

Town of Purcellville Comprehensive Annual Financial Report Year Ending June 30, 2020



TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

Prepared by:
Town of Purcellville
Finance Department

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INTRODUCTORY SECTION

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2020

TOWN COUNCIL

Kwasi A. Fraser, Mayor
Tip Stinnette, Vice Mayor

Chris Bledsoe
Ryan J. Cool
Theodore Greenly
Joel D. Grewe
Nedim Ogelman

APPOINTED OFFICIALS

David A. Mekarski..... Town Manager
Sally Hankins..... Town Attorney
Elizabeth B. KrensDirector of Finance
Vadah B. McCann..... Director of Administration
Dale Lehnig..... Director of Engineering, Planning & Development
Jason DidawickDirector of Public Works
Cynthia McAlister..... Chief of Police
Sharon Rauch..... Director of Human Resources
Shannon Bohince Director of Information Technology



November 12, 2020

**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, 2020. 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 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 monthly 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, 2020. 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 U.S. Bureau of Census, the Town's current population is 10,178 persons, equivalent to a 32% 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:

Council has identified development of a fiscal and economic plan to ensure the long-term health of the Town's water and wastewater utilities as a primary initiative. In early 2019, Stantec Consulting Services, Inc. was selected to complete a Utility Rate Study to include a cost of service analysis and rate design. Over a series of public meetings in FY20, Stantec worked with Council and management to explore various rate scenarios utilizing an integrated forecasting model developed for the Town. In December 2019, Council adopted a new rate design based on the cost to service each customer class. Implementation of the new rate structure initially planned for July 1, 2020 was deferred due to the onset of the Coronavirus pandemic, a period critical to public education regarding new customer classes, usage tiers and rates.

In 2018, to help guide the Town's path for long-term economic sustainability and quality of life, the Town Council formulated a Strategic Plan, identifying for the community and its administration, the vision, mission, core values, and strategic initiatives of the Mayor and Council. Equally important to the Town's strategic initiatives, the Council crafted five core values, which ensure that our governance is guided through a path of ethical standards and sound leadership, while continually exercising a democratic deliberative process in the formulation of public policy and initiatives. These core values are as follows: Accountability, Integrity, Innovative Stewardship, Teamwork and Transparency. The stated core values provide the foundation for the Town's four fundamental strategic initiatives, which are stated as: Promote

Community and Economic Well Being, Practice Good Governance, Strengthen Community Partnerships, and Fund the Future. From those initiatives, the Council has identified twenty Tier 1 and Tier 2 action agenda items. As an implementation tool, the Town Council, in partnership with its management team, had identified seven activity job cards to help focus the administrative team in accomplishing Tier 1 initiatives that are strategically aligned with the Council's 2018-2020 strategic plan. These job cards call for developing and enhancing:

1. Long range transportation and communication needs;
2. Update the Town's Code of Ordinances, administrative policies and charter amendments;
3. Broaden and sponsor training opportunities for all boards, committees and commissions supported by Town Council;
4. Design and implement a strategy that will permit the Town's utility system to function as a self-supporting enterprise account;
5. Develop a capital asset management plan for all town-owned assets;
6. Develop a strategic approach to broadening communication links and engagement with citizens and community stakeholders;
7. Develop a comprehensive water and wastewater resource management plan.

To bring all of these elements together, at the beginning of this fiscal year, the new Council launched a Grand Strategy which called for formulating a comprehensive economic development and financial strategic plan. The plan calls for the recruitment of new economic opportunities, the retention and expansion of local business, the inventory of town infrastructure to facilitate business needs, the creation of a new entrepreneurial environment to encourage business starts and innovation and the structural commitment to pursue opportunities to leverage town assets. The ultimate goal of the Grand Strategy is to produce a stable revenue strategy for long-term sustainability, and to organize the Purcellville's administrative capacity under a means-based service strategy in order to predict the provision of municipal services predicated on the ability to financially sustain that service delivery. Lastly, the plan calls for the town administration to evaluate our municipal service delivery to ensure alignment of staff allocation to strategic goals, initiatives and priorities.

Financial Condition and Economic Outlook:

The novel Coronavirus pandemic impacted the last four months of FY20 as the Governor's Stay at Home Order (Executive Order 53) was issued in March to mitigate the spread of the virus. In order to position the Town to deal with the uncertainty of the virus, the Town Manager took immediate action to eliminate all non-essential spending. This allowed the Town to end FY20 in good fiscal condition while maintaining strong reserve levels.

