

# Comprehensive Annual Financial Report

## Year Ending June 30, 2019



**TOWN OF PURCELLVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

Prepared by:  
Elizabeth B. Krens  
Director of Finance

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## INTRODUCTORY SECTION

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## **DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2019**

### **TOWN COUNCIL**

Kwasi Fraser, Mayor  
Ryan Cool, Vice Mayor

Nedim Ogelman  
Joel Grewe  
Ted Greenly  
Chris Bledsoe  
Tip Stinnette

### **APPOINTED OFFICIALS**

David A. Mekarski.....Town Manager  
Sally Hankins.....Town Attorney  
Elizabeth B. Krens ..... Director of Finance  
Vadah B. McCann..... Director of Administration  
Patrick Sullivan..... Director of Community Development  
Buster Nicholson.....Director of Public Works  
Cynthia McAlister..... Chief of Police  
Sharon Rauch..... Director of Human Resources  
Shannon Bohince ..... Director of Information Technology

### **INDEPENDENT AUDITORS**

Brown, Edwards & Company, L.L.P.





**November 20, 2019**

**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, 2019. 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 Town management. 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 Brown, Edwards & Company, LLP, Certified Public Accountants to provide audit services. Brown Edwards has issued an unmodified opinion on the Town's financial statements for the year ended June 30, 2019. 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 about 40 miles west of Washington, D.C. Purcellville is the economic hub of western Loudoun County and a popular weekend destination for antiquing, entertainment, farmer's markets, wineries, breweries, distilleries and restaurants.

The Town has experienced significant population growth over the last several decades. Between the 2000 and 2010 Decennial Census, the population grew by approximately 4,143 persons; this represents a 116% increase over that 10-year-period. These growth trends have persisted. According to the UVA Weldon Cooper Center's Demographic Research Group, the Town's current population is 10,025 persons, equivalent to a 30% increase compared to the 2010 Census.

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 and events, 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.

### **Management and Planning:**

In April of 2018, Town Council appointed David Mekarski, AICP as Town Manager following a nationwide recruitment process. During his first year in this role, Mr. Mekarski has worked with the governing body and management team on a number of plans and projects to position the Town for success. In fall 2018, Town Council engaged in a structured goal setting process to update its vision, mission, core values and strategic initiatives to include (1) promote community and economic well-being, (2) practice good governance, (3) strengthen community partnerships, and (4) fund the future. Within these primary categories, Council crafted an action agenda of 20 goals for the 2018-2020 timeframe. These goals in turn, guide the Town's departmental work plans and budgets.

The Town selected The Novak Consulting Group to complete an Organizational Assessment with findings presented to Council in late 2018. The organizational assessment confirmed that the administration is very lean and employs a highly dedicated and professional staff committed to the highest levels of excellence. The report cited that Purcellville employs approximately 8.4 FTE's per 1,000 residents, which is the second lowest ratio to staff per 1,000 population among peer communities. Purcellville has the third lowest ratio with 3.9 FTE's per \$1 million in operating expenditures as compared to among peer communities. The report outlined responses from Town residents regarding the strengths of the organization. To that end, respondents praised the Town's services and Town staff for excellence in customer service, policing, snow

plowing, fulfilling basic needs of residents, transparency, and our efforts to involve residents in Town on decision making, our quick response to storm damage and the efficiency and effectiveness of our team, which hosts multiple Town festivals throughout the year. In all, the report provided 48 specific recommendations to increase administrative efficiency and effectiveness. The Town management team is utilizing this document in our preparation of our strategic plan with the Council, the preparation of our annual budget and work plans for all departments.

Other critical projects underway include the completion of the Personnel Compensation and Classification Study with findings presented to the Council in December 2019. The Town Council has made a commitment to address both staff and command issues within the Police Dept., increasing patrol, supervisors and administrative personnel. The Police Dept. is in a critical need to provide upgraded facilities, both on an interim and permanent basis. Our current plan calls for identifying and capitalizing an interim facility by lease, and advance the planning and capitalization for a permanent Police Headquarters with the goal of initiating construction within the next two years.

The long-term health of the Town's water and wastewater utilities are a key area of attention under Council's fund the future initiative. In early 2019, Stantec Consulting Services, Inc. was selected to complete a Utility Rate Study to refine customer classes based on cost of service and develop a sustainable rate structure. Stantec's unique financial modeling tool will allow Council to test various scenarios in order to adopt a multi-year plan for rate increases to achieve structural balance within each fund while complying with the Town's fiscal policies. Another key utility related goal is a resource management plan to address the Town's current and future water and wastewater needs. A Water Resource Study conducted by Jacobs Engineering is underway and will inform decisions regarding the scope and timing of the utility Capital Improvement Plan (CIP) and debt strategies. Public Works is also working to develop a Capital Maintenance Plan (CPM) to ensure the Town's existing assets and facilities are maintained in good working condition.

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

No new debt was issued during fiscal year 2019 and the Town retained its 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. Future debt needs identified in the Town's capital improvement plan (CIP) include a new police facility in the general fund and utility projects beginning in FY21.

The Town's assessed value of taxable real property totaling \$1.4 billion increased by 5.22% and preliminary forecasts for 2020 anticipate continued growth for both existing property values and new construction with the Mayfair, Catoctin Corner and Blue Ridge Estates projects. For tax year 2019, 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 \$.030 per \$100 of assessed value. The FY20 budget included a 3% increase in water and sewer rates effective July 2019. As stated earlier, the Stantec Utility Rate Study findings will allow Council to develop a multi-year plan for future rate increases to attain structural balance as new connections slow.

At the end of fiscal year 2019, the Town's total net position increased by \$2,145,297 of which \$1,108,811 was from governmental activities and \$1,036,486 was from business-type or utility activities. In addition, the governmental fund's total fund balance at the end of fiscal year 2019 was \$9.7 million. Of this amount, \$6.3 million, or 65% of General fund expenditures, was unassigned and available for future spending. This amount is well in excess of the Town's fiscal policy target of \$3 million or 30% of total revenues.

While Purcellville has limited land availability for growth and expansion within its borders, it is committed to strengthen its economic base through strategic decisions to support the retention of existing businesses and the attraction of new businesses in retail, restaurants and commerce.

The recent announcement of the Amazon Arlington Headquarters, 55 miles from the Town of Purcellville will usher in both new opportunities and impacts for the Town. With the estimated employment of 25,000 high wage new jobs, Purcellville intends to position itself to capture new strength in its tourism sector from visitors looking to enjoy our regions small town, rural charm and our multiple amenities in equestrian, wineries, craft brewing, distilleries and restaurants. As Western Loudoun's gateway to our nation's Appalachian Trail and terminus of the W&OD trail that runs from Arlington to Purcellville, our community stands to be in an excellent position for increases in overall property assessments, sales tax, meals tax and personal property tax.

While the Town of Purcellville is not encouraging future annexations to increase residential development, a number of vacant parcels are continuing their buildout, increasing our total assessed valuation and providing new opportunities for revenue enhancement of our sales tax and meals tax. The Village Case subdivision is committed to constructing an additional twenty-four single-family homes with an assessed value of \$550,000 each for a total assessed value of \$13.2 million. Blue Ridge Estates is currently building twenty luxury single-family homes with an assessed value of \$750,000 each for a total assessed value of \$15 million. These two developments alone will increase our property tax revenues by approximately \$62,000 annually. In addition, water and sewer availability fees for the two developments are estimated to total over \$2 million.

In addition to these residential developments, two additional restaurants have announced their location within our community; one representing multi-million dollar new construction within our downtown corridor and the second within the historic district. Both of these facilities will increase sales tax, meals tax and assessed valuation in subsequent fiscal years. Two large storage facilities are in the planning phases; one to include fifty-six mini storage units and the other to provide climate control storage. Both developments represent a multi-million dollar investment within our light industrial corridor.

Over the last two years, the Town has approved a major expansion of its commercial retail corridor permitting eight new retail/restaurant/service pad sites totaling over fifty thousand square feet. This gateway development, Catoctin Corner, is generating substantial increases in our sales tax, meals tax and commercial assessed valuation.

## **Major Awards and Initiatives:**

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in fiscal year 2019:

- Received 10<sup>th</sup> consecutive GFOA Distinguished Budget Presentation Award for fiscal year 2019.
- Received 11<sup>th</sup> consecutive GFOA Certificate of Achievement for fiscal year 2018 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 12<sup>th</sup> annual Tree City USA designation from the Arbor Day Foundation.
- Received 2018 Tree City USA Growth Award from the Arbor Day Foundation for demonstrating Education and Public Relations, Planning and Management, and Tree Planting and Maintenance at a high level.
- Continued implementation of Tyler Technologies Munis ERP system.  
Kickoff in May 2016  
Tax/Revenue Module- Live February 2017  
Financials Module- Live October 2017 (2 months ahead of schedule)  
Business License Module- Live January 2018  
Open Finance Transparency Portal- Live November 2019  
Utility Billing Module- under implementation, target completion February 2020  
HR/Payroll- under implementation, target completion January 2020  
Citizen Self Service- implementation to follow Utility Module completion  
Employee Self Service- implementation to follow HR/Payroll Module completion
- Received 11<sup>th</sup> consecutive Water Treatment Plant Excellence in Granular Filter Media Performance Silver Award.
- Continued work on the Comprehensive Plan (target completion 2020).
- Infrastructure planning projects completed: FUGRO Street Condition Survey, preliminary Pavement Management Plan
- Infrastructure projects completed: A Street Trail from Blue Ridge Middle School to S. Maple Avenue, Hirst Road Improvements, A Street & S. 32nd Street Intersection Improvements (Roundabout).
- Infrastructure projects under design: 12th Street Drainage and Road Improvements, 32nd & Main Street Intersection Improvements, F Street Water Main Replacement, Hall Avenue & O Street Water Main Replacement, Hatcher Avenue Sidewalk Improvements, Hirst Farm Pond Retrofit, Phase 2 Main Street & Maple Avenue Intersection Improvements, Nature Park Wells, Groundwater Supply Connection Project, Nursery Avenue Improvements, Path from LVHS to Sutton, West End Pump Station 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, 2018 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.

In closing, we would like to thank the entire Finance team for their work year-round to manage the Town's financial records and systems. In particular, we would like to acknowledge Paula Hicks, Accounting Manager, whose expertise and professionalism ensures this financial document is accurate, complete and timely in its release.

Sincerely,

A handwritten signature in dark ink, appearing to read 'David A. Mekarski', with a large, sweeping initial 'D'.

David A. Mekarski, AICP  
Town Manager

A handwritten signature in dark ink, appearing to read 'Elizabeth B. Krens', with a stylized 'E' and 'B'.

Elizabeth B. Krens  
Director of Finance



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

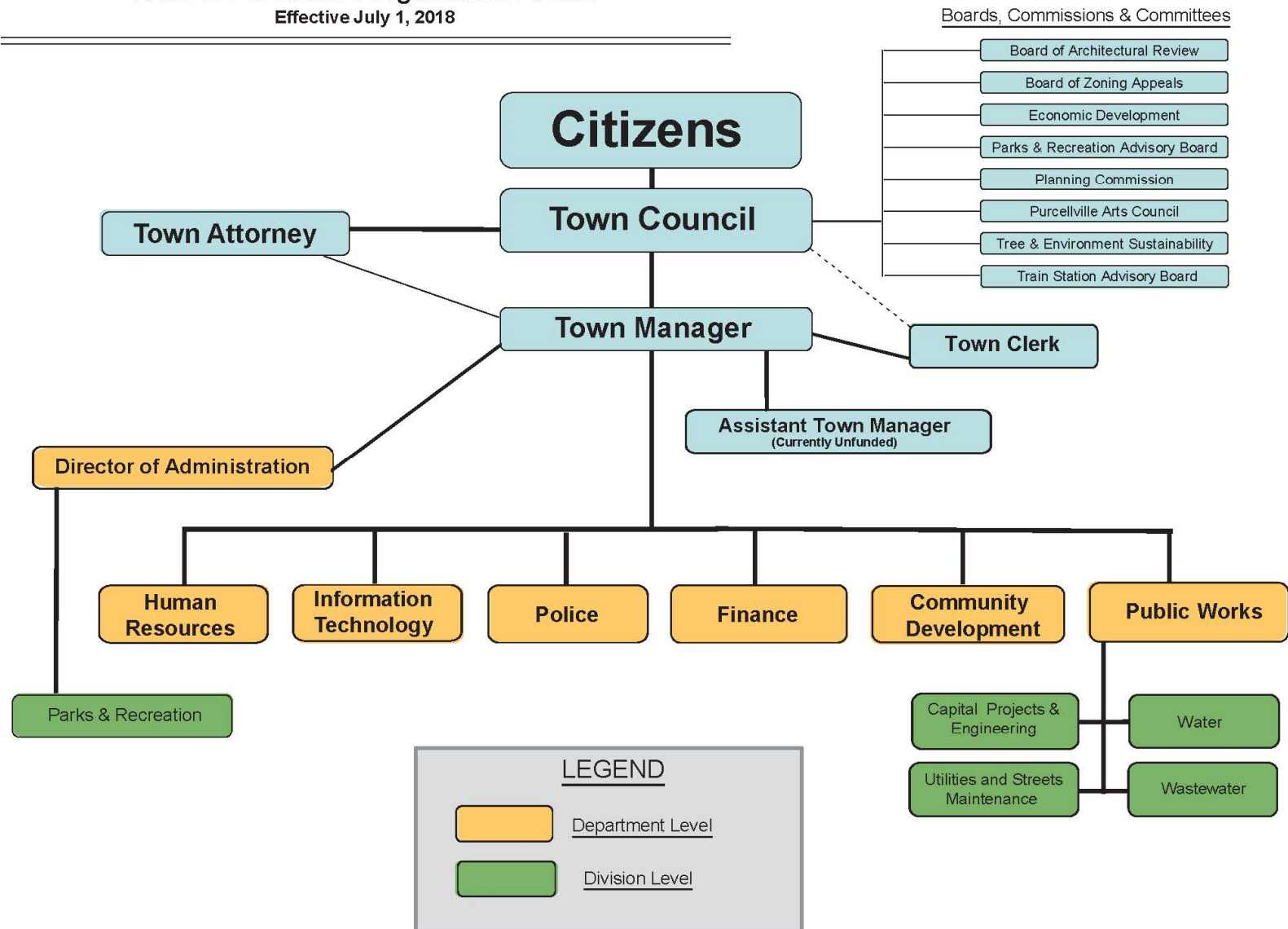
**June 30, 2018**



Executive Director/CEO



**Town of Purcellville Organization Chart:**  
Effective July 1, 2018



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of Town Council  
Town of Purcellville, Virginia  
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 the Town of Purcellville, Virginia (the "Town") as of and for the year ended June 30, 2019, 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.

#### *Auditor's 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 auditor's 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.

## **Report on the Financial Statements (Continued)**

### *Auditor's Responsibility (Continued)*

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Purcellville, Virginia, as of June 30, 2019, 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 management's discussion and other required supplementary information listed in the table of contents 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.

### *Other Information*

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Matters (Continued)***Other Information (Continued)*

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, 2019 on our consideration of the Town'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 solely 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 the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 20, 2019

## 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, 2019. 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 \$69,283,693 (*net position*). Of this amount, \$16,164,890 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$2,145,297, of which the governmental activities accounted for a \$1,108,811 increase and business-type activities accounted for a \$1,036,486 increase.
- The ending fund balance of the Town's general fund was \$6,910,637, an increase of \$1,096,055 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,299,036, or 65% of the general fund expenditures.
- The Town's total long-term obligations decreased by \$418,162 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 5 through 6 of this report.



**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

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**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 7 through 10 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 11 through 13 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 14 through 46 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 postemployment benefits. Required supplementary information can be found on pages 48 through 68 of this report.

**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

**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 \$69,283,693 at the close of the most recent fiscal year. A large portion of the Town's net position (\$50,509,945, 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:

<b>Town of Purcellville, Virginia</b>						
<b>Summary of Net Position</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Capital assets, net	\$ 51,043,948	\$ 51,283,975	\$ 52,402,968	\$ 53,252,853	\$ 103,446,916	\$ 104,536,828
Other assets	12,624,990	11,240,117	15,640,677	13,812,831	28,265,667	25,052,948
<b>Total assets</b>	<b>\$ 63,668,938</b>	<b>\$ 62,524,092</b>	<b>\$ 68,043,645</b>	<b>\$ 67,065,684</b>	<b>\$ 131,712,583</b>	<b>\$ 129,589,776</b>
Deferred outflows of resources	\$ 822,783	\$ 658,654	\$ 2,526,955	\$ 2,627,807	\$ 3,349,738	\$ 3,286,461
Long-term liabilities, net	\$ 18,929,924	\$ 19,041,451	\$ 41,845,671	\$ 42,152,306	\$ 60,775,595	\$ 61,193,757
Other liabilities	1,157,172	778,678	1,373,215	1,170,547	2,530,387	1,949,225
<b>Total liabilities</b>	<b>\$ 20,087,096</b>	<b>\$ 19,820,129</b>	<b>\$ 43,218,886</b>	<b>\$ 43,322,853</b>	<b>\$ 63,305,982</b>	<b>\$ 63,142,982</b>
Deferred inflows of resources	\$ 2,337,376	\$ 2,404,179	\$ 135,270	\$ 190,680	\$ 2,472,646	\$ 2,594,859
Net position:						
Net investment in capital assets	\$ 36,541,656	\$ 36,103,203	\$ 13,968,289	\$ 14,617,526	\$ 50,509,945	\$ 50,720,729
Restricted	2,608,858	1,701,564	-	-	2,608,858	1,701,564
Unrestricted	2,916,735	3,153,671	13,248,155	11,562,432	16,164,890	14,716,103
<b>Total net position</b>	<b>\$ 42,067,249</b>	<b>\$ 40,958,438</b>	<b>\$ 27,216,444</b>	<b>\$ 26,179,958</b>	<b>\$ 69,283,693</b>	<b>\$ 67,138,396</b>

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 \$2,145,297 during the current fiscal year. The governmental activities reported an increase of \$1,108,811 and the business-type activities reported an increase in net position of \$1,036,486.

