,168</u>	\$ <u>968,852</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Long—Term Debt: (Continued)

Governmental Activities: (Continued)

Details of Long—term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases:		
\$174,680 Capital Lease through Ford Motor Credit for Vac truck payable annually in installments of \$38,524 (including interest at 5.15%) through September 1, 2005	\$ 36,640	\$ 36,640
\$24,400 Capital Lease through Xerox for copier payable in monthly installments of \$484 (including interest at 8.5%) through November 15, 2006	<u>8,473</u>	<u>5,326</u>
Sub-Total	<u>\$ 45,113</u>	<u>\$ 41,966</u>
Bonds Payable:		
\$835,133 General Obligation Refunding Bond Series 2003 dated May 22, 2003 with principal payable annually and interest payable semi-annually, bonds bearing interest at 3.27% maturing October 1, 2017	<u>\$ 731,571</u>	<u>\$ 46,060</u>
Compensated Absence (Note 6)	<u>\$ 192,168</u>	<u>\$ -</u>
Total general long term obligation debt	<u><u>\$ 968,852</u></u>	<u><u>\$ 88,026</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Long—Term Debt: (Continued)

Enterprise Activities:

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2006	\$ 228,171	\$ 535,573
2007	239,030	523,274
2008	250,192	510,392
2009	266,674	496,910
2010	278,490	482,533
2011-2015	1,637,736	2,170,264
2016-2020	2,124,692	1,678,748
2021-2025	1,338,323	1,191,397
2026-2030	1,722,810	806,910
2031-2035	2,042,660	321,575
2036	221,010	4,133
Total	\$ <u>10,349,788</u>	\$ <u>8,721,709</u>

Changes in Long—term Obligations:

The following is a summary of long-term debt transactions of the Town’s enterprise activities for the year ended June 30, 2005:

	General Obligation Bonds	Compensated Absences	Total
Long-Term Debt payable at July 1, 2004	\$ 10,277,168	\$ 45,039	\$ 10,322,207
Increases	353,342	4,965	358,307
Retirements:			
Revenue Bonds	<u>280,722</u>	<u>-</u>	<u>280,722</u>
Long-Term Debt Payable at June 30, 2005	\$ <u>10,349,788</u>	\$ <u>50,004</u>	\$ <u>10,399,792</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Long—Term Debt: (Continued)

Enterprise Activities: (Continued)

Details of Long—term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$1,230,080 General Obligation Water and Sewer Bond, Series 1996 (Rural Development) maturing monthly in payments of \$6,299 through October 18, 2036 including 5.375% interest, payable from the water fund	\$ 1,063,901	\$ 17,436
\$7,304,000 General Obligation Water and Sewer Bond, Series 1999 (Rural Development) maturing monthly in payments of \$35,863 through June 24, 2039 including 5% interest, payable from the sewer fund	6,735,887	95,736
\$2,865,000 General Obligation Water and Sewer Bond, Series 2000 (VRA) maturing annually with principal payable at 100,000 initially, with increases in \$5,000-\$10,000 intervals until the final principal payment installments of \$240,000, due 2020 with interest rates ranging from 4.80%-5.60%, payable from the water fund	<u>2,550,000</u>	<u>115,000</u>
Total	\$ 10,349,788	\$ 228,172
Compensated Absence (Note 6)	\$ <u>50,004</u>	<u>-</u>
Total enterprise debt	\$ <u><u>10,399,792</u></u>	\$ <u><u>228,172</u></u>

Note 6—Claims, Judgments and Compensated Absences:

In accordance with GASB Statement 16 "Accounting for Compensated Absences," the Town has accrued liabilities arising from compensated absences.

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination, except for employees who retire under VRS from the Town in good standing are paid for 25% of their sick leave balance. Accumulated vacation is paid upon termination. The Town's general fund has outstanding accrued leave pay totaling \$192,168 and the Enterprise Funds have outstanding accrued leave pay of \$50,004.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Defined Benefit Pension Plan:

A. Plan Description:

The Town contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the 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, Virginia 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2005 was 6.5% of the annual covered payroll.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost and Net Pension Obligation:

The Town’s annual pension cost and net pension obligation to VRS for the current year were as follows:

Contribution rates:	
Employer	10.25%
Plan members	5.00%
Annual pension cost	\$334,222
Contributions made	\$334,222
Actuarial valuation date	06/30/04
Actuarial cost method	Entry age, normal
Amortization method	Level percentage of pay, open
Payroll growth rate	3.00%
Remaining amortization period	21 Years
Asset valuation method	Modified market
Actuarial assumptions:	
Investment rate of return ¹	8.00%
Projected salary increases ¹	4.25% to 6.10%
Cost-of-living adjustments	3.00%
¹ Includes inflation at	3.00%

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/05	\$ 334,222	100%	\$ 0
06/30/04	233,449	100%	0
06/30/03	217,743	100%	0

Annual pension costs include employer contributions and employee contributions assumed by the employer.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling is comprised of the following:

A. Deferred Highway Maintenance Revenue

Deferred revenue representing unexpended highway maintenance funds totaled \$90,639 at June 30, 2005.

