



Comprehensive  
Annual Financial Report  
Year Ended June 30, 2017

Town  
of  
*Purcellville*  
Virginia



**TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**Prepared By:**

---

Elizabeth B. Krens  
Director of Finance



TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

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November 22, 2017

To Honorable Mayor, Members of Town Council and Citizens  
Town of Purcellville, Virginia

I am pleased to present the Town of Purcellville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. These statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report was prepared by the Town's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Town. The report identifies the Town's financial position and results of operations as measured by the financial activity of its various funds over the past fiscal year. We believe the data contained in the report is accurate in all material aspects.

The management of the Town is responsible for establishing and maintaining an internal control structure to ensure the protection of Town assets. In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Town also maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the Town Council no later than the close of the previous fiscal year. Activities of the general fund, the parks and recreation special revenue fund, the two utility enterprise funds and capital project funds are included in the Town's annual budget. When necessary, the Town Council approves amendments to the adopted budget. Budgetary compliance is reported and monitored at the departmental level.

The Town Charter and Code of Virginia §15.2-2511 requires an annual audit of the Town's financial affairs performed by independent certified public accountants. The Town has contracted with Robinson, Farmer, Cox and Associates, Certified Public Accountants to provide audit services in a five-year contract. Robinson, Farmer, Cox and Associates has issued an unqualified opinion on the Town's financial statements for the year ended June 30, 2017. The independent auditor's report is located on page 1 and 2 of this report.

Also included in this report is a section titled Management's Discussion and Analysis (MD&A) which begins on page 3. The MD&A will provide additional analysis and overview of the financial statements contained in this report.

## **Profile of the Town:**

Incorporated in 1908, Purcellville is one of seven independent towns in Loudoun County, Virginia. The Town's corporate limits encompass approximately 3.42 miles positioned in western part of the County along the principal east-west transportation corridor, Route 7. Purcellville lies about 40 miles west of Washington, D.C with a population of 8,300. Purcellville is the economic hub of western Loudoun County and a popular weekend destination for antiquing, entertainment, farmer's markets, wineries, breweries and restaurants.

The Town is operated based on a Council-Manager form of government. Purcellville provides a full range of municipal services including police protection, refuse collection, construction and maintenance of streets and other infrastructure, parks and recreational facilities, zoning inspection services and general administrative services. The Town also maintains and operates two enterprise funds for the purpose of production, distribution and treatment of water and wastewater on behalf of the residents of the Town.

## **Financial Condition and Economic Outlook:**

The Town Council's commitment to long term planning helped achieve the strong financial results detailed in this document. Key strategic processes are employed throughout the fiscal year to manage the Town's resources and priorities. This begins with Town Council's annual Strategic Planning Session held in early fall. This planning session provides the governing body an opportunity to review, discuss and formally declare its vision, mission, core values and strategic initiatives for the coming year. Finance staff begins the budget formulation process in the fall by working with each department to compile annual operating and capital expenditure requests and prepare revenue forecasts for the next fiscal year. After receiving the initial budget draft from Finance, the Town Manager balances departmental requests and revenue forecasts with Council's strategic initiatives in order to finalize and deliver his/her Proposed Budget to Town Council in March. A series of Council budget work sessions are scheduled during the spring to allow Council time to fully consider all aspects of the plan prior to budget adoption before the end of the fiscal year. Once the new fiscal year begins, the Town Manager and department managers continue to closely monitor budget and fiscal policy compliance as well as performance metrics. The Town Council also maintains "Fiscal Policy Guidelines" based on best financial practices and recommendations from its outside financial advisor, Davenport and Company, Inc. Council uses these guidelines as target reference points when considering new initiatives such as program expansion and issuance of debt.

At the end of fiscal year 2017, the Town's total net position increased by \$5,109,132, with \$1,216,075 associated with governmental activities and \$3,893,057 from business-type or utility activities. In addition, the governmental fund's total fund balance at the end of fiscal year 2017 was \$8.8 million. Of this amount, \$6.7 million was unassigned and available for future spending. This amount is well in excess of the Town's fund balance policy target of \$3 million or 30% of total revenues.

Over the past year, the Town worked with its financial advisors to develop a "Plan of Finance" to complete a strategic realignment of the water and sewer utility enterprise fund debt, as well as, tax supported parks and recreation debt. This plan culminated with the issuance of the 2017A and 2017B refunding bonds and early payoff of the 2010 RBC bond in the fall of 2017. The following results were achieved in the fall of 2017: (1) use of cash over and above policy guidelines in all funds to defease debt and eliminate balloon maturities; (2) realign water and sewer fund debt in order to minimize user rate increases over the next decade; (3) restructure parks and recreation tax exempt debt to taxable to remove private use restrictions and expand revenue flexibility. This plan is expected to reduce planned water and sewer rate increases from approximately 7% per year down to the 2% to 3% range. In addition, it will provide greater flexibility to pursue public-private partnerships in the parks and recreation fund to manage and support the Fireman's Field assets.

## **Financial Condition and Economic Outlook: (Continued)**

In order to issue the 2017B refunding bond in the public credit markets, the Town updated its credit ratings. In September 2017, all three national credit rating agencies affirmed the Town's strong investment grade credit ratings: AAA with a "stable outlook" by Standard & Poor's, Aa2 from Moody's Investors Services and AA with a "positive outlook" from Fitch Ratings.

The 2017 real property values increased by 5.42% and preliminary forecasts for 2018 anticipate continued growth for both existing property values and new construction with the Mayfair and Catoctin Corner projects. For tax year 2017, there was no change to real property tax rate of \$.22 per \$100 of assessed value and the Fireman's Field Service tax rate of \$.035 per \$100 of assessed value. The FY18 budget included no change to the water and sewer rates. The Town's Capital Improvement Plan (CIP) is relatively modest for the next five years and no new debt is anticipated in the near term.

## **Major Initiatives and Awards:**

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in fiscal year 2017:

- Received 8<sup>th</sup> consecutive GFOA Distinguished Budget Presentation Award for fiscal year 2017.
- Received 9<sup>th</sup> consecutive GFOA Certificate of Achievement for fiscal year 2016 CAFR.
- Maintained the Town's strong investment grade ratings from the three national credit rating agencies: AAA from Standard and Poor's, AA from Fitch Ratings and Aa2 from Moody's Investor Service.
- Received ICMA's Certificate of Distinction for exceeding the standards by the ICMA Center for Performance Measurement.
- Received 10<sup>th</sup> annual Tree City USA designation from the Arbor Day Foundation.
- Received VML's Green Government Challenge, Silver Certification Award.
- Received 9<sup>th</sup> consecutive Water Treatment Plant Excellence in granular filter media performance award.
- Completed the Virginia Law Enforcement Professional Standards Commission (VALEPSC) process for reaccreditation of the Purcellville Police Department and obtained "accredited status" for a second time.
- Police Department Partnered with Loudoun County's Sherriff's Office to upgrade to the Motorola Computer Aided Dispatch (CAD) and Records Management System (RAD) at no cost to the Town.
- Police Department upgraded ballistic armor to ensure all officers are in Bureau of Justice (BJA) certified body armor.
- Police Department community outreach programs: two Opioid Awareness, five Coffee with a Cop, Homework Club, Books and Badges, Purcellville Public Safety Day and Police Service Area programs.

### **Major Initiatives and Awards: (Continued)**

- Continued implementation of Tyler Technologies Munis ERP system. The first module, property tax billing, went live in spring 2017. Additional modules underway include core financials, cashiering, purchasing, accounts payable, accounts receivable/business license and meals tax, utility billing, HR/payroll, employee self-service portals and customer self-service portals.
- Enhanced transparency and citizen engagement through Community Voice, Polco, Town Facebook page, the Purcellville Post newsletter and OpenGov.
- Continued work on the Comprehensive Plan update including a number of public workshops.
- Sale of Town property known as Mary's House of Hope to the Good Shepherd Alliance with the \$300,000 proceeds directed to the sewer fund.
- Leased the old Maintenance building to the Makersmith Movement.
- Worked to relocate the Purcellville Cannons to Fireman's Field.
- Infrastructure projects completed: Downtown Streetscape Phase II.
- Infrastructure projects underway: 32<sup>nd</sup> & A intersection improvements, Allder School watermain replacement, Fireman's Field picnic shelter replacement, guardrail replacements, Hirst Farm pond retrofit, Hirst Road safety improvements, Main and Maple safety improvements, North Maple Ave. water main replacement, Nursery Ave. roadway and drainage improvements.

### **Awards and Acknowledgements:**

The Town received the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016 from the Government Finance Officers Association (GFOA). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The preparation of this report on a timely basis could not have been accomplished without the dedicated service of the Finance Department staff. In particular, I want to thank Paula Hicks whose work year-round ensures this financial document is accurate, complete and timely in its release.

Sincerely,

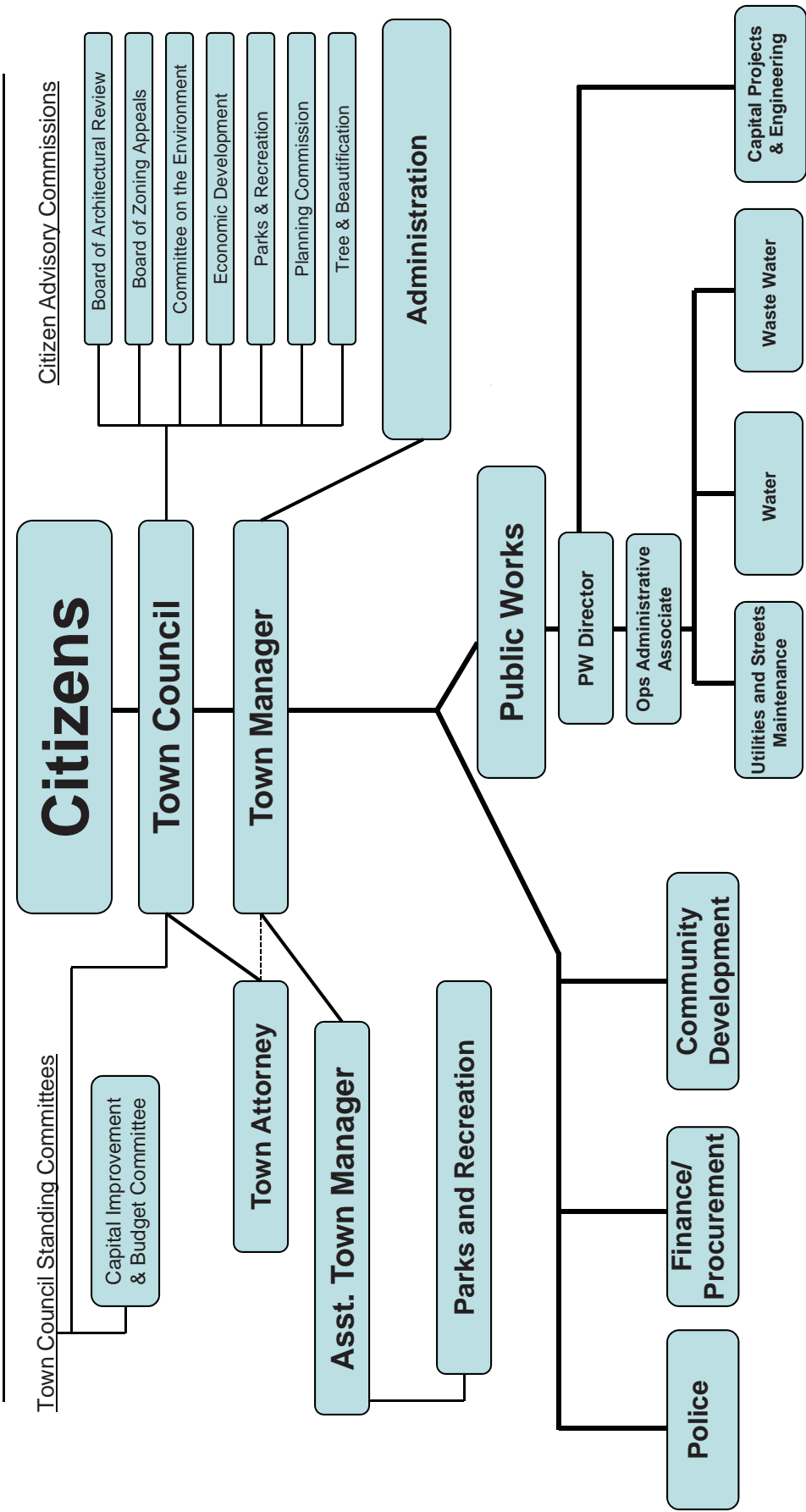


Vadah McCann  
Director of Administration



Elizabeth B. Krens  
Director of Finance

Town of Purcellville Organization Chart



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TOWN OF PURCELLVILLE, VIRGINIA

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COUNCIL

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Doug McCollum	Kwasi Fraser, Mayor	Nedim Ogelman
Chris Bledsoe	Karen Jimmerson, Vice-Mayor	Ryan Cool
	Kelli Grim	

OFFICIALS

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Robert W. Lohr, Jr.	Town Manager
Alex Vanegas	Interim Town Manager/Director of Public Works
Daniel C. Davis	Assistant Town Manager
Elizabeth B. Krens	Director of Finance
Patrick Sullivan	Director of Community Development
Sally Hankins	Town Attorney
Cynthia McAlister	Chief of Police
Vadah McCann	Director of Administration

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Purcellville  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Purcellville, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding progress, on pages 3-10, and 72-76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

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

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting schedules and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of Town of Purcellville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Purcellville, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
November 20, 2017

Town of Purcellville, Virginia  
Management's Discussion and Analysis

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As management of Town of Purcellville (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's basic financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$64.3 million (*net position*). Of this amount, \$16.8 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$5,109,132, of which the governmental activities accounted for a \$1,216,075 increase and business-type activities accounted for a \$3,893,057 increase.
- The ending fund balance of the Town's general fund was \$7.3 million, an increase of \$1,166,084 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6.7 million, or 70% of the general fund expenditures.
- The Town's total long-term obligations decreased by \$510,426 during the current fiscal year.

**Overview of the Financial Statements**

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

**Government-wide financial statements**

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, and public works. The business-type activities are for public utilities. The government-wide financial statements can be found on pages 15 through 17 of this report.

## Overview of the Financial Statements (Continued)

### Fund financial statements

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

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

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

The Town maintains three governmental funds, a General Fund, a Special Revenue Fund and a Capital Projects fund. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

The Town maintains one type of *Proprietary Fund*. The Town uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 69 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and schedules of funding progress relating to the Town's participation in its pension plan and other post-employment benefits. Required supplementary information can be found on pages 72 through 76 of this report.

## Overview of the Financial Statements (Continued)

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$64.3 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$46.8 million, 72.73% 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 Position:

Town of Purcellville, Virginia Summary of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 11,396,065	\$ 9,371,269	\$ 12,915,987	\$ 8,469,044	\$ 24,312,052	\$ 17,840,313
Capital assets	52,903,167	54,226,860	53,259,505	54,079,671	106,162,672	108,306,531
Total assets	\$ 64,299,232	\$ 63,598,129	\$ 66,175,492	\$ 62,548,715	\$ 130,474,724	\$ 126,146,844
Deferred outflows of resources	\$ 989,926	\$ 812,264	\$ 1,542,413	\$ 1,589,709	\$ 2,532,339	\$ 2,401,973
Long-term liabilities						
outstanding	\$ 20,936,895	\$ 21,181,427	\$ 43,695,824	\$ 43,961,718	\$ 64,632,719	\$ 65,143,145
Other liabilities	1,112,290	1,310,460	1,272,054	1,255,809	2,384,344	2,566,269
Total liabilities	\$ 22,049,185	\$ 22,491,887	\$ 44,967,878	\$ 45,217,527	\$ 67,017,063	\$ 67,709,414
Deferred inflows of resources	\$ 1,658,857	\$ 1,553,465	\$ 3,648	\$ 67,575	\$ 1,662,505	\$ 1,621,040
Net position:						
Net investment in capital assets	\$ 34,948,299	\$ 35,336,103	\$ 11,835,787	\$ 12,328,265	\$ 46,784,086	\$ 47,664,368
Restricted	723,338	548,493	-	-	723,338	548,493
Unrestricted	5,909,479	4,480,445	10,910,592	6,525,057	16,820,071	11,005,502
Total net position	\$ 41,581,116	\$ 40,365,041	\$ 22,746,379	\$ 18,853,322	\$ 64,327,495	\$ 59,218,363

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

As noted previously, the Town's overall (governmental and business-type activities) net position increased by \$5,109,132 during the current fiscal year. The business-type activities reported an increase in net position of \$3,893,057 and the governmental activities reported an increase of \$1,216,075.