**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

**Overview of the Financial Statements (Continued)**

**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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 323,640	\$ 352,980	\$ 5,269,352	\$ 5,201,758	\$ 5,592,992	\$ 5,554,738
Operating grants and contributions	1,229,911	825,145		12,164	1,229,911	837,309
Capital grants and contributions	368,774	1,642,735	1,894,160	5,114,232	2,262,934	6,756,967
General revenues:						
Property taxes	4,220,164	3,889,211	-	-	4,220,164	3,889,211
Other taxes	5,122,301	4,767,452	-	-	5,122,301	4,767,452
Unrestricted revenues from the use of money and property	44,680	75,600	210,882	444,277	255,562	519,877
Unrestricted investment income	149,046	21,713	247,014	38,860	396,060	60,573
Miscellaneous	185,791	173,981		20,000	185,791	193,981
Grants and contributions not restricted to specific programs	-	362,408	-	-	-	362,408
Gain (loss) on sale of capital asset	-	(14,987)	-	-	-	(14,987)
Total revenues	<u>\$ 11,644,307</u>	<u>\$ 12,096,238</u>	<u>\$ 7,621,408</u>	<u>\$ 10,831,291</u>	<u>\$ 19,265,715</u>	<u>\$ 22,927,529</u>
Expenses:						
General government administration	\$ 3,378,091	\$ 3,437,040	\$ -	\$ -	\$ 3,378,091	\$ 3,437,040
Public safety	2,584,402	2,302,104	-	-	2,584,402	2,302,104
Public works	2,525,765	2,227,327	-	-	2,525,765	2,227,327
Parks, recreation and culture	279,894	422,519	-	-	279,894	422,519
Community development	1,297,069	2,015,654	-	-	1,297,069	2,015,654
Interest and other fiscal charges	470,275	643,001	-	-	470,275	643,001
Water	-	-	2,894,441	3,008,206	2,894,441	3,008,206
Sewer	-	-	3,690,481	3,856,998	3,690,481	3,856,998
Total expenses	<u>\$ 10,535,496</u>	<u>\$ 11,047,645</u>	<u>\$ 6,584,922</u>	<u>\$ 6,865,204</u>	<u>\$ 17,120,418</u>	<u>\$ 17,912,849</u>
Increase (decrease) in net position	\$ 1,108,811	\$ 1,048,593	\$ 1,036,486	\$ 3,966,087	\$ 2,145,297	\$ 5,014,680
Beginning net position	40,958,438	39,909,845	26,179,958	22,213,871	67,138,396	62,123,716
Ending net position	<u>\$ 42,067,249</u>	<u>\$ 40,958,438</u>	<u>\$ 27,216,444</u>	<u>\$ 26,179,958</u>	<u>\$ 69,283,693</u>	<u>\$ 67,138,396</u>

Generally, changes in net position reflect the difference between revenues and expenses. The Town reported an increase in net position of governmental activities by \$1,108,811. Governmental revenues decreased over 2018 by \$0.452 million driven by decreases in grants and contributions from the County and VDOT revenue sharing for community projects. Governmental expenses decreased by \$0.512 million largely due to a reduction in community enhancement projects. The combination of these factors resulted in a slight increase in the change in net position for governmental activities in 2019 as compared to 2018.

Business-type activities increased the Town's net position by \$1,036,486 as revenues exceeded expenses. 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 expenses incurred because of service demands. Business-type revenues decreased by \$3.210 million over 2018 as new utility connections slowed. Business-type expenses decreased by \$0.280 million over 2018. The combination of these factors resulted in a \$2.930 million decrease in the change in net position for business-type activities in 2019 as compared to 2018.

**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

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**Overview of the Financial Statements (Continued)**

**Government-wide Financial Analysis (Continued)**

**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 \$10,610,071, a \$596,273 increase over 2018. The categories of greatest growth were general property taxes, meals tax, business license tax, sales tax and investment income. General fund expenditures, excluding principal payments, totaled \$8,998,088, \$472,389 more than 2018 largely driven by increases in personnel costs, street maintenance and capital outlay.

Special parks and recreation fund revenues totaled \$470,696, a decrease of \$113,296 over 2018 largely due to reduced rent associated with the concessionaire agreement with Shaun Alexander Enterprises, Inc. (SAE) and reduced revenue associated with the Wine and Food Festival managed by SAE in FY 2019. Expenditures, excluding principal payments, totaled \$301,562, \$162,088 less than 2018 due largely to reduced interest cost following the debt pay-off in 2018.

Capital projects fund revenues totaled \$531,588, a \$967,413 decrease over 2018 largely due to decreased contributions from Loudoun County and State funding. Expenditures totaled \$836,675, \$463,586 more than 2018 due to execution of projects.

The town's total governmental fund balance was \$9,665,673 at the end of 2019, an increase of \$875,102 over 2018. Of this amount, \$6,299,036 was unassigned and available for future spending, an increase of \$1,122,685 over 2018 primarily a result of excess revenues over expenditures in the general fund.

**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 \$2,195,929, an increase of \$16,227 over 2018 driven by new users and a 2% rate increase. Operating expenses totaled \$2,558,709, an increase of \$164,973 over 2018. This increase was primarily driven by long range planning and watershed management costs.

Non-operating revenues less expenses increased by \$150,806 a net result of increased investment income, decreased forestry revenue and no bond issuance costs. Contributed capital totaled \$1,107,422, a decrease of \$1,674,010 over 2018 due to a decrease in new utility connections. The water fund's ending net position for 2019 was \$11,750,138, of which \$6,680,985 was unrestricted. The 2019 increase in unrestricted net position of \$819,123 is largely a result of new connections.

**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

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**Financial Analysis of the Town's Funds (Continued)**

Wastewater Fund operating revenues totaled \$3,073,423, an increase of \$51,367 over 2018 driven by new users and a 2% rate increase. Operating expenses totaled \$2,595,738, an increase of \$112,899 over 2018. This increase was primarily driven by personnel and lab costs.

Non-operating revenues less expenses increased in 2019 by \$349,943 as bond issuance costs were not incurred in 2019. Contributed capital totaled \$786,738, a decrease of \$1,546,062 over 2018 due to a decrease in new utility connections. The sewer fund's ending net position for 2019 was \$15,466,306, of which \$6,567,170 was unrestricted. The 2019 increase in unrestricted net position of \$866,600 is largely a result of new connections.

The town's total net position at the end of 2019 for the two proprietary funds was \$27,216,444, \$13,248,155 of which was unrestricted.

**General Fund Budgetary Highlights**

General fund revenues exceeded budget projections by \$746,112 in 2019. The largest positive trend was reported in property taxes as development associated with Mayfair built-out faster than was anticipated. Other categories exceeding budget forecasts were meals tax, business license tax, sales tax and investment income. A few categories did not meet budget forecasts including cigarette tax (declining revenue as smoking declines), zoning fees, proceeds from sale of property (as vehicles replaced by Enterprise leases were not sold in 2019), police fines, insurance reimbursements and communications tax.

The 2019 expenditures were \$433,847 less than budget. All departments executed expenditures below budget, with the exception of legal. The largest expenditure savings were seen in public works (consulting, planning, training savings) and public safety (personnel vacancies, consulting, firearms savings).

**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, 2019, amounts to \$103,446,916 (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)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Buildings	9,604,739	9,905,571	-	-	9,604,739	9,905,571
Improvements other than buildings	3,027,190	3,256,069	34,300	55,100	3,061,490	3,311,169
Machinery and equipment	372,057	381,310	638,311	661,615	1,010,368	1,042,925
Vehicles	185,393	80,936	59,991	52,671	245,384	133,607
Infrastructure	31,703,514	32,345,709	-	-	31,703,514	32,345,709
Utility plant in service	-	-	48,330,495	49,240,349	48,330,495	49,240,349
Construction in progress	1,840,291	1,003,616	300,362	203,609	2,140,653	1,207,225
<b>Total</b>	<b>\$ 51,043,948</b>	<b>\$ 51,283,975</b>	<b>\$ 52,402,968</b>	<b>\$ 53,252,853</b>	<b>\$ 103,446,916</b>	<b>\$ 104,536,828</b>

Additional information on the Town's capital assets can be found in Note 5 on pages 26 and 27 of this report.

**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

**Capital Asset and Debt Administration (Continued)**

**Long-term obligations:** At the end of the current fiscal year, the Town had total outstanding obligations of \$60,775,595 and details are summarized in the following table:

**Town of Purcellville, Virginia**  
**Outstanding Obligations**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
General obligation bonds	\$ 13,900,005	\$ 14,657,946	\$ 40,605,881	\$ 40,921,224	\$ 54,505,886	\$ 55,579,170
Notes payable	680,000	765,000	-	-	680,000	765,000
Capital leases	135,983	-	179,595	206,671	315,578	206,671
Net pension liability	32,590	18,776	10,124	6,162	42,714	24,938
Net OPEB liabilities	3,837,307	3,292,361	969,541	942,797	4,806,845	4,235,158
Compensated absences	344,039	307,368	80,530	75,452	424,569	382,820
<b>Total</b>	<b>\$ 18,929,924</b>	<b>\$ 19,041,451</b>	<b>\$ 41,845,671</b>	<b>\$ 42,152,306</b>	<b>\$ 60,775,595</b>	<b>\$ 61,193,757</b>

Obligations associated with governmental activities decreased by \$111,527 in 2019 due to regular principal payments.

Obligations associated with business-type activities decreased by \$306,635 in 2019 due to regular principal payments.

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, 2019.

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 50 miles west of Washington, DC with a population of approximately 10,025. Once a stop along the W&OD rail line, Purcellville has maintained its historic old-town feel reflecting the Victorian architecture popular in the early 1900's while enjoying the economic benefits of the D.C. region. Today, Purcellville is the economic hub of western Loudoun County and a popular weekend destination for antiquing, equestrian activities, farmer's markets, wineries, breweries, distilleries and restaurants. Purcellville's median household income is high at \$117,736 with a low unemployment rate of 2.4%.

In September 2017, all three national credit rating agencies affirmed the Town's strong investment grade credit ratings of:

- o Standard and Poors (AAA – Stable Outlook)
- o Moody's (Aa2)
- o Fitch (AA – Positive Outlook)



**Town of Purcellville, Virginia**  
**Management's Discussion and Analysis**

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

In 2019, the town's general fund continues to benefit from a diversified revenue stream. The largest categories are property tax (35%), meals tax (21%), sales tax (12%), revenue from the Commonwealth (11%), and business license (8%).

Purcellville's real property assessments increased by 5.22% in 2019, made up of a 2.69% increase in existing property values and a 2.53% increase in new construction and growth. The town expects to see continued growth in assessed values in 2020 as the Mayfair, Catoctin Corner and Blue Ridge Estates projects are completed. The current residential/business tax base split is 79/21%. The property tax rates remained unchanged in 2019 with the real estate tax rate at \$0.22 per \$100 of assessed value and the Fireman's Field Service tax rate at \$0.03. The Fireman's Field special assessment is used to support recreational and cultural facilities and activities and is reported in the Parks and Recreation special revenue fund.

In the Proprietary funds, Town Council increased water and sewer user rates by 3% effective July 2019. As availability fees are expected to decline significantly after the buildout of Mayfair and Blue Ridge Estates, the Town is now working with a utility rate consultant to refine customer classes based on cost of service and to develop a sustainable rate structure. A Water Resource Study is also underway to match capacity with long-term production requirements.

**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:

Town Manager  
Town of Purcellville  
221 S. Nursery Ave.  
Purcellville, VA 20132

# **BASIC FINANCIAL STATEMENTS**

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## TOWN OF PURCELLVILLE, VIRGINIA

STATEMENT OF NET POSITION  
June 30, 2019

	Primary Government		
	Governmental Activities	BusinessType Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 5,099,203	\$ 11,491,218	\$ 16,590,421
Cash and cash equivalents, restricted (Note 2)	2,608,858	-	2,608,858
Investments (Note 2)	2,082,862	3,129,176	5,212,038
Receivables, net			
Taxes receivable	1,976,636	-	1,976,636
Accounts receivable	235,401	916,618	1,152,019
Service concession arrangement receivable (Note 3)	96,000	-	96,000
Due from other governmental units (Note 4)	464,192	-	464,192
Inventories	61,838	91,125	152,963
Prepaid expenses	-	12,540	12,540
Capital assets, net (Note 5)			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	9,604,740	-	9,604,740
Improvements other than buildings	3,027,190	34,300	3,061,490
Machinery and equipment	372,057	638,311	1,010,368
Vehicles	185,393	59,991	245,384
Infrastructure	31,703,513	-	31,703,513
Utility plant in service	-	48,330,495	48,330,495
Construction in progress	1,840,291	300,362	2,140,653
Total assets	<u>63,668,938</u>	<u>68,043,645</u>	<u>131,712,583</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	213,755	2,350,808	2,564,563
Deferred outflows related to pensions (Note 8)	363,546	112,937	476,483
Deferred outflows related to other postemployment benefits (Notes 9 & 10)	245,482	63,210	308,692
Total deferred outflows of resources	<u>822,783</u>	<u>2,526,955</u>	<u>3,349,738</u>
<b>LIABILITIES</b>			
Accounts payable	587,697	323,139	910,836
Accrued liabilities	220,729	41,265	261,994
Customer deposits	124,547	487,115	611,662
Accrued interest payable	224,199	521,696	745,895
Long-term liabilities:			
Net pension liability (Note 8)	32,590	10,124	42,714
Net other postemployment benefit liabilities (Notes 9 & 10)	3,837,307	969,541	4,806,848
Due within one year (Note 6)	935,403	492,354	1,427,757
Due in more than one year (Note 6)	14,124,624	40,373,652	54,498,276
Total liabilities	<u>20,087,096</u>	<u>43,218,886</u>	<u>63,305,982</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes (Note 7)	1,769,986	-	1,769,986
Deferred service concession arrangement (Note 3)	96,000	-	96,000
Deferred inflows related to pensions (Note 8)	256,794	79,774	336,568
Deferred inflows related to other postemployment benefits (Notes 9 & 10)	214,596	55,496	270,092
Total deferred inflows of resources	<u>2,337,376</u>	<u>135,270</u>	<u>2,472,646</u>
<b>NET POSITION</b>			
Net investment in capital assets	36,541,656	13,968,289	50,509,945
Restricted:			
State highway maintenance	371,240	-	371,240
Loudoun County settlement funds	178,754	-	178,754
Fireman's field	90,275	-	90,275
Proffers	1,018,924	-	1,018,924
Loudoun County transportation and sidewalk projects	949,665	-	949,665
Unrestricted	<u>2,916,735</u>	<u>13,248,155</u>	<u>16,164,890</u>
Total net position	<u>\$ 42,067,249</u>	<u>\$ 27,216,444</u>	<u>\$ 69,283,693</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities							
General government administration	\$ 3,378,091	\$ 181,409	\$ 338,358	\$ -	\$ (2,858,324)		\$ (2,858,324)
Public safety	2,584,402	50,466	199,913	-	(2,334,023)		(2,334,023)
Public works	2,525,765	-	686,484	-	(1,839,281)		(1,839,281)
Parks, recreation, and cultural	279,894	-	5,156	-	(274,738)		(274,738)
Community development	1,297,069	91,765	-	368,774	(836,530)		(836,530)
Interest and other fiscal charges	470,275	-	-	-	(470,275)		(470,275)
Total governmental activities	10,535,496	323,640	1,229,911	368,774	(8,613,171)		(8,613,171)
Business-type activities							
Water	2,894,441	2,195,929	-	1,107,422		408,910	408,910
Sewer	3,690,481	3,073,423	-	786,738		169,680	169,680
Total business-type activities	6,584,922	5,269,352	-	1,894,160		578,590	578,590
Total primary government	\$ 17,120,418	\$ 5,592,992	\$ 1,229,911	\$ 2,262,934	(8,613,171)	578,590	(8,034,581)
General revenues:							
Taxes:							
General property taxes					4,220,164	-	4,220,164
Local sales and use					1,225,507	-	1,225,507
Business licenses					888,515	-	888,515
Utility license					222,898	-	222,898
Meals					2,206,283	-	2,206,283
Cigarette					209,943	-	209,943
Franchise					356,412	-	356,412
Other local taxes					12,743	-	12,743
Unrestricted revenues from use of property					44,680	210,882	255,562
Unrestricted investment income					149,046	247,014	396,060
Miscellaneous					185,791	-	185,791
Total general revenues					9,721,982	457,896	10,179,878
Change in net position					1,108,811	1,036,486	2,145,297
NET POSITION AT JULY 1					40,958,438	26,179,958	67,138,396
NET POSITION AT JUNE 30					\$ 42,067,249	\$ 27,216,444	\$ 69,283,693