B. Deferred Police Reimbursement Revenue

Deferred revenue representing unearned police reimbursement funds from Loudoun County totaled \$1,400 at June 30, 2005.

C. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$36,644 at June 30, 2005.

Note 9—Risk Management:

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

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

Note 10—Designated Fund Balances:

Fund balances have been designated for the following purposes:

Main Street corrections	\$	260,116
Prior year appropriations		<u>312,928</u>
Total	\$	<u><u>573,044</u></u>

Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
General property taxes	\$ 1,620,408	\$ 1,620,408	\$ 1,663,988	\$ 43,580
Other local taxes	1,795,649	1,795,649	2,224,667	429,018
Permits, privilege fees, and regulatory licenses	120,725	120,725	178,096	57,371
Fines and forfeitures	50,000	50,000	66,885	16,885
Revenue from the use of money and property	16,000	16,000	29,961	13,961
Miscellaneous	682,118	731,618	76,994	(654,624)
Intergovernmental revenues:				
Local government	-	400,000	-	(400,000)
Commonwealth	504,457	504,457	636,121	131,664
Federal	7,000	14,126	15,189	1,063
Total revenues	<u>\$ 4,796,357</u>	<u>\$ 5,252,983</u>	<u>\$ 4,891,901</u>	<u>\$ (361,082)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,123,397	\$ 1,147,397	\$ 1,225,017	\$ (77,620)
Public safety	887,338	909,298	921,222	(11,924)
Public works	1,791,059	1,791,059	1,707,738	83,321
Parks, recreation, and cultural	12,500	12,500	17,077	(4,577)
Community development	483,597	483,597	431,104	52,493
Capital projects	5,186,000	5,186,000	558,864	4,627,136
Debt service:				
Principal retirement	61,077	61,077	84,370	(23,293)
Interest and other fiscal charges	125,000	125,000	29,217	95,783
Total expenditures	<u>\$ 9,669,968</u>	<u>\$ 9,715,928</u>	<u>\$ 4,974,609</u>	<u>\$ 4,741,319</u>
Pass-through grant:				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,873,611)</u>	<u>\$ (4,462,945)</u>	<u>\$ (82,708)</u>	<u>\$ 4,380,237</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	\$ 758,611	\$ -	\$ 17,314	\$ 17,314
Proceeds of general obligation bonds	4,115,000	4,115,000	-	(4,115,000)
Total other financing sources and uses	<u>\$ 4,873,611</u>	<u>\$ 4,115,000</u>	<u>\$ 17,314</u>	<u>\$ (4,097,686)</u>
Net change in fund balances	\$ -	\$ (347,945)	\$ (65,394)	\$ 282,551
Fund balances - beginning		347,945	2,364,151	2,016,206
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,298,757</u>	<u>\$ 2,298,757</u>

Virginia Retirement System
 Schedule of Pension Funding Progress
 For the Year Ended June 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a) (c)	Funded Ratio (a/b) (d)	Annual Covered Payroll (e)	UAAL as % of Covered Payroll (c/e) (f)
06/30/01	\$ 2,040,856	\$ 2,078,691	\$ 37,835	98.2%	\$ 1,514,821	2.5%
06/30/02	2,329,879	2,480,825	150,946	93.9%	1,670,623	9.0%
06/30/03	2,598,878	3,046,924	448,046	85.3%	1,966,161	22.8%
06/30/04	2,886,792	3,286,433	399,641	87.8%	2,039,284	19.6%