## Government-wide Financial Analysis: (Continued)

The following table summarizes the Town's Statement of Activities:

Town of Purcellville, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 219,325	\$ 185,618	\$ 5,053,734	\$ 4,788,353	\$ 5,273,059	\$ 4,973,971
Operating grants and contributions	957,708	812,838	25,902	27,041	983,610	839,879
Capital grants and contributions	1,181,722	1,277,717	4,851,708	1,752,098	6,033,430	3,029,815
General revenues:						
Property taxes	3,690,806	3,395,079	-	-	3,690,806	3,395,079
Other taxes	4,762,951	4,567,328	-	-	4,762,951	4,567,328
Unrestricted revenues from the use of money and property	49,464	39,846	20,429	667	69,893	40,513
Miscellaneous	210,938	89,326	582,346	213,285	793,284	302,611
Gain (loss) on sale of capital asset	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	381,086	385,727	-	-	381,086	385,727
Total revenues	\$ 11,454,000	\$ 10,753,479	\$ 10,534,119	\$ 6,781,444	\$ 21,988,119	\$ 17,534,923
Expenses:						
General government administration	\$ 2,942,494	\$ 2,815,863	\$ -	\$ -	\$ 2,942,494	\$ 2,815,863
Public safety	2,238,136	2,122,003	-	-	2,238,136	2,122,003
Public works	3,240,338	3,537,166	-	-	3,240,338	3,537,166
Parks, recreation and culture	288,865	284,991	-	-	288,865	284,991
Community development	2,085,427	1,993,482	-	-	2,085,427	1,993,482
Interest on long-term debt	599,827	624,740	-	-	599,827	624,740
Water fund	-	-	2,173,568	2,213,759	2,173,568	2,213,759
Sewer fund	-	-	3,310,332	3,246,210	3,310,332	3,246,210
Total expenses	\$ 11,395,087	\$ 11,378,245	\$ 5,483,900	\$ 5,459,969	\$ 16,878,987	\$ 16,838,214
Increase (decrease) in net position before transfers	\$ 58,913	\$ (624,766)	\$ 5,050,219	\$ 1,321,475	\$ 5,109,132	\$ 696,709
Transfers	\$ 1,157,162	\$ 1,013,241	\$ (1,157,162)	\$ (1,013,241)	\$ -	\$ -
Increase (decrease) in net position	\$ 1,216,075	\$ 388,475	\$ 3,893,057	\$ 308,234	\$ 5,109,132	\$ 696,709
Net position-beginning of year	\$ 40,365,041	\$ 39,976,566	\$ 18,853,322	\$ 18,545,088	\$ 59,218,363	\$ 58,521,654
Net position-end of year	\$ 41,581,116	\$ 40,365,041	\$ 22,746,379	\$ 18,853,322	\$ 64,327,495	\$ 59,218,363

Much of this change was the result of revenue growth as there was little change in total expenses in 2017. Property taxes grew by \$0.296 million and other taxes increased by \$0.196 million. Operating grants and contributions increased by \$0.145 million due to FEMA and state reimbursements for the 2016 snow storm. However, capital grants and contributions decreased by \$0.096 million largely a result of a decrease in Loudoun County gas tax contributions due to falling gas prices. Miscellaneous revenue increased by \$0.122 million primarily due to a contractor settlement for Town Hall HVAC malfunctions.



## Overview of the Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

**Business-type activities** increased the Town's net position by \$3,893,057. 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. Much of this change can be attributed to revenue increases as there was only a small increase in business-type expenses in 2017. The largest revenue category increase was \$3.1 million for availability revenue associated with the Mayfair project. In addition, program revenues increased by \$0.265 million due to 3% water rate increases and 5% sewer rate increases. Miscellaneous revenue increased by \$0.369 million and included \$0.300 million from the sale of the Mary's House of Hope property and \$0.092 from forestry proceeds.

### Financial Analysis of the Town's Funds

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

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

The Town's governmental funds include the general fund, the special revenue fund for parks and recreation activities and the capital projects fund.

General fund revenues totaled \$9.784 million, a \$541,905 increase over 2016. The categories of greatest growth were general property taxes, other local taxes and miscellaneous revenue (due to Kline Contractor Town Hall HVAC settlement). General fund expenditures, excluding principal payments, totaled \$9.596 million, \$216,499 less than 2016, primarily due to position vacancies and reductions in street spending by the public works department.

Special parks and recreation fund revenues totaled \$550,867, an increase of \$17,045 over 2016 largely due to growth in special tax district revenues. Expenditures, excluding principal payments, were only slightly greater than 2016.

Capital projects fund revenues totaled \$1,075,700, little change from the prior year. Expenditures totaled \$652,204, \$671,630 less than 2016, largely due to a reduction in the number of active projects.

The town's total governmental fund balance was \$8.8 million at the end of 2017, an increase of \$1.9 million over 2016. Of this amount, \$6.7 million was unassigned and available for future spending, an increase of \$1.0 million over 2016.

**Proprietary Funds:** The town's proprietary funds include the water fund and sewer fund and provide the same type of information found in the government-wide financial statements, but in more detail.

Water fund operating revenues totaled \$2,145,078, an increase of \$67,760 over 2016 primarily due to the 3% user rate increase. Operating expenses totaled \$1,729,663, a slight decrease from 2016. Non-operating revenues less expenses grew by \$101,402 and included forestry management revenue of \$92,424. Contributed capital totaled \$2,626,908 and included 85 Mayfair availabilities. The water fund's ending net position for 2017 was \$8,829,263, of which \$5,801,688 was unrestricted. The 2017 increase in unrestricted net position of \$2.3 million is largely a result of new connections.

### Financial Analysis of the Town's Funds (Continued):

Wastewater Fund operating revenues totaled \$2,931,442, an increase of \$186,802 over 2016 mostly driven by the 5% user rate increase. Operating expenses totaled \$2,178,720, an increase of \$65,261 over 2016. Non-operating revenues less expenses grew by \$308,354 largely due to the sale of the Mary's House of Hope property. Contributed capital totaled \$2,224,800 and included 85 Mayfair availabilities. The sewer fund's ending net position for 2017 was \$13,917,116, of which \$5,108,904 was unrestricted. The 2017 increase in unrestricted net position of \$1.6 million is largely a result of new connections.

The town's total net position at the end of 2017 for the two proprietary funds was \$22.7 million, \$10.9 million of which was unrestricted.

### General Fund Budgetary Highlights

General fund revenues exceeded budget projections by \$697,559 in 2017. The largest positive trends were reported in miscellaneous (contractor HVAC settlement), federal emergency management grant (reimbursement for 2016 snow storm), real property tax, meals tax, sales tax, business license tax, personal property tax, bank franchise tax and zoning fees. A few categories did not meet budget forecasts, the largest of which was the Loudoun County gas tax (under budget by \$103,978).

The 2017 expenditures were \$685,936 less than budget. Most departments' expenditures were below budget. The largest expenditure savings was seen in public works largely due to reduced street spending and position vacancies.

### 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, 2017, amounts to \$106.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

Town of Purcellville, Virginia						
Capital Assets						
(net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Buildings	10,213,612	10,521,654	-	-	10,213,612	10,521,654
Utility plant in service	-	-	49,163,812	49,935,270	49,163,812	49,935,270
Improvements other than buildings	3,295,748	3,713,829	75,900	96,700	3,371,648	3,810,529
Infrastructure	33,803,107	32,023,677	-	-	33,803,107	32,023,677
Machinery & Equipment	462,964	535,119	739,122	737,062	1,202,086	1,272,181
Vehicles	82,705	93,356	29,361	18,564	112,066	111,920
Construction in progress	734,267	3,028,461	211,801	252,566	946,068	3,281,027
Total	\$ 52,903,167	\$ 54,226,860	\$ 53,259,505	\$ 54,079,671	\$ 106,162,672	\$ 108,306,531

Additional information on the Town's capital assets can be found in Note 4 on pages 39 and 40 of this report.

## Capital Asset and Debt Administration: (Continued)

**Long-term obligations:** At the end of the current fiscal year, the Town had total outstanding obligations of \$64.6 million and details are summarized in the following table:

**Town of Purcellville, Virginia  
Outstanding Obligations  
For the Year Ended June 30, 2017**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General obligation bonds	\$ 17,374,221	\$ 18,251,388	\$ 42,595,476	\$ 43,033,090	\$ 59,969,697	\$ 61,284,478
Notes payable	850,000	935,000	-	-	850,000	935,000
Capital leases	-	-	254,291	300,393	254,291	300,393
Net pension liability	806,905	346,038	253,275	114,607	1,060,180	460,645
OPEB obligation	1,550,040	1,327,793	490,017	421,822	2,040,057	1,749,615
Compensated absences	355,729	321,208	102,765	91,806	458,494	413,014
<b>Total</b>	<b>\$ 20,936,895</b>	<b>\$ 21,181,427</b>	<b>\$ 43,695,824</b>	<b>\$ 43,961,718</b>	<b>\$ 64,632,719</b>	<b>\$ 65,143,145</b>

Obligations associated with governmental activities decreased by \$244,532 in 2017 due to regular principal payments, which were offset by increases in the pension liability and other post-employment benefit obligation.

Obligations associated with business-type activities decreased by \$265,894 in 2017 due to regular principal payments, which were offset by increases in the pension liability and other post-employment benefit obligation.

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, 2017.

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

## Economic Factors and Next Year's Budgets and Rates

The Town of Purcellville is located in western Loudoun County at the base of the Blue Ridge Mountains approximately 40 miles west of Washington, DC. With a population of approximately 8,300, Purcellville has a small town feel with the economic benefits of the D.C. region. Purcellville's median household income is high at \$124,279 (2015) with a low unemployment rate of 3.2%.

In 2017, the town's general fund continues to benefit from a diversified revenue stream. The largest categories are property tax (33%), meals tax (20%), revenue from the Commonwealth (12%), sales tax (12%) and business license (8%). The Loudoun County gas tax contribution (1%) continues to decline due to lower fuel prices and is expected to end all together in 2018 when funds will be redirected to the metro rail project.

Purcellville's real property assessments increased by 5.42% in 2017, made up of a 3.16% increase in existing property values and a 2.26% increase in new construction and growth. The town expects to see continued growth in assessed values in 2018 as the Mayfair and Catoctin Corner projects are completed. The current residential/business tax base split is 78/22%.

## Economic Factors and Next Year's Budgets and Rates: (Continued)

The Town Council made no change to general fund tax rates in 2017. The real property tax rate and the Fireman's Field Service tax rate remained at \$0.22 and \$0.035 per \$100 of assessed value respectively. Water and sewer rates also remained unchanged in FY18.

The Town continues to work with its financial advisors to update long range financial forecasts and fiscal policy compliance during the annual budget process. A highlight of the FY18 budget process was the development of a "Plan of Finance" completed in the fall of 2017. The following are highlights of results achieved via the plan:

- Strategic use of general fund and water fund cash reserves over and above policy limits to pay off the 2010 RBC bond and eliminate balloon maturities due in FY21.
- Strategic use of sewer fund cash reserves over and above policy limits to pay down outstanding debt.
- Issued the 2017A and 2017B bonds to restructure debt and lock in permanent, fixed interest rates resulting in approximately \$846,000 in debt service savings.
- Reduces the future water and sewer rate increases from approximately 7% per year down to 2-3%.
- Restructured parks and recreation debt to remove private use restrictions associated with existing tax exempt debt. This change will provide greater flexibility to partner with private sector entities in order to reduce dependence on taxes tied to Fireman's Field.
- The Town updated its outstanding credit rating in order to issue the 2017B bonds in the public credit markets. In September 2017, all three national credit rating agencies affirmed the Town's strong investment grade credit ratings of:
  - Standard and Poors (AAA - Stable Outlook)
  - Moody's (Aa2)
  - Fitch (AA - Positive Outlook)

## Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Purcellville, 221 S. Nursery Ave., Purcellville, VA 20132.

## **BASIC FINANCIAL STATEMENTS**

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## Government-wide Financial Statements

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Statement of Net Position  
As of June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,388,369	\$ 11,536,278	\$ 18,924,647
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,809,458	-	1,809,458
Accounts receivable	206,101	888,824	1,094,925
Due from other governmental units	365,026	-	365,026
Prepaid items	1,256	-	1,256
Restricted assets:			
Cash and cash equivalents	1,625,855	108,630	1,734,485
Cash held for customer deposits	-	382,255	382,255
Capital assets (net of accumulated depreciation):			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	10,213,612	-	10,213,612
Improvements other than buildings	3,295,748	75,900	3,371,648
Machinery and equipment	462,964	739,122	1,202,086
Vehicles	82,705	29,361	112,066
Infrastructure	33,803,107	-	33,803,107
Utility plant in service	-	49,163,812	49,163,812
Construction in progress	734,267	211,801	946,068
Total assets	<u>\$ 64,299,232</u>	<u>\$ 66,175,492</u>	<u>\$ 130,474,724</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 269,353	\$ 1,317,419	\$ 1,586,772
Items related to measurement of net pension liability	444,010	138,184	582,194
Pension contributions after measurement date	276,563	86,810	363,373
Total deferred outflows of resources	<u>\$ 989,926</u>	<u>\$ 1,542,413</u>	<u>\$ 2,532,339</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 374,079	\$ 104,586	\$ 478,665
Accrued liabilities	214,207	32,310	246,517
Customers' deposits	3,450	382,255	385,705
Accrued interest payable	275,323	630,384	905,707
Unearned revenue	10,250	122,519	132,769
Deposits held in escrow	234,981	-	234,981
Long-term liabilities:			
Due within one year	921,839	374,395	1,296,234
Due in more than one year	20,015,056	43,321,429	63,336,485
Total liabilities	<u>\$ 22,049,185</u>	<u>\$ 44,967,878</u>	<u>\$ 67,017,063</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 1,658,857	\$ -	\$ 1,658,857
Items related to measurement of net pension liability	-	3,648	3,648
Total deferred inflows of resources	<u>\$ 1,658,857</u>	<u>\$ 3,648</u>	<u>\$ 1,662,505</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 34,948,299	\$ 11,835,787	\$ 46,784,086
Restricted for:			
State highway maintenance	260,205	-	260,205
Loudoun county settlement funds	230,344	-	230,344
Fireman's field	17,959	-	17,959
Loudoun Co. - transportation and sidewalk projects	214,830	-	214,830
Unrestricted	5,909,479	10,910,592	16,820,071
Total net position	<u>\$ 41,581,116</u>	<u>\$ 22,746,379</u>	<u>\$ 64,327,495</u>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,942,494	\$ -	\$ -	\$ -
Public safety	2,238,136	61,696	273,001	-
Public works	3,240,338	157,629	680,267	106,022
Parks, recreation, and cultural	288,865	-	1,500	-
Community development	2,085,427	-	2,940	1,075,700
Interest on long-term debt	599,827	-	-	-
Total governmental activities	\$ 11,395,087	\$ 219,325	\$ 957,708	\$ 1,181,722
Business-type activities:				
Water	\$ 2,173,568	\$ 2,135,053	\$ 25,902	\$ 2,626,908
Sewer	3,310,334	2,918,681	-	2,224,800
Total business-type activities	\$ 5,483,902	\$ 5,053,734	\$ 25,902	\$ 4,851,708
Total primary government	\$ 16,878,989	\$ 5,273,059	\$ 983,610	\$ 6,033,430
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility license taxes				
Meals taxes				
Cigarette taxes				
Bank franchise taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Gain (loss) on disposal of capital asset				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,942,494)	\$ -	\$ (2,942,494)
(1,903,439)	-	(1,903,439)
(2,296,420)	-	(2,296,420)
(287,365)	-	(287,365)
(1,006,787)	-	(1,006,787)
(599,827)	-	(599,827)
<u>\$ (9,036,332)</u>	<u>\$ -</u>	<u>\$ (9,036,332)</u>
\$ -	\$ 2,614,295	\$ 2,614,295
<u>-</u>	<u>1,833,147</u>	<u>1,833,147</u>
\$ -	\$ 4,447,442	\$ 4,447,442
<u>\$ (9,036,332)</u>	<u>\$ 4,447,442</u>	<u>\$ (4,588,890)</u>
\$ 3,690,806	\$ -	\$ 3,690,806
1,164,728	-	1,164,728
765,581	-	765,581
220,180	-	220,180
1,910,552	-	1,910,552
226,157	-	226,157
309,138	-	309,138
166,615	-	166,615
49,464	20,429	69,893
210,938	282,348	493,286
-	300,000	300,000
381,086	-	381,086
<u>1,157,162</u>	<u>(1,157,162)</u>	<u>-</u>
<u>\$ 10,252,407</u>	<u>\$ (554,385)</u>	<u>\$ 9,698,022</u>
\$ 1,216,075	\$ 3,893,057	\$ 5,109,132
<u>40,365,041</u>	<u>18,853,322</u>	<u>59,218,363</u>
<u>\$ 41,581,116</u>	<u>\$ 22,746,379</u>	<u>\$ 64,327,495</u>

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## Fund Financial Statements

## Balance Sheet

## Governmental Funds

As of June 30, 2017

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 6,946,388	\$ 166,323	\$ 275,659	\$ 7,388,370
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	1,576,527	232,931	-	1,809,458
Accounts receivable	206,101	-	-	206,101
Due from other governmental units (Note 3)	255,022	-	110,004	365,026
Prepaid items	1,256	-	-	1,256
Restricted assets:				
Cash and cash equivalents	495,186	-	1,130,669	1,625,855
Total assets	<u>\$ 9,480,480</u>	<u>\$ 399,254</u>	<u>\$ 1,516,332</u>	<u>\$ 11,396,066</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 167,964	\$ 3,594	\$ 202,521	\$ 374,079
Accrued liabilities	212,185	2,022	-	214,207
Unearned revenue	-	10,250	-	10,250
Deposits-other	-	1,200	-	1,200
Security deposits	2,250	-	-	2,250
Deposits held in escrow	234,981	-	-	234,981
Total liabilities	<u>\$ 617,380</u>	<u>\$ 17,067</u>	<u>\$ 202,521</u>	<u>\$ 836,968</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	<u>\$ 1,542,232</u>	<u>\$ 230,600</u>	<u>\$ -</u>	<u>\$ 1,772,832</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	<u>\$ 1,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256</u>
Restricted:				
State highway maintenance	\$ 260,205	\$ -	\$ -	\$ 260,205
Loudoun Co. settlement funds	-	-	230,344	230,344
Fireman's field	-	-	17,959	17,959
Proffers	-	-	667,536	667,536
Loudoun Co. - transportation and sidewalk projects	-	-	214,830	214,830
Total restricted fund balance	<u>\$ 260,205</u>	<u>\$ -</u>	<u>\$ 1,130,669</u>	<u>\$ 1,390,874</u>
Committed:				
Future capital outlay	\$ 327,352	\$ -	\$ -	\$ 327,352
Capital asset replacement	46,500	-	-	46,500
Parks and recreation	-	151,588	-	151,588
Total committed fund balance	<u>\$ 373,852</u>	<u>\$ 151,588</u>	<u>\$ -</u>	<u>\$ 525,440</u>
Assigned:				
Capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,142</u>	<u>\$ 183,142</u>
Unassigned	<u>\$ 6,685,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,685,555</u>
Total fund balances (deficits)	<u>\$ 7,320,868</u>	<u>\$ 151,588</u>	<u>\$ 1,313,811</u>	<u>\$ 8,786,267</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,480,480</u>	<u>\$ 399,254</u>	<u>\$ 1,516,332</u>	<u>\$ 11,396,066</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 As of June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,786,267
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.		52,903,167
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.		
Unavailable revenue related to property taxes		113,974
The difference between expected and actual experience related to the net pension liability is reported as a deferred outflow of resources.		444,010
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		276,563
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.		
Total long-term liabilities	(20,936,895)	
Accrued interest payable	(275,323)	
Deferred charge on refunding	269,353	(20,942,865)
Net Position of governmental activities	\$	<u>41,581,116</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, 2017