At the end of fiscal year 2020, the Town's total net position increased by \$981,406 of which \$1,212,905 was from governmental activities with a \$231,499 decrease in business-type or utility activities. In addition, the governmental fund's total fund balance at the end of fiscal year 2020 was \$9.4 million. Of this amount, \$6.0 million, or 41% of general fund expenditures, was unassigned and available for future spending. This was a \$234,830 decrease from the prior year due to Council's declaration of a meals tax holiday in April and May 2020 to support businesses and citizens impacted by the pandemic and an increase in non-spendable restrictions associated with State highway maintenance funds and prepaids. The unassigned fund balance is well in excess of the Town's fiscal policy target of \$3 million or 30% of total revenues.

The Town's assessed value of taxable real property totaling \$1.5 billion increased by 5.31% in 2020. Preliminary estimates indicate property valuations will remain stable in 2021 with some new construction as Blue Ridge Estates and Village Case projects are completed. Due to the Coronavirus, all proposed tax and fee increases initially proposed in the FY21 budget were eliminated and offset by discretionary spending cuts and deferral of operating and capital projects. Therefore, the real property tax rate of \$.22 per \$100 of assessed value and the Fireman's Field Service tax rate of \$.03 per \$100 of assessed value remained unchanged in 2020.

In April 2020, the Town benefited from historically low interest rates by refinancing existing debt for interest rate savings. The 2020A and 2020B refunding bonds resulted in over \$2 million in savings of the life of the loans. The Town maintained strong investment grade credit ratings: AAA with a "stable outlook" by Standard & Poor's, Aa2 from Moody's Investors Services and AA+ with a "stable outlook" from Fitch Ratings (rating upgrade from AA to AA+ in November 2019). Future debt needs identified in the Town's capital improvement plan (CIP) are primarily associated with utility projects beginning in FY22.

Economic Development:

In June 2020, the Town Council finalized its Comprehensive Plan. The document was no small task, requiring over five years of policy deliberations by its Planning Commission, Town Council and members of the public. The Plan Purcellville 2030 Comprehensive Plan goes beyond a simple future land use perspective. It represents a strategic policy document which will guide policy makers for the next ten years. The current Town Council has expressed its intent not to promote further residential growth beyond the limited infill development that currently exists within our political boundaries. While this is the case, the Council is willing to explore the benefits and costs of strategic growth in commerce, which would have a positive impact to the Town's future local economic base. Evaluation of any proposed economic development site must include a fiscal impact of the cost and benefits to our existing residents and established businesses. In addition to fiscal impact, the Council requires an analysis of impact to the Town's transportation and utility systems to ensure that our existing utilities can deliver the requirements for potable water and sanitary sewer treatment without causing unanticipated expenses to our current taxpayers.

Currently, municipal service delivery is largely born by our residential taxpayer, who covers 79% of the cost of providing municipal services. Our commercial customers, including institutional, industrial, commercial office, retail and restaurants, only contribute 21%. The goal of the administration is to decrease the cost of service delivery born by our residents and increase the contribution from our business community to achieve greater equity amongst the various groups that represent our local economy. The town's business community brings both wealth and impacts to our municipal service delivery and quality of life. While it attracts employees and customers to our industrial, office, retail and restaurant sectors of our economy, it also causes impacts that can diminish the quality of life for our homeowners. Commerce plays a significant role in the Town's revenue streams, but commerce can also contribute significant impacts straining our utility systems, the longevity of our local streets and highways, and contributes to the traffic congestion that is deleterious to our citizens.

Our retail/restaurant sector continues to expand. A number of projects were going under preliminary planning prior to the COVID-19 pandemic. Due to uncertainty on the impacts to opening a new retail or restaurant facility, these projects have been tabled, however are expected to resurface once the coronavirus is under control.