Other Supplementary Information

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Supporting Schedules

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,334,000	\$ 1,334,000	\$ 1,472,376	\$ 138,376
Personal property taxes	275,000	275,000	174,235	(100,765)
Penalties and interest	11,408	11,408	17,377	5,969
Total general property taxes	<u>\$ 1,620,408</u>	<u>\$ 1,620,408</u>	<u>\$ 1,663,988</u>	<u>\$ 43,580</u>
Other local taxes:				
Local sales and use taxes	\$ 360,000	\$ 360,000	\$ 404,052	\$ 44,052
Cigarette taxes	160,000	160,000	180,787	20,787
Business license taxes	400,000	400,000	585,062	185,062
Utility license taxes	275,000	275,000	287,238	12,238
Auto decals	100,000	100,000	124,902	24,902
Bank franchise taxes	125,000	125,000	139,531	14,531
Cable franchise taxes	39,649	39,649	43,185	3,536
Restaurant food taxes	336,000	336,000	459,910	123,910
Total other local taxes	<u>\$ 1,795,649</u>	<u>\$ 1,795,649</u>	<u>\$ 2,224,667</u>	<u>\$ 429,018</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 100,725	\$ 100,725	\$ 175,596	\$ 74,871
Proffers	20,000	20,000	2,500	(17,500)
Total permits, privilege fees, and regulatory licenses	<u>\$ 120,725</u>	<u>\$ 120,725</u>	<u>\$ 178,096</u>	<u>\$ 57,371</u>
Fines and forfeitures:				
Police fines	\$ 50,000	\$ 50,000	\$ 66,885	\$ 16,885
Total fines and forfeitures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 66,885</u>	<u>\$ 16,885</u>
Revenue from use of money and property:				
Rent	\$ -	\$ -	\$ 11	\$ 11
Interest	16,000	16,000	29,950	13,950
Total revenue from use of money and property	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 29,961</u>	<u>\$ 13,961</u>
Miscellaneous revenue:				
Miscellaneous	\$ 8,248	\$ 8,248	\$ 23,720	\$ 15,472
Proceeds from sales of property	10,000	10,000	3,031	(6,969)
Special meetings	700	700	(69)	(769)
Charette donations	10,000	10,000	-	(10,000)
James Building grant	40,000	40,000	-	(40,000)
Purcellville days	-	-	12,343	12,343
Insurance dividend	10,000	10,000	12,972	2,972

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community events sign	\$ 1,170	\$ 1,170	\$ 1,155	\$ (15)
Law enforcement reimbursement from Loudoun County	-	50,000	22,460	(27,540)
Vehicle compensation reimbursement	2,000	1,500	1,382	(118)
Other street funds	600,000	600,000	-	(600,000)
Total miscellaneous revenue	<u>\$ 682,118</u>	<u>\$ 731,618</u>	<u>\$ 76,994</u>	<u>\$ (654,624)</u>
Intergovernmental revenue:				
Gasoline tax funding from Loudoun County	\$ -	\$ 400,000	\$ -	\$ (400,000)
Total local intergovernmental revenue	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ (400,000)</u>
Total revenue from local sources	<u>\$ 4,284,900</u>	<u>\$ 4,734,400</u>	<u>\$ 4,240,591</u>	<u>\$ (493,809)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 7,117	\$ 7,117	\$ 4,303	\$ (2,814)
Personal property tax relief funds	-	-	186,789	186,789
Total noncategorical aid	<u>\$ 7,117</u>	<u>\$ 7,117</u>	<u>\$ 191,092</u>	<u>\$ 183,975</u>
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 95,340	\$ 95,340	\$ 99,732	\$ 4,392
Total shared expenses	<u>\$ 95,340</u>	<u>\$ 95,340</u>	<u>\$ 99,732</u>	<u>\$ 4,392</u>
Other categorical aid:				
Arts grant	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Fire programs fund	6,000	6,000	3,000	(3,000)
Highway maintenance funds	390,000	390,000	342,297	(47,703)
Litter control grant	3,000	3,000	-	(3,000)
Total other categorical aid	<u>\$ 402,000</u>	<u>\$ 402,000</u>	<u>\$ 345,297</u>	<u>\$ (56,703)</u>
Total categorical aid	<u>\$ 497,340</u>	<u>\$ 497,340</u>	<u>\$ 445,029</u>	<u>\$ (52,311)</u>
Total revenue from the Commonwealth	<u>\$ 504,457</u>	<u>\$ 504,457</u>	<u>\$ 636,121</u>	<u>\$ 131,664</u>
Revenue from the federal government:				
Categorical aid:				
Other categorical	\$ 7,000	\$ 14,126	\$ 15,189	\$ 1,063
Total revenue from the federal government	<u>\$ 7,000</u>	<u>\$ 14,126</u>	<u>\$ 15,189</u>	<u>\$ 1,063</u>
Total General Fund	<u>\$ 4,796,357</u>	<u>\$ 5,252,983</u>	<u>\$ 4,891,901</u>	<u>\$ (361,082)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 40,399	\$ 40,399	\$ 42,311	\$ (1,912)
General and financial administration:				
Administration	\$ 619,535	\$ 607,535	\$ 626,180	\$ (18,645)
Building administration	57,300	57,300	57,306	(6)
Legal services	90,000	90,000	116,906	(26,906)
Independent auditor	25,000	25,000	21,250	3,750
Prior year health insurance	-	-	25,593	(25,593)
Finance	291,163	327,163	335,471	(8,308)
Total general and financial administration	<u>\$ 1,082,998</u>	<u>\$ 1,106,998</u>	<u>\$ 1,182,706</u>	<u>\$ (75,708)</u>
Total general government administration	<u>\$ 1,123,397</u>	<u>\$ 1,147,397</u>	<u>\$ 1,225,017</u>	<u>\$ (77,620)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 799,338	\$ 821,298	\$ 838,778	\$ (17,480)
Fire and rescue services:				
Fire department	\$ 47,000	\$ 47,000	\$ 41,222	\$ 5,778
Ambulance and rescue services	41,000	41,000	41,222	(222)
Total fire and rescue services	<u>\$ 88,000</u>	<u>\$ 88,000</u>	<u>\$ 82,444</u>	<u>\$ 5,556</u>
Total public safety	<u>\$ 887,338</u>	<u>\$ 909,298</u>	<u>\$ 921,222</u>	<u>\$ (11,924)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	387,000	\$ 387,000	\$ 313,264	\$ 73,736
Administration	386,505	386,505	361,848	24,657
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 773,505</u>	<u>\$ 773,505</u>	<u>\$ 675,112</u>	<u>\$ 98,393</u>
Maintenance of general buildings and grounds:				
General properties	\$ 689,303	\$ 689,303	\$ 666,640	\$ 22,663
Refuse	328,251	328,251	365,986	(37,735)
Total maintenance of general buildings and grounds	<u>\$ 1,017,554</u>	<u>\$ 1,017,554</u>	<u>\$ 1,032,626</u>	<u>\$ 22,663</u>
Total public works	<u>\$ 1,791,059</u>	<u>\$ 1,791,059</u>	<u>\$ 1,707,738</u>	<u>\$ 121,056</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 12,500	\$ 12,500	\$ 15,077	\$ (2,577)
Recreation facilities	-	-	2,000	(2,000)
Total parks and recreation	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 17,077</u>	<u>\$ (4,577)</u>
Total parks, recreation, and cultural	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 17,077</u>	<u>\$ (9,154)</u>
Community development:				
Planning and community development:				
Planning	\$ 328,760	\$ 328,760	\$ 347,882	\$ (19,122)
Planning commission	16,287	16,287	16,311	(24)
James Building project	70,000	70,000	15,970	54,030
Total planning and community development	<u>\$ 415,047</u>	<u>\$ 415,047</u>	<u>\$ 380,163</u>	<u>\$ 34,884</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2005 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Environmental management:				
Environmental service	\$ 20,000	\$ 20,000	\$ 5,099	\$ 14,901
Board of zoning and appeals:				
Board of zoning and appeals	\$ 3,050	\$ 3,050	\$ 250	\$ 2,800
Economic development:				
Economic development	\$ 45,500	\$ 45,500	\$ 45,592	\$ (92)
Total community development	\$ 483,597	\$ 483,597	\$ 431,104	\$ 52,493
Capital projects:				
Capital Outlay	\$ 5,186,000	\$ 5,186,000	\$ 558,864	\$ 4,627,136
Debt service:				
Principal retirement and interest	\$ 61,077	\$ 61,077	\$ 84,370	\$ (23,293)
Interest and other fiscal charges	125,000	125,000	29,217	95,783
Total debt service	\$ 186,077	\$ 186,077	\$ 113,587	\$ 72,490
Total General Fund	\$ 9,669,968	\$ 9,715,928	\$ 4,974,609	\$ 4,774,477