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
<b>REVENUES</b>				
General property taxes	\$ 3,210,031	\$ 438,217	\$ -	\$ 3,648,248
Other local taxes	4,762,951	-	-	4,762,951
Permits, privilege fees, and regulatory licenses	157,629	-	-	157,629
Fines and forfeitures	61,696	-	-	61,696
Revenue from the use of money and property	13,674	35,790	-	49,464
Miscellaneous	161,409	49,529	-	210,938
Intergovernmental:				
Local government	106,022	-	667,536	773,558
Commonwealth	1,180,119	-	151,203	1,331,322
Federal	131,345	27,331	256,961	415,637
Total revenues	<u>\$ 9,784,876</u>	<u>\$ 550,867</u>	<u>\$ 1,075,700</u>	<u>\$ 11,411,443</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,679,550	\$ -	\$ -	\$ 2,679,550
Public safety	2,103,905	-	-	2,103,905
Public works	3,014,297	-	-	3,014,297
Parks, recreation, and cultural	-	174,316	-	174,316
Community development	537,634	-	-	537,634
Capital outlay	-	-	652,204	652,204
Debt service:				
Principal retirement	687,992	176,129	-	864,121
Interest and other fiscal charges	572,576	108,115	-	680,691
Total expenditures	<u>\$ 9,595,954</u>	<u>\$ 458,560</u>	<u>\$ 652,204</u>	<u>\$ 10,706,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 188,922</u>	<u>\$ 92,307</u>	<u>\$ 423,496</u>	<u>\$ 704,725</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,157,162	\$ -	\$ 180,000	\$ 1,337,162
Transfers out	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
Total other financing sources (uses)	<u>\$ 977,162</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 1,157,162</u>
Net change in fund balances	\$ 1,166,084	\$ 92,307	\$ 603,496	\$ 1,861,887
Fund balances - beginning	<u>6,154,784</u>	<u>59,281</u>	<u>710,315</u>	<u>6,924,380</u>
Fund balances - ending	<u>\$ 7,320,868</u>	<u>\$ 151,588</u>	<u>\$ 1,313,811</u>	<u>\$ 8,786,267</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, 2017

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

Net change in fund balances - total governmental funds	\$	1,861,887
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	737,610	
Depreciation expense		<u>(2,061,303)</u>	(1,323,693)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	42,558	
(Increase)/decrease in items related to measurement of net pension liability	<u>204,029</u>	246,587

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. Details supporting this adjustment are as follows:

Principal retired on general obligation bonds	779,123	
Principal retired on notes payable	85,000	
Amortization of premium	<u>98,044</u>	962,167

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase)/decrease in compensated absences	(34,521)	
(Increase)/decrease in accrued interest payable	9,099	
(Increase)/decrease in net OPEB obligation	(222,247)	
(Increase)/decrease in net pension liability	(450,371)	
Increase/(decrease) in deferred charge on refunding	(26,278)	
Increase/(decrease) in items related to measurement of net pension liability	254,791	
Increase/(decrease) in pension contributions after measurement date	<u>(61,346)</u>	(530,873)

Change in net position of governmental activities	\$	<u><u>1,216,075</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position  
 Proprietary Funds  
 As of June 30, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,195,841	\$ 5,340,437	\$ 11,536,278
Prepaid items	-	-	-
Receivables, net of allowances for uncollectibles			
Accounts	259,420	629,404	888,824
Total current assets	\$ 6,455,261	\$ 5,969,841	\$ 12,425,102
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents - unspent bonds proceeds	\$ 108,630	\$ -	\$ 108,630
Cash held for customer deposits	382,255	-	382,255
Total restricted assets	\$ 490,885	\$ -	\$ 490,885
Capital assets:			
Land	\$ 2,672,409	\$ 367,100	\$ 3,039,509
Utility plant in service	13,832,678	44,860,801	58,693,479
Improvements other than buildings	445,000	-	445,000
Vehicles	201,043	201,333	402,376
Machinery and equipment	532,711	772,496	1,305,207
Construction in progress	211,801	-	211,801
Accumulated depreciation	(4,471,795)	(6,366,072)	(10,837,867)
Total capital assets	\$ 13,423,847	\$ 39,835,658	\$ 53,259,505
Total noncurrent assets	\$ 13,914,732	\$ 39,835,658	\$ 53,750,390
Total assets	\$ 20,369,993	\$ 45,805,499	\$ 66,175,492
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 445,946	\$ 871,473	\$ 1,317,419
Deferred difference between expected and actual experience	66,216	71,968	138,184
Pension contributions after measurement date	41,606	45,204	86,810
Total deferred outflows of resources	\$ 553,768	\$ 988,645	\$ 1,542,413
Total assets and deferred outflows of resources	\$ 20,923,761	\$ 46,794,144	\$ 67,717,905
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 68,092	\$ 36,494	\$ 104,586
Accrued payroll	16,456	15,854	32,310
Customer deposits	382,255	-	382,255
Accrued interest payable	190,814	439,570	630,384
Unearned revenue	68,519	54,000	122,519
Bonds - current portion	316,500	-	316,500
Capital lease - current portion	-	47,619	47,619
Compensated absences - current portion	4,676	5,600	10,276
Total current liabilities	\$ 1,047,312	\$ 599,137	\$ 1,646,449
Noncurrent liabilities:			
Bonds - net of current portion	\$ 10,634,348	\$ 31,644,628	\$ 42,278,976
Capital lease - net of current portion	-	206,672	206,672
Compensated absences - net of current portion	42,084	50,405	92,489
Net pension liability	121,390	131,885	253,275
Net OPEB obligation	246,121	243,896	490,017
Total noncurrent liabilities	\$ 11,043,943	\$ 32,277,486	\$ 43,321,429
Total liabilities	\$ 12,091,255	\$ 32,876,623	\$ 44,967,878
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to measurement of net pension liability	\$ 3,243	\$ 405	\$ 3,648
<b>NET POSITION</b>			
Net investment in capital assets	\$ 3,027,575	\$ 8,808,212	\$ 11,835,787
Unrestricted	5,801,688	5,108,904	10,910,592
Total net position	\$ 8,829,263	\$ 13,917,116	\$ 22,746,379
Total liabilities, deferred inflows of resources, and net position	\$ 20,923,761	\$ 46,794,144	\$ 67,717,905

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 2,109,633	\$ 2,893,262	\$ 5,002,895
Other revenues	25,420	25,419	50,839
Miscellaneous	10,025	12,761	22,786
Total operating revenues	<u>\$ 2,145,078</u>	<u>\$ 2,931,442</u>	<u>\$ 5,076,520</u>
<b>OPERATING EXPENSES</b>			
Personnel	\$ 592,110	\$ 642,705	\$ 1,234,815
Employee benefits	257,905	255,907	513,812
Plant operations and meter reading	375,357	531,011	906,368
Well operations	175,109	-	175,109
Pump station operations	-	23,626	23,626
Depreciation	329,182	725,471	1,054,653
Total operating expenses	<u>\$ 1,729,663</u>	<u>\$ 2,178,720</u>	<u>\$ 3,908,383</u>
Operating income (loss)	<u>\$ 415,415</u>	<u>\$ 752,722</u>	<u>\$ 1,168,137</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	\$ 25,902	\$ -	\$ 25,902
Investment income	13,212	7,217	20,429
Cellular lease	167,078	-	167,078
Forestry management	92,484	-	92,484
Gain on disposal of capital assets	-	300,000	300,000
Interest expense	(443,905)	(1,131,614)	(1,575,519)
Total nonoperating revenues (expenses)	<u>\$ (145,229)</u>	<u>\$ (824,397)</u>	<u>\$ (969,626)</u>
Income before contributions and transfers	<u>\$ 270,186</u>	<u>\$ (71,675)</u>	<u>\$ 198,511</u>
Contributed capital - availability fees	2,626,908	2,224,800	4,851,708
Transfers out	<u>(606,575)</u>	<u>(550,587)</u>	<u>(1,157,162)</u>
Change in net position	<u>\$ 2,290,519</u>	<u>\$ 1,602,538</u>	<u>\$ 3,893,057</u>
Total net position - beginning	<u>6,538,744</u>	<u>12,314,578</u>	<u>18,853,322</u>
Total net position - ending	<u><u>\$ 8,829,263</u></u>	<u><u>\$ 13,917,116</u></u>	<u><u>\$ 22,746,379</u></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, 2017

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 2,533,093	\$ 3,215,716	\$ 5,748,809
Payments to suppliers	(573,000)	(685,799)	(1,258,799)
Payments to and on behalf of employees	(800,424)	(848,171)	(1,648,595)
Net cash provided by (used for) operating activities	\$ 1,159,669	\$ 1,681,746	\$ 2,841,415
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Intergovernmental revenue	\$ 25,902	\$ -	\$ 25,902
Transfers to other funds	(606,575)	(550,587)	(1,157,162)
Net cash provided by (used for) noncapital financing activities	\$ (580,673)	\$ (550,587)	\$ (1,131,260)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	\$ (125,857)	\$ (108,630)	\$ (234,487)
Capital contributions	2,626,908	2,224,800	4,851,708
Retirements of long-term indebtedness	(301,500)	(46,102)	(347,602)
Interest expense	(479,387)	(1,135,690)	(1,615,077)
Net cash provided by (used for) capital and related financing activities	\$ 1,720,164	\$ 934,378	\$ 2,654,542
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	\$ 13,212	\$ 7,217	\$ 20,429
Net cash provided by (used for) investing activities	\$ 13,212	\$ 7,217	\$ 20,429
Net increase (decrease) in cash and cash equivalents	\$ 2,312,372	\$ 2,072,754	\$ 4,385,126
Cash and cash equivalents - beginning (including restricted)	4,374,354	3,267,683	7,642,037
Cash and cash equivalents - ending (including restricted)	\$ 6,686,726	\$ 5,340,437	\$ 12,027,163
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 507,899	\$ 1,052,722	\$ 1,560,621
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	329,182	725,471	1,054,653
Cellular lease revenue	167,078	-	167,078
(Increase) decrease in prepaid items	495	495	990
(Increase) decrease in accounts receivable	6,917	(69,724)	(62,807)
(Increase) decrease in difference between expected and actual experience	(36,881)	(42,109)	(78,990)
(Increase) decrease in pension contributions after measurement date	13,858	11,249	25,107
Increase (decrease) in accounts payable	(23,029)	(131,659)	(154,688)
Increase (decrease) in accrued payroll	(2,616)	2,636	20
Increase (decrease) in customer deposits	53,640	-	53,640
Increase (decrease) in unearned revenue	67,896	54,000	121,896
Increase (decrease) in compensated absences	6,349	4,610	10,959
Increase (decrease) in net pension liability	64,593	74,075	138,668
Increase (decrease) in net OPEB obligation	34,534	33,661	68,195
Increase (decrease) in items related to measurement of net pension liability	(30,246)	(33,681)	(63,927)
Total adjustments	\$ 651,770	\$ 629,024	\$ 1,280,794
Net cash provided by (used for) operating activities	\$ 1,159,669	\$ 1,681,746	\$ 2,841,415

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, 2017

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#### Note 1—Summary of Significant Accounting Policies:

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##### A. Financial Reporting Entity

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

##### Individual Component Unit Disclosures

The Town has no component units.

##### Related Organizations

The Town has no related organizations.

##### Jointly Governed Organizations

The Town has no jointly governed organizations.

##### B. Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements with the exception of the amounts related to interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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**B. Government-wide and Fund Financial Statements (Continued)**

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes which are collected by the state or utilities and subsequently remitted to the Town are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

- a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The General Fund is considered a major fund for reporting purposes.

- b. Special Revenue Fund

The special revenue fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Park and Recreation Fund, which is considered a major fund at June 30, 2017. The primary revenue source for this fund is the Fireman's Field Special Tax District and additional revenue is generated from contributions and users fees associated with special events.



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

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

**c. Capital Projects Fund**

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

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

**Enterprise Funds**

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

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

**D. Budgets and Budgetary Accounting**

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.



## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### D. Budgets and Budgetary Accounting (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that enterprise fund budgets are adopted on the modified accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

#### E. Cash and Cash Equivalents

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

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$19,617 at June 30, 2017 and is comprised solely of property taxes.

#### G. Restricted Assets

Proceeds from bonds issued for general and enterprise funds are classified as restricted assets on the Balance Sheet and Statement of Net Position because their use is limited to future capital outlay. These funds are maintained in a separate bank account under the care of a trustee.

#### H. Investments

Money market investments and external investment pools are measured at amortized cost in accordance with GASB 79. All other investments are reported at fair value.

#### I. Prepaid Items

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

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

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#### J. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not included in the capital assets of the government-wide statements or capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2017 was immaterial.

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

Buildings	50 Years
Utility Plant & Lines	50-75 Years
Automobiles	5-7 Years
Machinery and Equipment	7-10 Years
Infrastructure	75 Years
Improvements Other than Buildings	20 Years

#### K. Compensated Absences

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

#### L. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

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**M. Property Taxes**

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

**N. 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.

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second deferred outflow of resource is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. The final item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on the second and third items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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

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**P. Net Position**

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

**Q. Net Position Flow Assumption**

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

**R. Fund Equity**

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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

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**R. Fund Equity: (Continued)**

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the Town strives to maintain an unassigned fund balance of \$3 million or 30% of the total General Fund revenues, whichever is greater.

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

**T. Upcoming Pronouncements**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

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**T. Upcoming Pronouncements: (Continued)**

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**Note 2—Deposits and Investments:**

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**Deposits:**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

### Note 2—Deposits and Investments: (Continued)

#### 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, 2017 were held by the Town or in the Town's name by the Town's custodial banks.

#### Credit Risk of Debt Securities:

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

The Town's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

Town's Rated Debt Investments		
Rated Debt Investments Value	Fair Quality Ratings	
	AAAm	AAf/S1
Local Government Investment Pool	\$ 1,025,109	\$ -
Virginia Investment Pool	3,004,812	5,019,836
State Non-Arbitrage Pool	108,630	-
Total	\$ <u>4,138,551</u>	\$ <u>5,019,836</u>

Fair Value Measurements: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town has measured fair value of the above investments at the net asset value.

Redemption Restrictions: The Town is limited to two withdrawals per month from the funds invested in the 1-3 Year High Quality Fund of the Virginia Investment Pool.



## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 2—Deposits and Investments: (Continued)

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#### Interest Rate Risk:

Interest rate risk is the risk that changing interest rates will cause investments to lose value. The maturities of the Town's investments to lose value. The Town's investment policy require that investments be limited to instruments maturing within one year at the time of purchase. The maturities of the Town's investments as of June 30, 2017 are as follows:

<u>Investment Maturities (in years)</u>	
<u>Investment Type</u>	<u>Less than 1 year</u>
Local Government Investment Pool	\$ 1,025,109
State Non-Arbitrage Pool	<u>108,630</u>
Total	<u>\$ 1,133,739</u>

#### External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

### Note 3—Due from Other Governmental Units:

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Commonwealth:	
VDOT	\$ 82,350
Communications Tax	<u>24,989</u>
Due from Commonwealth	<u>\$ 107,339</u>
Federal Government:	
Disaster grant	<u>\$ 23,660</u>
Northern Virginia Transportation Authority:	
NVTA	<u>\$ 40,669</u>
County of Loudoun:	
Local Sales Tax	<u>\$ 193,358</u>
Total	<u>\$ 365,026</u>



TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	<u>3,028,461</u>	<u>652,202</u>	<u>2,946,396</u>	<u>734,267</u>
Total capital assets not being depreciated	\$ <u>7,339,225</u>	\$ <u>652,202</u>	\$ <u>2,946,396</u>	\$ <u>5,045,031</u>
Capital assets being depreciated:				
Buildings	\$ 12,080,410	\$ -	\$ -	\$ 12,080,410
Improvements other than buildings	4,754,025	-	-	4,754,025
Machinery and equipment	2,510,903	42,360	5,500	2,547,763
Vehicles	900,824	43,048	53,523	890,349
Infrastructure	<u>59,433,712</u>	<u>2,946,396</u>	<u>-</u>	<u>62,380,108</u>
Total capital assets being depreciated	\$ <u>79,679,874</u>	\$ <u>3,031,804</u>	\$ <u>59,023</u>	\$ <u>82,652,655</u>
Less accumulated depreciation for:				
Buildings	\$ (1,558,756)	\$ (308,042)	\$ -	\$ (1,866,798)
Improvements other than buildings	(1,040,196)	(418,081)	-	(1,458,277)
Machinery and equipment	(1,975,784)	(114,515)	(5,500)	(2,084,799)
Vehicles	(807,468)	(53,699)	(53,523)	(807,644)
Infrastructure	<u>(27,410,035)</u>	<u>(1,166,966)</u>	<u>-</u>	<u>(28,577,001)</u>
Total accumulated depreciation	\$ <u>(32,792,239)</u>	\$ <u>(2,061,303)</u>	\$ <u>(59,023)</u>	\$ <u>(34,794,519)</u>
Net capital assets being depreciated	\$ <u>46,887,635</u>	\$ <u>970,501</u>	\$ <u>-</u>	\$ <u>47,858,136</u>
Capital assets, net	<u>\$ 54,226,860</u>	<u>\$ 1,622,703</u>	<u>\$ 2,946,396</u>	<u>\$ 52,903,167</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 4—Capital Assets: (Continued)

Business-type Activities

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	252,566	84,475	125,240	211,801
Total capital assets not being depreciated	\$ 3,292,075	\$ 84,475	\$ 125,240	\$ 3,251,310
Capital assets being depreciated:				
Utility plant in service	\$ 58,568,239	\$ 125,240	\$ -	\$ 58,693,479
Improvements other than buildings	445,000	-	-	445,000
Vehicles	373,369	29,007	-	402,376
Machinery and equipment	1,184,202	121,005	-	1,305,207
Total capital assets being depreciated	\$ 60,570,810	\$ 275,252	\$ -	\$ 60,846,062
Less accumulated depreciation for:				
Utility plant in service	\$ (8,632,969)	\$ (896,698)	\$ -	\$ (9,529,667)
Improvements other than buildings	(348,300)	(20,800)	-	(369,100)
Vehicles	(354,805)	(18,210)	-	(373,015)
Machinery and equipment	(447,140)	(118,945)	-	(566,085)
Total accumulated depreciation	\$ (9,783,214)	\$ (1,054,653)	\$ -	\$ (10,837,867)
Net capital assets being depreciated	\$ 50,787,596	\$ (779,401)	\$ -	\$ 50,008,195
Capital assets, net	\$ 54,079,671	\$ (694,926)	\$ 125,240	\$ 53,259,505

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

Governmental activities:

General government administration	\$ 211,925
Parks and recreation	115,336
Public safety	37,735
Public works	159,175
Community development	1,537,132
Total governmental activities	\$ 2,061,303
Business-type activities	\$ 1,054,653

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

**Note 5—Long-term Obligations:**

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
General obligation bonds	\$ 17,148,389	\$ -	\$ (779,123)	\$ 16,369,266
Premium on issuance	1,102,999	-	(98,044)	1,004,955
Total general obligation bonds	\$ 18,251,388	\$ -	\$ (877,167)	\$ 17,374,221
Note payable	\$ 935,000	\$ -	\$ (85,000)	\$ 850,000
Net pension liability	\$ 346,038	\$ 1,135,742	\$ (674,875)	\$ 806,905
Net OPEB obligation	\$ 1,327,793	\$ 231,582	\$ (9,335)	\$ 1,550,040
Compensated absences	\$ 321,208	\$ 34,521	\$ -	\$ 355,729
Totals	\$ 21,181,427	\$ 1,401,845	\$ (1,646,377)	\$ 20,936,895

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

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

Year Ending June 30,	Bonds		Notes
	Principal	Interest	Principal
2018	\$ 801,266	\$ 657,962	\$ 85,000
2019	818,500	637,137	85,000
2020	853,500	607,497	85,000
2021	2,438,500	542,634	85,000
2022	948,500	474,139	85,000
2023-2027	5,322,500	1,716,509	425,000
2028-2032	4,251,500	566,736	-
2033-2034	935,000	41,318	-
Total	\$ 16,369,266	\$ 5,243,932	\$ 850,000

# TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

## Note 5—Long-term Obligations: (Continued)

### Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$835,133 General Obligation Bond Series 2003 dated May 22, 2003 with principal payable annually, bearing interest at 3.27% payable semi-annually, maturing October 1, 2017.	\$ 67,766	\$ 67,766
\$2,155,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bearing interest at 4.23%, maturing July 15, 2020.	1,945,000	50,000
\$5,055,000 (total bond issued was \$5,870,000 allocated between governmental and business-type activities) General Obligation Public Improvement and Refunding Bond Series 2012A dated December 6, 2012 with principal payments beginning in 2016, bearing interest at 2.75% payable semi-annually, maturing August 1, 2032.	4,701,500	188,500
\$11,160,000 (total bonds issued were \$33,690,000, allocated between governmental and business-type activities) General Obligation Refunding Bonds Series 2013A & 2013B dated October 16, 2013 with principal payable annually beginning February 1, 2015, bearing interest from 2.00% - 5.00% payable semi-annually, maturing February 1, 2034.	9,655,000	495,000
Premium on bond issuance	<u>1,004,955</u>	<u>-</u>
Total general obligation bonds	\$ <u>17,374,221</u>	\$ <u>801,266</u>
Note Payable:		
Fireman's Field (land). Payments of \$75,000 (increased to \$85,000 in 2010) due annually with the final installment due 2026, bearing interest at 0%.	\$ <u>850,000</u>	\$ <u>85,000</u>
Compensated Absences (Note 6)	\$ <u>355,729</u>	\$ <u>35,573</u>
Net pension liability (Note 7)	\$ <u>806,905</u>	\$ <u>-</u>
Net OPEB obligation (Note 12)	\$ <u>1,550,040</u>	\$ <u>-</u>
Total general long-term obligations	\$ <u><u>20,936,895</u></u>	\$ <u><u>921,839</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 5—Long-term Obligations: (Continued)

Business-type Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town's business-type activities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
General obligation bonds	\$ 41,302,738	\$ -	\$ (301,500)	\$ 41,001,238
Premium on issuance	1,730,352	-	(136,114)	1,594,238
Total general obligation bonds	\$ 43,033,090	\$ -	\$ (437,614)	\$ 42,595,476
Capital lease	\$ 300,393	\$ -	\$ (46,102)	\$ 254,291
Net pension liability	\$ 114,607	\$ 355,064	\$ (216,396)	\$ 253,275
Net OPEB obligation	\$ 421,822	\$ 71,059	\$ (2,864)	\$ 490,017
Compensated absences	\$ 91,806	\$ 10,959	\$ -	\$ 102,765
Totals	\$ 43,961,718	\$ 437,082	\$ (702,976)	\$ 43,695,824

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

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

Year Ending June 30,	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2018	\$ 316,500	\$ 1,591,352	\$ 47,619	\$ 8,368
2019	331,500	1,576,139	49,186	6,801
2020	1,679,691	1,541,955	50,805	5,183
2021	3,360,710	1,465,363	52,477	3,511
2022	2,482,515	1,369,598	54,204	1,784
2023-2027	13,703,609	5,415,710	-	-
2028-2032	15,056,713	2,692,975	-	-
2033-2034	4,070,000	243,915	-	-
Total	\$ 41,001,238	\$ 15,897,007	\$ 254,291	\$ 25,647

# TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

## Note 5—Long-term Obligations: (Continued)

### Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$22,530,000 (total bonds issued were \$33,690,000, allocated between governmental and business-type activities) General Obligation Refunding Bonds Series 2013A & 2013B dated October 16, 2013 with principal payable annually beginning February 1, 2021, bearing interest from 2.00% - 5.00% payable semi-annually beginning February 1, 2015, maturing February 1, 2034.	\$ 22,530,000	\$ -
\$24,944,377 (original amount issued) General Obligation Bond, Series 2008 (VRA) with principal payable annually, bearing interest at 2.77%, maturing 2030. The bond was partially refunded and annual requirements were restructured with issuance of the Series 2013A & 2013B General Obligation Refunding Bonds. After the restructuring the balance was \$18,288,255.	15,297,738	-
\$815,000 (total bond issued was \$5,870,000 allocated between governmental and business-type activities) General Obligation Public Improvement and Refunding Bond Series 2012A dated December 6, 2012 with principal payment due upon maturity, bearing interest at 2.75% payable semi-annually, maturing August 1, 2032.	778,500	11,500
\$2,245,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bearing interest at 4.23%, maturing July 15, 2020.	1,765,000	105,000
\$1,655,000 General Obligation Refunding Bond Series 2010 (VRA) dated October 15, 2010 with principal payable annually, bearing interest at 2.5433% payable semi-annually maturing October 1, 2019.	630,000	200,000
Premium on issuance	<u>1,594,238</u>	<u>-</u>
Total general obligation bonds	\$ <u>42,595,476</u>	\$ <u>316,500</u>
Capital Lease:		
\$345,026 Capital Lease dated May 11, 2015 with annual payments of \$55,987, including interest of 3.29%. Final installment due January 15, 2022.	\$ <u>254,291</u>	\$ <u>47,619</u>
Compensated Absences (Note 6)	\$ <u>102,765</u>	\$ <u>10,276</u>
Net pension liability (Note 7)	\$ <u>253,275</u>	\$ <u>-</u>
Net OPEB obligation (Note 12)	\$ <u>490,017</u>	\$ <u>-</u>
Total business-type activities long-term obligations	\$ <u><u>43,695,824</u></u>	\$ <u><u>374,395</u></u>

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 5—Long-term Obligations: (Continued)

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The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 380,026
Less: Accumulated depreciation	<u>(114,008)</u>
Total	<u>\$ 266,018</u>

#### Defeased Debt - Current and Advanced Refundings

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

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

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

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

On October 15, 2010 the Town issued General Obligation Public Improvement and Refunding Bonds, Series 2010 (VRA) in the amount of \$1,655,000 to advance refund the 2000 General Obligation Bonds. The refunding Series 2010 bonds were issued at an interest rate 2.5433% to refund the Series 2000 bonds with an interest rate ranging from 4.80% to 5.60%. These funds were deposited in an irrevocable trust with an escrow agent to provide funds to call the 2000 bond. As a result of the advance refunding, the Town reduced its future debt service requirements for the 2000 bond in the amount of \$271,714, which resulted in an economic gain of \$237,845.

### Note 6—Compensated Absences:

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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 \$355,729 and the Enterprise Funds have outstanding accrued leave pay of \$102,765.

# TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

## Note 7—Pension Plan:

### Plan Description

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent Multi-Employer Pension Plan  
Administering Entity: Virginia Retirement System (VRS)

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>



TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component:</b></u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)  <u>Defined Contributions Component: (Cont.)</u>            Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>            The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b>            See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u>Defined Benefit Component:</u>            See definition under Plan 1</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <u><b>Defined Contribution Component:</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u><b>Eligibility:</b></u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u><b>Eligibility:</b></u> Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 2.</p> <p><u><b>Defined Contribution Component:</b></u> Not applicable.</p> <p><u><b>Eligibility:</b></u> Same as Plan 1 and Plan 2.</p>



TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 7—Pension Plan: (Continued)

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#### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

#### *Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	32
Inactive members:	
Vested inactive members	8
Non-vested inactive members	12
Inactive members active elsewhere in VRS	<u>28</u>
Total inactive members	48
Active members	<u>66</u>
Total covered employees	<u><u>146</u></u>

#### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 7.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$369,503 and \$449,826 for the years ended June 30, 2017 and June 30, 2016, respectively.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 7—Pension Plan: (Continued)

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#### *Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

#### *Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

#### Largest 10 - Non-LEOS:

##### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

##### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

##### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

#### All Others (Non 10 Largest) - Non-LEOS:

##### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 7—Pension Plan: (Continued)

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#### *Actuarial Assumptions - General Employees (Continued)*

All Others (Non 10 Largest) - Non-LEOS: (Continued)

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

#### *Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 7—Pension Plan: (Continued)

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#### *Actuarial Assumptions - Public Safety Employees (Continued)*

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 12,054,686	\$ 11,594,040	\$ 460,646
Changes for the year:			
Service cost	\$ 520,138	\$ -	\$ 520,138
Interest	831,714	-	831,714
Differences between expected and actual experience	127,380	-	127,380
Contributions - employer	-	445,991	(445,991)
Contributions - employee	-	224,263	(224,263)
Net investment income	-	216,458	(216,458)
Benefit payments, including refunds of employee contributions	(346,107)	(346,107)	-
Administrative expenses	-	(6,926)	6,926
Other changes	-	(88)	88
Net changes	\$ 1,133,125	\$ 533,591	\$ 599,534
Balances at June 30, 2016	\$ 13,187,811	\$ 12,127,631	\$ 1,060,180



TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

Note 7—Pension Plan: (Continued)

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	2,933,416	1,060,180	(488,430)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2017, the Town recognized pension expense of \$433,293. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 257,106	\$ -
Net difference between projected and actual earnings on pension plan investments	321,440	-
Employer contributions subsequent to the measurement date	363,373	-
Total	\$ 941,919	\$ -

\$363,373 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2018	\$ 121,373
2019	121,371
2020	209,953
2021	125,849

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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

Deferred revenue/unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

	<u>Government-wide Statements Governmental Activities</u>	<u>Balance Sheet Governmental Funds</u>
Unearned Revenue		
Parks and Recreation Wine Festival	\$ 10,250	\$ 10,250
Deferred/Unavailable Revenue		
Uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 108,486
2nd half assessment - property tax	1,414,988	1,414,988
Prepaid property taxes due after June 30 but paid in advance by taxpayers	18,758	18,758
Uncollected Firemen's Field service tax billings that are not available for the funding of current expenditures	-	5,489
2nd half assessment - Firemen's Field service tax	<u>225,111</u>	<u>225,111</u>
Total deferred/unavailable revenue	<u>1,658,857</u>	<u>1,772,832</u>

### 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.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 10—Interfund Transfers:

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Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,157,162	\$ 180,000
Capital Projects Fund	180,000	-
Water Fund	-	606,575
Sewer Fund	-	550,587
Total	<u>\$ 1,337,162</u>	<u>\$ 1,337,162</u>

Transfers were made for capital projects, and debt service.

### Note 11—Commitments:

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At June 30, 2017 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
ATCS, PLC	Nursery Avenue Road and Drainage Improvements	\$ 49,419
A Morton Thomas	32nd and A Roundabout	35,111
Kimley Horn	Hirst Road Improvements	86,953
Tetra Tech Inc	PLC and Well Upgrades	28,246
GeoConcepts Engineering	N Maple Avenue Waterline	46,661
Pine Knoll Construction	Pavilion at Firemen's Field	30,618

### Note 12—Other Postemployment Benefits Program:

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#### Background

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

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 12—Other Postemployment Benefits Program: (Continued)

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#### A. Plan Description

In addition to the pension benefits described in Note 7, the Town provides single-employer defined benefit post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from Town service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and 15 years of service with the Town, will receive a subsidy contribution from 50% - 100% based on years of service, for their health insurance. The retiree's spouse can also receive benefits under the plan.

#### B. Funding Policy

The Town establishes employer contribution rates for plan participants as part of the budgetary process each year. The Town also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the Town pays 50%, 75%, or 100% of the health insurance premium for retirees with 15-19, 20-24, or 25 plus years of service, respectively. For retirees at levels of service less than 25 years, the retiree pays 100% of spousal premiums. The Town pays 100% of spousal premiums for retirees with more than 25 years of service.

#### C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$302,641 for fiscal year 2017. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level percentage of payroll or an open basis over a period not to exceed thirty years.

The estimated contributions are based on projected medical premium payments, Town contributions, and credit for the implicit rate subsidy made during the year for the retirees of the Town. The following table shows the components of the Town's annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the Town's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 306,100
Interest on net OPEB obligation	61,237
Adjustment to annual required contribution	<u>(64,696)</u>
Annual OPEB cost (expense)	\$ 302,641
Contributions made	<u>(12,200)</u>
Increase in net OPEB obligation	\$ 290,441
Net OPEB obligation - beginning of year	<u>1,749,615</u>
Net OPEB obligation - end of year	<u><u>\$ 2,040,056</u></u>

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

### Note 12—Other Postemployment Benefits Program: (Continued)

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

For 2017, the Town's estimated cash payment of \$12,200 was \$290,441 less than the OPEB cost. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 270,672	7.87%	\$ 1,477,536
June 30, 2016	286,079	4.89%	1,749,615
June 30, 2017	302,641	4.03%	2,040,056

#### D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016 is as follows:

Actuarial accrued liability (AAL)	\$ 2,123,400
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	2,123,400
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	4,184,800
UAAL as a percentage of covered payroll	50.74%

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

#### E. Actuarial Methods and Assumptions

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

**Note 12—Other Postemployment Benefits Program: (Continued)****E. Actuarial Methods and Assumptions: (Continued)**

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.9% initially, reduced by decrements to an ultimate rate of 4.8% after 85 years. Both rates included a 2.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at January 1, 2015, was 30 years.

**Cost Method**

The projected unit credit (PUC) cost method is used to determine the plan's funding liabilities and costs. A PUC accrued benefit is determined for each active member of the Plan on the basis of the member's benefit projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined to be the actuarial present value of the pension and supplemental benefits expected to be paid.

**Interest Assumptions**

	<b><u>Unfunded</u></b>
Investment rate of return	3.50%
Medical cost trend assumption - pre-65	6.50%
Medical cost trend assumption - post-65	6.90%
Payroll growth rate	3.00%

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2016 (Continued)

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### Note 13—Operating Leases:

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 103,164
2019	<u>60,212</u>
Total	<u>\$ 163,376</u>

### Note 14—Subsequent Event:

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In August and October 2017, respectively, the Town issued general obligation bonds 2017A of \$4,962,000 and 2017B of \$16,370,000 in order to refund existing debt.