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	General Fund	Special Revenue (Parks & Recreation)	Capital Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 4,378,282	\$ 359,666	\$ 361,255	\$ 5,099,203
Cash and cash equivalents, restricted (Note 2)	371,240	-	2,237,618	2,608,858
Investments (Note 2)	2,082,862	-	-	2,082,862
Receivables, net				
Taxes receivable	1,762,436	214,200	-	1,976,636
Accounts receivable	235,401	-	-	235,401
Due from other governmental units (Note 4)	235,607	-	228,585	464,192
Inventories	61,838	-	-	61,838
Total assets	<u>\$ 9,127,666</u>	<u>\$ 573,866</u>	<u>\$ 2,827,458</u>	<u>\$ 12,528,990</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 227,247	\$ 27,942	\$ 332,508	\$ 587,697
Accrued liabilities	152,021	9,394	59,314	220,729
Customer deposits	123,397	1,150	-	124,547
Total liabilities	<u>502,665</u>	<u>38,486</u>	<u>391,822</u>	<u>932,973</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property taxes	1,714,364	215,980	-	1,930,344
Total deferred inflows of resources	<u>1,714,364</u>	<u>215,980</u>	<u>-</u>	<u>1,930,344</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	61,838	-	-	61,838
Prepays	-	-	-	-
Restricted for:				
State highway maintenance	371,240	-	-	371,240
Loudoun County settlement funds	-	-	178,754	178,754
Hirst pond	-	-	90,275	90,275
Proffers	-	-	1,018,924	1,018,924
Loudoun County transportation and sidewalk projects	-	-	949,665	949,665
Total restricted fund balance	<u>371,240</u>	<u>-</u>	<u>2,237,618</u>	<u>2,608,858</u>
Committed for:				
Future capital outlay	104,937	-	-	104,937
Capital asset replacement	73,586	-	-	73,586
Parks & recreation	-	319,400	-	319,400
Total committed fund balance	<u>178,523</u>	<u>319,400</u>	<u>-</u>	<u>497,923</u>
Assigned:				
Capital projects	-	-	198,018	198,018
Unassigned	6,299,036	-	-	6,299,036
Total fund balances	<u>6,910,637</u>	<u>319,400</u>	<u>2,435,636</u>	<u>9,665,673</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,127,666</u>	<u>\$ 573,866</u>	<u>\$ 2,827,458</u>	<u>\$ 12,528,990</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2019**

**Ending fund balance – governmental fund** \$ 9,665,673

Amounts reported for governmental activities in the Statement of Net Position  
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds. 51,043,948

Certain receivables are not available to pay for current period expenditures and  
therefore are deferred in the funds. 160,358

Financial statement elements related to pensions are applicable to future  
periods and, therefore, are not reported in the funds.

Pension related deferred outflows	363,546
Pension related deferred inflows	(256,794)
Net pension liability	(32,590)

Financial statement elements related to other postemployment benefits are  
applicable to future periods and, therefore, are not reported in the funds.

Other postemployment benefit related deferred outflows	245,482
Other postemployment benefit related deferred inflows	(214,596)
Net other postemployment benefit liabilities	(3,837,307)

Deferred refunding costs are not financial resources and, therefore, are not  
reported in the funds. 213,755

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and, therefore, are not reported in the funds.

Total long-term liabilities	\$ (15,060,027)	
Accrued interest payable	(224,199)	
	(15,284,226)	(15,284,226)

**Total net position – governmental activities** \$ 42,067,249



## TOWN OF PURCELLVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Special Revenue (Parks &amp; Recreation)</b>	<b>Capital Fund</b>	<b>Total</b>
<b>REVENUES</b>				
General property taxes	\$ 3,763,115	\$ 425,097	\$ -	\$ 4,188,212
Other local taxes	5,122,301	-	-	5,122,301
Permits, privilege fees, and regulatory licenses	273,174	-	-	273,174
Fines and forfeitures	50,466	-	-	50,466
Revenue from use of property	15,000	29,680	-	44,680
Investment income	112,977	-	36,069	149,046
Miscellaneous	43,783	15,263	126,745	185,791
Intergovernmental				
Local government	-	-	223,579	223,579
Commonwealth	1,196,615	656	97,548	1,294,819
Federal	32,640	-	47,647	80,287
Total revenues	<u>10,610,071</u>	<u>470,696</u>	<u>531,588</u>	<u>11,612,355</u>
<b>EXPENDITURES</b>				
Current				
General government administration	2,974,232	-	-	2,974,232
Public safety	2,506,891	-	-	2,506,891
Public works	2,329,499	-	-	2,329,499
Parks, recreation, and cultural	-	279,696	-	279,696
Community development	459,406	-	-	459,406
Capital outlay	191,107	-	836,675	1,027,782
Debt service				
Principal retirement	657,353	85,000	-	742,353
Interest and other fiscal charges	536,953	21,866	-	558,819
Total expenditures	<u>9,655,441</u>	<u>386,562</u>	<u>836,675</u>	<u>10,878,678</u>
Excess (deficiency) of revenues over (under) expenditures	<u>954,630</u>	<u>84,134</u>	<u>(305,087)</u>	<u>733,677</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	50,000	50,000
Transfers out	-	(50,000)	-	(50,000)
Capital leases	141,425	-	-	141,425
Total other financing sources (uses)	<u>141,425</u>	<u>(50,000)</u>	<u>50,000</u>	<u>141,425</u>
Net change in fund balance	1,096,055	34,134	(255,087)	875,102
<b>FUND BALANCE AT JULY 1</b>	<u>5,814,582</u>	<u>285,266</u>	<u>2,690,723</u>	<u>8,790,571</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 6,910,637</u></u>	<u><u>\$ 319,400</u></u>	<u><u>\$ 2,435,636</u></u>	<u><u>\$ 9,665,673</u></u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

<b>Net change in fund balance – total governmental fund</b>		<b>\$ 875,102</b>
Amounts reported for governmental activities in the statement of activities are		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated		
Capital outlays	\$ 911,715	
Depreciation expense	<u>(1,293,167)</u>	(381,452)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		31,952
Governmental funds report employer contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	272,766	
Pension expense	<u>(173,785)</u>	98,981
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	19,956	
Other postemployment benefit expense	<u>(329,954)</u>	(309,998)
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, notes payable, and capital leases	742,353	
Amortization of premiums	<u>106,030</u>	848,383
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.		
Change in compensated absences	(36,671)	
Change in accrued interest payable	10,933	
Amortization of deferred change on refunding	<u>(28,419)</u>	(54,157)
<b>Change in net position of governmental activities</b>		<b><u>\$ 1,108,811</u></b>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
June 30, 2019**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents (Note 2)	\$ 5,581,814	\$ 5,909,404	\$ 11,491,218
Investments (Note 2)	2,086,117	1,043,059	3,129,176
Accounts receivable, net	341,372	575,246	916,618
Inventories	46,073	45,052	91,125
Prepaid items	11,085	1,455	12,540
Total current assets	<u>8,066,461</u>	<u>7,574,216</u>	<u>15,640,677</u>
Noncurrent assets			
Capital assets (Note 5)			
Land	2,672,409	367,100	3,039,509
Utility plant in service	14,819,065	44,860,801	59,679,866
Improvements other than buildings	445,000	-	445,000
Vehicles	238,807	201,333	440,140
Machinery and equipment	542,785	860,987	1,403,772
Construction in progress	80,482	219,880	300,362
Accumulated depreciation	(5,136,242)	(7,769,439)	(12,905,681)
Total capital assets	<u>13,662,306</u>	<u>38,740,662</u>	<u>52,402,968</u>
Total noncurrent assets	<u>13,662,306</u>	<u>38,740,662</u>	<u>52,402,968</u>
Total assets	<u>21,728,767</u>	<u>46,314,878</u>	<u>68,043,645</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	746,043	1,604,765	2,350,808
Deferred outflows related to pensions (Note 8)	55,673	57,264	112,937
Deferred outflows related to other postemployment benefits (Notes 9 & 10)	31,776	31,434	63,210
Total deferred inflows of resources	<u>833,492</u>	<u>1,693,463</u>	<u>2,526,955</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	253,486	69,653	323,139
Accrued liabilities	21,729	19,536	41,265
Customer deposits	487,115	-	487,115
Accrued interest payable	119,605	402,091	521,696
Bonds - current portion (Note 6)	258,075	172,552	430,627
Capital lease - current portion (Note 6)	2,869	50,805	53,674
Compensated absences - current portion (Note 6)	3,058	4,995	8,053
Total current liabilities	<u>1,145,937</u>	<u>719,632</u>	<u>1,865,569</u>
Noncurrent liabilities			
Bonds - net of current portion (Note 6)	9,059,000	31,116,254	40,175,254
Capital lease - net of current portion (Note 6)	19,241	106,680	125,921
Compensated absences - net of current portion (Note 6)	27,521	44,956	72,477
Net pension liability (Note 8)	4,991	5,133	10,124
Net other postemployment benefit liability (Notes 9 & 10)	488,218	481,323	969,541
Total noncurrent liabilities	<u>9,598,971</u>	<u>31,754,346</u>	<u>41,353,317</u>
Total liabilities	<u>10,744,908</u>	<u>32,473,978</u>	<u>43,218,886</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Note 7)	39,325	40,449	79,774
Deferred inflows related to other postemployment benefits (Note 8)	27,888	27,608	55,496
Total deferred inflows of resources	<u>67,213</u>	<u>68,057</u>	<u>135,270</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,069,153	8,899,136	13,968,289
Unrestricted	6,680,985	6,567,170	13,248,155
Total net position	<u>\$ 11,750,138</u>	<u>\$ 15,466,306</u>	<u>\$ 27,216,444</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION – PROPRIETARY FUNDS  
Year Ended June 30, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 2,166,294	\$ 3,043,501	\$ 5,209,795
Other revenue	27,005	27,005	54,010
Miscellaneous	2,630	2,917	5,547
Total operating revenues	<u>2,195,929</u>	<u>3,073,423</u>	<u>5,269,352</u>
<b>OPERATING EXPENSES</b>			
Personnel	1,319,358	1,323,612	2,642,970
Plant operations and meter reading	609,727	495,326	1,105,053
Well operations	221,530	-	221,530
Pump station operations	-	33,728	33,728
Depreciation	347,930	699,450	1,047,380
Capital outlay-non-capitalizable expenses	16,542	-	16,542
Other operating expenses	43,622	43,622	87,244
Total operating expenses	<u>2,558,709</u>	<u>2,595,738</u>	<u>5,154,447</u>
Operating income (loss)	<u>(362,780)</u>	<u>477,685</u>	<u>114,905</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	137,873	109,141	247,014
Cellular lease	192,409	-	192,409
Forestry management	18,473	-	18,473
Interest expense	(335,732)	(1,094,743)	(1,430,475)
Net non-operating revenues (expenses)	<u>13,023</u>	<u>(985,602)</u>	<u>(972,579)</u>
Loss before contributions	<u>(349,757)</u>	<u>(507,917)</u>	<u>(857,674)</u>
<b>CAPTIAL CONTRIBUTIONS</b>			
Availability fees	<u>1,107,422</u>	<u>786,738</u>	<u>1,894,160</u>
Change in net position	757,665	278,821	1,036,486
<b>NET POSITION AT JULY 1</b>	<u>10,992,473</u>	<u>15,187,485</u>	<u>26,179,958</u>
<b>NET POSITION AT JUNE 30</b>	<u>\$ 11,750,138</u>	<u>\$ 15,466,306</u>	<u>\$ 27,216,444</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended June 30, 2019

	Water Fund	Sewer Fund	Total
<b>OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 2,235,446	\$ 3,014,325	\$ 5,249,771
Payments to suppliers	(808,617)	(626,829)	(1,435,446)
Payments to and on behalf of employees	(1,377,573)	(1,319,106)	(2,696,679)
Other operating receipts	210,882	-	210,882
Net cash provided by operating activities	260,138	1,068,390	1,328,528
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	(65,336)	(85,074)	(150,410)
Capital contributions	1,107,422	786,738	1,894,160
Retirements of long-term indebtedness	(241,484)	(86,185)	(327,669)
Interest expense	(297,968)	(1,036,226)	(1,334,194)
Net cash provided by (used in) capital and related financing activities	502,634	(420,747)	81,887
<b>INVESTING ACTIVITIES</b>			
Investment income	105,123	92,766	197,889
Purchase of investments	(44,223)	(22,112)	(66,335)
Net cash provided by investing activities	60,900	70,654	131,554
Net increase in cash and cash equivalents	823,672	718,297	1,541,969
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	4,758,142	5,191,107	9,949,249
Ending at June 30	<u>\$ 5,581,814</u>	<u>\$ 5,909,404</u>	<u>\$ 11,491,218</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (362,780)	\$ 477,685	\$ 114,905
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	347,930	699,450	1,047,380
Pension expense net of employer contribution	(11,606)	(14,961)	(26,567)
Other postemployment benefit expense net of employer contribution	(52,876)	13,831	(39,045)
Other nonoperating revenues included in operating activities	210,882	-	210,882
(Increase) decrease in:			
Accounts receivable	(7,653)	(59,098)	(66,751)
Inventories	(46,073)	(45,052)	(91,125)
Prepaid items	(11,085)	(1,455)	(12,540)
Increase (decrease) in:			
Accounts payable	139,962	(7,646)	132,316
Accrued liabilities	5,216	1,609	6,825
Customer deposits	47,170	-	47,170
Compensated absences	1,051	4,027	5,078
Net cash provided by operating activities	<u>\$ 260,138</u>	<u>\$ 1,068,390</u>	<u>\$ 1,328,528</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Capital assets purchased through leases	<u>\$ 23,093</u>	<u>\$ -</u>	<u>\$ 23,093</u>
Capital assets acquired through accounts payable	<u>\$ 20,492</u>	<u>\$ 3,500</u>	<u>\$ 23,992</u>
Increase in fair value of investments	<u>\$ 32,750</u>	<u>\$ 16,375</u>	<u>\$ 49,125</u>

The Notes to Financial Statements are an integral part of this statement.

## TOWN OF PURCELLVILLE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### Note 1. Summary of Significant Accounting Policies

##### A. The 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.

##### 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. 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.

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). 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.

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.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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 (general government administration; public safety; public works; parks, recreation, and cultural; and community development) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are 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 property tax 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.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

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.

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

General Fund

The General Fund is the 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.

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 Parks and Recreation Fund, which is considered a major fund at June 30, 2019. 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.

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.

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, which 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. In addition, both funds are considered major funds.

(Continued)



**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

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. 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.

**E. Receivables and Payables**

All trade and property tax receivables are shown net of an allowance for doubtful accounts. 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, 2019 and is comprised solely of property taxes.

**F. Restricted Assets**

The Town is obligated by various sources to restrict the availability of certain assets. Specifically, assets are restricted from external sources such as creditors, grantors, contributors, or laws or regulations of other governments. Assets are also subject to restriction through constitutional law provisions or enabling legislation.

**G. 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.

**H. 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.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**H. Capital Assets (Continued)**

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.

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

Buildings	15-40 Years
Utility plant and lines	25-75 Years
Vehicles	4-10 Years
Machinery and equipment	3-20 Years
Infrastructure	75 Years
Improvements other than buildings	10-20 Years

**I. 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.

**J. 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.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**K. Property Taxes**

Real property is assessed by Loudoun County, Virginia at its value on January 1 and is payable semi- annually on December 5th and June 5th. Personal property taxes are assessed by Loudoun County, Virginia as of January 1 and are payable on 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.

**L. Use of Estimates**

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

**M. Deferred Outflows and Inflows of Resources**

In addition to assets, the statements that present 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 four 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. In addition, certain items related to the net pension and OPEB liabilities are reported separately as deferred outflows of resources. These include contributions made after the measurement date, differences between expected and actual experience, and change in assumptions. For more detailed information on these items, reference the pension note and OPEB notes.

In addition to liabilities, the statements that present 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 six 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. A deferred inflow is also recorded in relation to the service concession arrangement for the excess of the amount reported as a receivable over the related contractual obligations.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**M. Deferred Outflows and Inflows of Resources (Continued)**

In addition, certain items related to the net pension and OPEB liabilities are reported separately as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, change in proportionate share, and the net difference between projected and actual earnings on investments. For more detailed information on these items, reference the pension note and OPEB notes.

**N. 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.

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.

**O. Fund Balance**

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** – amounts that are not in spendable form, such as inventory and prepaids;
- **Restricted** – 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** – 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** – 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** – amounts that are available for any purpose; positive amounts are only reported in the general fund.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**O. Fund Balance (Continued)**

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

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. 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.