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund:				
Operating Revenues:				
Water meter fees	\$ 47,000	\$ 47,000	\$ 27,845	\$ (19,155)
Water fees	609,106	609,106	760,703	151,597
Miscellaneous income	16,116	16,116	15,726	8,737
Service charge	20,000	20,000	24,853	4,853
Penalties and interest	10,294	10,294	12,523	2,229
Water flushing	7,182	7,182	3,444	(3,738)
Total operating revenues	\$ 709,698	\$ 709,698	\$ 845,094	\$ 144,523
Operating expenses:				
Personnel:				
Water Staff	\$ 297,425	\$ 297,425	\$ 278,649	\$ 18,776
Overtime - Water	52,000	52,000	50,207	1,793
Plant Operations:				
Electricity	30,000	30,000	18,139	11,861
Telephone	4,200	4,200	6,853	(2,653)
Supplies	12,000	12,000	7,273	4,727
Lab Equipment	12,000	12,000	-	12,000
Contracts	10,000	10,000	10,456	(456)
Uniforms	6,500	6,500	3,752	2,748
Safety	15,000	15,000	6,410	8,590
Spare parts	6,000	6,000	-	6,000
Cross connections	500	500	1,691	(1,191)
Plant repairs	35,000	35,000	12,307	22,693
Water line repairs	20,000	20,000	12,364	7,636
Leak detection	4,000	4,000	3,584	416
Meter repairs & testing	4,500	4,500	7,401	(2,901)
New water meters	80,000	80,000	54,989	25,011
Lab certification	3,000	3,000	520	2,480
Computer upgrades	5,000	5,000	1,773	3,227
Chemicals - plant	42,000	42,000	17,588	24,412
Generator WTP	6,000	6,000	373	5,627
Permits	-	-	1,200	(1,200)
Touch read HDW & SFTW	7,500	7,500	7,347	153
Communications	2,500	2,500	-	2,500