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### **REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

## General Fund

## Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 3,043,215	\$ 3,043,215	\$ 3,210,031	\$ 166,816
Other local taxes	4,482,727	4,482,727	4,762,951	280,224
Permits, privilege fees, and regulatory licenses	116,000	116,000	157,629	41,629
Fines and forfeitures	38,100	38,100	61,696	23,596
Revenue from the use of money and property	1,400	1,400	13,674	12,274
Miscellaneous	330,000	30,000	161,409	131,409
Intergovernmental:				
Local government	210,000	210,000	106,022	(103,978)
Commonwealth	1,165,875	1,165,875	1,180,119	14,244
Federal	-	-	131,345	131,345
Total revenues	\$ 9,387,317	\$ 9,087,317	\$ 9,784,876	\$ 697,559
EXPENDITURES				
Current:				
General government administration	\$ 2,768,639	\$ 2,807,891	\$ 2,679,550	\$ 128,341
Public safety	2,194,699	2,199,609	2,103,905	95,704
Public works	3,432,922	3,449,997	3,014,297	435,700
Community development	556,509	563,824	537,634	26,190
Debt service:				
Principal retirement	687,992	687,992	687,992	-
Interest and other fiscal charges	572,576	572,576	572,576	-
Total expenditures	\$ 10,213,337	\$ 10,281,889	\$ 9,595,954	\$ 685,935
Excess (deficiency) of revenues over (under) expenditures	\$ (826,020)	\$ (1,194,572)	\$ 188,922	\$ 1,383,494
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,175,823	\$ 1,175,823	\$ 1,157,162	\$ (18,661)
Transfers out	(180,000)	(192,175)	(180,000)	12,175
Total other financing sources (uses)	\$ 995,823	\$ 983,648	\$ 977,162	\$ (6,486)
Net change in fund balance	\$ 169,803	\$ (210,924)	\$ 1,166,084	\$ 1,377,008
Fund balance - beginning	(169,803)	210,924	6,154,784	5,943,860
Fund balance - ending	\$ -	\$ -	\$ 7,320,868	\$ 7,320,868

## Parks and Recreation Fund

## Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 417,744	\$ 417,744	\$ 438,217	\$ 20,473
Revenue from the use of money and property	49,200	49,200	35,790	(13,410)
Miscellaneous	46,950	46,950	49,529	2,579
Intergovernmental:				
Federal	27,500	27,500	27,331	(169)
Total revenues	\$ 541,394	\$ 541,394	\$ 550,867	\$ 9,473
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ 256,718	\$ 256,718	\$ 174,316	\$ 82,402
Debt service:				
Principal retirement	176,129	176,129	176,129	-
Interest and other fiscal charges	108,115	108,115	108,115	-
Total expenditures	\$ 540,962	\$ 540,962	\$ 458,560	\$ 82,402
Excess (deficiency) of revenues over (under) expenditures	\$ 432	\$ 432	\$ 92,307	\$ 91,875
Net change in fund balance	\$ 432	\$ 432	\$ 92,307	\$ 91,875
Fund balance - beginning	(432)	(432)	59,281	59,713
Fund balance - ending	\$ -	\$ -	\$ 151,588	\$ 151,588

Schedule of Changes in Net Pension Liability and Related Ratios  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 520,138	\$ 517,073	\$ 555,900
Interest	831,714	746,112	683,141
Differences between expected and actual experience	127,380	315,416	-
Benefit payments, including refunds of employee contributions	(346,107)	(365,311)	(313,605)
<b>Net change in total pension liability</b>	<b>\$ 1,133,125</b>	<b>\$ 1,213,290</b>	<b>\$ 925,436</b>
<b>Total pension liability - beginning</b>	<b>12,054,686</b>	<b>10,841,396</b>	<b>9,915,960</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 13,187,811</b>	<b>\$ 12,054,686</b>	<b>\$ 10,841,396</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 445,991	\$ 427,672	\$ 520,781
Contributions - employee	224,263	216,720	210,587
Net investment income	216,458	503,837	1,444,988
Benefit payments, including refunds of employee contributions	(346,107)	(365,311)	(313,605)
Administrative expense	(6,926)	(6,523)	(7,349)
Other	(88)	(109)	76
<b>Net change in plan fiduciary net position</b>	<b>\$ 533,591</b>	<b>\$ 776,286</b>	<b>\$ 1,855,478</b>
<b>Plan fiduciary net position - beginning</b>	<b>11,594,040</b>	<b>10,817,754</b>	<b>8,962,276</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 12,127,631</b>	<b>\$ 11,594,040</b>	<b>\$ 10,817,754</b>
<b>Political subdivision's net pension liability - ending (a) - (b)</b>	<b>\$ 1,060,180</b>	<b>\$ 460,646</b>	<b>\$ 23,642</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.96%</b>	<b>96.18%</b>	<b>99.78%</b>
<b>Covered payroll</b>	<b>\$ 4,524,808</b>	<b>\$ 4,309,958</b>	<b>\$ 4,176,271</b>
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>23.43%</b>	<b>10.69%</b>	<b>0.57%</b>

This schedule is intended to show information for 10 years. However, information prior to the 2014 valuation is not available. Additional years will be included as they become available.

## Schedule of Employer Contributions

For the Years Ended June 30, 2015 through June 30, 2017

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 369,503	\$ 369,503	\$ -	\$ 4,707,039	7.85%
2016	450,671	450,671	-	4,524,808	9.96%
2015	429,272	429,272	-	4,309,958	9.96%
2014	520,781	520,781	-	4,176,271	12.47%
2013	514,080	514,080	-	4,122,533	12.47%
2012	405,950	405,950	-	3,952,771	10.27%
2011	376,340	376,340	-	3,824,598	9.84%
2010	306,644	306,644	-	3,911,276	7.84%
2009	308,466	308,466	-	3,934,522	7.84%
2008	277,054	277,054	-	3,529,346	7.85%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed for that year.

Notes to Required Supplementary Information  
For the Years Ended June 30, 2015 through June 30, 2017

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on liabilities as of the measurement date of June 30, 2016 is not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

**Largest 10 - Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Largest 10 - LEOS:**

- Update mortality table
- Decrease in male rates of disability

**All Others (Non 10 Largest) - Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**All Others (Non 10 Largest) - LEOS:**

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**OTHER SUPPLEMENTARY INFORMATION**

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## Supporting Schedules

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,611,557	\$ 2,611,557	\$ 2,718,253	\$ 106,696
Personal property taxes	401,658	401,658	456,276	54,618
Penalties and interest	30,000	30,000	35,502	5,502
Total general property taxes	\$ 3,043,215	\$ 3,043,215	\$ 3,210,031	\$ 166,816
Other local taxes:				
Local sales and use taxes	\$ 1,075,859	\$ 1,075,859	\$ 1,164,728	\$ 88,869
Cigarette taxes	230,325	230,325	226,157	(4,168)
Business license taxes	705,194	705,194	765,581	60,387
Utility license taxes	225,000	225,000	220,180	(4,820)
Motor vehicle license taxes	150,000	150,000	154,425	4,425
Bank franchise taxes	265,000	265,000	309,138	44,138
Cable franchise taxes	10,000	10,000	11,843	1,843
Hotel and motel room taxes	-	-	347	347
Meals tax	1,821,349	1,821,349	1,910,552	89,203
Total other local taxes	\$ 4,482,727	\$ 4,482,727	\$ 4,762,951	\$ 280,224
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 116,000	\$ 116,000	\$ 157,629	\$ 41,629
Total permits, privilege fees, and regulatory licenses	\$ 116,000	\$ 116,000	\$ 157,629	\$ 41,629
Fines and forfeitures:				
Police fines	\$ 38,100	\$ 38,100	\$ 61,696	\$ 23,596
Total fines and forfeitures	\$ 38,100	\$ 38,100	\$ 61,696	\$ 23,596
Revenue from use of money and property:				
Interest	\$ 1,400	\$ 1,400	\$ 12,924	\$ 11,524
Revenue from use of property	-	-	750	750
Total revenue from use of money and property	\$ 1,400	\$ 1,400	\$ 13,674	\$ 12,274
Miscellaneous:				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 143,156	\$ 135,156
Proceeds from sales of property	310,000	10,000	6,975	(3,025)
Local grant & awards	-	-	3,815	3,815
Community events sign	1,800	1,800	1,253	(547)
Public Works reimbursement from others	8,500	8,500	4,198	(4,302)
Vehicle compensation reimbursement	1,700	1,700	2,012	312
Total miscellaneous	\$ 330,000	\$ 30,000	\$ 161,409	\$ 131,409
Total revenue from local sources	\$ 8,011,442	\$ 7,711,442	\$ 8,367,390	\$ 655,948

## Schedule of Revenues - Budget and Actual

## Governmental Funds

For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from local governments:				
Gasoline tax funding from Loudoun County	\$ 210,000	\$ 210,000	\$ 106,022	\$ (103,978)
Total revenue from local governments	\$ 210,000	\$ 210,000	\$ 106,022	\$ (103,978)
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 156,000	\$ 156,000	\$ 152,002	\$ (3,998)
Personal property tax relief funds	201,753	201,753	201,753	-
Total noncategorical aid	\$ 357,753	\$ 357,753	\$ 353,755	\$ (3,998)
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 110,082	\$ 110,082	\$ 110,084	\$ 2
Total shared expenses	\$ 110,082	\$ 110,082	\$ 110,084	\$ 2
Other categorical aid:				
Arts grant	\$ -	\$ -	\$ 1,500	\$ 1,500
Other categorical aid	2,500	2,500	6,497	3,997
Fire program funds	25,000	25,000	25,076	76
Highway maintenance funds	667,540	667,540	680,267	12,727
Litter control grant	3,000	3,000	2,940	(60)
Total other categorical aid	\$ 698,040	\$ 698,040	\$ 716,280	\$ 18,240
Total categorical aid	\$ 808,122	\$ 808,122	\$ 826,364	\$ 18,242
Total revenue from the Commonwealth	\$ 1,165,875	\$ 1,165,875	\$ 1,180,119	\$ 14,244
Revenue from the federal government:				
Categorical aid:				
Law enforcement funds	\$ -	\$ -	\$ 3,259	\$ 3,259
Emergency management grant	-	-	128,086	128,086
Total categorical aid	\$ -	\$ -	\$ 131,345	\$ 131,345
Total revenue from the federal government	\$ -	\$ -	\$ 131,345	\$ 131,345
Total intergovernmental	\$ 1,375,875	\$ 1,375,875	\$ 1,417,486	\$ 41,611
Total General Fund	\$ 9,387,317	\$ 9,087,317	\$ 9,784,876	\$ 697,559

## Schedule of Revenues - Budget and Actual

## Governmental Funds

For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Fund:</b>				
<b>Parks and Recreation Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property - special tax district	\$ 416,144	\$ 416,144	\$ 436,580	\$ 20,436
Penalties and interest	1,600	1,600	1,637	37
Total general property taxes	\$ 417,744	\$ 417,744	\$ 438,217	\$ 20,473
Revenue from use of money and property:				
Revenue from the use of property	\$ 49,200	\$ 49,200	\$ 35,790	\$ (13,410)
Total revenue from use of money and property	\$ 49,200	\$ 49,200	\$ 35,790	\$ (13,410)
Miscellaneous:				
Product sales	\$ -	\$ -	\$ 255	\$ 255
Donations	500	500	515	15
Garden plot	450	450	400	(50)
Event revenue	46,000	46,000	48,359	2,359
Total miscellaneous	\$ 46,950	\$ 46,950	\$ 49,529	\$ 2,579
Total revenue from local sources	\$ 513,894	\$ 513,894	\$ 523,536	\$ 9,642
Intergovernmental:				
Revenue from the federal government:				
Noncategorical aid:				
BAB subsidy	\$ 27,500	\$ 27,500	\$ 27,331	\$ (169)
Total noncategorical aid	\$ 27,500	\$ 27,500	\$ 27,331	\$ (169)
Total revenue from the federal government	\$ 27,500	\$ 27,500	\$ 27,331	\$ (169)
Total Parks and Recreation Fund	\$ 541,394	\$ 541,394	\$ 550,867	\$ 9,473
<b>Capital Projects Fund:</b>				
<b>General Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Loudoun County settlement	\$ -	\$ 221,799	\$ -	\$ (221,799)
Other miscellaneous	-	268,316	667,536	399,220
Total miscellaneous	\$ -	\$ 490,115	\$ 667,536	\$ 177,421
Total revenue from local sources	\$ -	\$ 490,115	\$ 667,536	\$ 177,421
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grants	\$ 935,785	\$ 1,961,676	\$ 151,203	\$ (1,810,473)
Total revenue from the Commonwealth	\$ 935,785	\$ 1,961,676	\$ 151,203	\$ (1,810,473)
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	\$ -	\$ 1,789,032	\$ 256,961	\$ (1,532,071)
Total categorical aid	\$ -	\$ 1,789,032	\$ 256,961	\$ (1,532,071)
Total revenue from the federal government	\$ -	\$ 1,789,032	\$ 256,961	\$ (1,532,071)
Total intergovernmental	\$ 935,785	\$ 3,750,708	\$ 408,164	\$ (3,342,544)
Total General Capital Improvements Fund	\$ 935,785	\$ 4,240,823	\$ 1,075,700	\$ (3,165,123)
Total Primary Government	\$ 10,864,496	\$ 13,869,534	\$ 11,411,443	\$ (2,458,091)

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 86,271	\$ 86,271	\$ 86,565	\$ (294)
General and financial administration:				
Administration	\$ 1,236,455	\$ 1,263,502	\$ 1,253,942	\$ 9,560
Legal services	109,000	109,000	44,786	64,214
Financial administration	54,500	54,500	47,089	7,411
Information technology	374,706	377,171	345,847	31,324
Finance	873,816	883,556	869,154	14,402
Retiree benefits	33,891	33,891	32,167	1,724
Total general and financial administration	\$ 2,682,368	\$ 2,721,620	\$ 2,592,985	\$ 128,635
Total general government administration	\$ 2,768,639	\$ 2,807,891	\$ 2,679,550	\$ 128,341
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,079,699	\$ 2,084,609	\$ 1,988,829	\$ 95,780
Fire and rescue services:				
Fire department	\$ 70,000	\$ 70,000	\$ 70,076	\$ (76)
Ambulance and rescue services	45,000	45,000	45,000	-
Total fire and rescue services	\$ 115,000	\$ 115,000	\$ 115,076	\$ (76)
Total public safety	\$ 2,194,699	\$ 2,199,609	\$ 2,103,905	\$ 95,704
Public works:				
Highways, streets, bridges and sidewalks	\$ 692,500	\$ 680,400	\$ 610,547	\$ 69,853
Administration	477,457	482,327	260,514	221,813
General properties	1,338,691	1,358,126	1,247,575	110,551
Capital and engineer	491,274	496,144	466,450	29,694
Refuse	433,000	433,000	429,211	3,789
Total public works	\$ 3,432,922	\$ 3,449,997	\$ 3,014,297	\$ 435,700
Community development:				
Planning and community development:				
Planning	\$ 507,092	\$ 514,407	\$ 504,644	\$ 9,763
Planning commission	14,349	14,349	13,463	886
Board of zoning and appeals	1,400	1,400	200	1,200
Board of architectural review	4,768	4,768	3,078	1,690
Total planning and community development	\$ 527,609	\$ 534,924	\$ 521,385	\$ 13,539
Environmental management:				
Environmental service	\$ 2,100	\$ 2,100	\$ 1,209	\$ 891
Total environmental management	\$ 2,100	\$ 2,100	\$ 1,209	\$ 891

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Economic development:				
Economic development	\$ 6,800	\$ 6,800	\$ 4,789	\$ 2,011
Arts:				
Arts	\$ 20,000	\$ 20,000	\$ 10,251	\$ 9,749
Total community development	\$ 556,509	\$ 563,824	\$ 537,634	\$ 26,190
Debt service:				
Principal retirement	\$ 687,992	\$ 687,992	\$ 687,992	\$ -
Interest and other fiscal charges	572,576	572,576	572,576	-
Total debt service	\$ 1,260,568	\$ 1,260,568	\$ 1,260,568	\$ -
Total General Fund	\$ 10,213,337	\$ 10,281,889	\$ 9,595,954	\$ 685,935
<b>Special Revenue Fund:</b>				
<b>Parks and Recreation Fund:</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Management	\$ 116,518	\$ 116,518	\$ 76,962	\$ 39,556
Skating rink	25,000	21,000	8,901	12,099
Train station	51,350	47,350	25,660	21,690
Programs	55,150	63,150	56,327	6,823
Firemans Field	6,500	6,500	6,396	104
Tree commission	2,200	2,200	70	2,130
Total parks, recreation, and cultural	\$ 256,718	\$ 256,718	\$ 174,316	\$ 82,402
Debt service:				
Principal retirement and interest	\$ 176,129	\$ 176,129	\$ 176,129	\$ -
Interest and other fiscal charges	108,115	108,115	108,115	-
Total debt service	\$ 284,244	\$ 284,244	\$ 284,244	\$ -
Total Parks and Recreation Fund	\$ 540,962	\$ 540,962	\$ 458,560	\$ 82,402
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
General capital projects	\$ 207,521	\$ 1,234,245	\$ 38,302	\$ 1,195,943
Financial software upgrade	180,000	240,866	124,216	116,650
Main and Maple improvements	13,332	940,469	31,127	909,342
N. 21st Street sidewalk	-	168,609	154,493	14,116
Hirst road improvements	121,000	216,294	21,597	194,697
Fireman's field upgrades	-	69,485	35,527	33,958
32nd and A Street improvements	267,000	267,000	31,750	235,250
Nursery Avenue drain improvement	326,932	1,404,452	215,192	1,189,260
Total Capital Projects Fund	\$ 1,115,785	\$ 4,541,420	\$ 652,204	\$ 3,889,216
Total Primary Government	\$ 11,870,084	\$ 15,364,271	\$ 10,706,718	\$ 4,657,553