Major Awards and Initiatives:

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in fiscal year 2020:

- Received 10th consecutive GFOA Distinguished Budget Presentation Award for fiscal year 2020.
- Received 12th consecutive GFOA Certificate of Achievement for fiscal year 2019 CAFR.
- Maintained strong investment grade credit 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.
- Updated Town's Procurement Policies and Procedures - February 2020
- Implemented Town's first Purchasing Card program - March 2020
- Received 13th Annual Tree City USA designation from the Arbor Day Foundation.
- Received the 2019 Tree City USA Growth Award, for the 10th year, from the Arbor Day Foundation for demonstrating Education and Public Relations, Planning and Management, and Tree Planting and Maintenance at a high level.
- Launched the Police E-Ticketing Initiative
- Completed Recommendation #1 from the Wilson Elser Phase 2 report by hiring/promoting two Police Lieutenants to oversee Patrol and Administration
- Completed sixteen (16) speed studies on Town Streets and utilized the results to provide data driven enforcement
- Officer Calhoun received the MADD (Mothers Against Drunk Driving) award for excellence in drunk driving prevention
- Officer Camp received the Bronze Award for Valor from the Loudoun Chamber of Commerce
- The Purcellville Police Department maintained its status as a Virginia Accredited Police Department
- Purcellville named the 2020 safest community in Virginia by the National Council For Home Safety and Security
- Tyler/Munis ERP system – All major modules live as of Spring 2020
 - 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
 - Meals Tax Module- Live January 2019
 - HR/Payroll- Live January 2020
 - Bank of America Purchase Card integration- March 2020
 - Utility Billing Module- Live April 2020
 - Employee Self Service- Live May 2020
 - General Billing Module- Target Winter 2021
 - Citizen Self Service for Utility Accounts- Target Fall 2021
- Software Platform upgrade (Munis 11.3) - September 2019
- Received 12th consecutive Water Treatment Plant Excellence in Granular Filter Media Performance Bronze Award.
- The Plan Purcellville 2030 Comprehensive Plan was adopted by Town Council on June 30, 2020.
- The Purcellville Planning Commission launched a project to rewrite the Zoning Ordinance, in order that it be a tool of implementation of the newly adopted comprehensive plan.
- Infrastructure planning projects completed during FY20- Pavement Management plan completed; first phase of paving based on the plan was completed in FY20. The next round of paving is planned for November 2020.
- Infrastructure projects completed during FY20- Water tower painting completed. Cellular carriers are actively relocating from the temporary tower to the water tower in FY21.
- Infrastructure projects under construction during FY20:
 - Nature Park Wells Connection Project- Notice of Award 6/9/20. Notice to Proceed 6/18/20. Construction completed FY21.
 - LVHS to Sutton sidewalk- Notice of Award 4/28/20. Notice to Proceed 6/24/20. Construction completed FY21.
 - Nursery Avenue Improvements- Notice of Award 6/29/20. Notice to Proceed 7/10/20. Currently under construction, with construction completion expected in FY21.
- Infrastructure projects under design in FY20- 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, 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, 2019 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". The signature is fluid and cursive, with a large initial "D" and "M".

David A. Mekarski, AICP
Town Manager

A handwritten signature in dark ink, appearing to read "Elizabeth B. Krens". The signature is cursive and somewhat stylized, with a large initial "E".

Elizabeth B. Krens, MGT
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, 2019