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund: (Continued)				
Waste disposal	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Equipment maintenance	12,000	12,000	-	12,000
Operating expenses: (Continued)				
Public education	1,000	1,000	3,485	(2,485)
VDH operations fee	2,000	2,000	3,870	(1,870)
Well Operations:				
Electricity	35,000	35,000	26,762	8,238
Telephone	1,600	1,600	929	671
Supplies	5,000	5,000	3,427	1,573
Contracts	4,000	4,000	610	3,390
Spare parts	4,000	4,000	3,099	901
Repairs	42,000	42,000	18,974	23,026
Chemicals	20,000	20,000	8,573	11,427
Carbon change-out	40,000	40,000	16,865	23,135
Equipment and vehicles expenses:				
New equipment & tools	8,500	8,500	12,383	(3,883)
Vehicle repairs	4,000	4,000	1,924	2,076
Gas and oil	10,000	10,000	5,996	4,004
Propane	12,500	12,500	514	11,986
Other:				
Advertisements	4,500	4,500	3,013	1,487
Water samples	58,000	58,000	17,373	40,627
Training	8,750	8,750	2,325	6,425
Dues & subscriptions	250	250	100	150
Consumer reports	3,500	3,500	5,672	(2,172)
General expenses	1,400	1,400	500	900
Postage/mailings	3,000	3,000	2,568	432
Miscellaneous	4,500	4,500	692	3,808
Engineering	30,000	30,000	29,736	264
Watershed management	5,000	5,000	6,034	(1,034)
Forestry management	10,000	10,000	-	10,000
Envir Audit & Comp	5,000	5,000	2,759	2,241
Mowing	10,000	10,000	8,611	1,389
Administrative supplies	1,500	1,500	-	1,500

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund: (Continued)				
Operating expenses: (Continued)				
Water department emergency	\$ 3,500	\$ 3,500	\$ 131	\$ 3,369
Small projects	-	-	46,899	(46,899)
Employee benefits:				
Health insurance	59,925	59,925	45,334	14,591
Retirement	37,922	37,922	38,568	(646)
Workers' compensation	13,248	13,248	8,192	5,056
Payroll taxes	25,201	25,201	37,754	(12,553)
Performance bonuses	4,000	4,000	2,740	1,260
Drug testing	500	500	150	350
Deferred compensation match	2,081	2,081	1,327	754
Depreciation	-	-	145,540	(145,540)
Total operating expenses	<u>\$ 1,149,502</u>	<u>\$ 1,149,502</u>	<u>\$ 1,016,305</u>	<u>\$ 133,197</u>
Operating income (loss)	<u>\$ (439,804)</u>	<u>\$ (439,804)</u>	<u>\$ (171,211)</u>	<u>\$ 277,720</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 8,000	\$ 8,000	\$ 78,148	\$ 70,148
Cellular lease	90,000	90,000	93,583	3,583
Proceeds from indebtedness	1,200,000	1,200,000	-	(1,200,000)
Proffers	40,000	40,000	-	(40,000)
Interest expense	150,000	150,000	(205,553)	(355,553)
Total nonoperating revenues (expenses)	<u>\$ 1,488,000</u>	<u>\$ 1,488,000</u>	<u>\$ (33,822)</u>	<u>\$ (1,521,822)</u>
Net income (loss) before operating transfers and contributions	<u>\$ 1,048,196</u>	<u>\$ 1,048,196</u>	<u>\$ (205,033)</u>	<u>\$ (1,244,102)</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,600,000	\$ 1,600,000	\$ 1,164,000	\$ (436,000)
Transfers out	-	-	(8,657)	(8,657)
Total operating transfers	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,155,343</u>	<u>\$ (444,657)</u>
Net income	<u><u>\$ 2,648,196</u></u>	<u><u>\$ 2,648,196</u></u>	<u><u>\$ 950,310</u></u>	<u><u>\$ (1,688,759)</u></u>