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund:</b>				
Operating revenues:				
Water meter fees	\$ 19,071	\$ 19,071	\$ 27,022	\$ 7,951
Water fees	2,178,556	2,178,556	2,082,071	(96,485)
Miscellaneous income	5,250	5,250	10,025	4,775
Penalties and interest	27,000	27,000	25,420	(1,580)
Water flushing	1,000	1,000	540	(460)
Total operating revenues	\$ 2,230,877	\$ 2,230,877	\$ 2,145,078	\$ (85,799)
Operating expenses:				
Personnel:				
Water staff	\$ 581,876	\$ 584,311	\$ 561,327	\$ 22,984
Overtime - Water	27,000	27,000	30,783	(3,783)
Employee benefits:				
Health insurance	90,586	90,586	137,645	(47,059)
Retirement	45,677	45,677	53,642	(7,965)
Workers' compensation	11,590	11,590	11,590	-
Payroll taxes	46,579	46,579	44,507	2,072
Drug testing	715	715	-	715
Life insurance	7,623	7,623	7,062	561
Disability insurance	3,598	3,598	339	3,259
Deferred compensation match	3,640	3,640	3,120	520
Plant operations and meter reading:				
Electricity	15,000	15,000	16,659	(1,659)
Telephone	10,500	10,500	12,330	(1,830)
Supplies	15,000	18,000	15,992	2,008
Lab Equipment	2,000	2,000	630	1,370
Contracts	53,000	53,000	35,571	17,429
Uniforms	6,200	6,200	6,067	133
Safety	8,000	8,000	3,867	4,133
Sludge disposal	14,500	14,500	9,054	5,446
Cross connections	3,400	3,400	-	3,400
Plant repairs	41,000	41,000	23,055	17,945
Water line repairs	29,000	29,000	26,108	2,892
Leak detection	3,100	3,100	2,070	1,030
Meter repairs and testing	2,000	2,000	2,185	(185)
New water meters	28,750	28,750	28,401	349
Computer upgrades	2,000	2,000	60	1,940
Chemicals - plant	26,000	26,000	21,787	4,213
Permits	6,800	6,800	2,166	4,634
VDH operations fee	8,200	8,200	8,121	79
GIS layers	22,000	22,000	1,350	20,650
Advertisements	500	500	-	500
Water samples	14,000	14,000	10,345	3,655
Training	7,000	7,000	2,407	4,593
Dues and subscriptions	1,100	1,100	1,560	(460)
Consumer reports	500	500	-	500
General expenses	1,300	1,300	1,153	147
Postage/mailings	9,000	9,000	6,848	2,152
Miscellaneous	1,500	1,500	-	1,500

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund: (Continued)</b>				
Operating expenses: (Continued)				
Plant operations and meter reading: (Continued)				
Professional services	\$ 85,000	\$ 93,549	\$ 63,753	\$ 29,796
Watershed management	15,200	11,700	1,435	10,265
Forestry management	3,100	3,100	-	3,100
Environmental compliance	3,000	3,000	-	3,000
Mowing	12,000	12,000	6,575	5,425
Administrative supplies	300	300	105	195
Water department emergency	500	500	-	500
Purchased water	30,000	33,500	33,455	45
Billing software	500	500	-	500
Water conservation development	3,500	3,500	300	3,200
New equipment and tools	29,000	29,000	7,826	21,174
Vehicle repairs and maintenance	15,000	15,000	15,331	(331)
Propane	11,000	11,000	8,791	2,209
Other expenses:				
Well operations:				
Electricity	45,000	45,000	63,993	(18,993)
Telephone	1,000	1,000	1,026	(26)
Supplies	35,000	17,000	14,925	2,075
Contracts	10,000	10,000	5,246	4,754
Spare parts	5,000	5,000	4,314	686
Repairs	25,000	40,000	44,263	(4,263)
Chemicals	20,000	20,000	21,155	(1,155)
Carbon change-out	19,000	19,000	18,680	320
Water samples	5,000	5,000	1,507	3,493
Depreciation	308,000	308,000	329,182	(21,182)
Capital outlay	158,753	845,261	-	845,261
Total operating expenses	\$ 1,990,087	\$ 2,687,579	\$ 1,729,663	\$ 957,916
Operating income (loss)	\$ 240,790	\$ (456,702)	\$ 415,415	\$ 872,117
Nonoperating revenues (expenses):				
Interest income	\$ -	\$ -	\$ 13,212	\$ 13,212
Cellular lease	190,000	190,000	167,078	(22,922)
Forestry management	130,000	130,000	92,484	(37,516)
Intergovernmental revenue	26,000	26,000	25,902	(98)
Interest expense	(479,388)	(479,388)	(443,905)	35,483
Total nonoperating revenues (expenses)	\$ (133,388)	\$ (133,388)	\$ (145,229)	\$ (11,841)
Net income (loss) before operating transfers and contributions	\$ 107,402	\$ (590,090)	\$ 270,186	\$ 860,276
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,957,662	\$ 1,957,662	\$ 2,626,908	\$ 669,246
Transfers in	-	2,435	-	(2,435)
Transfers out	(587,912)	(587,912)	(606,575)	(18,663)
Total other financing sources (uses)	\$ 1,369,750	\$ 1,372,185	\$ 2,020,333	\$ 648,148
Change in net position	\$ 1,477,152	\$ 782,095	\$ 2,290,519	\$ 1,508,424



## Schedule of Revenues and Expenses - Budget and Actual

## Sewer Fund

For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund:</b>				
Operating revenues:				
Sewer fees	\$ 2,795,554	\$ 2,795,554	\$ 2,893,262	\$ 97,708
Penalties and interest	27,000	27,000	25,419	(1,581)
Miscellaneous income	5,280	5,280	12,761	7,481
Total operating revenues	\$ 2,827,834	\$ 2,827,834	\$ 2,931,442	\$ 103,608
Operating expenses:				
Personnel:				
Sewer staff	\$ 579,262	\$ 589,002	\$ 614,491	\$ (25,489)
Overtime - Sewer	32,500	32,500	28,214	4,286
Employee benefits:				
Health insurance	103,041	103,041	134,163	(31,122)
Retirement	45,472	45,472	55,500	(10,028)
Workers' compensation	7,278	7,278	6,309	969
Payroll taxes	46,800	46,800	48,616	(1,816)
Drug testing	715	715	-	715
Deferred compensation match	2,600	2,600	3,120	(520)
Life insurance	7,588	7,588	7,671	(83)
Disability insurance	3,865	3,865	528	3,337
Plant operations:				
Electricity	140,000	135,000	135,846	(846)
Telephone	10,000	10,000	10,050	(50)
Plant supplies	5,000	2,500	1,277	1,223
Contracts	47,600	47,600	24,503	23,097
Permits	10,800	10,800	10,424	376
Uniforms	7,000	7,000	4,615	2,385
Plant repairs	35,000	48,527	47,018	1,509
Sewer line repairs	32,000	21,200	19,683	1,517
Safety	6,000	6,000	3,981	2,019
Lab supplies	35,000	35,000	28,622	6,378
New equipment and tools	17,000	27,500	15,738	11,762
Sludge removal	36,000	36,000	27,687	8,313
Chemicals	86,000	86,000	74,188	11,812
Lab certification	3,500	3,500	338	3,162
Sample analysis	3,500	3,500	3,034	466
Computer operations	5,000	5,000	1,922	3,078
GIS layers	15,000	15,000	1,350	13,650
Billing software	500	500	-	500
Waste disposal	2,500	2,500	2,730	(230)
Meter repairs, tools, and equipment	12,000	12,000	9,684	2,316
New water meters	9,250	9,250	11,468	(2,218)
Touch read HDW	9,500	9,500	9,766	(266)
Equipment - plant	20,000	28,300	5,257	23,043

## Schedule of Revenues and Expenses - Budget and Actual

## Sewer Fund

For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund: (Continued)</b>				
Operating expenses: (Continued)				
Plant operations: (Continued)				
Vehicle repairs	\$ 8,000	\$ 8,000	\$ 6,439	\$ 1,561
Dues and subscriptions	1,000	1,000	432	568
Advertisements	1,000	1,000	-	1,000
Training	3,500	3,500	2,952	548
Postage/mailings	9,000	9,000	7,821	1,179
Other expenses	5,500	700	349	351
Professional services	70,000	78,549	63,440	15,109
Mowing	2,500	2,500	364	2,136
Environmental compliance	1,000	1,000	-	1,000
Sewer department emergency	3,000	-	-	-
Administrative supplies	500	500	33	467
Pump station operations:				
Electricity	9,200	9,200	12,969	(3,769)
Telephone	600	600	729	(129)
Repairs	10,000	10,000	1,916	8,084
Contracts	5,000	5,000	314	4,686
Equipment	25,000	19,500	7,698	11,802
Gas and oil	2,500	2,500	-	2,500
Depreciation	715,000	715,000	725,471	(10,471)
Capital outlay	94,000	293,273	-	293,273
Total operating expenses	\$ 2,343,571	\$ 2,561,860	\$ 2,178,720	\$ 383,140
Operating income	\$ 484,263	\$ 265,974	\$ 752,722	\$ 486,748
Nonoperating revenues (expenses):				
Interest earned	\$ -	\$ -	\$ 7,217	\$ 7,217
Gain on disposal of capital assets	-	300,000	300,000	-
Interest expense	(1,125,805)	(1,125,805)	(1,131,614)	(5,809)
Total nonoperating revenues (expenses)	\$ (1,125,805)	\$ (825,805)	\$ (824,397)	\$ 1,408
Net income (loss) before transfers and contributions	\$ (641,542)	\$ (559,831)	\$ (71,675)	\$ 488,156
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,641,600	\$ 1,641,600	\$ 2,224,800	\$ 583,200
Transfers in	-	9,740	-	(9,740)
Transfers out	(587,912)	(587,912)	(550,587)	37,325
Total other financing sources (uses)	\$ 1,053,688	\$ 1,063,428	\$ 1,674,213	\$ 610,785
Change in net position	\$ 412,146	\$ 503,597	\$ 1,602,538	\$ 1,098,941

Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 As of June 30, 2017

	<u>2017</u>	<u>2016</u>
Governmental funds capital assets:		
Land	\$ 4,310,764	\$ 4,310,764
Buildings	12,080,410	12,080,410
Improvements other than buildings	4,754,025	4,754,025
Machinery and equipment	2,547,763	2,510,903
Vehicles	890,349	900,824
Infrastructure	62,380,108	59,433,712
Construction in progress	<u>734,267</u>	<u>3,028,461</u>
Total governmental funds capital assets	<u>\$ 87,697,686</u>	<u>\$ 87,019,099</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 87,697,686</u>	<u>\$ 87,019,099</u>
Total governmental funds capital assets	<u>\$ 87,697,686</u>	<u>\$ 87,019,099</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
As of June 30, 2017

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 3,877,612	\$ -	\$ 2,927,693
Finance and administration	-	204,850	3,819,631
Total general government administration	\$ 3,877,612	\$ 204,850	\$ 6,747,324
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	\$ -	\$ -	\$ -
Public works:			
Highways and roads	\$ 433,152	\$ 529,417	\$ 144,752
Maintenance of buildings and grounds	-	-	5,188,334
Total public works	\$ 433,152	\$ 529,417	\$ 5,333,086
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ -	\$ -
Total parks, recreation, and cultural	\$ -	\$ -	\$ -
Total governmental funds capital assets	\$ 4,310,764	\$ 734,267	\$ 12,080,410

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ 110,931	\$ 223,781	\$ 187,468	\$ -	\$ 7,327,485
<u>-</u>	<u>347,388</u>	<u>23,291</u>	<u>-</u>	<u>4,395,160</u>
\$ <u>110,931</u>	\$ <u>571,169</u>	\$ <u>210,759</u>	\$ <u>-</u>	\$ <u>11,722,645</u>
\$ <u>3,850</u>	\$ <u>269,221</u>	\$ <u>439,472</u>	\$ <u>-</u>	\$ <u>712,543</u>
\$ <u>3,850</u>	\$ <u>269,221</u>	\$ <u>439,472</u>	\$ <u>-</u>	\$ <u>712,543</u>
\$ 2,322,081	\$ 721,639	\$ 240,118	\$ 62,380,108	\$ 66,771,267
<u>-</u>	<u>985,734</u>	<u>-</u>	<u>-</u>	<u>6,174,068</u>
\$ <u>2,322,081</u>	\$ <u>1,707,373</u>	\$ <u>240,118</u>	\$ <u>62,380,108</u>	\$ <u>72,945,335</u>
\$ <u>2,317,163</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,317,163</u>
\$ <u>2,317,163</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,317,163</u>
\$ <u><u>4,754,025</u></u>	\$ <u><u>2,547,763</u></u>	\$ <u><u>890,349</u></u>	\$ <u><u>62,380,108</u></u>	\$ <u><u>87,697,686</u></u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity  
 For the Year Ended June 30, 2017

Function and Activity	Governmental Funds Capital Assets July 1, 2016	Additions	Deductions	Governmental Funds Capital Assets June 30, 2017
General government administration:				
Town council	\$ 7,327,485	\$ -	\$ -	\$ 7,327,485
Finance and administration	4,323,019	131,164	(59,023)	4,395,160
Total general government administration	\$ 11,650,504	\$ 131,164	\$ (59,023)	\$ 11,722,645
Public safety:				
Police department	\$ 669,495	\$ 43,048	\$ -	\$ 712,543
Total public safety	\$ 669,495	\$ 43,048	\$ -	\$ 712,543
Public works:				
Highways and roads	\$ 66,243,281	\$ 527,986	\$ -	\$ 66,771,267
Maintenance of buildings and grounds	6,138,656	35,412	-	6,174,068
Total public works	\$ 72,381,937	\$ 563,398	\$ -	\$ 72,945,335
Parks, recreation, and cultural:				
Parks and recreation	\$ 2,317,163	\$ -	\$ -	\$ 2,317,163
Total parks, recreation, and cultural	\$ 2,317,163	\$ -	\$ -	\$ 2,317,163
Total governmental funds capital assets	\$ 87,019,099	\$ 737,610	\$ (59,023)	\$ 87,697,686

## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1 - 6

#### Revenue Capacity

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

7 - 10

#### Debt Capacity

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

11 - 14

#### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

15 - 16

#### Operating Information

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

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF PURCELLVILLE, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 31,855,360	\$ 30,862,894	\$ 30,549,900	\$ 30,838,249
Restricted	-	-	-	-
Unrestricted	<u>2,794,536</u>	<u>4,809,256</u>	<u>7,932,422</u>	<u>7,181,242</u>
Total governmental activities net position	<u>\$ 34,649,896</u>	<u>\$ 35,672,150</u>	<u>\$ 38,482,322</u>	<u>\$ 38,019,491</u>
Business-type activities				
Net investment in capital assets	\$ 10,211,089	\$ 13,004,232	\$ 13,731,932	\$ 12,743,081
Unrestricted	<u>12,737,618</u>	<u>13,246,469</u>	<u>10,273,480</u>	<u>10,523,471</u>
Total business-type activities net position	<u>\$ 22,948,707</u>	<u>\$ 26,250,701</u>	<u>\$ 24,005,412</u>	<u>\$ 23,266,552</u>
Primary government				
Net investment in capital assets	\$ 42,066,449	\$ 43,867,126	\$ 44,281,832	\$ 43,581,330
Restricted	-	-	-	-
Unrestricted	<u>15,532,154</u>	<u>18,055,725</u>	<u>18,205,902</u>	<u>17,704,713</u>
Total primary government net position	<u>\$ 57,598,603</u>	<u>\$ 61,922,851</u>	<u>\$ 62,487,734</u>	<u>\$ 61,286,043</u>