Christopher P. Morrell

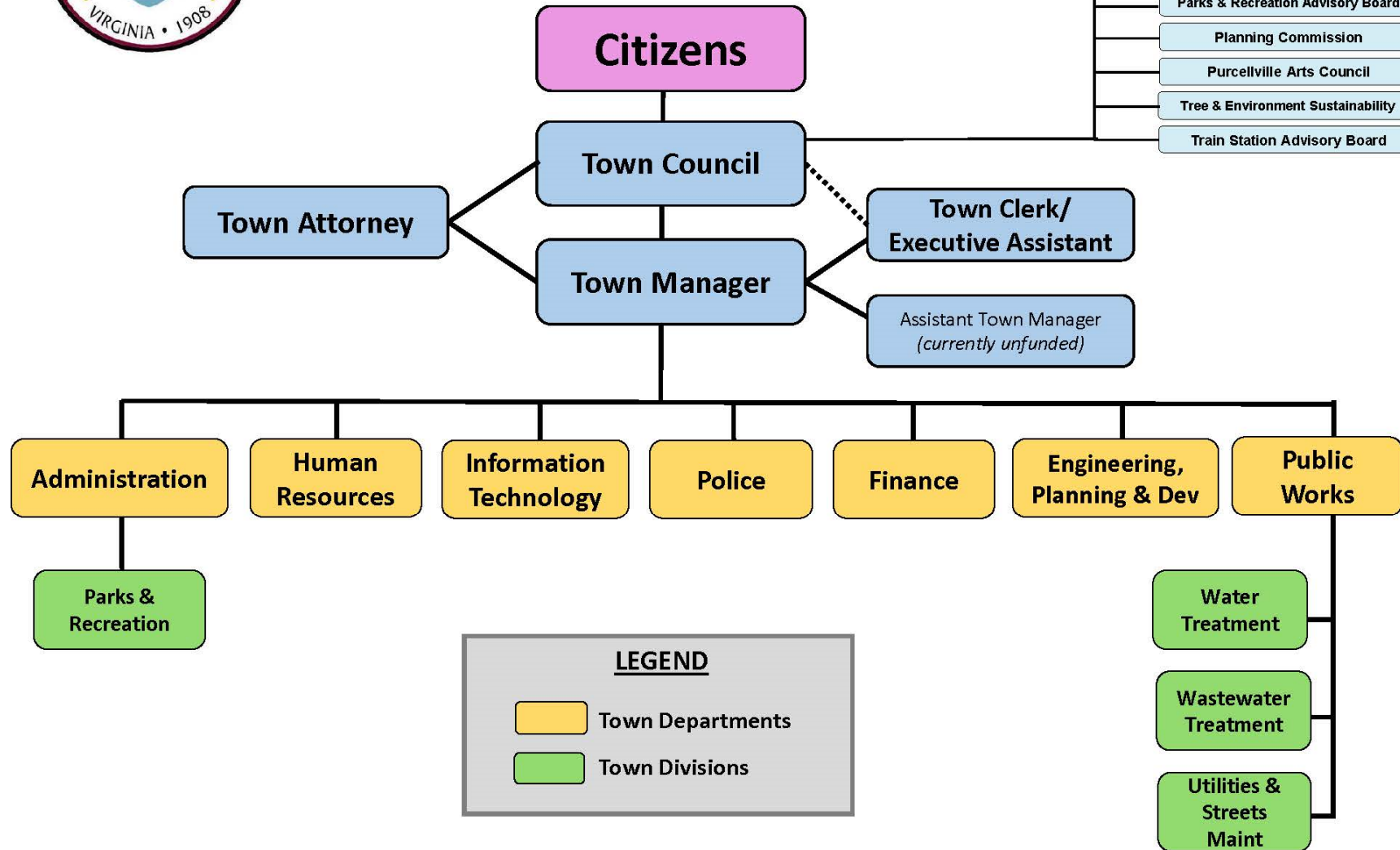
Executive Director/CEO



Town Organization Chart

Effective May 1, 2020

Boards, Commissions & Committees



FINANCIAL SECTION

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, 2020, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on the Financial Statements (Continued)

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, 2020, 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 supplementary 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 12, 2020 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 12, 2020

Town of Purcellville, Virginia Management's Discussion and Analysis

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, 2020. 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 \$70,265,099 (*net position*). Of this amount, \$15,890,961 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$981,406, of which the governmental activities accounted for a \$1,212,905 increase and business-type activities accounted for a \$231,499 decrease.
- The ending fund balance of the Town's general fund was \$6,807,834, a decrease of \$102,803 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,064,206, or 41% of the general fund expenditures.
- The Town's total long-term obligations increased by \$1,446,444 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

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 50 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 52 through 61 of this report.

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

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 \$70,265,099 at the close of the most recent fiscal year. A large portion of the Town's net position (\$52,414,433 or 75% of total) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the Town's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