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund:				
Operating Revenues:				
Sewer fees	\$ 845,444	\$ 845,444	\$ 1,052,684	\$ 207,240
Penalties and interest	10,294	10,294	12,523	2,229
Service charge	20,000	20,000	25,742	5,742
Miscellaneous income	548	548	10,361	9,813
Proffers	75,000	75,000	52,000	(23,000)
Total operating revenues	\$ 951,286	\$ 951,286	\$ 1,153,310	\$ 202,024
Operating expenses:				
Personnel:				
Sewer Staff	\$ 320,748	\$ 320,748	\$ 332,865	\$ (12,117)
Overtime - Sewer	52,000	52,000	15,260	36,740
Plant Operations:				
Electricity	87,415	87,415	53,572	33,843
Supplies	16,900	16,900	16,373	527
Plant supplies	1,825	1,825	3,254	(1,429)
Contracts	-	-	4,866	(4,866)
Permits	5,000	5,000	2,301	2,699
Uniforms	5,500	5,500	5,569	(69)
Plant repairs	20,000	20,000	25,953	(5,953)
Sewer line repairs	15,000	15,000	15,270	(270)
Safety	20,000	20,000	8,935	11,065
I and I detection	15,000	15,000	8,276	6,724
New equipment & tools	500	500	3,801	(3,301)
Sludge removal	60,000	60,000	36,017	23,983
Chemicals	10,000	10,000	6,603	3,397
Lab certification	4,795	4,795	1,308	3,487
Sample analysis	4,898	4,898	4,496	402
Waste disposal	1,000	1,000	1,268	(268)
Pump station operations:				
Electricity	10,750	10,750	14,539	(3,789)
Telephone	1,500	1,500	821	679
Repairs	10,000	10,000	24,055	(14,055)
Contracts	5,500	5,500	1,204	4,296
Equipment	5,000	5,000	1,582	3,418
Equipment and vehicles expenses:				
Equipment - plant	-	-	2,175	(2,175)
Gas and oil	3,000	3,000	701	2,299

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2005 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund: (Continued)				
Vehicle repairs	\$ 2,500	\$ 2,500	\$ 4,573	\$ (2,073)
Dues & subscriptions	750	750	100	650
Advertisements	2,250	2,250	1,013	1,237
Training	6,000	6,000	-	6,000
Postage/mailings	3,500	3,500	4,186	(686)
Engineering	30,000	30,000	22,590	7,410
Mowing	10,000	10,000	8,796	1,204
Envir Audit & Comp	5,000	5,000	21,759	(16,759)
Sewer department emergency	3,000	3,000	-	3,000
Small projects	-	-	205,161	(205,161)
Administrative supplies	1,500	1,500	1,293	207
Public education	1,000	1,000	375	625
Employee benefits:				
Health insurance	53,592	53,592	51,574	53,217
Retirement	40,258	40,258	48,355	(8,097)
Workers' compensation	8,748	8,748	5,410	3,338
Payroll taxes	26,985	26,985	28,383	(1,398)
Performance bonuses	4,000	4,000	3,220	780
Drug testing	500	500	200	300
Deferred compensation match	2,600	2,600	2,373	227
Depreciation	-	-	194,501	(194,501)
Total operating expenses	\$ 884,014	\$ 884,014	\$ 1,203,295	\$ (268,082)
Operating income	\$ 67,272	\$ 67,272	\$ (49,985)	\$ (66,058)
Nonoperating revenues (expenses):				
Interest earned	\$ 8,000	\$ 8,000	\$ 97,122	\$ 89,122
Proceeds from indebtedness	400,000	400,000	-	(400,000)
Interest expense	430,356	430,356	(328,211)	(758,567)
Total nonoperating revenues (expenses)	\$ 838,356	\$ 838,356	\$ (231,089)	\$ (1,069,445)
Net income before operating transfers	\$ 905,628	\$ 905,628	\$ (281,074)	\$ (1,135,503)
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,400,000	\$ 1,400,000	\$ 1,035,000	\$ (365,000)
Transfers in	317,631	317,631	-	(317,631)
Transfers out	8,657	8,657	(8,657)	(17,314)
Total operating transfers	\$ 1,726,288	\$ 1,726,288	\$ 1,026,343	\$ (699,945)
Net income	\$ 2,631,916	\$ 2,631,916	\$ 745,269	\$ (1,835,448)

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 For the Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land	\$ 50,000	\$ 50,000
Buildings	1,011,268	989,097
Improvements other than buildings	88,887	88,887
Machinery and equipment	714,615	683,161
Vehicles	317,571	282,467
Infrastructure	46,424,703	46,407,414
Construction in progress	139,791	-
Total governmental funds capital assets	<u>\$ 48,746,835</u>	<u>\$ 48,501,026</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 48,746,835</u>	<u>\$ 48,501,026</u>
Total governmental funds capital assets	<u>\$ 48,746,835</u>	<u>\$ 48,501,026</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 For the Year Ended June 30, 2005

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 50,000	\$ -	\$ 903,128
Finance and administration	-	-	-
Total general government administration	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 903,128</u>
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ -	\$ 139,791	\$ 108,140
Maintenance of buildings and grounds	-	-	-
Total public works	<u>\$ -</u>	<u>\$ 139,791</u>	<u>\$ 108,140</u>
Total governmental funds capital assets	<u><u>\$ 50,000</u></u>	<u><u>\$ 139,791</u></u>	<u><u>\$ 1,011,268</u></u>