Table 1

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<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 33,175,084	\$ 33,837,613	\$ 34,615,139	\$ 35,096,434	\$ 35,336,103	\$ 34,948,299
-	2,546,527	1,992,726	989,533	548,493	723,338
<u>4,712,380</u>	<u>3,450,049</u>	<u>3,445,511</u>	<u>3,890,599</u>	<u>4,480,445</u>	<u>5,909,479</u>
<u>\$ 37,887,464</u>	<u>\$ 39,834,189</u>	<u>\$ 40,053,376</u>	<u>\$ 39,976,566</u>	<u>\$ 40,365,041</u>	<u>\$ 41,581,116</u>
\$ 14,149,999	\$ 14,345,188	\$ 13,902,748	\$ 12,826,291	\$ 12,328,265	\$ 11,835,787
<u>7,260,056</u>	<u>3,893,882</u>	<u>4,189,021</u>	<u>5,718,797</u>	<u>6,525,057</u>	<u>10,910,592</u>
<u>\$ 21,410,055</u>	<u>\$ 18,239,070</u>	<u>\$ 18,091,769</u>	<u>\$ 18,545,088</u>	<u>\$ 18,853,322</u>	<u>\$ 22,746,379</u>
\$ 47,325,083	\$ 48,182,801	\$ 48,517,887	\$ 47,922,725	\$ 47,664,368	\$ 46,784,086
-	2,546,527	1,992,726	989,533	548,493	723,338
<u>11,972,436</u>	<u>7,343,931</u>	<u>7,634,532</u>	<u>9,609,396</u>	<u>11,005,502</u>	<u>16,820,071</u>
<u>\$ 59,297,519</u>	<u>\$ 58,073,259</u>	<u>\$ 58,145,145</u>	<u>\$ 58,521,654</u>	<u>\$ 59,218,363</u>	<u>\$ 64,327,495</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,226,330	\$ 2,574,927	\$ 2,472,829	\$ 1,890,188	\$ 3,214,457	\$ 3,100,979	\$ 2,923,193	\$ 2,763,529	\$ 2,815,863	\$ 2,942,494
Public safety	1,663,801	1,696,590	1,692,290	1,720,461	1,809,443	1,916,652	1,919,119	1,947,552	2,122,003	2,238,136
Public works	3,472,004	4,130,972	3,788,818	3,645,872	2,802,812	3,478,574	3,472,819	2,978,601	3,537,166	3,240,338
Parks, recreation and cultural	81,503	66,748	124,442	1,573,776	94,152	68,927	265,740	341,526	284,991	288,865
Community development	584,944	349,850	461,341	377,000	1,666,302	1,708,045	1,858,057	1,957,359	1,993,482	2,085,427
Interest on long-term debt	100,727	304,336	228,749	727,584	682,642	742,904	833,107	652,262	624,740	599,827
Total governmental activities expenses	\$ 8,129,309	\$ 9,123,423	\$ 8,768,469	\$ 9,934,881	\$ 10,269,808	\$ 11,016,081	\$ 11,272,035	\$ 10,640,829	\$ 11,378,245	\$ 11,395,087
Business-type activities:										
Water	\$ 2,262,486	\$ 2,069,090	\$ 2,179,820	\$ 2,092,401	\$ 2,045,177	\$ 4,227,361	\$ 2,116,235	\$ 2,536,825	\$ 2,213,759	\$ 2,173,568
Sewer	1,962,968	1,726,879	3,069,217	2,702,696	3,051,529	3,023,902	3,336,116	3,105,398	3,246,210	3,310,332
Total business-type activities expenses	\$ 4,225,454	\$ 3,795,969	\$ 5,249,037	\$ 4,795,097	\$ 5,096,706	\$ 7,251,263	\$ 5,452,351	\$ 5,642,223	\$ 5,459,969	\$ 5,483,900
Total primary government expenses	\$ 12,354,763	\$ 12,919,392	\$ 14,017,506	\$ 14,729,978	\$ 15,366,514	\$ 18,267,344	\$ 16,724,386	\$ 16,283,052	\$ 16,838,214	\$ 16,878,987
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 91,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	83,729	66,087	65,268	80,287	73,046	84,156	64,947	57,326	42,844	61,696
Public works	592	192,209	103,501	94,043	81,782	102,822	217,668	161,370	142,774	157,629
Operating grants and contributions	294,341	659,113	815,203	784,645	736,855	739,275	789,086	798,187	812,838	957,708
Capital grants and contributions	777,854	253,195	388,843	418,501	2,082,699	2,974,978	1,862,645	755,462	1,277,717	1,181,722
Total governmental activities program revenues	\$ 1,247,585	\$ 1,170,604	\$ 1,372,815	\$ 1,377,476	\$ 2,974,382	\$ 3,901,231	\$ 2,934,346	\$ 1,772,345	\$ 2,276,173	\$ 2,358,755
Business-type activities:										
Charges for services:										
Water	\$ 975,004	\$ 1,083,580	\$ 1,372,182	\$ 1,828,883	\$ 1,933,357	\$ 1,996,566	\$ 2,062,128	\$ 2,085,958	\$ 2,072,275	\$ 2,135,053
Sewer	1,358,261	1,472,164	1,733,717	2,016,920	2,224,268	2,386,434	2,652,841	2,603,688	2,716,078	2,918,681
Operating grants and contributions	-	-	-	-	-	33,237	29,368	28,287	27,041	25,902
Capital grants and contributions	1,032,096	5,308,197	1,031,874	1,113,674	780,144	604,954	1,506,757	2,325,382	1,752,098	4,851,708
Total business-type activities program revenues	\$ 3,365,361	\$ 7,863,941	\$ 4,137,773	\$ 4,959,477	\$ 4,937,769	\$ 5,021,191	\$ 6,251,094	\$ 7,043,315	\$ 6,567,492	\$ 9,931,344
Total primary government program revenues	\$ 4,612,946	\$ 9,034,545	\$ 5,510,588	\$ 6,336,953	\$ 7,912,151	\$ 8,922,422	\$ 9,185,440	\$ 8,815,660	\$ 8,843,665	\$ 12,290,099
Net (expense) / revenue										
Governmental activities	\$ (6,881,724)	\$ (7,952,819)	\$ (7,395,654)	\$ (8,557,405)	\$ (7,295,426)	\$ (7,114,850)	\$ (8,337,689)	\$ (8,868,484)	\$ (9,102,072)	\$ (9,036,332)
Business-type activities	(860,093)	4,067,972	(1,111,264)	164,380	(158,937)	(2,230,072)	798,743	1,401,092	1,107,523	4,447,444
Total primary government net (expense) / revenue	\$ (7,741,817)	\$ (3,884,847)	\$ (8,506,918)	\$ (8,393,025)	\$ (7,454,363)	\$ (9,344,922)	\$ (7,538,946)	\$ (7,467,392)	\$ (7,994,549)	\$ (4,588,888)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,464,023	\$ 2,763,362	\$ 2,474,112	\$ 2,493,115	\$ 2,557,786	\$ 2,822,718	\$ 3,088,573	\$ 3,344,853	\$ 3,395,079	\$ 3,690,806
Local sales and use taxes	678,260	688,327	811,566	878,531	952,497	931,067	898,669	998,571	1,110,071	1,164,728
Meals taxes	625,138	689,856	679,083	775,398	788,948	1,229,495	1,384,194	1,607,222	1,786,932	1,910,552
Utility license taxes	200,387	201,503	204,768	208,945	201,784	209,182	218,543	222,625	220,033	220,180
Business licenses	682,534	534,537	633,268	549,271	621,289	709,692	666,178	677,503	765,795	765,581
Other local taxes	711,683	673,677	553,191	584,435	627,090	625,807	662,091	680,848	684,497	701,910
Unrestricted grants and contributions	208,556	204,253	372,869	386,923	368,625	369,061	392,714	391,107	385,727	381,086
Unrestricted revenues from use of money and property	126,148	98,761	55,765	69,615	50,350	44,400	41,890	40,442	39,846	49,464
Miscellaneous	96,347	1,900,565	2,103,213	2,130,196	70,166	80,487	88,120	112,530	89,326	210,938
Gain (loss) on sale of capital asset	-	-	-	-	-	923,762	-	(9,735)	-	-
Transfers	217,296	1,220,232	1,220,232	1,115,904	1,115,904	1,115,904	1,115,904	1,050,904	1,013,241	1,157,162
<b>Total governmental activities</b>	<b>\$ 6,010,372</b>	<b>\$ 8,975,073</b>	<b>\$ 9,108,067</b>	<b>\$ 9,192,333</b>	<b>\$ 7,354,439</b>	<b>\$ 9,061,575</b>	<b>\$ 8,556,876</b>	<b>\$ 9,116,870</b>	<b>\$ 9,490,547</b>	<b>\$ 10,252,407</b>
Business-type activities:										
Miscellaneous	\$ 1,095,464	\$ 133,621	\$ 161,020	\$ 154,736	\$ 176,481	\$ 169,673	\$ 167,616	\$ 174,807	\$ 213,285	\$ 582,346
Gain (loss) on sale of capital asset	-	-	-	-	-	-	-	35,000	-	-
Unrestricted revenues from use of money and property	478,266	320,633	92,566	57,927	18,870	5,318	2,244	1,030	667	20,429
Transfers	(217,296)	(1,220,232)	(1,220,232)	(1,115,904)	(1,115,904)	(1,115,904)	(1,115,904)	(1,050,904)	(1,013,241)	(1,157,162)
<b>Total business-type activities</b>	<b>\$ 1,356,434</b>	<b>\$ (765,978)</b>	<b>\$ (966,646)</b>	<b>\$ (903,241)</b>	<b>\$ (920,553)</b>	<b>\$ (940,913)</b>	<b>\$ (946,044)</b>	<b>\$ (840,067)</b>	<b>\$ (799,289)</b>	<b>\$ (554,387)</b>
<b>Total primary government</b>	<b>\$ 7,366,806</b>	<b>\$ 8,209,095</b>	<b>\$ 8,141,421</b>	<b>\$ 8,289,092</b>	<b>\$ 6,433,886</b>	<b>\$ 8,120,662</b>	<b>\$ 7,610,832</b>	<b>\$ 8,276,803</b>	<b>\$ 8,691,258</b>	<b>\$ 9,698,020</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (871,352)	\$ 1,022,254	\$ 1,712,413	\$ 634,928	\$ 59,013	\$ 1,946,725	\$ 219,187	\$ 248,386	\$ 388,475	\$ 1,216,075
Business-type activities	496,341	3,301,994	(2,077,910)	(738,861)	(1,079,490)	(3,170,985)	(147,301)	561,025	308,234	3,893,057
<b>Total primary government</b>	<b>\$ (375,011)</b>	<b>\$ 4,324,248</b>	<b>\$ (365,497)</b>	<b>\$ (103,933)</b>	<b>\$ (1,020,477)</b>	<b>\$ (1,224,260)</b>	<b>\$ 71,886</b>	<b>\$ 809,411</b>	<b>\$ 696,709</b>	<b>\$ 5,109,132</b>

Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*

Fiscal Year	Property Taxes	Local Sales and Use Tax	Utility License Taxes	Meals Taxes	Business Licenses	Other Local Taxes	Total
2017	\$ 3,690,806	\$ 1,164,728	\$ 220,180	\$ 1,910,552	\$ 765,581	\$ 701,910	\$ 8,453,757
2016	3,395,079	1,110,071	220,033	1,786,932	765,795	684,497	7,962,407
2015	3,344,853	998,571	222,625	1,607,222	677,503	680,848	7,531,622
2014	3,088,573	898,669	218,543	1,384,194	666,178	662,091	6,918,248
2013	2,822,718	931,067	209,182	1,229,495	709,692	625,807	6,527,961
2012	2,557,786	952,497	201,784	788,948	621,289	627,090	5,749,394
2011	2,493,115	878,531	208,945	775,398	549,271	584,435	5,489,695
2010	2,474,112	811,566	204,768	679,083	633,268	553,191	5,355,988
2009	2,763,362	688,327	201,503	689,856	534,537	673,677	5,551,262
2008	2,464,023	678,260	200,387	625,138	682,534	711,683	5,362,025

TOWN OF PURCELLVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010
Governmental funds:			
Nonspendable:			
Prepaid items	\$ 43,196	\$ 48,897	\$ 51,782
Restricted for:			
State highway maintenance	\$ -	\$ 170,807	\$ 94,890
Loudoun County settlement funds	-	1,394,619	2,840,945
Loudoun County - transportation and sidewalk projects	-	-	-
Fireman's field	-	-	-
Proffers	-	-	-
USDA bond covenant	-	-	-
Unspent bond proceeds	2,136,455	1,157,112	627,311
Total restricted fund balance	\$ 2,136,455	\$ 2,722,538	\$ 3,563,146
Committed for:			
Street bonds	\$ -	\$ 28,733	\$ 28,733
Capital expense	-	-	-
Total committed fund balance	\$ -	\$ 28,733	\$ 28,733
Assigned for:			
Capital projects	\$ -	\$ -	\$ -
Unassigned	\$ 3,102,709	\$ 3,719,677	\$ 4,363,277
Total governmental funds	\$ 5,282,360	\$ 6,519,845	\$ 8,006,938

Note: The Town implemented GASB 54 retroactively beginning in fiscal year 2011.

Table 4

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 52,722	\$ 52,902	\$ 48,661	\$ 63,487	\$ 61,630	\$ -	\$ 1,256
\$ 120,260	\$ 66,503	\$ 397,701	\$ 35,051	\$ 131,454	\$ 58,377	\$ 260,205
3,314,618	2,193,686	1,730,952	945,882	550,734	221,800	230,344
-	-	-	611,809	214,830	214,830	214,830
-	-	357,961	399,984	92,515	53,486	17,959
-	-	-	-	-	-	667,536
-	-	59,913	-	-	-	-
2,876,577	57,669	237,332	42,636	-	-	-
\$ 6,311,455	\$ 2,317,858	\$ 2,783,859	\$ 2,035,362	\$ 989,533	\$ 548,493	\$ 1,390,874
\$ 10,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	10,000	768,892	691,135	590,155	479,261	525,440
\$ 10,328	\$ 10,000	\$ 768,892	\$ 691,135	\$ 590,155	\$ 479,261	\$ 525,440
\$ -	\$ -	\$ -	\$ 21,654	\$ -	\$ 220,199	\$ 183,142
\$ 4,368,340	\$ 3,427,576	\$ 3,884,533	\$ 4,209,033	\$ 5,031,166	\$ 5,676,427	\$ 6,685,555
\$ 10,742,845	\$ 5,808,336	\$ 7,485,945	\$ 7,020,671	\$ 6,672,484	\$ 6,924,380	\$ 8,786,267

TOWN OF PURCELLVILLE, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2008	2009	2010	2011
<b>Revenues</b>				
General property taxes	\$ 2,469,194	\$ 2,728,737	\$ 2,487,151	\$ 2,526,829
Other local taxes	2,898,002	2,787,900	2,881,876	2,996,580
Permits, privilege fees and regulatory licenses	91,661	192,209	103,501	118,070
Fines and forfeitures	83,729	66,087	65,268	80,287
Revenue from use of money and property	126,148	98,761	55,765	69,615
Miscellaneous	96,347	1,900,565	2,103,213	2,106,173
Intergovernmental:				
Local government	126,000	150,000	165,000	-
Commonwealth	1,294,824	956,767	1,282,739	1,380,629
Federal	123,533	9,794	129,176	209,437
<b>Total revenues</b>	<b>\$ 7,309,438</b>	<b>\$ 8,890,820</b>	<b>\$ 9,273,689</b>	<b>\$ 9,487,620</b>
<b>Expenditures</b>				
General government administration	\$ 2,096,975	\$ 2,342,444	\$ 2,109,213	\$ 2,348,933
Public safety	1,506,641	1,566,094	1,606,485	1,626,498
Public works	2,120,074	2,812,620	2,724,992	2,821,523
Parks, recreation and cultural	41,174	27,794	33,063	26,800
Community development	607,290	517,069	486,933	412,050
Capital outlay	3,329,921	2,626,704	7,966,091	5,885,407
Debt service				
Principal	224,322	265,970	448,699	496,895
Interest and other fiscal charges	100,002	169,385	318,906	570,022
Bond issue costs	-	-	88,274	143,973
<b>Total expenditures</b>	<b>\$ 10,026,399</b>	<b>\$ 10,328,080</b>	<b>\$ 15,782,656</b>	<b>\$ 14,332,101</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (2,716,961)</b>	<b>\$ (1,437,260)</b>	<b>\$ (6,508,967)</b>	<b>\$ (4,844,481)</b>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 1,771,518	\$ 2,263,960	\$ 5,223,555	\$ 8,071,938
Transfers out	(1,554,222)	(1,043,728)	(4,003,323)	(6,956,034)
Refunding bonds issued (including bond premiums)	2,565,600	-	-	4,241,000
Issuance of debt	1,700,000	1,454,523	6,775,828	6,366,117
Proceeds from sale of property	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	(4,142,633)
<b>Total other financing sources (uses)</b>	<b>\$ 4,482,896</b>	<b>\$ 2,674,755</b>	<b>\$ 7,996,060</b>	<b>\$ 7,580,388</b>
<b>Net change in fund balances</b>	<b>\$ 1,765,935</b>	<b>\$ 1,237,495</b>	<b>\$ 1,487,093</b>	<b>\$ 2,735,907</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.99%</b>	<b>5.94%</b>	<b>10.98%</b>	<b>13.90%</b>



Table 5

	2012	2013	2014	2015	2016	2017
\$	2,526,297	\$ 2,850,968	\$ 3,095,888	\$ 3,239,133	\$ 3,472,962	\$ 3,648,248
	3,191,608	3,705,243	3,829,675	4,186,769	4,567,328	4,762,951
	81,782	102,822	217,668	161,370	142,774	157,629
	73,046	84,156	64,947	57,326	42,844	61,696
	50,350	44,400	41,890	40,442	39,846	49,464
	70,166	80,487	88,119	112,530	89,327	210,938
	-	687,739	1,102,228	253,365	223,147	773,558
	1,498,138	3,361,171	1,830,329	1,623,099	1,415,501	1,331,322
	1,690,041	34,404	111,888	68,292	837,634	415,637
\$	<u>9,181,428</u>	<u>10,951,390</u>	<u>10,382,632</u>	<u>9,742,326</u>	<u>10,831,363</u>	<u>11,411,443</u>
\$	2,366,088	\$ 2,390,979	\$ 2,515,213	\$ 2,471,121	\$ 2,611,773	\$ 2,679,550
	1,788,562	1,838,119	1,906,858	1,968,590	2,068,546	2,103,905
	2,769,287	2,747,417	3,285,281	2,729,601	3,387,426	3,014,297
	80,475	153,330	183,440	227,434	169,803	174,316
	420,361	426,093	420,836	431,276	495,504	537,634
	6,468,774	4,723,932	2,190,996	2,046,356	1,323,834	652,204
	672,460	3,440,182	8,517,384	756,531	833,543	864,121
	665,834	769,333	596,339	725,508	702,279	680,691
	-	-	165,517	-	-	-
\$	<u>15,231,841</u>	<u>16,489,385</u>	<u>19,781,864</u>	<u>11,356,417</u>	<u>11,592,708</u>	<u>10,706,718</u>
\$	<u>(6,050,413)</u>	<u>(5,537,995)</u>	<u>(9,399,232)</u>	<u>(1,614,091)</u>	<u>(761,345)</u>	<u>704,725</u>
\$	5,838,232	\$ 1,115,904	\$ 1,579,416	\$ 1,259,361	\$ 1,174,741	\$ 1,337,162
	(4,722,328)	-	(463,512)	(208,457)	(161,500)	(180,000)
	-	-	12,473,453	-	-	-
	-	4,840,000	-	215,000	-	-
	-	1,259,700	-	-	-	-
	-	-	(4,655,399)	-	-	-
\$	<u>1,115,904</u>	<u>7,215,604</u>	<u>8,933,958</u>	<u>1,265,904</u>	<u>1,013,241</u>	<u>1,157,162</u>
\$	<u>(4,934,509)</u>	<u>1,677,609</u>	<u>(465,274)</u>	<u>(348,187)</u>	<u>251,896</u>	<u>1,861,887</u>
	14.63%	33.99%	51.92%	15.94%	15.09%	15.50%