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

**Town of Purcellville, Virginia
Summary of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital assets, net	\$ 52,496,712	\$ 51,043,948	\$ 52,225,999	\$ 52,402,968	\$104,722,711	\$103,446,916
Other assets	13,492,003	12,624,990	15,406,891	15,640,677	28,898,894	28,265,667
Total assets	\$ 65,988,715	\$ 63,668,938	\$ 67,632,890	\$ 68,043,645	\$133,621,605	\$131,712,583
Deferred outflows of resources	\$ 1,796,595	\$ 822,783	\$ 2,989,394	\$ 2,526,955	\$ 4,785,989	\$ 3,349,738
Long-term liabilities, net	\$ 20,125,883	\$ 18,929,924	\$ 42,096,156	\$ 41,845,671	\$ 62,222,039	\$ 60,775,595
Other liabilities	2,159,013	1,157,172	1,448,709	1,373,215	3,607,722	2,530,387
Total liabilities	\$ 22,284,896	\$ 20,087,096	\$ 43,544,865	\$ 43,218,886	\$ 65,829,761	\$ 63,305,982
Deferred inflows of resources	\$ 2,220,260	\$ 2,337,376	\$ 92,474	\$ 135,270	\$ 2,312,734	2,472,646
Net position:						
Net investment in capital assets	\$ 38,353,880	\$ 36,541,656	\$ 14,060,553	\$ 13,968,289	\$ 52,414,433	\$ 50,509,945
Restricted	1,959,705	2,608,858	-	-	1,959,705	2,608,858
Unrestricted	2,966,569	2,916,735	12,924,392	13,248,155	15,890,961	16,164,890
Total net position	\$ 43,280,154	\$ 42,067,249	\$ 26,984,945	\$ 27,216,444	\$ 70,265,099	\$ 69,283,693

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 \$981,406 during the current fiscal year. Of this total net position, the governmental activities reported an increase of \$1,212,905 and the business-type activities reported a decrease of \$231,499.

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

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

Town of Purcellville, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 335,299	\$ 323,640	\$ 5,528,146	\$ 5,269,352	\$ 5,863,445	\$ 5,592,992
Operating grants and contributions	1,295,989	1,229,911	-	-	1,295,989	1,229,911
Capital grants and contributions	1,866,644	368,774	639,279	1,894,160	2,505,923	2,262,934
General revenues:						
Property taxes	4,356,659	4,220,164	-	-	4,356,659	4,220,164
Other taxes	4,813,304	5,122,301	-	-	4,813,304	5,122,301
Unrestricted revenues from the use of money and property	68,890	44,680	193,317	210,882	262,207	255,562
Unrestricted investment	139,166	149,046	227,236	247,014	369,402	396,060
Miscellaneous	113,338	185,791			113,338	185,791
Total revenues	<u>\$ 12,989,289</u>	<u>\$ 11,644,307</u>	<u>\$ 6,587,978</u>	<u>\$ 7,621,408</u>	<u>\$ 19,577,267</u>	<u>\$ 19,265,715</u>
Expenses						
General government administration	\$ 4,083,075	\$ 3,378,091	\$ -	\$ -	\$ 4,083,075	3,378,091
Public safety	2,643,488	2,584,402	-	-	2,643,488	2,584,402
Public works	2,868,524	2,525,765	-	-	2,868,524	2,525,765
Parks, recreation and culture	312,666	279,894	-	-	312,666	279,894
Community development	1,399,905	1,297,069	-	-	1,399,905	1,297,069
Interest and other fiscal charges	468,726	470,275	-	-	468,726	470,275
Water	-	-	2,973,565	2,894,441	2,973,565	2,894,441
Sewer	-	-	3,845,912	3,690,481	3,845,912	3,690,481
Total expenses	<u>\$ 11,776,384</u>	<u>\$ 10,535,496</u>	<u>6,819,477</u>	<u>6,584,922</u>	<u>18,595,861</u>	<u>17,120,418</u>
Increase (decrease) in net position	\$ 1,212,905	\$ 1,108,811	\$ (231,499)	\$ 1,036,486	\$ 981,406	\$ 2,145,297
Beginning 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>
Ending net position	<u>\$ 43,280,154</u>	<u>\$ 42,067,249</u>	<u>\$ 26,984,945</u>	<u>\$ 27,216,444</u>	<u>\$ 70,265,099</u>	<u>\$ 69,283,693</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 \$1,212,905. Governmental revenues increased over 2019 by \$1.345 million driven by increases in grants and contributions from VDOT and NVTa for transportation projects. Governmental expenses increased by \$1.241 million largely due to an increase in transportation project activity.

Business-type activities decreased the Town's net position by \$231,499 as expenses exceeded revenues. 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 \$1.033 million over 2019 as new utility connections slowed. Business-type expenses increased by \$0.235 million over 2019.