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ 23,764	\$ 5,884	\$ -	\$ 982,776
-	<u>159,390</u>	<u>149,360</u>	-	<u>308,750</u>
\$ -	\$ <u>183,154</u>	\$ <u>155,244</u>	\$ -	\$ <u>1,291,526</u>
\$ -	\$ <u>107,561</u>	\$ <u>140,823</u>	\$ -	\$ <u>248,384</u>
\$ -	\$ <u>107,561</u>	\$ <u>140,823</u>	\$ -	\$ <u>248,384</u>
\$ 88,887	\$ 68,800	\$ 21,504	\$ 46,424,703	\$ 46,851,825
-	<u>355,100</u>	-	-	<u>355,100</u>
\$ <u>88,887</u>	\$ <u>423,900</u>	\$ <u>21,504</u>	\$ <u>46,424,703</u>	\$ <u>47,206,925</u>
\$ <u><u>88,887</u></u>	\$ <u><u>714,615</u></u>	\$ <u><u>317,571</u></u>	\$ <u><u>46,424,703</u></u>	\$ <u><u>48,746,835</u></u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2005

Function and Activity	Governmental Funds Capital Assets July 1, 2004	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
General government administration:				
Town council	\$ 936,841	\$ 45,935	\$ -	\$ 982,776
Finance and administration	308,750	-	-	308,750
Total general government administration	\$ 1,245,591	\$ 45,935	\$ -	\$ 1,291,526
Public safety:				
Police department	\$ 205,590	\$ 42,794	\$ -	\$ 248,384
Total public safety	\$ 205,590	\$ 42,794	\$ -	\$ 248,384
Public works:				
Highways and roads	\$ 46,694,745	\$ 157,080	\$ -	\$ 46,851,825
Maintenance of buildings and grounds	355,100	-	-	355,100
Total public works	\$ 47,049,845	\$ 157,080	\$ -	\$ 47,206,925
Total governmental funds capital assets	\$ 48,501,026	\$ 245,809	\$ -	\$ 48,746,835

Statistical Tables

Town of Purcellville, Virginia

Government-Wide Expenses by Function
 Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural
2003-04	\$ 1,824,860	\$ 613,440	\$ 2,587,276	-
2004-05	1,450,167	987,686	2,979,121	17,077

(1) Information has only been available for 2 years.

Table 1

<u>Community Development</u>	<u>Interest on Long-Term Debt</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
\$ -	\$ 35,466	\$ 1,228,332	\$ 1,314,089	7,603,463
451,194	28,853	1,221,858	1,531,506	8,667,462

TOWN OF PURCELLVILLE, VIRGINIA

Government-Wide Revenues

Last Ten Fiscal Years (1)

<u>PROGRAM REVENUES</u>					
<u>Fiscal Year</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
2003-04	\$	1,737,380	515,721	\$	5,854,049
2004-05		2,150,413	114,921		2,541,297

(1) Information has only been available for 2 years.

GENERAL REVENUES							
General Property Taxes	Other Local Taxes	Fines and Forfeitures	Unrestricted Revenues from the use of Money and Property	Miscella- neous	Grants and Contributions Not Restricted to Specific Programs	Total	
\$ 1,373,678	\$ 1,853,901	\$ 59,282	\$ 67,587	\$ 177,182	\$ 202,229	\$ 11,841,009	
1,677,627	2,224,667	66,885	205,231	196,664	194,092	9,371,797	

Town of Purcellville, Virginia

General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works
1995-96	\$ 650,856	\$ 217,778	\$ 302,412
1996-97	639,498	246,285	341,548
1997-98	655,630	262,564	358,585
1998-99	813,829	304,764	389,624
1999-00	1,094,976	399,176	466,320
2000-01	1,470,413	475,223	545,883
2001-02	1,564,194	485,791	885,605
2002-03	1,657,140	650,147	1,066,145
2003-04	1,795,888	587,969	1,411,398
2004-05	1,225,017	921,222	1,707,738

(1) Excludes capital outlays and debt service.

Table 3

Parks, Recreation, and Cultural	Community Development	Pass-Through Grants	(1) Total
\$	-	-	\$ 1,171,046
	-	16,425	1,243,756
	-	-	1,276,779
	-	151,544	1,659,761
	-	27,522	1,987,994
	-	230,688	2,722,207
	-	438,028	3,373,618
	-	505,666	3,879,098
	-	-	3,795,255
17,077	558,864	-	4,429,918

Town of Purcellville, Virginia

General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes (1)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures
1995-96	\$ 543,494	\$ 682,620	\$ 11,610	\$ 8,636
1996-97	572,758	751,239	55,628	11,191
1997-98	577,481	823,906	145,210	13,134
1998-99	631,462	893,473	163,826	5,734
1999-00	745,648	1,149,794	260,698	13,660
2000-01	894,057	1,382,201	416,384	25,511
2001-02	1,123,957	1,513,606	478,134	48,791
2002-03	1,168,307	1,613,577	276,743	36,791
2003-04	1,369,653	1,853,901	136,264	59,282
2004-05	1,663,988	2,224,667	178,096	66,885

(1) In fiscal year 1993-94 and 1999-00 the Town commenced meals and cigarette taxes, respectively.