**P. 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

**Q. Other Postemployment Benefits (OPEB)**

***Group Life Insurance***

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**R. Upcoming Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**Note 2. Deposits and Investments**

**Deposits**

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

**Investments**

**Investment policy**

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; the Virginia Investment Pool (VIP); and the State Treasurer’s Local Government Investment Pool (LGIP). The VIP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Town’s position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement No. 79.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

As of June 30<sup>th</sup>, the Town had the following deposits and investments:

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity*</u>
Demand Deposits	\$ 9,704,355	N/A	N/A
LGIP	1,065,551	AAAm	0.12
Virginia Investment Pool – NAV Liquidity Pool	8,428,573	AAAm	0.15
Virginia Investment Pool – 1-3 Year High Quality Bond Fund	5,212,038	AA+f/S1	1.93
Cash on Hand	800	N/A	N/A
	<u>\$ 24,411,317</u>		

\*Average maturity in years

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 16,590,421
Cash and cash equivalents, restricted	2,608,858
Investments	<u>5,212,038</u>
Total deposits and investments	<u>\$ 24,411,317</u>

**Credit risk**

As required by state statute, commercial paper must have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of \$50 million and its long term debt is rated A or better by Moody’s and Standard & Poor’s. Bankers’ acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Open-end investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

**Concentration of credit risk**

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

(Continued)



**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 2. Deposits and Investments (Continued)**

Interest rate risk

In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting its investments to instruments maturing within one year at the time of purchase, with the exception of investments in the Virginia Investment Pool.

Custodial credit risk

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30th, the Town has no investments subject to custodial credit risk.

Restricted cash and cash equivalents

Restricted cash and cash equivalents in the general and capital projects funds are restricted for highway maintenance and capital outlay.

**Note 3. Service Concession Arrangement**

The Town entered into a service concession arrangement with Shaun Alexander Enterprises, Inc. (SAE) on December 30, 2017 for the operation and management of the Fireman’s Field Complex. During fiscal year 2019, the agreement was amended to apply only to the Bush Tabernacle portion of the complex. The agreement entitles SAE to all income, revenues, and receipts from the operation of the facility. The agreement states increases to rates and charges for use of the facility must be mutually agreed upon by both parties. Under the terms of the agreement, SAE is required to pay all costs of operating and maintaining the facility except for costs related to landscaping, parking, and servicing of heating and cooling equipment. In exchange, SAE shall pay the Town a basic monthly payment equal to \$4,000. The current agreement is effective through June 30, 2021, and automatically renews each July 1 thereafter unless either the Town or SAE gives written notice to the other of its intent not to renew the contract by December 30 of the preceding year.

The Town has reported this service concession arrangement as receivable and deferred inflows of resources in Governmental Activities equal to the net present value of remaining basic monthly payments under the remaining term of the agreement, which totaled \$96,000 as of June 30, 2019.

**Note 4. Due from Other Governmental Units**

Amounts due from other governmental units are as follows:

Commonwealth of Virginia:	
VDOT	\$ 61,794
Communications tax	21,803
Northern Virginia Transportation Authority-NVTA	166,791
County of Loudoun, Virginia	213,804
	<u>\$ 464,192</u>

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Capital Assets**

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	1,003,616	836,675	-	1,840,291
Total capital assets, not being depreciated	5,314,380	836,675	-	6,151,055
Capital assets, depreciated:				
Buildings	12,080,410	-	-	12,080,410
Improvements	4,754,025	-	-	4,754,025
Machinery and equipment	2,545,516	75,040	5,851	2,614,705
Vehicles	851,248	141,425	-	992,673
Infrastructure	62,453,811	-	-	62,453,811
Total capital assets being depreciated	82,685,010	216,465	5,851	82,895,624
Less accumulated depreciation for:				
Buildings	2,174,839	300,831	-	2,475,670
Improvements	1,497,956	228,879	-	1,726,835
Machinery and equipment	2,164,206	84,293	5,851	2,242,648
Vehicles	770,312	36,968	-	807,280
Infrastructure	30,108,102	642,196	-	30,750,298
Total accumulated depreciation	36,715,415	1,293,167	5,851	38,002,731
Total capital assets being depreciated, net	45,969,595	(1,076,702)	-	44,892,893
Governmental activities capital assets, net	<u>\$ 51,283,975</u>	<u>\$ (240,027)</u>	<u>\$ -</u>	<u>\$ 51,043,948</u>

(Continued)

**TOWN OF PURCELLVILLE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**Note 5. Capital Assets (Continued)**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	203,609	96,753	-	300,362
Total capital assets, not depreciated	3,243,118	96,753	-	3,339,871
Utility plant in service	59,679,866	-	-	59,679,866
Improvements other than buildings	445,000	-	-	445,000
Vehicles	417,047	23,093	-	440,140
Machinery and equipment	1,326,123	77,649	-	1,403,772
Total capital assets, depreciated	61,868,036	100,742	-	61,968,778
Less accumulated depreciation for:				
Utility plant in service	10,439,517	909,854	-	11,349,371
Improvements other than buildings	389,900	20,800	-	410,700
Vehicles	364,376	15,773	-	380,149
Machinery and equipment	664,508	100,953	-	765,461
Total accumulated depreciation	11,858,301	1,047,380	-	12,905,681
Total capital assets, depreciated, net	50,009,735	(946,638)	-	49,063,097
Business-type activities capital assets, net	<u>\$ 53,252,853</u>	<u>\$ (849,885)</u>	<u>\$ -</u>	<u>\$ 52,402,968</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 300,909
Public safety	32,396
Public works	150,803
Community development	809,059
Total depreciation expense – governmental activities	<u>\$ 1,293,167</u>
Business-type activities	
Water	\$ 347,930
Sewer	699,450
Total depreciation expense – business-type activities	<u>\$ 1,047,380</u>

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds	\$ 13,754,394	\$ -	\$ 651,911	\$ 13,102,483	\$ 689,998
Notes payable	765,000	-	85,000	680,000	85,000
Issuance premiums	903,552	-	106,030	797,522	106,453
Capital Lease	-	141,425	5,442	135,983	19,548
Compensated absences	307,368	310,907	274,236	344,039	34,404
	<u>\$ 15,730,314</u>	<u>\$ 452,332</u>	<u>\$ 1,122,619</u>	<u>\$ 15,060,027</u>	<u>\$ 935,403</u>
<b>Business-type activities:</b>					
General obligation bond	\$ 40,508,322	\$ -	\$ 277,500	\$ 40,230,822	\$ 398,500
Premium on bonds	412,902	-	37,843	375,059	32,127
Capital Lease	206,671	23,093	50,169	179,595	53,674
Compensated absences	75,452	93,921	88,843	80,530	8,053
	<u>\$ 41,203,347</u>	<u>\$ 117,014</u>	<u>\$ 454,355</u>	<u>\$ 40,866,006</u>	<u>\$ 492,354</u>

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

<b>Governmental Activities</b>					
<b>Fiscal Year</b>	<b>General Obligation Bond</b>		<b>Capital Leases</b>		<b>Notes Payable</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
2020	\$ 689,998	\$ 534,709	\$ 19,548	\$ 10,089	\$ 85,000
2021	754,998	511,171	21,152	8,485	85,000
2022	909,538	478,871	22,888	6,749	85,000
2023	953,617	438,884	24,766	4,870	85,000
2024	993,155	396,960	47,629	2,372	85,000
2025-2029	5,600,637	1,308,955	-	-	255,000
2030-2034	2,975,540	320,683	-	-	-
2035-2037	225,000	14,873	-	-	-
	<u>\$ 13,102,483</u>	<u>\$ 4,005,106</u>	<u>\$ 135,983</u>	<u>\$ 32,565</u>	<u>\$ 680,000</u>

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 6. Long-Term Liabilities (Continued)**

Fiscal Year	Business-Type Activities			
	General Obligation Bond		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$ 398,500	\$ 1,303,672	\$ 53,674	\$ 6,866
2021	781,500	1,292,966	55,587	4,953
2022	1,061,500	1,267,049	57,574	2,965
2023	1,930,127	1,210,994	3,654	898
2024	2,022,566	1,158,200	9,107	474
2025-2029	10,824,852	4,917,299	-	-
2030-2034	12,151,777	3,240,496	-	-
2035-2038	11,060,000	928,336	-	-
	<u>\$ 40,230,822</u>	<u>\$ 15,319,012</u>	<u>\$ 179,596</u>	<u>\$ 16,156</u>

Details of general obligation and capital lease long-term indebtedness are as follows:

		Final		Amount Outstanding	
	Interest	Maturity	Amount of	Governmental	Business-Type
	Rates	Date	Original Issue	Activities	Activities
General obligation bonds:					
Series 2012A	2.75%	8/1/32	\$ 5,870,000	\$ 3,937,483	\$ 755,500
Series 2013A & 2013B	2.00-5.00%	2/1/34	33,690,000	8,465,000	7,155,000
Series 2017A	3.22%	2/1/38	4,962,000	-	4,911,000
Series 2017B	3.35%	2/1/38	16,370,000	700,000	15,655,000
VRA Series 2008	2.77%	3/1/30	14,449,513	-	11,534,322
VRA Series 2010C	2.54%	10/1/19	1,655,000	-	220,000
				<u>\$ 13,102,483</u>	<u>\$ 40,230,822</u>
Capital leases:					
Combination sewer cleaner	3.29%	1/15/22	\$ 345,026	\$ -	\$ 157,485
Pickup truck	8.28%	2/1/24	25,431	24,135	-
Police interceptor	8.19%	3/1/24	37,552	35,733	-
Sports utility vehicle	8.09%	3/1/24	23,093	22,110	-
Sports utility vehicle	8.09%	3/1/24	23,093	-	22,110
Pickup truck	7.55%	5/1/24	55,349	54,005	-
				<u>\$ 135,983</u>	<u>\$ 179,595</u>
Notes Payable					
Fireman’s Field	0.00%	8/1/26	\$ 1,700,000	\$ 680,000	\$ -

Assets acquired through capital leases have a carrying value of \$134,852 and \$211,951 for governmental and business-type activities, respectively, as of June 30, 2019. Depreciation expense for assets under capital leases was \$6,573 for governmental activities and \$39,158 for business-type activities.

(Continued)

# TOWN OF PURCELLVILLE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### Note 6. Long-Term Liabilities (Continued)

In prior years, the Town defeased certain outstanding bonds payable. The proceeds were placed in trust to fund all future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Town's financial statements. At June 30, 2019, the following bonds are considered defeased:

	Beginning Balance	Increases	Decreases	Ending Balance
VRA GO Bond, Series 2008	\$ 4,943,846	\$ -	\$ (1,180,430)	\$ 3,763,416
GO Public Bond, Series 2013A	14,430,000	-	(25,000)	14,405,000
GO Public Bond, Series 2013B	1,165,000	-	-	1,165,000
	<u>\$ 20,538,846</u>	<u>\$ -</u>	<u>\$ (1,205,430)</u>	<u>\$ 19,333,416</u>

### Note 7. Deferred Property Taxes

Deferred property taxes represent amounts for which asset recognition criteria have been met, but revenue recognition criteria have not. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which were not collected within the availability period

	Governmental Activities	Governmental Funds
Uncollected property tax billings that are unavailable for the funding of current expenditures	\$ -	\$ 160,358
Uncollected property tax billings for 2nd half assessment	1,733,064	1,733,064
Property tax billings collected in advance for 2nd half assessment	36,922	36,922
	<u>\$ 1,769,986</u>	<u>\$ 1,930,344</u>

### Note 8. Defined Benefit Pension Plan

#### Plan Description

All full-time, salaried permanent employees of the Town of Purcellville, Virginia (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>38</u>
Inactive members:	
Vested inactive members	11
Non-vested inactive members	10
Inactive members active elsewhere in VRS	<u>30</u>
Total inactive members	51
Active members	<u>67</u>
Total covered employees	<u><u>156</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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 7.63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 political subdivision were \$357,501 and \$366,545 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

The political subdivision's net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, 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 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: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)



**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Defined Benefit 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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public equity	40.00 %	4.54 %	1.82 %
Fixed income	15.00	0.69	0.10
Credit strategies	15.00	3.96	0.59
Real assets	15.00	5.76	0.86
Private equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50
	*Expected arithmetic nominal return		7.30 %

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Defined Benefit 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2017	\$ 13,698,309	\$ 13,673,371	\$ 24,938
Changes for the year:			
Service cost	560,029	-	560,029
Interest	940,955	-	940,955
Differences between expected and actual experience	106,210	-	106,210
Contributions – employer	-	354,829	(354,829)
Contributions – employee	-	228,399	(228,399)
Net investment income	-	1,015,636	(1,015,636)
Benefit payments, including refunds of employee contributions	(512,191)	(512,191)	-
Administrative expenses	-	(8,531)	8,531
Other changes	-	(915)	915
Net changes	1,095,003	1,077,227	17,776
Balances at June 30, 2018	\$ 14,793,312	\$ 14,750,598	\$ 42,714

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Defined Benefit Pension Plan (Continued)**

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision'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:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
Political subdivision's net pension liability	\$ 2,127,696	\$ 42,714	\$ (1,681,679)

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$220,237. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 118,982	\$ 106,068
Change in assumptions	-	99,402
Net difference between projected and actual earnings on pension plan investments	-	131,098
Employer contributions subsequent to the measurement date	<u>357,501</u>	<u>-</u>
Total	<u>\$ 476,483</u>	<u>\$ 336,568</u>

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Defined Benefit Pension Plan (Continued)**

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

The Town reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (13,920)
2021	(76,454)
2022	(115,944)
2023	(11,268)
2024	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 9. Other Postemployment Benefits Liability – Local Plan**

**Plan Description**

In addition to the pension benefits described in Note 8, the Town administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

**Benefits Provided**

Participants who are eligible to retire as participants in the VRS pension plan are allowed access to the plan until they reach age 65. Retirees pay the blended (employees and retirees) published rate, however as they are older than the typical employee (and thus more expensive) there is a cost to this right to purchase insurance at the blended rate.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Benefits Provided (Continued)**

VRS retirement eligibility is age 50 with 10 years of service or age 55 with 5 years of service for employees hired prior to July 1, 2010 who were vested in the plan prior to July 1, 2013. VRS retirement eligibility is the earlier of age 60 with 5 years of service or 90 combined age and service points for other employees.

**Employees Covered by Benefit Terms**

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	8
Entitled to but not yet receiving benefits	-
	<hr/>
Total inactive employees	8
Active plan members	<hr/> 66
	<hr/> <hr/> 74

**Total OPEB Liability**

The Town's total OPEB liability of \$4,433,848 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of January 1, 2018.

**Actuarial Assumptions and other inputs**

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount rate	3.50%
Salary increases, including inflation	3.50-5.35%
Healthcare cost trend rates	3.00-7.75%

Mortality rates: Pre-Retirement Mortality Rates: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed to be service related.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Other Postemployment Benefits Liability – Local Plan (Continued)**

Post-Retirement Mortality Rates: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement Mortality Rates: RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the January 1 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2018 through June 30, 2019.

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ 3,851,155
Changes for the year:	
Service cost	191,276
Interest	155,405
Assumption or other input changes	290,118
Benefit payments	<u>(54,106)</u>
Net changes	<u>582,693</u>
Balance at June 30, 2019	<u><u>\$ 4,433,848</u></u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	<b>1.00% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1.00% Increase (4.50%)</b>
Total OPEB liability	<u>\$ 5,354,146</u>	<u>\$ 4,433,848</u>	<u>\$ 3,702,296</u>

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 9. Other Postemployment Benefits Liability – Local Plan (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (1.00%) or one percentage point higher (1.00%) than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB liability	\$ 3,528,999	\$ 4,433,848	\$ 5,639,815

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the Town recognized OPEB expense of \$350,934. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 260,514	\$ 223,092

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2020	\$ 4,253
2021	4,253
2022	4,253
2023	4,253
2024	4,253
Thereafter	16,157

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans**

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town of Purcellville, Virginia also participates in a cost-sharing multi-employer other postemployment benefit plan, described as follows.

**Plan Descriptions**

**Group Life Insurance Program**

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plans.

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

**Group Life Insurance Program**

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$26,178
June 30, 2018 Contribution	\$24,305

(Continued)



**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2019 proportionate share of liability	\$373,000
June 30, 2018 proportion	0.02458%
June 30, 2017 proportion	0.02552%
June 30, 2019 expense	\$1,000

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,000	\$ 6,000
Change in assumptions	-	16,000
Net difference between projected and actual earnings on OPEB plan investments	-	12,000
Changes in proportion	4,000	13,000
Employer contributions subsequent to the measurement date	26,178	-
Total	<u>\$ 48,178</u>	<u>\$ 47,000</u>

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (8,000)
2020	(8,000)
2021	(8,000)
2022	(4,000)
2023	-
Thereafter	3,000

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.0%

- \* 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 rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 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 the percent noted above to simplify preparation of OPEB liabilities.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

(Continued)

**TOWN OF PURCELLVILLE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	\$ 1,594,773
Employers' net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

**Long-Term Expected Rate of Return**

**Group Life Insurance**

The long-term expected rate of return on VRS 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 OPEB 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:

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		<u>4.80 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.30 %</u>

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

**Discount Rate**

The discount rate used to measure the GLI OPEB 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 Guidance 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 OPEB liabilities 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 OPEB plans' 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 OPEB liability.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 10. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)**

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

The following presents the net OPEB liability of the Town of Purcellville, as well as what the Town's net OPEB 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 discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability	\$ 488,000	\$ 373,000	\$ 280,000

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 11. 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 is named in several lawsuits filed after year end. The Town expects most claims will be covered by insurance.