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

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 \$10,515,075 a \$94,996 decrease from 2019. Total other local taxes saw a decrease of \$308,997 from 2019 mainly due to the meals tax holiday and a refund of bank franchise taxes. This decrease was offset by increases in general property taxes and right of way usage fees. General fund expenditures, excluding principal payments, totaled \$10,188,959, \$1,190,871 more than 2019 largely driven by increases in legal costs, personnel costs, street maintenance and capital outlay.

Special parks and recreation fund revenues totaled \$529,235, an increase of \$58,539 over 2019 largely due to increases in general property taxes and revenue associated with the Wine and Food Festival that was no longer being managed by SAE. Expenditures, excluding principal payments, totaled \$363,580, \$62,018 more than 2019 due largely to increased personnel and facility maintenance costs.

Capital projects fund revenues totaled \$1,916,085, a \$1,384,497 increase over 2019 largely due to increased contributions from local, state and federal funding. Expenditures totaled \$2,359,217, \$1,522,542 more than 2019 due to increased project execution.

The town's total governmental fund balance was \$9,407,393 at the end of 2020, a decrease of \$258,280 from 2019. Of this amount, \$6,064,206 was unassigned and available for future spending, a decrease of \$234,830 over 2019 as expenditures exceeded revenues.

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 \$2,336,437, an increase of \$140,508 over 2019 driven by new users, a 3% rate increase and payments from cellular companies to reimburse the Town for additional costs incurred to prepare the water tower for new, heavier equipment. Operating expenses totaled \$2,574,419, an increase of \$15,710 over 2019. This increase was primarily driven by personnel costs.

Non-operating revenues less expenses decreased by \$88,573 a net result of loss on disposal of capital asset (Jefferies house demolition), no forestry revenue and bond issuance costs. Contributed capital totaled \$579,465, a decrease of \$527,957 over 2019 due to a decrease in new utility connections. The water fund's ending net position for 2020 was \$12,016,071, of which \$6,622,427 was unrestricted. The 2020 decrease in unrestricted net position of \$58,558 is largely a result of increased current liabilities.

Town of Purcellville, Virginia
Management's Discussion and Analysis

Wastewater Fund operating revenues totaled \$3,191,709, an increase of \$118,286 over 2019 driven by new users, 3% rate increase and additional miscellaneous revenue. Operating expenses totaled \$2,808,213, an increase of \$212,475 over 2019. This increase was primarily driven by chemical, supplies and lab costs.

Non-operating revenues less expenses increased in 2020 by \$44,859 as interest costs were reduced in 2020. Contributed capital totaled \$59,814, a decrease of \$726,924 over 2019 due to a decrease in new utility connections and the West End Pump Station development agreement. The sewer fund's ending net position for 2020 was \$14,968,874, of which \$6,301,965 was unrestricted. The 2020 decrease in unrestricted net position of \$265,205 is largely a result of a reduction in the fund's cash balance.

The town's total net position at the end of 2020 for the two proprietary funds was \$26,984,945, of which \$12,924,392 was unrestricted.

General Fund Budgetary Highlights

General fund revenues were below budget projections by \$218,143 in 2020. The largest positive trend was reported in property taxes due to continued appreciation in property values and new construction. Other categories exceeding budget forecasts were sales tax, business license tax and investment income. The greatest decline was seen in meals tax as Council declared a meals tax holiday in April and May to support businesses and citizens impacted by the Coronavirus pandemic. Other categories that did not meet budget forecasts included bank franchise tax (multi-year refund to BB&T per a ruling by the Virginia Department of Tax), zoning fees, proceeds from sale of property (retained some vehicles to support staff's social distancing during the pandemic) and insurance reimbursements. Also, the Coronavirus Relief Fund (CRF) budget was not fully utilized in FY20 (unspent CRF proceeds will be re-appropriated for spending in the first half of FY21; CARES Act requires allocated funds to be utilized by December 30, 2020 or returned to the federal government).

The 2020 expenditures exceeded budget by \$3,308,983. The largest contributor to this budget overage was the principal retirement associated with the current refunding of the 2012 Cardinal Bank loan via the 2020A debt refinancing for interest rate savings. All departments executed expenditures below budget, with the exception of legal. The largest expenditure savings were seen in public works (reduced street spending) and public safety (personnel vacancies).