(2) Fiscal year 1994-95 included the sale of the old town hall. Fiscal year 2000-01 included federal funds received for TEA-21 grant and a called developer performance bond.

Table 4

Revenue from the Use of Money and Property	Miscellaneous (2)	Inter- governmental	Pass- Through Grants	Total
\$ 40,360	\$ 42,994	\$ 53,665	\$ -	\$ 1,383,379
51,910	73,957	58,364	16,425	1,591,472
59,284	42,348	45,469	-	1,706,832
76,284	74,090	51,165	151,544	2,047,578
97,002	72,859	104,784	27,522	2,471,967
130,871	292,944	100,065	230,688	3,472,721
60,029	170,758	95,562	438,028	3,928,865
24,221	70,547	592,224	505,666	4,288,076
16,693	64,465	741,301	400,000	4,641,559
29,961	76,994	651,310	-	4,891,901

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property (1)	Public Utility	Total
1995-96	\$ 182,556,400	\$ 10,013,254	\$ 5,206,177	\$ 197,775,831
1996-97	184,164,720	12,149,080	5,219,047	201,532,847
1997-98	203,342,106	12,243,331	5,231,916	220,817,353
1998-99	215,680,750	13,225,209	5,448,750	234,354,709
1999-00	251,437,692	17,044,884	6,975,208	275,457,784
2000-01	313,513,634	20,803,922	7,885,696	342,203,252
2001-02	411,026,000	23,590,902	10,419,804	445,036,706
2002-03	452,511,560	26,962,736	8,750,945	488,225,241
2003-04	568,438,265	31,157,197	10,493,964	610,089,426
2004-05	739,972,175	36,787,240	9,280,605	786,040,020

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

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Public Utility	Personal Property (2)			
			Motor Vehicles (1)	Volunteers (2)	Merchant's Capital	Machinery and Tools
1995-96	\$ 0.24	\$ 0.24	\$ 1.05	\$ 0.01	\$ 1.05	1.05
1996-97	0.24	0.24	1.05	0.01	1.05	1.05
1997-98	0.24	0.24	1.05	0.01	1.05	1.05
1998-99	0.24	0.24	1.05	0.01	1.05	1.05
1999-00	0.24	0.24	1.05	0.01	1.05	1.05
2000-01	0.24	0.24	1.05	0.01	0.55	0.55
2001-02	0.24	0.24	1.05	0.01	0.55	0.55
2002-03	0.24/0.22	0.24	1.05	0.01	0.55	0.55
2003-04	0.22/0.21	0.22	1.05	0.01	0.55	0.55
2004-05	0.20	0.21	1.05	0.01	0.55	0.55

Note: (1) Includes personal property tax relief from the Commonwealth of Virginia.
(2) Fire department and rescue squad members.

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less: Debt Payable from Enterprise Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995-96	2,408	\$ 197,775,831	\$ 1,509,498	\$ 582,200	\$ 927,298	0.0047%	\$ 385
1996-97	2,883	201,532,847	1,900,042	995,357	904,685	0.0045%	314
1997-98	3,143	220,817,353	2,011,859	1,113,048	898,811	0.0041%	286
1998-99	3,476	234,354,709	2,856,810	1,974,346	882,464	0.0038%	254
1999-00	3,584	275,457,784	2,989,534	2,124,793	864,741	0.0031%	241
2000-01	3,842	342,203,252	8,425,690	7,579,907	845,783	0.0025%	220
2001-02	4,231	445,036,706	11,091,637	10,266,131	825,506	0.0019%	195
2002-03	4,686	488,225,241	11,344,185	10,386,483	957,702	0.0020%	204
2003-04	5,462	610,089,426	11,138,222	10,277,168	861,054	0.0014%	158
2004-05	5,500	430,380,695	11,126,472	10,349,788	776,684	0.0018%	141

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

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

Computation of Legal Debt Margin
 For the Year Ended June 30, 2005

Total assessed value of taxed real property (1)		\$	<u>430,380,695</u>
Debt limit - 10 percent of total assessed value		\$	43,038,070
Amount of debt applicable to debt limit:			
Gross debt (2)	\$	776,684	
Less:			
Amount available in Debt Service Fund		<u>-</u>	
Total amount of debt applicable to debt limit			<u>776,684</u>
Legal debt margin		\$	<u>42,261,386</u>

(1) Includes public utility real property.

(2) Includes bonded debt and long-term notes payable except for enterprise indebtedness.

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Compliance

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Purcellville, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Town of Purcellville, Virginia's basic financial statements and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Purcellville, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information of the Town Council, management 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.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
August 24, 2005

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