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.

(Continued)

**TOWN OF PURCELLVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Commitments and Contingencies**

The Town had the following commitments outstanding at June 30, 2019:

<b>Vendor</b>	<b>Project</b>	<b>Outstanding Commitment</b>
<b>Governmental Activities:</b>		
Springsted Water	Class & Compensation Study	\$ 33,000
Kimley Horn	Main & Maple Improvements	29,039
Clark Nexsen	Main & Maple Improvement	180,434
Kimley Horn	Hirst Road	27,497
DMY Engineering	Hirst Road	49,714
ATCS PLC	Nursery Avenue	176,374
Tyler Technologies	Financial Software Upgrade	131,825
M&F Concrete	32 <sup>nd</sup> & A Street Improvements	573,963
Clark Nexsen	12 <sup>th</sup> Street Improvements	215,141
Kimley Horn	32 <sup>nd</sup> & Main Street Improvements	74,346
Arthur Construction	A Street Trail	459,972
Terracon	A Street Trail	27,781
Kimley Horn	Hatcher Avenue Sidewalk	105,629
		<u>\$ 2,084,715</u>
<b>Water Fund:</b>		
Kimley Horn	Hall Avenue/O Street Water Main	\$ 38,023
Clark Nexsen	12 <sup>th</sup> Street Water Main	63,995
CH2M Hill	Water Resource Study	53,649
		<u>\$ 155,667</u>
<b>Sewer Fund:</b>		
Colonial Ford	Crane Truck	<u>\$ 95,327</u>

# **REQUIRED SUPPLEMENTARY INFORMATION**

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## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
General property taxes	\$ 3,456,398	\$ 3,459,240	\$ 3,763,115	\$ 303,875
Other local taxes	4,719,973	4,719,973	5,122,301	402,328
Permits, privilege fees, and regulatory licenses	288,200	288,200	273,174	(15,026)
Fines and forfeitures	65,100	65,100	50,466	(14,634)
Revenue from use of property	11,000	11,000	15,000	4,000
Investment income	45,600	45,600	112,977	67,377
Miscellaneous	20,500	89,865	43,783	(46,082)
Intergovernmental				
Commonwealth	1,150,181	1,154,681	1,196,615	41,934
Federal	-	30,300	32,640	2,340
Total revenues	9,756,952	9,863,959	10,610,071	746,112
<b>EXPENDITURES</b>				
Current				
General government administration	2,977,179	3,023,813	2,974,232	49,581
Public safety	2,381,920	2,647,780	2,506,891	140,889
Public works	2,749,138	2,568,112	2,329,499	238,613
Community development	472,469	533,873	459,406	74,467
Capital outlay	261,000	128,154	191,107	(62,953)
Debt service				
Principal retirement	651,911	651,911	657,353	(5,442)
Interest and other fiscal charges	535,645	535,645	536,953	(1,308)
Total expenditures	10,029,262	10,089,288	9,655,441	433,847
Excess (deficiency) of revenues over (under) expenditures	(272,310)	(225,329)	954,630	1,179,959
<b>OTHER FINANCING SOURCES</b>				
Transfers in	362,038	413,858	-	(413,858)
Transfers out	(89,728)	(188,529)	-	188,529
Capital leases	-	-	141,425	141,425
Total other financing sources (uses)	272,310	225,329	141,425	(83,904)
Net change in fund balance	\$ -	\$ -	\$ 1,096,055	\$ 1,096,055

The Notes to Required Supplementary Information are an integral part of this statement.



## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – PARKS & RECREATION FUND  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
General property taxes	\$ 401,453	\$ 401,453	\$ 425,097	\$ 23,644
Revenue from use of property	129,000	28,000	29,680	1,680
Miscellaneous	2,225	14,225	15,263	1,038
Intergovernmental				
Commonwealth	-	4,186	656	(3,530)
Total revenues	532,678	447,864	470,696	22,832
<b>EXPENDITURES</b>				
Current				
Parks, recreation, and cultural	229,979	315,917	279,696	(36,221)
Debt service				-
Principal retirement	85,000	85,000	85,000	-
Interest and other fiscal charges	21,866	21,866	21,866	-
Total expenditures	336,845	422,783	386,562	36,221
Excess (deficiency) of revenues over (under) expenditures	195,833	25,081	84,134	59,053
<b>OTHER FINANCING SOURCES</b>				
Transfers in	45,167	45,167	-	(45,167)
Transfers out	(241,000)	(70,248)	(50,000)	20,248
Total other financing sources (uses)	(195,833)	(25,081)	(50,000)	(24,919)
Net change in fund balance	\$ -	\$ -	\$ 34,134	\$ 34,134

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –**  
**PRIMARY GOVERNMENT**  
**June 30, 2019**

	Plan Year				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 560,029	\$ 565,009	\$ 520,138	\$ 517,073	\$ 555,900
Interest on total pension liability	940,955	904,712	831,714	746,112	683,141
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	106,210	(223,270)	127,380	315,416	-
Changes in assumptions	-	(209,240)	-	-	-
Benefit payments, including refunds of employee contributions	(512,191)	(526,713)	(346,107)	(365,311)	(313,605)
Net change in total pension liability	1,095,003	510,498	1,133,125	1,213,290	925,436
<b>Total pension liability – beginning</b>	<b>13,698,309</b>	<b>13,187,811</b>	<b>12,054,686</b>	<b>10,841,396</b>	<b>9,915,960</b>
<b>Total pension liability – ending</b>	<b>14,793,312</b>	<b>13,698,309</b>	<b>13,187,811</b>	<b>12,054,686</b>	<b>10,841,396</b>
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	354,829	363,393	445,991	427,672	520,781
Contributions – employee	228,399	232,553	224,263	216,720	210,587
Net investment income	1,015,636	1,486,189	216,458	503,837	1,444,988
Benefit payments, including refunds of employee contributions	(512,191)	(526,713)	(346,107)	(365,311)	(313,605)
Administrative expenses	(8,531)	(8,346)	(6,926)	(6,523)	(7,349)
Other	(915)	(1,336)	(88)	(109)	76
Net change in plan fiduciary net position	1,077,227	1,545,740	533,591	776,286	1,855,478
<b>Plan fiduciary net position – beginning</b>	<b>13,673,371</b>	<b>12,127,631</b>	<b>11,594,040</b>	<b>10,817,754</b>	<b>8,962,276</b>
<b>Plan fiduciary net position – ending</b>	<b>14,750,598</b>	<b>13,673,371</b>	<b>12,127,631</b>	<b>11,594,040</b>	<b>10,817,754</b>
<b>Net pension liability – ending</b>	<b>\$ 42,714</b>	<b>\$ 24,938</b>	<b>\$ 1,060,180</b>	<b>\$ 460,646</b>	<b>\$ 23,642</b>
Plan fiduciary net position as a percentage of total pension liability	99.71%	99.82%	91.96%	96.18%	99.78%
Covered payroll	\$ 4,673,958	\$ 4,707,039	\$ 4,524,808	\$ 4,309,958	\$ 4,785,081
Net pension liability (asset) as a percentage of covered employee payroll	0.91%	0.53%	23.43%	10.69%	0.49%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2019	\$ 357,501	\$ 357,501	\$ -	\$ 5,034,196	7.10 %
2018	366,545	366,545	-	4,673,958	7.84
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

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the Town's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

## TOWN OF PURCELLVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND**  
**RELATED RATIOS - HEALTH INSURANCE**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 191,276	\$ 204,974
Interest on total OPEB liability	155,405	140,295
Changes in assumptions	290,118	(273,794)
Benefit payments	<u>(54,106)</u>	<u>(47,156)</u>
Net change in total OPEB liability	582,693	24,319
<b>Total OPEB liability - beginning</b>	<u>3,851,155</u>	<u>3,826,836</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 4,433,848</u></u>	<u><u>\$ 3,851,155</u></u>
Covered employee payroll	<u><u>\$ 4,540,991</u></u>	<u><u>\$ 4,540,991</u></u>
Total OPEB liability as a percentage of covered payroll	<u><u>98%</u></u>	<u><u>85%</u></u>

This schedule is intended to show information for 10 years. Since fiscal year 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## TOWN OF PURCELLVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2019	0.02458 %	\$ 373,000	\$ 4,673,958	7.98 %	51.22 %
2018	0.02552	384,000	4,707,039	8.16	48.86

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

## TOWN OF PURCELLVILLE, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – VRS GLI**  
**June 30, 2019**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2019	\$ 26,178	\$ 26,178	\$ -	\$ 5,034,196	0.52 %
2018	24,305	24,305	-	4,673,958	0.52

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year — i.e. the covered payroll on which required contributions were based for the same year.

## **TOWN OF PURCELLVILLE**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019**

#### **Note 1. 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.
- 6) All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The governmental funds utilize the modified accrual basis of accounting, while the proprietary funds utilize 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.

#### **Note 2. Pension and Other Postemployment Benefits – Changes of Benefit Terms**

##### Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

##### Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

## **TOWN OF PURCELLVILLE**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019**

#### **Note 3. Pension and Other Postemployment Benefits – Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

(Continued)



**TOWN OF PURCELLVILLE**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

**Note 3. Pension and Other Postemployment Benefits – Changes of Assumptions (Continued)**

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension and GLI OPEB

## **OTHER SUPPLEMENTARY INFORMATION**

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## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>General Fund</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,932,987	\$ 2,932,987	\$ 3,064,210	\$ 131,223
Personal property taxes	491,411	494,253	657,457	163,204
Penalties and interest	32,000	32,000	41,448	9,448
Total general property taxes	3,456,398	3,459,240	3,763,115	303,875
Other local taxes:				
Local sales and use taxes	1,156,944	1,156,944	1,225,507	68,563
Cigarette taxes	251,097	251,097	209,943	(41,154)
Business license taxes	765,000	765,000	888,515	123,515
Utility license taxes	220,000	220,000	222,898	2,898
Franchise taxes	300,000	300,000	356,412	56,412
Hotel and motel room taxes	1,000	1,000	-	(1,000)
Meals tax	2,013,932	2,013,932	2,206,283	192,351
Other local taxes	12,000	12,000	12,743	
Total other local taxes	4,719,973	4,719,973	5,122,301	402,328
Permits, privilege fees, and regulatory licenses:				
Motor vehicle license fees	148,000	148,000	181,409	33,409
Zoning fees	110,000	110,000	71,514	(38,486)
Right of way usage fees	30,000	30,000	19,891	(10,109)
Other permit fees	200	200	360	160
Total permits, privilege fees, and regulatory l	288,200	288,200	273,174	(15,026)
Fines and forfeitures:				
Police fines	65,100	65,100	50,466	(14,634)
Total fines and forfeitures	65,100	65,100	50,466	(14,634)
Revenue from use of property:	11,000	11,000	15,000	4,000
Investment income:	45,600	45,600	112,977	67,377
Miscellaneous:				
Insurance reimbursement	-	32,765	20,793	(11,972)
Proceeds from sales of property	5,000	37,900	1,047	(36,853)
Local grant & awards	-	-	4,000	4,000
Community events sign	1,000	1,000	1,350	350
Public Works reimbursement from others	4,200	7,900	8,769	869
Vehicle compensation reimbursement	1,700	1,700	962	(738)
Miscellaneous	8,600	8,600	6,862	(1,738)
Total miscellaneous	20,500	89,865	43,783	(46,082)
Total revenue from local sources	8,606,771	8,678,978	9,380,816	(43,339)

(Continued)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	146,000	146,000	136,605	(9,395)
Personal property tax relief funds	201,753	201,753	201,753	-
Total noncategorical aid	347,753	347,753	338,358	(9,395)
Categorical aid:				
Shared expenses:				
Aid to Police	110,000	110,000	114,914	4,914
Total shared expenses	110,000	110,000	114,914	4,914
Other categorical aid:				
Arts grant	4,000	8,500	4,500	(4,000)
Other categorical aid	9,000	9,000	25,614	16,614
Fire program funds	30,000	30,000	26,745	(3,255)
Highway maintenance funds	646,428	646,428	682,798	36,370
Litter control grant	3,000	3,000	3,686	686
Total other categorical aid	692,428	696,928	743,343	46,415
Total categorical aid	802,428	806,928	858,257	51,329
Total revenue from the Commonwealth	1,150,181	1,154,681	1,196,615	41,934
Revenue from the federal government:				
Categorical aid:				
Law enforcement funds	-	30,300	32,640	2,340
Total categorical aid	-	30,300	32,640	2,340
Total revenue from the federal government	-	30,300	32,640	2,340
Total intergovernmental	1,150,181	1,184,981	1,229,255	44,274
Total General Fund	\$ 9,756,952	\$ 9,863,959	\$ 10,610,071	\$ 746,112
<b>Parks and Recreation Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property - special tax district	\$ 399,953	\$ 399,953	\$ 424,614	\$ 24,661
Penalties and interest	1,500	1,500	483	(1,017)
Total general property taxes	401,453	401,453	425,097	23,644
Revenue from use of property:	129,000	28,000	29,680	1,680

(Continued)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Miscellaneous:				
Product sales	100	100	37	(63)
Donations	500	500	2,500	2,000
Miscellaneous	1,625	13,625	12,726	(899)
Total miscellaneous	2,225	14,225	15,263	1,038
Total revenue from local sources	532,678	443,678	470,040	26,362
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	-	4,186	656	(3,530)
Total revenue from the Commonwealth	-	4,186	656	(3,530)
Total intergovernmental	-	4,186	656	(3,530)
Total Parks and Recreation Fund	\$ 532,678	\$ 447,864	\$ 470,696	\$ 22,832
<b>Capital Fund:</b>				
Revenue from local sources:				
Investment income:	\$ -	\$ -	\$ 36,069	\$ 36,069
Miscellaneous:				
Proffers	-	309,593	126,745	(182,848)
Total miscellaneous	-	309,593	126,745	(182,848)
Total revenue from local sources	-	309,593	162,814	(146,779)
Intergovernmental:				
Revenue from local governments:				
Loudoun County settlement	-	195,001	-	(195,001)
Loudoun County contribution	210,149	1,351,715	-	(1,351,715)
NVTA	808,224	1,227,721	223,579	(1,004,142)
Total revenue from local governments	1,018,373	2,774,437	223,579	(2,550,858)
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grants	425,980	2,188,192	97,548	(2,090,644)
Total revenue from the Commonwealth	425,980	2,188,192	97,548	(2,090,644)

(Continued)

The Notes to Required Supplementary Information are an integral part of this statement.

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	7,168	703,716	47,647	(656,069)
Total categorical aid	7,168	703,716	47,647	(656,069)
Total revenue from the federal government	7,168	703,716	47,647	(656,069)
Total intergovernmental	1,451,521	5,666,345	368,774	(5,297,571)
Total General Capital Improvements Fund	\$ 1,451,521	\$ 5,975,938	\$ 531,588	\$ (5,444,350)
Total Primary Government	\$ 11,741,151	\$ 16,287,761	\$ 11,612,355	\$ (4,675,406)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>General Fund</b>				
General government administration:				
Legislative:				
Town Council	\$ 76,528	\$ 76,528	\$ 68,880	\$ 7,648
General and financial administration:				
Administration	1,278,892	1,361,710	1,315,418	46,292
Legal services	21,000	21,000	92,452	(71,452)
Financial administration	61,000	61,000	62,074	(1,074)
Information technology	476,740	476,740	411,549	65,191
Finance	1,004,167	1,004,167	997,432	6,735
Retiree benefits	58,852	58,852	62,610	(3,758)
Total general and financial administration	2,900,651	2,983,469	2,941,535	41,934
Total general government administration	2,977,179	3,059,997	3,010,415	49,582
Public safety:				
Law enforcement and traffic control:				
Police department	2,349,920	2,563,276	2,441,115	122,161
Fire and rescue services:				
Fire department	75,000	75,000	71,745	3,255
Ambulance and rescue services	45,000	45,000	45,000	-
Total fire and rescue services	120,000	120,000	116,745	3,255
Total public safety	2,469,920	2,683,276	2,557,860	125,416
Public works:				
Highways, streets, bridges and sidewalks	761,128	654,318	593,228	61,090
Administration	210,783	125,261	122,754	2,507
General properties	1,080,982	1,005,698	947,520	58,178
Capital and engineer	394,245	364,309	307,540	56,769
Refuse	475,000	475,000	462,412	12,588
Total public works	2,922,138	2,624,586	2,433,454	191,132
Community development:				
Planning and community development:				
Planning	412,851	469,755	418,967	50,788
Planning commission	14,350	14,350	13,227	1,123
Board of zoning and appeals	1,500	1,500	-	1,500
Board of architectural review	3,768	3,768	3,230	538
Total planning and community development	432,469	489,373	435,424	53,949
Environmental management:	5,000	5,000	3,265	1,735
Economic development:	15,000	15,000	1,011	13,989
Arts:	20,000	24,500	19,706	4,794
Total community development	472,469	533,873	459,406	74,467

(Continued)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Debt service:				
Principal retirement	651,911	651,911	657,353	(5,442)
Interest and other fiscal charges	535,645	535,645	536,953	(1,308)
Total debt service	1,187,556	1,187,556	1,194,306	6,750
Total General Fund	\$ 10,029,262	\$ 10,089,288	\$ 9,655,441	\$ 433,847
<b>Parks and Recreation Fund:</b>				
Parks, recreation, and cultural:				
Management	\$ 109,014	\$ 118,014	\$ 119,701	\$ (1,687)
Train station	39,715	35,715	34,415	1,300
Programs	22,250	75,250	45,843	29,407
Firemans Field	56,500	80,252	79,344	908
Tree commission	2,500	6,686	393	6,293
Total parks, recreation, and cultural	229,979	315,917	279,696	36,221
Debt service:				
Principal retirement and interest	85,000	85,000	85,000	-
Interest and other fiscal charges	21,866	21,866	21,866	-
Total debt service	106,866	106,866	106,866	-
Total Parks and Recreation Fund	\$ 336,845	\$ 422,783	\$ 386,562	\$ 36,221
<b>Capital Fund:</b>				
Capital projects expenditures:				
General capital projects	\$ -	\$ 39,513	\$ -	\$ 39,513
Financial software upgrade	-	166,740	29,915	136,825
Hirst Farm pond	-	540,376	101	540,275
Main and Maple improvements	358,372	733,172	177,385	555,787
A Street trail	-	836,359	100,531	735,828
12th Street improvements	220,000	220,000	4,859	215,141
32nd and A Street improvements	398,000	944,689	321,926	622,763
32nd and Main Street improvements	120,000	120,000	23,562	96,438
32nd Street path	95,264	95,264	-	95,264
Hirst road improvements	-	998,650	40,568	958,082
Hatcher Avenue improvements	145,000	145,000	39,331	105,669
LVHS/Sutton path	114,885	114,885	21,839	93,046
Outdoor stage	50,000	50,000	5,875	44,125
Bush Tab construction	150,000	-	-	-
Nursery Avenue drain improvement	-	1,377,543	70,783	1,306,760
Total capital projects	1,651,521	6,382,191	836,675	5,545,516
Total General Capital Improvements Fund	1,651,521	6,382,191	836,675	5,545,516
Total Primary Government	\$ 12,017,628	\$ 16,894,262	\$ 10,878,678	\$ 6,015,584

The Notes to Required Supplementary Information are an integral part of this statement.



## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**WATER FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Operating revenues</b>				
Water fees	\$ 2,258,545	\$ 2,258,545	\$ 2,158,228	\$ (100,317)
Water meter fees	13,745	13,745	8,066	(5,679)
Miscellaneous income	5,300	5,300	2,630	(2,670)
Penalties and interest	26,000	26,000	27,005	1,005
Water flushing	1,000	1,000	-	(1,000)
Total operating revenues	2,304,590	2,304,590	2,195,929	(108,661)
<b>Operating expenses:</b>				
Personnel:				
Water staff	621,630	621,630	632,242	(10,612)
Overtime	31,000	31,000	29,340	1,660
Health insurance	160,256	160,256	111,748	48,508
Retirement	47,430	47,430	(19,645)	67,075
Workers' compensation	12,571	12,571	11,840	731
Payroll taxes	49,927	49,927	49,191	736
Life insurance	8,143	8,143	7,762	381
Disability insurance	4,473	4,473	1,272	3,201
Deferred compensation match	3,120	3,120	3,320	(200)
Utility chargeback	493,226	473,626	492,288	(18,662)
Plant operations and meter reading:				
Electricity	13,000	13,000	15,034	(2,034)
Communications	11,000	11,000	11,875	(875)
Supplies	25,000	19,498	25,671	(6,173)
Lab equipment	7,000	7,000	6,802	198
Contracts	72,700	107,069	110,267	(3,198)
Uniforms	7,100	7,100	7,131	(31)
Safety	5,000	4,454	2,469	1,985
Sludge disposal	13,000	13,000	8,461	4,539
Cross connections	3,400	1,802	-	1,802
Plant repairs	31,000	29,155	24,460	4,695
Water line repairs	52,000	52,000	990	51,010
Leak detection	3,100	3,100	-	3,100
Meter repairs, tools and equipment	59,000	55,500	40,375	15,125
New water meters	15,000	15,000	15,195	(195)
Hardware and computer supplies	2,000	2,000	-	2,000
Chemicals - plant	26,000	28,000	17,198	10,802
Permits	15,000	15,000	10,957	4,043
GIS layers	20,000	20,000	9,225	10,775
Advertisements	500	500	-	500
Water samples	16,000	16,000	9,888	6,112
Training	8,000	8,000	5,883	2,117
Dues and subscriptions	900	900	1,090	(190)
General expenses	1,100	1,100	257	843
Postage/mailings	13,000	12,196	6,977	5,219
Professional services	45,000	45,800	31,920	13,880
Watershed management	14,200	14,200	16,018	(1,818)

(Continued)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**WATER FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Forestry management	3,500	3,500	-	3,500
Environmental compliance	1,500	1,500	1,513	(13)
Mowing	6,500	-	-	-
Administrative supplies	300	300	279	21
Water department emergency	500	500	115	385
Purchased water	50,000	50,000	39,733	10,267
New equipment and tools	33,000	30,531	21,381	9,150
Leased/rented equipment	-	2,701	2,201	500
Vehicle repairs and maintenance	16,000	15,035	14,598	437
Propane	9,000	15,290	14,343	947
Filter rehabilitation	27,000	27,000	24,046	2,954
Generator maintenance	23,000	21,000	16,811	4,189
Long range planning	150,000	150,000	93,017	56,983
Pest control	-	100	200	(100)
Public information/education	500	4,000	3,347	653
Well operations:				
Electricity	41,000	41,000	50,301	(9,301)
Telephone	1,800	1,800	1,479	321
Supplies	26,500	6,500	566	5,934
Contracts	7,000	7,000	11,926	(4,926)
Plant repairs	-	3,099	33,757	(30,658)
Spare parts	6,000	23,985	12,061	11,924
Repairs	45,000	31,827	13,413	18,414
Chemicals	28,000	28,000	14,660	13,340
Carbon change-out	20,000	20,000	19,040	960
Water samples	3,000	3,000	3,622	(622)
New equipment and tools	-	2,015	10,194	(8,179)
Propane	-	-	289	(289)
Well rehabilitation	49,500	49,500	50,222	(722)
Depreciation	329,184	329,184	347,930	(18,746)
Capital outlay	61,000	35,103	16,542	18,561
Other operating expenses	25,000	40,004	43,622	(3,618)
Total operating expenses	2,874,560	2,858,024	2,558,709	299,315
Operating income (loss)	(569,970)	(553,434)	(362,780)	190,654
<b>Nonoperating revenues (expenses):</b>				
Investment income	43,200	43,200	137,873	94,673
Cellular lease	183,000	183,000	192,409	9,409
Proceeds from property	-	3,000	-	(3,000)
Forestry management	150,000	150,000	18,473	(131,527)
Interest expense	(297,665)	(297,665)	(335,732)	(38,067)
Total nonoperating revenues (expenses)	78,535	81,535	13,023	(68,512)
Income (loss) before operating transfers and cont	(491,435)	(471,899)	(349,757)	122,142
<b>Other financing sources (uses):</b>				
Contributed capital - availability fees	2,614,031	2,614,031	1,107,422	(1,506,609)
Total other financing sources (uses)	2,614,031	2,614,031	1,107,422	(1,506,609)
Change in net position	\$ 2,122,596	\$ 2,142,132	\$ 757,665	\$ (1,384,467)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**SEWER FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Operating revenues</b>				
Sewer fees	\$ 3,050,851	\$ 3,050,851	\$ 3,035,435	\$ (15,416)
Sewer meter fees	13,745	13,745	8,066	(5,679)
Penalties and interest	26,000	26,000	27,005	1,005
Miscellaneous income	5,300	5,300	2,917	(2,383)
Total operating revenues	3,095,896	3,095,896	3,073,423	(22,473)
<b>Operating expenses:</b>				
Personnel:				
Sewer staff	604,429	604,429	627,746	(23,317)
Overtime - Sewer	32,500	32,500	37,295	(4,795)
Health insurance	113,763	113,763	109,792	3,971
Retirement	46,118	46,118	44,988	1,130
Workers' compensation	7,668	7,668	5,185	2,483
Payroll taxes	48,725	48,725	49,892	(1,167)
Deferred compensation match	3,120	3,120	3,640	(520)
Life insurance	7,918	7,918	7,918	-
Disability insurance	4,182	4,182	855	3,327
Utility chargeback	493,226	473,626	436,301	37,325
Plant operations:				
Electricity	130,000	130,000	153,662	(23,662)
Telephone	10,000	10,000	14,669	(4,669)
Plant supplies	5,000	17,401	19,864	(2,463)
Contracts	53,822	28,739	18,065	10,674
Permits	8,500	10,500	10,479	21
Uniforms	7,500	7,500	7,192	308
Drug testing	715	715	-	715
Plant repairs	37,800	7,815	2,548	5,267
Sewer line repairs	32,000	23,359	9,953	13,406
Safety	12,000	8,033	2,032	6,001
Lab supplies	32,300	32,081	14,898	17,183
New equipment and tools	72,200	80,805	9,183	71,622
Sludge removal	32,000	32,000	26,877	5,123
Chemicals	82,000	87,370	68,773	18,597
Lab certification	2,700	2,700	2,125	575
Sample analysis	3,200	5,079	5,150	(71)
Computer operations	5,000	7,120	2,762	4,358
GIS layers	14,000	14,000	8,725	5,275
Waste disposal	3,000	3,000	1,409	1,591
Meter repairs, tools, and equipment	63,000	63,000	38,653	24,347
New water meters	15,000	15,000	15,195	(195)
Equipment - plant	20,000	4,326	4,325	1
Vehicle repairs	8,000	8,000	7,101	899
Dues and subscriptions	1,000	1,000	1,038	(38)

(Continued)

The Notes to Required Supplementary Information are an integral part of this statement.

## TOWN OF PURCELLVILLE, VIRGINIA

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

## SEWER FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Advertisements	1,000	1,000	-	1,000
Training	5,000	5,000	6,785	(1,785)
Postage/mailings	9,000	9,000	6,784	2,216
Other expenses	5,000	4,000	-	4,000
Professional services	42,000	43,000	26,368	16,632
Mowing	2,500	2,500	2,419	81
Environmental compliance	14,000	12,261	128	12,133
Sewer department emergency	3,000	3,000	3,399	(399)
Administrative supplies	500	500	352	148
Generator maintenance	-	4,913	4,213	700
Pest control	-	-	200	(200)
Pump station operations:				
Electricity	9,200	9,200	14,511	(5,311)
Telephone	600	600	1,136	(536)
Repairs	-	-	1,093	(1,093)
Contracts	15,000	15,000	11,121	3,879
Equipment	25,000	5,120	4,416	704
Propane	2,500	2,500	1,451	1,049
Depreciation	725,172	725,172	699,450	25,722
Capital outlay	103,000	182,227	-	182,227
Other operating expenses	20,000	40,000	43,622	(3,622)
Total operating expenses	2,994,858	3,006,585	2,595,738	410,847
Operating income (loss)	101,038	89,311	477,685	388,374
<b>Nonoperating revenues (expenses):</b>				
Investment income	28,800	28,800	109,141	80,341
Proceeds from property	-	12,000	-	(12,000)
Interest expense	(1,029,424)	(1,029,424)	(1,094,743)	(65,319)
Total nonoperating revenues (expenses)	(1,000,624)	(988,624)	(985,602)	3,022
Income (loss) before operating transfers and contri	(899,586)	(899,313)	(507,917)	391,396
<b>Other financing sources (uses):</b>				
Contributed capital - availability fees	1,718,860	1,718,860	786,738	(932,122)
Total other financing sources (uses)	1,718,860	1,718,860	786,738	(932,122)
Change in net position	\$ 819,274	\$ 819,547	\$ 278,821	\$ (540,726)

The Notes to Required Supplementary Information are an integral part of this statement.

# STATISTICAL SECTION

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This part of the Town of Purcellville’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town’s overall financial health.

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time.	<b>1-5</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the Town’s ability to generate its property and sales taxes.	<b>6-10</b>
<b>Debt Capacity</b> 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 additional debt in the future.	<b>11-14</b>
<b>Demographic and Economic Information</b> 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.	<b>15-16</b>
<b>Operating Information</b> These schedules contain information about the Town’s operations and resources to help the reader understand how the Town’s financial information relates to the services it provides and the activities it performs.	<b>17-19</b>

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

TABLE 1

## Town of Purcellville, Virginia

**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 30,549,900	\$ 30,838,219	\$ 33,175,084	\$ 33,837,613	\$ 34,615,139	\$ 35,096,434	\$ 35,336,103	\$ 34,948,299	\$ 36,103,203	\$ 36,541,656
Restricted	-	-	-	2,546,527	1,992,726	989,533	548,493	723,338	1,701,564	2,608,858
Unrestricted	7,932,422	718,242	4,712,380	3,450,049	3,445,511	3,890,599	4,480,445	5,909,479	3,153,671	2,916,735
Total governmental activities net position	<u>\$ 38,482,322</u>	<u>\$ 31,556,461</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>	<u>\$ 40,958,438</u>	<u>\$ 42,067,249</u>
Business-type activities										
Net investment in capital assets	\$ 13,731,932	\$ 12,743,081	\$ 14,149,999	\$ 14,345,188	\$ 13,902,748	\$ 12,826,291	\$ 12,328,265	\$ 11,835,787	\$ 14,617,526	\$ 13,968,289
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,273,480	10,523,471	7,260,056	3,893,882	4,189,021	5,718,797	6,525,057	10,910,592	11,562,432	13,248,155
Total business-type activities net position	<u>\$ 24,005,412</u>	<u>\$ 23,266,552</u>	<u>\$ 21,410,055</u>	<u>\$ 18,239,070</u>	<u>\$ 18,091,769</u>	<u>\$ 18,545,088</u>	<u>\$ 18,853,322</u>	<u>\$ 22,746,379</u>	<u>\$ 26,179,958</u>	<u>\$ 27,216,444</u>
Primary government										
Net investment in capital assets	\$ 44,281,832	\$ 43,581,300	\$ 47,325,083	\$ 48,182,801	\$ 48,517,887	\$ 47,922,725	\$ 47,664,368	\$ 46,784,086	\$ 50,720,729	\$ 50,509,945
Restricted	-	-	-	2,546,527	1,992,726	989,533	548,493	723,338	1,701,564	2,608,858
Unrestricted	18,205,902	11,241,713	11,972,436	7,343,931	7,634,532	9,609,396	11,005,502	16,820,071	14,716,103	16,164,890
Total primary government net position	<u>\$ 62,487,734</u>	<u>\$ 54,823,013</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>	<u>\$ 67,138,396</u>	<u>\$ 69,283,693</u>

Note: GASB Statement No. 68 and 75 were adopted in fiscal year 2015 and 2018, respectively. Prior years were not restated for the impact of these statements.