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

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, 2020, amounts to \$104,722,711 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Building	9,303,908	9,604,739	-	-	9,303,908	9,604,739
Improvements other than buildings	2,798,310	3,027,190	13,500	34,300	2,811,810	3,061,490
Machinery and equipment	366,252	372,057	732,190	638,311	1,098,442	1,010,368
Vehicles	502,994	185,393	152,781	59,991	655,775	245,384
Infrastructure	33,457,300	31,703,514	-	-	33,457,300	31,703,514
Utility plant in service	-	-	47,360,039	48,330,495	47,360,039	48,330,495
Construction in progress	1,757,184	1,840,291	927,980	300,362	2,685,164	2,140,653
Total	\$ 52,496,712	\$ 51,043,948	\$ 52,225,999	\$ 52,402,968	\$ 104,722,711	\$ 103,446,916

Additional information on the Town's capital assets can be found in Note 5 on pages 27 and 28 of this report.

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$62,222,039 and details are summarized in the following table:

**Town of Purcellville, Virginia
Outstanding Obligations
For the Year Ended June 30, 2020**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 13,459,981	\$ 13,900,005	\$ 40,663,000	\$ 40,605,881	\$ 54,122,981	\$ 54,505,886
Notes payable	595,000	680,000	-	-	595,000	680,000
Capital leases	501,603	135,983	150,748	179,595	652,351	315,578
Net pension liability	540,312	32,590	144,665	10,124	684,977	42,714
Net OPEB liabilities	4,552,713	3,837,307	1,049,781	969,541	5,602,494	4,806,848
Compensated absences	476,274	344,039	87,962	80,530	564,236	424,569
	<u>\$ 20,125,883</u>	<u>\$ 18,929,924</u>	<u>\$ 42,096,156</u>	<u>\$ 41,845,671</u>	<u>\$ 62,222,039</u>	<u>\$ 60,775,595</u>

Obligations associated with governmental activities increased by \$1,195,959 in 2020 due to increases in Capital leases, net pension liability, Net OPEB liabilities and Compensated absences.

Obligations associated with business-type activities increased by \$250,485 in 2020 mainly due to increases in Net pension liability and Net OPEB liabilities.

Town of Purcellville, Virginia
Management's Discussion and Analysis

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 compliant with Virginia debt limitation statutes as of June 30, 2020.

Additional information on the Town's outstanding debt obligations can be found in Note 6 and debt compliance is found in Table 12. Additional information on net pension can be found on Note 8 and OPEB on Notes 9, 10 and 11.

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 10,178. 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.

In March 2020, as the Town Manager was preparing to deliver the Proposed FY21 Budget to Town Council, it became clear the novel Coronavirus was spreading in the United States. In response to this threat, the Town Manager declared a State of Emergency and all FY20 non-essential spending was immediately eliminated or deferred to better position the Town to deal with the uncertainty of the pandemic. Furthermore, the Town Manager met with Department Heads to identify an additional \$1.2 million in FY21 budget cuts in order to eliminate the need for tax or fee increases. Given the extraordinary circumstances and fiscal uncertainty associated with the health emergency, the Town Council adopted an Interim Emergency Budget limited to the First Quarter of FY21 on June 9, 2020. The balance of the FY21 budget was adopted on September 22, 2020.

This early response allowed the Town to end FY20 in good fiscal condition in spite of the economic challenges of the virus. The small reduction in General Fund fund balance is associated with Town Council's action to declare a meals tax holiday in April and May 2020 to provide relief to businesses impacted by the Governor's Stay at Home Order (Executive Order 53) to mitigate the spread of the virus. Council also established a voucher program (two \$10 vouchers to all utility accounts) to benefit citizens and stimulate Purcellville commerce impacted by the economic effects of the pandemic.

Loudoun County allocated \$891,932 of Coronavirus Relief Funds (CRF) to Purcellville in June 2020. A small percentage of funds was spent in FY20 with the balance of funds available for spending in FY21. In August, the County allocated a second tranche of funding in the same amount to Purcellville. All funds must be used in accordance with the Federal Government's Coronavirus Aid, Relief and Economic Security Act (CARES Act) by December 30, 2020 or returned.

Purcellville's real property assessments increased by 5.31% in 2020, made up of a 4.03% increase in existing property values and a 1.29% increase in new construction and growth. The town expects to see stable assessed values in 2021 with some new construction as Blue Ridge Estates and Village Case projects are completed. The current residential/business tax base split is 79/21%. The property tax rates remained unchanged in 2020 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.