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Utility License Taxes	Motor Vehicle License Tax	Meals Taxes	Business Licenses	Other Local Taxes	Total
2017	\$ 3,648,248	\$ 1,164,728	\$ 220,180	\$ 154,425	\$ 1,910,552	\$ 765,581	\$ 547,485	\$ 8,411,199
2016	3,472,962	1,110,071	220,033	146,961	1,786,932	765,795	537,536	8,040,290
2015	3,239,133	998,571	222,625	145,791	1,607,222	677,503	535,057	7,425,902
2014	3,095,888	898,669	218,543	153,981	1,384,194	666,178	508,110	6,925,563
2013	2,850,968	931,067	209,182	149,973	1,229,495	709,692	475,834	6,556,211
2012	2,526,297	952,497	201,784	154,275	788,948	621,289	472,815	5,717,905
2011	2,526,829	878,531	208,945	136,777	775,398	549,271	447,658	5,523,409
2010	2,487,151	811,566	204,768	127,915	679,083	633,268	425,276	5,369,027
2009	2,728,737	688,327	201,503	126,268	689,856	534,537	547,409	5,516,637
2008	2,469,194	678,260	200,387	134,023	682,534	625,138	577,660	5,367,196

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2017	1,252,549,625	70,990,468	21,708,974	1,345,249,067	1,345,249,067	100.00%
2016	1,202,445,320	63,071,081	21,747,771	1,287,264,172	1,287,264,172	100.00%
2015	1,140,041,935	65,961,448	21,628,009	1,227,631,392	1,227,631,392	100.00%
2014	1,064,663,675	64,959,370	20,976,414	1,150,599,459	1,150,599,459	100.00%
2013	1,010,965,950	63,685,657	20,575,695	1,095,227,302	1,095,227,302	100.00%
2012	976,555,250	61,387,349	17,270,331	1,055,212,930	1,055,212,930	100.00%
2011	960,616,700	62,755,192	12,415,217	1,035,787,109	1,035,787,109	100.00%
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100.00%
2009	1,048,886,350 *	108,172,940	12,226,592	1,169,285,882	1,169,285,882	100.00%
2008	1,160,800,550	56,347,033	11,912,214	1,229,059,797	1,229,059,797	100.00%

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

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

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

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

Fiscal Years	Direct Rates						Overlapping Rates County of Loudoun, Virginia		
	Real Estate	FF Service Tax District	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property	Machinery and Tools
2017	.22/.22	.035/.035	1.05	0.01	0.55	N/A	1.125	4.20	2.75
2016	.22/.22	.035/.035	1.05	0.01	0.55	N/A	1.145	4.20	2.75
2015	.21/.22	.035/.035	1.05	0.01	0.55	N/A	1.135	4.20	2.75
2014	.225/.21	.035/.035	1.05	0.01	0.55	N/A	1.155	4.20	2.75
2013	.225/.225	NA/.035	1.05	0.01	0.55	N/A	1.205	4.20	2.75
2012	.23/.225	N/A	1.05	0.01	0.55	N/A	1.24	4.20	2.75
2011	.23/.23	N/A	1.05	0.01	0.55	N/A	1.29	4.20	2.75
2010	.225/.23	N/A	1.05	0.01	0.55	N/A	1.30	4.20	2.75
2009	.19/.225	N/A	1.05	0.01	0.55	N/A	1.245	4.20	2.75
2008	.18/.19	N/A	1.05	0.01	0.55	N/A	1.14	4.20	2.75

(1) Per \$100 of assessed value

Source: Town Finance Department and Treasurer of Loudoun County

Principal Real Property Taxpayers  
Current Year and 9 Years Ago

Taxpayer	Type Business	Fiscal Year 2017		Fiscal Year 2008	
		2017 Assessed Valuation	% of Total Assessed Valuation	2008 Assessed Valuation	% of Total Assessed Valuation
NSHE Fool Hollow Lake LLC	Shopping Ctr (105 Purcellville Gateway)	\$ 32,439,550	2.52%	\$ 4,674,600	0.39%
Main St. Station LLC	Shopping Center (1000 E Main St)	16,911,310	1.31%	13,158,000	1.11%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	11,739,060	0.91%	10,754,500	0.91%
S R B Enterprises LLC	Shopping Center (711 E Main St)	10,567,570	0.82%	6,213,500	0.52%
Valley Medical Center LLC	Medical Center (205 Hirst Road)	8,738,570	0.68%	5,100,100	0.43%
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,112,370	0.40%	5,931,700	0.50%
Main Street Associates LP	Apartments (123 16th St)	4,353,520	0.34%	5,699,300	0.48%
LRG-125 Hirst Road LLC	Office Building (125 Hirst Road)	4,207,030	0.33%	N/A	N/A
Purcellville Plaza LLC	201 N Maple Ave	3,869,460	0.30%	5,928,900	0.50%
Purcellville Development LLC	6.53 acre Catoctin Corner	3,840,000	0.30%	N/A	N/A
		<u>\$ 101,778,440</u>	<u>7.91%</u>	<u>\$ 57,460,600</u>	<u>4.84%</u>

Source: Loudoun County Assessor of Real Estate taxable data

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

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	RE Tax Levy for Fiscal Year	PP Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2017	3,191,567	489,048	3,680,615	3,528,421	95.86%	N/A	3,528,421	95.86%
2016	3,006,627	427,528	3,434,155	3,320,031	96.68%	101,086	3,421,117	99.62%
2015	2,833,250	438,636	3,271,886	3,099,061	94.72%	163,198	3,262,259	99.71%
2014	2,684,760	431,752	3,116,512	3,021,519	96.95%	90,461	3,111,980	99.85%
2013	2,448,170	422,435	2,870,605	2,746,752	95.69%	119,832	2,866,584	99.86%
2012	2,214,116	395,634	2,609,750	2,523,249	96.69%	80,920	2,604,169	99.79%
2011	2,208,797	383,180	2,591,977	2,494,927	96.26%	93,266	2,588,193	99.85%
2010	2,192,212	319,036	2,511,248	2,436,375	97.02%	71,372	2,507,747	99.86%
2009	2,183,022	633,639 *	2,816,661	2,725,048	96.75%	84,417	2,809,465	99.74%
2008	2,137,439	343,010	2,480,449	2,435,698	98.20%	40,063	2,475,761	99.81%

Source: Town Finance Department and Loudoun County Commissioner of Revenue

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

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Other Notes/ Bonds	General Obligation Bonds	Capital Leases			
2017	\$ 17,374,221	\$ 850,000	\$ 42,595,476	254,291	\$ 61,073,988	9.73%	\$ 7,309
2016	18,251,388	935,000	43,033,090	300,393	62,519,871	10.41%	7,672
2015	19,094,249	1,020,000	43,475,334	345,026	63,934,609	12.54%	7,917
2014	19,642,757	1,105,000	44,173,657	-	64,921,414	14.02%	8,141
2013	19,929,554	1,190,000	43,194,735	-	64,314,289	14.00%	8,132
2012	18,444,736	1,275,000	44,146,465	-	63,866,201	14.10%	8,158
2011	19,032,196	1,360,000	45,216,445	-	65,608,641	14.70%	8,416
2010	12,953,021	1,445,000	47,287,639	-	61,685,660	14.83%	7,983
2009	6,483,776	1,530,000	40,873,842	-	48,887,618	12.68%	6,406
2008	5,220,223	1,605,000	27,122,557	-	33,947,780	8.75%	4,528

Notes:

Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) - Personal income figures are derived from the Loudoun County Department of Management and Financial Services.

TOWN OF PURCELLVILLE, VIRGINIA

Legal Debt Margin Information

Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 122,474,266	\$ 111,097,731	\$ 103,391,108	\$ 103,343,018
Total net debt applicable to limit	<u>33,947,780</u>	<u>48,887,618</u>	<u>61,685,660</u>	<u>65,608,641</u>
Legal debt margin	\$ <u><u>88,526,486</u></u>	\$ <u><u>62,210,113</u></u>	\$ <u><u>41,705,448</u></u>	\$ <u><u>37,734,377</u></u>
Total net debt applicable to the limit as a percentage of debt limit	27.72%	44.00%	59.66%	59.66%



Table 12

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 99,381,070	\$ 102,790,304	\$ 108,560,416	\$ 116,163,432	\$ 122,419,309	\$ 127,425,860
<u>63,866,201</u>	<u>64,314,289</u>	<u>64,921,414</u>	<u>63,934,609</u>	<u>62,519,871</u>	<u>61,073,988</u>
\$ <u><u>35,514,869</u></u>	\$ <u><u>38,476,015</u></u>	\$ <u><u>43,639,002</u></u>	\$ <u><u>52,228,823</u></u>	\$ <u><u>59,899,438</u></u>	\$ <u><u>66,351,872</u></u>
63.49%	64.26%	59.80%	55.04%	51.07%	47.93%

## Legal Debt Margin Calculation for Fiscal Year 2016

Total assessed value of real estate	\$ 1,274,258,599
Debt limit (10% of total assessed value)	127,425,860
Net debt applicable to limit	<u>61,073,988</u>
Legal debt margin	\$ <u><u>66,351,872</u></u>

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County of Loudoun	\$ 1,447,717,767	\$ 1.50%	\$ 21,670,238
Subtotal, overlapping debt			
Town of Purcellville, direct debt (2)			\$ 18,224,221
Total direct and overlapping debt			\$ 39,894,459

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This table estimates the portion of the outstanding debt of those overlapping government's that is borne by the residents and businesses of the Town of Purcellville. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

(2) Excludes debt to related to business-type activities

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

Fiscal Year	Net Bonded Debt (1), (3)	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita
2017	\$ 61,073,988	4.54%	\$ 7,309
2016	62,519,871	4.86%	7,672
2015	63,934,609	5.21%	7,917
2014	64,921,414	5.64%	8,141
2013	64,314,289	5.87%	8,132
2012	63,866,201	6.05%	8,158
2011	65,608,641	6.33%	8,416
2010	61,685,660	5.99%	7,983
2009	48,887,618	4.18%	6,406
2008	33,947,780	2.76%	4,528

(1) Includes all long-term general obligation bonded debt, capital leases and notes payable paid from tax revenues.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Net bonded debt includes (a) general obligation debt that is tax supported and (b) general obligation debt that is supported by revenues of the Town's water and sewer system.

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Purcellville Population (1)	Loudoun County Per Capita Income (2)	Purcellville Median Age (3)	Purcellville School Age Population (4)	Loudoun County Unemployment Rate (5)
2017	8,356	75,100	33.2	2,674	3.2
2016	8,149	73,720	33.7	2,608	3.2
2015	8,075	70,057	33.6	2,563	3.8
2014	7,975	67,384	33.6	2,603	4.5
2013	7,902	66,062	33.5	2,488	4.8
2012	7,820	67,628	33.4	2,330	4.8
2011	7,786	65,283	33.5	2,297	5.0
2010	7,727	62,030	33.6	2,105	5.2
2009	7,632	60,600	33.8	2,105	5.0
2008	7,497	63,405	33.9	2,105	2.9

## Sources:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.  
2007-2009, 2011-2016: Loudoun County Department of Planning and Zoning, Estimates Series, April 15, 2016.
- (2) 2007-2014: Bureau of Economic Analysis, US Department of Commerce, November 22, 2015.  
2015-2016: Loudoun County Department of Management and Budget, December 11, 2015.
- (3) 2010: US Bureau of Census, 2010 Decennial Census.  
2005-2009, 2011-2016: Loudoun County Department of Planning and Zoning, October 6, 2016
- (4) 2003-2009: Loudoun School Census (triennial), Loudoun County Public Schools;  
2010-2015: Weldon Cooper Center for Public Service, Demographics & Workforce Group  
School-Age Population Estimates for July 1 of the year indicated.  
2016 is Department of Management and Budget estimate.
- (5) Local Area Unemployment Statistics, Virginia Employment Commission, Month of June each year.  
Values for 2010-2015 are revised.

Note: Loudoun County data was used for items 2 and 5 as no specific data is available for Purcellville.  
The Town of Purcellville is an incorporated town located in Loudoun County, Virginia.

Principal Employers  
Current Year and 9 Years Ago

Employer	Fiscal Year 2017		Fiscal Year 2008	
	Employees	Rank	Employees	Rank
Loudoun County Schools	604	1	483	1
Wholesale Screening Solutions	290	2	n/a	n/a
Blue Ridge Veterinary Assoc., Inc.	125	3	90	7
Harris Teeter	125	4	n/a	n/a
Southland Concrete	125	5	n/a	n/a
Chick-fil-A	102	6	n/a	n/a
Home School Legal Defense	100	7	90	6
Giant	85	8	147	2
Magnolia's at the Mill	84	9	n/a	n/a
Shop & Save	80	10	n/a	n/a

Source: Town Business License Renewal  
Loudoun County Public Schools

Full/Time Equivalent Town Government Employees by Function  
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	7.75	7.50	7.75	7.50	8.50	8.50	8.50	9.00	10.00	9.50
Finance Administration	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	8.00	8.60
Public Safety/Police	14.50	14.00	15.00	15.00	15.00	15.00	16.00	17.00	16.00	17.00
Public Works	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.00	6.75	6.00
General Maintenance	10.00	10.00	10.00	9.00	9.00	9.00	9.00	9.00	9.60	10.60
Planning & Zoning	4.75	4.75	4.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks & Recreation					1.00	1.00	1.00	1.00	1.00	1.20
Water Treatment	9.00	9.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00
Wastewater Treatment	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.50	9.00	9.00
Totals	<u>70.50</u>	<u>69.75</u>	<u>70.25</u>	<u>68.00</u>	<u>70.00</u>	<u>70.00</u>	<u>71.00</u>	<u>73.00</u>	<u>73.35</u>	<u>74.90</u>

Source: IRS Form 941s

Operating Indicators by Function  
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>Administration</u></b>										
Special Events	19	17	23	22	19	20	22	27	27	20
FOIA Requests Processed	160	75	157	227	161	115	105	137	135	85
<b><u>Finance</u></b>										
Utility Bills Processed	15,188	15,392	15,201	15,209	15,763	15,913	15,590	15,787	15,949	16,303
Tax Bills Processed	11,757	19,366	12,342	12,959	12,740	12,881	12,823	12,923	12,220	12,812
Accounts Payable Transactions	6,157	6,139	6,089	6,133	6,133	6,175	6,652	6,291	6,449	6,815
<b><u>Public Safety</u></b>										
Parking Violations	183	163	177	172	128	229	358	270	79	142
Traffic violations	1,618	1,356	1,671	1,692	1,021	1,457	1,152	834	624	1,038
Incident Reports	912	829	1,103	986	680	933	865	756	632	755
Warning Tickets									524	588
<b><u>Public Works</u></b>										
<b><u>Maintenance Dept.</u></b>										
Work Orders, number of	596	890	902	1,190	1,406	1,356	1,583	1,753	1,395	2,154
New Meters Installed	53	22	13	12	22	27	25	24	38	93
Miss Utility's Processed	1,355	830	899	783	1,186	905	1014	988	1,372	1,523
<b><u>Water Dept.</u></b>										
Total Gallons Treated (millions)	206	207	203	202	196	194	192	201	200	198
Samples in Compliance, % of	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Violations, number of	1	1	0	0	0	0	0	0	0	0
<b><u>Wastewater Dept.</u></b>										
Daily average of gallons treated	625,400	536,500	575,200	590,200	591,200	638,400	614,200	549,400	661,400	589,800
Complaints, number of	3	2	3	0	0	1	1	1	1	0
<b><u>Planning and Zoning</u></b>										
Occupancy Permits Issued	91	76	78	68	76	84	70	93	81	129
Zoning Permits Issued	280	179	183	179	268	140	214	202	259	306
Development Plans Processed	18	17	11	9	9	7	8	11	7	10

Source: Individual town departments.

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration										
Administration Buildings	2	2	2	2	2	1	1	1	1	1
Bus Stops for Public Transportation	1	1	1	1	6	6	6	6	6	6
Public Parking Lots	2	2	2	2	4	4	4	4	4	4
Vehicles	2	2	2	1	1	1	1	1	1	1
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Parks and Recreation										
Recreation Facilities - Buildings	2	2	2	2	2	2	2	2	2	2
Recreation Facilities - Fields, Parks	1	1	1	1	1	1	1	1	1	1
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	3	3	3	3	1	-	-	-	-	-
Vehicles	13	11	10	10	11	11	12	12	12	13
Public works										
Maintenance Dept.										
Heavy Equipment (Backhoes, etc)	13	14	17	20	20	22	22	22	23	23
Maintenance Facility	1	1	2	2	2	2	2	2	2	2
Message Boards	3	3	3	3	3	3	3	3	3	3
Traffic Signals	2	2	2	2	2	2	2	2	2	2
Vehicles	16	18	18	21	21	20	20	20	20	20
Water Dept.										
Chlorine Facility	1	1	1	1	1	1	1	1	1	1
Elevated Water Tanks	1	1	1	1	1	1	1	1	1	1
Filter Buildings	3	3	3	4	4	4	4	4	4	4
Vehicles	4	4	4	4	5	6	5	5	5	5
Water Reservoir(s)	1	1	1	1	1	1	1	1	1	1
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
Modular Bldg @ Plant	1	1	1	1	1	1	1	1	1	1
Wells/Well Houses	5	7	8	8	9	9	9	9	9	9
Wastewater Dept.										
Pump Stations	9	6	6	6	6	6	6	6	6	6
Vehicles	5	5	5	5	5	5	5	5	5	5
Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Planning and Zoning										
Vehicles	1	1	1	1	1	1	1	1	1	1

Source: Town depreciation schedule.



# ROBINSON, FARMER, COX ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Purcellville, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Purcellville, Virginia's basic financial statements, and have issued our report thereon dated November 20, 2017.

### Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
November 20, 2017