TABLE 2

## Town of Purcellville, Virginia

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,472,829	\$ 1,890,188	\$ 3,214,457	\$ 3,100,979	\$ 2,923,193	\$ 2,763,529	\$ 2,815,863	\$ 2,942,494	\$ 3,437,040	\$ 3,378,091
Public safety	1,692,290	1,720,461	1,809,443	1,916,652	1,919,119	1,947,552	2,122,003	2,238,136	2,302,104	2,584,402
Public works	3,788,818	3,645,872	2,802,812	3,478,574	3,472,819	2,978,601	3,537,166	3,240,338	2,227,327	2,525,765
Parks, recreation, and cultural	124,442	1,573,776	94,152	68,927	265,740	341,526	284,991	288,865	422,519	279,894
Community development	461,341	377,000	1,666,302	1,708,045	1,858,057	1,957,359	1,993,482	2,085,427	2,015,654	1,297,069
Interest on long-term debt	228,749	727,584	682,642	742,904	833,107	652,262	624,740	599,827	643,001	470,275
Total governmental activities expenses	8,768,469	9,934,881	10,269,808	11,016,081	11,272,035	10,640,829	11,378,245	11,395,087	11,047,645	10,535,496
Business-type activities:										
Water	2,179,820	2,092,401	2,045,177	4,227,361	2,116,235	2,536,825	2,213,759	2,173,568	3,008,206	2,894,441
Sewer	3,069,217	2,702,696	3,051,529	3,023,902	3,336,116	3,105,398	3,246,210	3,310,332	3,856,998	3,690,481
Total business-type activities expenses	5,249,037	4,795,097	5,096,706	7,251,263	5,452,351	5,642,223	5,459,969	5,483,900	6,865,204	6,584,922
Total primary government expenses	\$ 14,017,506	\$ 14,729,978	\$ 15,366,514	\$ 18,267,344	\$ 16,724,386	\$ 16,283,052	\$ 16,838,214	\$ 16,878,987	\$ 17,912,849	\$ 17,120,418
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	127,915	136,777	154,275	149,973	153,981	145,791	146,961	154,425	167,457	181,409
Public safety	65,268	80,287	73,046	84,156	64,947	57,326	42,844	61,696	58,302	50,466
Community development	103,501	94,043	81,782	102,822	217,668	161,370	143,284	158,169	127,221	91,765
Operating grants and contributions	815,203	784,645	736,855	739,275	789,086	798,187	812,838	957,708	825,145	1,229,911
Capital grants and contributions	388,843	418,501	2,082,699	2,974,978	1,862,645	755,462	1,277,717	1,181,722	1,642,735	368,774
Total governmental activities program revenues	1,500,730	1,514,253	3,128,657	4,051,204	3,088,327	1,918,136	2,423,644	2,513,720	2,820,860	1,922,325
Business-type activities:										
Charges for services:										
Water	\$ 1,372,182	\$ 1,828,883	\$ 1,933,357	\$ 1,996,566	\$ 2,062,128	\$ 2,085,958	\$ 2,072,275	\$ 2,135,053	\$ 2,179,702	\$ 2,195,929
Sewer	1,733,717	2,016,920	2,224,268	2,386,434	2,652,841	2,603,688	2,716,078	2,918,681	3,022,056	3,073,423
Operating grants and contributions				33,237	29,368	28,287	27,041	25,902	12,164	-
Capital grants and contributions	1,031,874	1,113,674	780,144	604,954	1,506,757	2,325,382	1,752,098	4,851,708	5,114,232	1,894,160
Total business-type activities program revenues	4,137,773	4,959,477	4,937,769	5,021,191	6,251,094	7,043,315	6,567,492	9,931,344	10,328,154	7,163,512
Total primary government program revenues	\$ 5,638,503	\$ 6,473,730	\$ 8,066,426	\$ 9,072,395	\$ 9,339,421	\$ 8,961,451	\$ 8,991,136	\$ 12,445,064	\$ 13,149,014	\$ 9,085,837
(Continued)										
Net (expense)/revenue										
Governmental activities	\$ (7,267,739)	\$ (8,420,628)	\$ (7,141,151)	\$ (6,964,877)	\$ (8,183,708)	\$ (8,722,693)	\$ (8,954,601)	\$ (8,881,367)	\$ (8,226,785)	\$ (8,613,171)
Business-type activities	(1,111,264)	164,380	(158,937)	(2,230,072)	798,743	1,401,092	1,107,523	4,447,444	3,462,950	578,590
Total primary government net expense	\$ (8,379,003)	\$ (8,256,248)	\$ (7,300,088)	\$ (9,194,949)	\$ (7,384,965)	\$ (7,321,601)	\$ (7,847,078)	\$ (4,433,923)	\$ (4,763,835)	\$ (8,034,581)

TABLE 2

## Town of Purcellville, Virginia

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 2,474,112	\$ 2,493,115	\$ 2,557,786	\$ 2,822,718	\$ 3,088,573	\$ 3,344,853	\$ 3,395,079	\$ 3,690,806	\$ 3,889,211	\$ 4,220,164
Local sales and use taxes	811,566	878,531	952,497	931,067	898,669	998,571	1,110,071	1,164,728	1,136,133	1,225,507
Meals taxes	679,083	775,398	788,948	1,229,495	1,384,194	1,607,222	1,786,932	1,910,552	2,047,316	2,206,283
Utility license taxes	204,768	208,945	201,784	209,182	218,543	222,625	220,033	220,180	222,488	222,898
Business license taxes	633,268	549,271	621,289	709,692	666,178	677,503	765,285	765,041	790,617	888,515
Other local taxes	425,276	447,658	472,815	475,834	508,110	535,057	537,536	547,485	570,898	579,098
Unrestricted grants and contributions	372,869	386,923	368,625	369,061	392,714	391,107	385,727	381,086	362,408	-
Unrestricted revenues from use of money and property	55,765	69,615	50,350	44,400	41,890	40,442	39,846	49,464	75,600	44,680
Unrestricted investment income	-	-	-	-	-	-	-	-	21,713	149,046
Miscellaneous	2,103,213	2,130,196	70,166	80,487	88,120	112,530	89,326	210,938	173,981	185,791
Gain (loss) on sale of capital asset	-	-	-	923,762	-	(9,735)	-	-	(14,987)	-
Transfers	1,220,232	1,115,904	1,115,904	1,115,904	1,115,904	1,050,904	1,013,241	1,157,162	-	-
Total governmental activities	8,980,152	9,055,556	7,200,164	8,911,602	8,402,895	8,971,079	9,343,076	10,097,442	9,275,378	9,721,982
Business-type activities:										
Miscellaneous	36,922	26,184	38,639	24,377	20,026	20,995	35,130	322,784	20,000	-
Gain (loss) on sale of capital asset	-	-	-	-	-	35,000	-	-	-	-
Unrestricted revenues from use of money and property	124,098	128,552	137,842	145,296	147,590	153,812	178,155	259,562	444,277	210,882
Unrestricted investment income	92,566	57,927	18,870	5,318	2,244	1,030	667	20,429	38,860	247,014
Transfers	(1,220,232)	(1,115,904)	(1,115,904)	(1,115,904)	(1,115,904)	(1,050,904)	(1,013,241)	(1,157,162)	-	-
Total business-type activities	(966,646)	(903,241)	(920,553)	(940,913)	(946,044)	(840,067)	(799,289)	(554,387)	503,137	457,896
Total primary government	\$ 8,013,506	\$ 8,152,315	\$ 6,279,611	\$ 7,970,689	\$ 7,456,851	\$ 8,131,012	\$ 8,543,787	\$ 9,543,055	\$ 9,778,515	\$ 10,179,878
<b>Change in Net Position</b>										
Governmental activities	\$ 1,712,413	\$ 634,928	\$ 59,013	\$ 1,946,725	\$ 219,187	\$ 248,386	\$ 388,475	\$ 1,216,075	\$ 1,048,593	\$ 1,108,811
Business-type activities	(2,077,910)	(738,861)	(1,079,490)	(3,170,985)	(147,301)	561,025	308,234	3,893,057	3,966,087	1,036,486
Total primary government	\$ (365,497)	\$ (103,933)	\$ (1,020,477)	\$ (1,224,260)	\$ 71,886	\$ 809,411	\$ 696,709	\$ 5,109,132	\$ 5,014,680	\$ 2,145,297



**TABLE 3****Town of Purcellville, Virginia**

**GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Business Licenses</b>	<b>Utility License Taxes</b>	<b>Meals Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2019	\$ 4,220,164	\$ 1,225,507	\$ 888,515	\$ 222,898	\$ 2,206,283	\$ 579,098	\$ 9,342,465
2018	3,889,211	1,136,133	790,617	222,488	2,047,316	570,898	8,656,663
2017	3,690,806	1,164,728	765,041	220,180	1,910,552	547,485	8,298,792
2016	3,395,079	1,110,071	765,285	220,033	1,786,932	537,536	7,814,936
2015	3,344,853	998,571	677,503	222,625	1,607,222	535,057	7,385,831
2014	3,088,573	898,669	666,178	218,543	1,384,194	508,110	6,764,267
2013	2,822,718	931,067	709,692	209,182	1,229,495	475,834	6,377,988
2012	2,557,786	952,497	621,289	201,784	788,948	472,815	5,595,119
2011	2,493,115	878,531	549,271	208,945	775,398	447,658	5,352,918
2010	2,474,112	811,566	633,268	204,768	679,083	425,276	5,228,073

TABLE 4

## Town of Purcellville, Virginia

**FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental funds:										
Nonspendable:										
Prepays	\$ 51,782	\$ 52,722	\$ 52,902	\$ 48,661	\$ 63,487	\$ 61,630	\$ -	\$ 1,256	\$ 20,198	\$ 61,838
Restricted for:										
State highway maintenance	\$ 94,890	\$ 120,260	\$ 66,503	\$ 397,701	\$ 35,051	\$ 131,454	\$ 58,377	\$ 260,205	\$ 364,998	\$ 371,240
Loudoun County settlement funds	2,840,945	3,314,618	2,193,686	1,730,952	945,882	550,734	221,800	230,344	195,001	178,754
Loudoun County -Transportation and sidewalk project		-	-	-	611,809	214,830	214,830	214,830	1,051,189	949,665
Fireman's field	-	-	-	357,961	399,984	92,515	53,486	17,959	-	-
Hirst pond	-	-	-	-	-	-	-	-	90,376	90,275
Proffers	-	-	-	-	-	-	-	667,536	892,180	1,018,924
USDA bond covenant	-	-	-	59,913	-	-	-	-	-	-
Unspent bond proceeds	627,311	2,876,577	57,669	237,332	42,636	-	-	-	-	-
Total restricted fund balance	\$ 3,563,146	\$ 6,311,455	\$ 2,317,858	\$ 2,783,859	\$ 2,035,362	\$ 989,533	\$ 548,493	\$ 1,390,874	\$ 2,593,744	\$ 2,608,858
Committed for:										
Street bonds	\$ 28,733	\$ 10,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital expense	-	-	10,000	768,892	691,135	590,155	479,261	373,852	271,475	178,523
Parks & recreation	-	-	-	-	-	-	59,281	151,588	285,266	319,400
Total committed fund balance	\$ 28,733	\$ 10,328	\$ 10,000	\$ 768,892	\$ 691,135	\$ 590,155	\$ 538,542	\$ 525,440	\$ 556,741	\$ 497,923
Assigned for:										
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 21,654	\$ -	\$ 220,199	\$ 183,142	\$ 443,537	\$ 198,018
Unassigned	\$ 4,363,277	\$ 4,368,340	\$ 3,427,576	\$ 3,884,533	\$ 4,209,033	\$ 5,031,166	\$ 5,676,427	\$ 6,685,555	\$ 5,176,351	\$ 6,299,036
Total governmental funds	\$ 8,006,938	\$ 10,742,845	\$ 5,808,336	\$ 7,485,945	\$ 7,020,671	\$ 6,672,484	\$ 6,983,661	\$ 8,786,267	\$ 8,790,571	\$ 9,665,673

Note: 2011 was the first year of implementing GASB No. 54 which revised fund balance classifications.

TABLE 5

## Town of Purcellville, Virginia

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
General property taxes	\$ 2,487,151	\$ 2,526,829	\$ 2,526,297	\$ 2,850,968	\$ 3,095,888	\$ 3,239,133	\$ 3,472,962	\$ 3,648,248	\$ 3,874,778	\$ 4,188,212
Other local taxes	2,753,961	2,859,803	3,037,333	3,555,270	3,675,694	4,040,978	4,419,857	4,607,986	4,767,452	5,122,301
Permits, privilege fees, and regulatory licenses	231,416	254,847	236,057	252,795	371,649	307,161	290,245	312,594	294,678	273,174
Fines and forfeitures	65,268	80,287	73,046	84,156	64,947	57,326	42,844	61,696	58,302	50,466
Revenue from use of property	1,120	29,700	38,410	42,630	40,862	39,315	36,590	36,540	82,880	44,680
Investment income	54,645	39,915	11,940	1,770	1,028	1,127	3,256	12,924	21,713	149,046
Miscellaneous	2,103,213	2,106,173	70,166	80,487	88,119	112,530	89,327	210,938	166,701	185,791
Intergovernmental										
Local government	165,000	-	-	687,739	1,102,228	253,365	223,147	773,558	1,393,377	223,579
Commonwealth	1,282,739	1,380,629	1,498,138	3,361,171	1,830,329	1,623,099	1,415,501	1,331,322	1,414,125	1,294,819
Federal	129,176	209,437	1,690,041	34,404	111,888	68,292	837,634	415,637	22,785	80,287
<b>Total revenues</b>	<b>9,273,689</b>	<b>9,487,620</b>	<b>9,181,428</b>	<b>10,951,390</b>	<b>10,382,632</b>	<b>9,742,326</b>	<b>10,831,363</b>	<b>11,411,443</b>	<b>12,096,791</b>	<b>11,612,355</b>
<b>Expenditures</b>										
General government administration	2,109,213	2,348,933	2,366,088	2,390,979	2,515,213	2,471,121	2,611,773	2,679,550	3,205,477	2,974,232
Public safety	1,606,485	1,626,498	1,788,562	1,838,119	1,906,858	1,968,590	2,068,546	2,103,905	2,243,805	2,506,891
Public works	2,724,992	2,821,523	2,769,287	2,747,417	3,285,281	2,729,601	3,387,426	3,014,297	2,045,628	2,329,499
Parks, recreation, and cultural	33,063	26,800	80,475	153,330	183,440	227,434	169,803	174,316	289,565	279,696
Community development	486,933	412,050	420,361	426,093	420,836	431,276	495,504	537,634	477,634	459,406
Capital projects	7,966,091	5,885,407	6,468,774	4,723,932	2,190,996	2,046,356	1,323,834	652,204	373,089	1,027,782
Debt service										
Principal	448,699	496,895	672,460	3,440,182	8,517,384	756,531	833,543	864,121	3,154,872	742,353
Interest and other fiscal charges	318,906	570,022	665,834	769,333	596,339	725,508	702,279	680,691	706,928	558,819
Bond issue costs	88,274	143,973	-	-	165,517	-	-	-	20,312	-
<b>Total expenditures</b>	<b>15,782,656</b>	<b>14,332,101</b>	<b>15,231,841</b>	<b>16,489,385</b>	<b>19,781,864</b>	<b>11,356,417</b>	<b>11,592,708</b>	<b>10,706,718</b>	<b>12,517,310</b>	<b>10,878,678</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(6,508,967)</b>	<b>(4,844,481)</b>	<b>(6,050,413)</b>	<b>(5,537,995)</b>	<b>(9,399,232)</b>	<b>(1,614,091)</b>	<b>(761,345)</b>	<b>704,725</b>	<b>(420,519)</b>	<b>733,677</b>
<b>Other financing sources (uses)</b>										
Transfers in	5,223,555	8,071,938	5,838,232	1,115,904	1,579,416	1,259,361	1,174,741	1,337,162	2,284,248	50,000
Transfers out	(4,003,323)	(6,956,034)	(4,722,328)	-	(463,512)	(208,457)	(161,500)	(180,000)	(2,284,248)	(50,000)
Refunding bonds issued(including bond premiums)	-	4,241,000	-	-	12,473,453	-	-	-	700,000	-
Issuance of debt	6,775,828	6,366,117	-	4,840,000	-	215,000	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	141,425
Proceeds from sale of property	-	-	-	1,259,700	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	(4,142,633)	-	-	(4,655,399)	-	-	-	(275,177)	-
<b>Total other financing sources (uses)</b>	<b>7,996,060</b>	<b>7,580,388</b>	<b>1,115,904</b>	<b>7,215,604</b>	<b>8,933,958</b>	<b>1,265,904</b>	<b>1,013,241</b>	<b>1,157,162</b>	<b>424,823</b>	<b>141,425</b>
<b>Net change in fund balances</b>	<b>\$ 1,487,093</b>	<b>\$ 2,735,907</b>	<b>\$ (4,934,509)</b>	<b>\$ 1,677,609</b>	<b>\$ (465,274)</b>	<b>\$ (348,187)</b>	<b>\$ 251,896</b>	<b>\$ 1,861,887</b>	<b>\$ 4,304</b>	<b>\$ 875,102</b>
<b>Debt service as a percentage of noncapital expenditures</b>	10.95%	14.34%	15.27%	35.78%	52.75%	15.92%	14.96%	15.36%	31.97%	13.21%

TABLE 6

## Town of Purcellville, Virginia

**GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Local Sales and Use Taxes</b>	<b>Business Licenses</b>	<b>Utility License Taxes</b>	<b>Meals Taxes</b>	<b>Other Local Taxes</b>	<b>Total</b>
2019	\$ 4,188,214	\$ 1,225,507	\$ 888,515	\$ 222,898	\$ 2,206,283	\$ 579,098	\$ 9,310,515
2018	3,874,778	1,136,133	790,617	222,488	2,047,316	570,898	8,642,230
2017	3,648,248	1,164,728	765,041	220,180	1,910,552	547,485	8,256,234
2016	3,472,962	1,110,071	765,285	220,033	1,786,932	537,536	7,892,819
2015	3,239,133	998,571	677,503	222,625	1,607,222	535,057	7,280,111
2014	3,095,888	898,669	666,178	218,543	1,384,194	508,110	6,771,582
2013	2,850,968	931,067	709,692	209,182	1,229,495	475,834	6,406,238
2012	2,526,297	952,497	621,289	201,784	788,948	472,815	5,563,630
2011	2,526,829	878,531	549,271	208,945	775,398	447,658	5,386,632
2010	2,487,151	811,566	633,268	204,768	679,083	425,276	5,241,112

TABLE 7

## Town of Purcellville, Virginia

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<b>Calendar Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2019	\$ 1,404,879,395	\$ 84,880,781	\$ 21,168,842	\$ 1,510,929,018	\$ 1,510,929,018	100%
2018	1,325,967,550	79,726,603	21,440,870	1,427,135,023	1,427,135,023	100%
2017	1,252,549,625	70,990,468	21,708,974	1,345,249,067	1,345,249,067	100%
2016	1,202,445,320	63,071,081	21,747,771	1,287,264,172	1,287,264,172	100%
2015	1,140,041,935	65,961,448	21,628,009	1,227,631,392	1,227,631,392	100%
2014	1,064,663,675	64,959,370	20,976,414	1,150,599,459	1,150,599,459	100%
2013	1,010,965,950	63,685,657	20,575,695	1,095,227,302	1,095,227,302	100%
2012	976,555,250	61,387,349	17,270,331	1,055,212,930	1,055,212,930	100%
2011	960,616,700	62,755,192	12,415,217	1,035,787,109	1,035,787,109	100%
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100%

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

TABLE 8

## Town of Purcellville, Virginia

**PROPERTY TAX RATES (1)**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

Calendar Year	Direct Rates			Volunteers	Machinery and Tools	Merchants' Capital	Overlapping Rates County of Loudoun, Virginia		
	Real Estate	FF Service Tax District	Personal Property				Real Estate	Personal Property	Machinery and Tools
2019	.22/.22	.03/.03	1.05	0.01	0.55	N/A	1.045	4.20	2.75
2018	.22/.22	.035/.03	1.05	0.01	0.55	N/A	1.085	4.20	2.75
2017	.22/.22	.035/.03	1.05	0.01	0.55	N/A	1.125	4.20	2.75
2016	.22/.22	.035/.03	1.05	0.01	0.55	N/A	1.145	4.20	2.75
2015	.21/.22	.035/.03	1.05	0.01	0.55	N/A	1.135	4.20	2.75
2014	.225/.21	.035/.03	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	NA	1.05	0.01	0.55	N/A	1.240	4.20	2.75
2011	.23/.23	NA	1.05	0.01	0.55	N/A	1.290	4.20	2.75
2010	.225/.23	NA	1.05	0.01	0.55	N/A	1.300	4.20	2.75

(1) Per \$100 of assessed value.

Source: Town Finance Department and Treasurer of Loudoun County

TABLE 9

**Town of Purcellville, Virginia**

**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Type Business	2019		2010	
		Total Assessed Value	Percentage of Total Assessed Value	Total Assessed Value	Percentage of Total Assessed Value
NSHE Fool Hollow Lake LLC	Shopping Ctr (105 Purcellville Gateway)	\$ 34,942,970	2.42 %	\$ 4,460,900	0.47 %
Main St. Station LLC	Shopping Center (1000 E Main St)	24,526,680	1.70	12,419,400	1.30
S R B Enterprises LLC	Shopping Center (711 E Main St)	11,918,050	0.83	4,623,800	0.48
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	10,721,720	0.74	10,129,500	1.06
Valley Medical Center LLC	Medical Center (205 Hirst Road)	8,778,790	0.61	4,623,900	0.48
Purcellville Development LLC	Shopping Center (1231 Wolf Rock Rd)	7,066,910	0.49	197,800	0.02
Maple Avenue Apartments LP	Apartments (610-650 Dominion TE)	5,426,860	0.38	5,097,700	0.53
Main Street Associates LP	Apartments (123 16th St)	5,184,580	0.36	4,659,700	0.49
LRG-125 Hirst Road LLC	Office Building (125 Hirst Road)	4,237,420	0.29	2,491,400	0.26
Purcellville Plaza LLC	201 N Maple Ave	3,946,800	0.27	5,375,900	0.56
		<u>\$ 116,750,780</u>	<u>8.09 %</u>	<u>\$ 54,080,000</u>	<u>5.67 %</u>

Source: Loudoun County Assessor of Real Estate taxable data

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

TABLE 10

## Town of Purcellville, Virginia

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>RE Tax Levy for Fiscal Year</b>	<b>PP Tax Levy for Fiscal Year</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Year of Levy</b>	<b>Percentage of Levy Collected in Year of Levy</b>	<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	<b>Percentage of Total Collection to Date of Levy</b>
2019	\$ 3,444,525	\$ 617,998	\$ 4,062,523	\$ 3,854,265	94.87 %	\$ -	\$ 3,854,265	94.87 %
2018	3,309,611	579,342	3,888,953	3,689,674	94.88	178,261	3,867,935	99.46
2017	3,191,567	489,048	3,680,615	3,528,421	95.86	118,732	3,647,153	99.09
2016	3,006,627	427,528	3,434,155	3,320,031	96.68	107,156	3,427,187	99.80
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	91,280	3,112,799	99.88
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



TABLE 11

## Town of Purcellville, Virginia

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Capital Leases	Other Notes/Bonds	General Obligation Bonds	Capital Leases			
2019	\$ 13,900,005	\$ 135,983	\$ 680,000	\$ 40,605,881	\$ 179,596	\$ 55,501,465	6.82 %	\$ 5,536
2018	14,657,946	-	765,000	40,921,224	206,671	56,550,841	7.45	5,641
2017	17,374,221	-	850,000	42,595,476	254,291	61,073,988	8.33	6,087
2016	18,251,388	-	935,000	43,033,090	300,393	62,519,871	8.99	6,402
2015	19,094,249	-	1,020,000	43,475,334	345,026	63,934,609	9.62	6,736
2014	19,642,757	-	1,105,000	44,173,657	-	64,921,414	10.44	7,054
2013	19,929,554	-	1,190,000	43,194,735	-	64,314,289	11.21	7,458
2012	18,444,736	-	1,275,000	44,146,465	-	63,866,201	11.24	7,664
2011	19,032,196	-	1,360,000	45,216,445	-	65,608,641	12.32	8,139
2010	12,953,021	-	1,445,000	47,287,639	-	61,685,660	12.68	7,983

Note: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.

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

(2) As the current year population is not yet available (see Table 15), the prior year population was used in the current year calculation.

**TABLE 12**

**Town of Purcellville, Virginia**

**LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 103,391,108	\$ 103,343,018	\$ 99,381,070	\$ 102,790,304	\$ 108,560,416	\$ 116,163,432	\$ 122,419,309	\$ 127,425,860	\$ 134,740,842	\$ 142,604,824
Total net debt applicable to limit	61,685,660	65,608,641	63,866,201	64,314,289	64,921,414	63,934,609	62,519,871	61,073,988	56,550,841	55,501,465
Legal debt margin	<u>\$ 41,705,448</u>	<u>\$ 37,734,377</u>	<u>\$ 35,514,869</u>	<u>\$ 38,476,015</u>	<u>\$ 43,639,002</u>	<u>\$ 52,228,823</u>	<u>\$ 59,899,438</u>	<u>\$ 66,351,872</u>	<u>\$ 78,190,001</u>	<u>\$ 87,103,359</u>
Total net debt applicable to the limit as a percentage of debt limit	59.66%	63.49%	64.26%	62.57%	59.80%	55.04%	51.07%	47.93%	41.97%	38.92%

Legal debt margin calculation for fiscal year 2019

Assessed value	\$ 1,426,048,237
Debt limit (10% of total assessed value)	\$ 142,604,824
Net debt applicable to limit	<u>55,501,465</u>
Legal debt margin	<u>\$ 87,103,359</u>

TABLE 13

## Town of Purcellville, Virginia

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**Year Ended June 30, 2019**

<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	\$ 1,779,254,147	1.46 %	\$ 25,977,111
Subtotal, overlapping debt			
Town of Purcellville, direct debt (2)			<u>14,715,988</u>
Total direct and overlapping debt			<u><u>\$ 40,693,099</u></u>

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. This process recognized 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 County government's boundaries and dividing it by the County's total taxable assessed value.

(2) Excludes debt related to business-type activities

TABLE 14

## Town of Purcellville, Virginia

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Net Bonded Debt (1) (2)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (3)</b>	<b>Net Bonded Debt per Capita</b>
2019	\$ 55,501,465	3.67 %	\$ 5,536
2018	56,550,841	3.96	5,641
2017	61,073,998	4.54	6,087
2016	62,519,871	4.86	6,402
2015	63,934,609	5.21	6,736
2014	64,921,414	5.64	7,054
2013	64,314,289	5.87	7,458
2012	63,866,201	6.05	7,664
2011	65,608,641	6.33	8,139
2010	61,685,660	5.99	7,983

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

(2) 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.

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

(4) As the current year population is not yet available (see Table 15), the prior year population was used in the current year calculation.

TABLE 15

## Town of Purcellville, Virginia

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

Year	Purcellville Population (1)	Loudoun County Per Capita Income (2)	Purcellville Median Age (3)	Purcellville School Age Population (4)	Loudoun County Unemployment Rate (5)
2019	N/A	81,200	34.3	2,852	2.4 %
2018	10,025	75,700	34.3	2,838	2.7
2017	10,033	73,100	34.3	2,842	3.2
2016	9,765	71,218	33.8	3,125	3.4
2015	9,491	70,046	32.8	2,563	3.8
2014	9,204	67,577	33.6	2,603	4.5
2013	8,624	66,517	33.6	2,488	4.7
2012	8,333	68,208	34.7	2,330	4.8
2011	8,061	66,042	34.8	2,297	5.0
2010	7,727	62,979	33.6	2,105	5.2

## Sources:

(1) 2010: US Bureau of Census, 2010 Decennial Census. 2011-2018: US Bureau of Census Annual Population Estimates; 2019 update not yet available.

(2) 2010-2017: Bureau of Economic Analysis, US Department of Commerce 2018-2019: Loudoun County Department of Management and Budget estimates.

(3) 2010: US Bureau of Census, 2010 Decennial Census. 2011-2017: US Bureau of Census 5-Year Population Estimates; 2018 and 2019 updates not yet available (2017 value is shown for 2018 and 2019).

(4) 2010-2018: Weldon Cooper Center for Public Service School-Age Population Estimates for July 1 of the year indicated. 2018 is Department of Management and Budget estimate.

(5) Local Area Unemployment Statistics, Virginia Employment Commission, Month of June each year. Values for 2010-2017 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.

TABLE 16

**Town of Purcellville, Virginia**

**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>Fiscal Year 2019</b>		<b>Fiscal Year 2010</b>	
	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>
Loudoun County Schools	1	627	1	485
Harris Teeter	2	165	n/a	n/a
Blue Ridge Veterinary Assoc., Inc.	3	140	7	74
Giant	4	124	2	125
Home School Legal Defense Association	5	120	5	81
Wholesale Screening Solutions	6	106	n/a	n/a
Chick-fil-A (Payne Leadership Dev. Group)	7	90	n/a	n/a
Magnolia's at the Mill	8	87	9	70
Town of Purcellville	9	87	10	70
Patrick Henry College	10	70	4	85

Each employer's percentage of total employment is not included because that information is not available.

Source: Town Business License Renewal  
Loudoun County Public Schools

TABLE 17

## Town of Purcellville, Virginia

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	7.75	7.50	8.50	8.50	8.50	9.00	10.00	9.50	10.20	11.20
Finance Administration	7.50	7.50	7.50	7.50	7.50	7.50	8.00	8.60	8.60	9.30
Public safety/Police	15.00	15.00	15.00	15.00	16.00	17.00	16.00	17.00	18.00	19.60
Public works	8.00	8.00	8.00	8.00	8.00	7.00	6.75	6.00	9.00	8.00
General maintenance	10.00	9.00	9.00	9.00	9.00	9.00	9.60	10.60	10.60	9.60
Planning & Zoning	4.00	3.00	4.00	4.00	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	1.20	1.20
Water Treatment	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	9.00
Wastewater Treatment	9.00	9.00	9.00	9.00	9.00	9.50	9.00	9.00	9.00	9.00
	<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>	<u>79.60</u>	<u>80.90</u>

Source: IRS Form 941's

TABLE 18

## Town of Purcellville, Virginia

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b><u>Administration</u></b>										
Special Events	23	22	19	20	22	27	27	20	19	10
FOIA Requests Processed	157	227	161	115	105	137	135	85	116	85
<b><u>Finance</u></b>										
Utility Bills Processed	15,201	15,209	15,763	15,913	15,590	15,787	15,949	16,303	16,941	17,484
Tax Bills Processed	12,342	12,959	12,740	12,881	12,823	12,923	12,220	12,812	14,971	14,349
Accounts Payable Transactions	6,089	6,133	6,133	6,175	6,652	6,291	6,449	6,815	8,361	8,474
<b><u>Public safety</u></b>										
Parking violations	177	172	128	229	358	270	79	142	221	136
Traffic violations	1,671	1,692	1,021	1,457	1,152	834	624	1,038	915	1,072
Incident reports	1,103	986	680	933	865	756	632	755	814	823
Warning Tickets*	-	-	-	-	-	-	524	588	1,258	911
<b><u>Public works</u></b>										
<b><u>Maintenance Dept</u></b>										
Work Orders, number of	902	1,190	1,406	1,356	1,583	1,753	1,395	2,154	1,979	1,961
New Meters Installed	22	12	22	25	25	24	38	93	99	77
Miss Utility's' processed	830	783	1,186	1,014	1,014	988	1,372	1,523	1,475	1,659
<b><u>Water Dept</u></b>										
Total Gallons Treated (millions)	207	203	196	194	192	201	200	198	210	202.5
Samples in compliance, % of	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Violations, number of	1	-	-	-	-	-	-	-	-	-
<b><u>Wastewater Dept</u></b>										
Daily average of gallons treated	575,200	590,200	591,200	638,400	614,200	549,400	661,400	589,800	576,000	684,200
Complaints, number of	3	-	-	1	1	1	1	-	2	-
<b><u>Planning and Zoning</u></b>										
Occupancy permits issued	78	68	76	84	70	93	81	129	192	117
Zoning permits issued	183	179	268	140	214	202	259	306	386	268
Development Plans Processed	11	9	9	7	8	11	7	10	19	14

\*data for warning tickets first available for 2016

Source: Individual Town departments.



TABLE 19

**Town of Purcellville, Virginia**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b><u>Administration</u></b>										
Administration buildings	2	2	2	1	1	1	1	1	1	1
Bus stops of public transportation	1	1	6	6	6	6	6	6	6	6
Public parking lots	2	2	4	4	4	4	4	4	4	4
Vehicles	2	1	1	1	1	1	1	1	1	1
<b><u>Parks and Recreation</u></b>										
Recreation Facilities - Buildings	2	2	2	2	2	2	2	2	2	2
Recreation Facilities - Fields, Parks, Trails	3	3	3	3	3	3	3	3	3	5
<b><u>Public safety</u></b>										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar smart trailers	3	3	1	-	-	-	-	-	-	1
Vehicles	10	10	11	11	12	12	12	13	12	13
<b><u>Public works</u></b>										
<b><u>Maintenance Dept</u></b>										
Heavy Equipment (Backhoes,etc.)	10	10	12	13	13	12	12	12	12	12
Maintenance Facility	2	2	2	2	2	2	2	2	2	2
Message Boards	3	3	3	3	3	3	3	3	3	2
Traffic Signals	2	2	2	2	2	2	2	2	2	2
Vehicles	18	21	21	20	20	20	20	20	18	20
<b><u>Water Dept</u></b>										
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 Building	3	4	4	4	4	4	4	4	4	4
Vehicles	4	4	5	6	5	5	5	5	5	5
Water Reservoir(s)	1	1	1	1	1	1	1	1	4	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	8	8	9	9	9	9	9	9	9	9
<b><u>Wastewater Dept</u></b>										
Pump stations	6	6	6	6	6	6	6	6	6	7
Vehicles	5	5	5	5	5	5	5	5	5	5
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
<b><u>Planning and Zoning</u></b>										
Vehicles	1	1	1	1	1	1	1	1	1	1

Source: Town depreciation schedule.

## **COMPLIANCE SECTION**

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Purcellville, Virginia (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 20, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Town'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. **We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 19-001, 19-002, and 19-003 that we consider to be significant deficiencies.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 20, 2019

**TOWN OF PURCELLVILLE, VIRGINIA  
SUMMARY OF COMPLIANCE MATTERS  
June 30, 2019**

As more fully described in the Independent Auditor's 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*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act
- Highway Maintenance

**LOCAL COMPLIANCE MATTERS**

Town Charter

**TOWN OF PURCELLVILLE, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2019**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**19-001: Segregation of Duties (Significant Deficiency)**

*Condition:*

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash disbursements and journal entries.

*Recommendation:*

Steps should continue to be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

*Management's Response:*

Management understands the concern expressed with this finding and is correcting issues where practical given the Town is currently implementing a new system. However, the current staff size limits the separation of duties in regards to these functions.

**19-002: Developer Contributions (Significant Deficiency)**

*Condition:*

The Town does not have a system by which it monitors, evaluates, and records the values of developer contributed infrastructure such as utility lines. Amounts are currently unrecorded.

*Recommendation:*

We recommend implementing a process to obtain needed information as infrastructure is constructed.

*Management's Response:*

Although the Town has a process to monitor and record new roadway contributions from developers, a similar process was not in place for utility infrastructure contributions. Over the next year, the Public Works Department will develop a process to identify and value all developer contributions going forward and to share this information with the Finance Department for financial reporting purposes.

**TOWN OF PURCELLVILLE, VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**19-003: Physical Inventory (Significant Deficiency)**

*Condition:*

During the audit, we noted that inventory was expensed upon purchase and was not recorded as an asset for respective funds: general, water and sewer.

*Recommendation:*

We recommend that all departments within the Town that have inventory ensure items are tracked and recorded as inventory at the time of purchase. An amount was recorded for the current year based on physical inventory counts performed at year end. The Town should perform annual inventory counts at a minimum.

*Management's Response:*

Finance worked with all departments to evaluate materially significant supply inventories. Over the summer of 2019, a physical inventory process was established for Maintenance, Water and Wastewater supplies. Going forward, a physical supply inventory will be completed and reported prior to June 30th each year.