Town of Purcellville, Virginia
Management's Discussion and Analysis

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 current projects are built-out, the Town Council is exploring supplemental revenue opportunities and working to develop a long-term, sustainable user rate structure. A Water Resource Study is also underway to match capacity with long-term production requirements.

In 2020, the town's general fund continues to benefit from a diversified revenue stream. The largest categories are property tax (37%), meals tax (18%), sales tax (13%), revenue from the Commonwealth (11%), and business license (8%).

The Town has maintained strong investment grade credit ratings with the three national credit rating agencies:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 5,418,271	\$ 11,060,251	\$ 16,478,522
Cash and cash equivalents, restricted (Note 2)	2,851,693	-	2,851,693
Investments (Note 2)	2,166,537	3,254,885	5,421,422
Receivables, net			
Taxes receivable	2,105,133	-	2,105,133
Accounts receivable	250,266	995,069	1,245,335
Service concession arrangement receivable (Note 3)	48,000	-	48,000
Due from other governmental units (Note 4)	483,974	-	483,974
Inventories	76,764	71,481	148,245
Prepaid expenses	91,365	25,205	116,570
Capital assets, net (Note 5)			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	9,303,908	-	9,303,908
Improvements other than buildings	2,798,310	13,500	2,811,810
Machinery and equipment	366,252	732,190	1,098,442
Vehicles	502,994	152,781	655,775
Infrastructure	33,457,300	-	33,457,300
Utility plant in service	-	47,360,039	47,360,039
Construction in progress	1,757,184	927,980	2,685,164
Total assets	65,988,715	67,632,890	133,621,605
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	439,191	2,648,302	3,087,493
Deferred outflows related to pensions (Note 8)	721,958	193,300	915,258
Deferred outflows related to other postemployment benefits (Notes 9, 10 and 11)	635,446	147,792	783,238
Total deferred outflows of resources	1,796,595	2,989,394	4,785,989
LIABILITIES			
Accounts payable	752,819	469,771	1,222,590
Accrued liabilities	223,503	46,010	269,513
Customer deposits	261,599	503,055	764,654
Unearned revenue	806,658	-	806,658
Accrued interest payable	114,434	429,873	544,307
Long-term liabilities:			
Net pension liability (Note 8)	540,312	144,665	684,977
Net other postemployment benefit liabilities (Notes 9, 10 and 11)	4,552,713	1,049,781	5,602,494
Due within one year (Note 6)	1,196,716	904,319	2,101,035
Due in more than one year (Note 6)	13,836,142	39,997,391	53,833,533
Total liabilities	22,284,896	43,544,865	65,829,761
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes (Note 7)	1,802,779	-	1,802,779
Deferred service concession arrangement (Note 3)	48,000	-	48,000
Deferred inflows related to pensions (Note 8)	178,438	47,776	226,214
Deferred inflows related to other postemployment benefits (Notes 9, 10 and 11)	191,043	44,698	235,741
Total deferred inflows of resources	2,220,260	92,474	2,312,734
NET POSITION			
Net investment in capital assets	38,353,880	14,060,553	52,414,433
Restricted:			
State highway maintenance	434,922	-	434,922
Fireman's field	74,896	-	74,896
Proffers	963,573	-	963,573
Loudoun County transportation and sidewalk projects	486,314	-	486,314
Unrestricted	2,966,569	12,924,392	15,890,961
Total net position	\$ 43,280,154	\$ 26,984,945	\$ 70,265,099

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

TOWN OF PURCELLVILLE, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

		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	\$ 4,083,075	\$ 176,334	\$ 420,574	\$ -	\$ (3,486,167)		\$ (3,486,167)
Public safety	2,643,488	45,866	174,972	-	(2,422,650)		(2,422,650)
Public works	2,868,524	-	695,943	-	(2,172,581)		(2,172,581)
Parks, recreation, and cultural	312,666	-	4,500	-	(308,166)		(308,166)
Community development	1,399,905	113,099	-	1,866,644	579,838		579,838
Interest and other fiscal charges	468,726	-	-	-	(468,726)		(468,726)
Total governmental activities	11,776,384	335,299	1,295,989	1,866,644	(8,278,452)		(8,278,452)
Business-type activities							
Water	2,973,565	2,336,437	-	579,465		(57,663)	(57,663)
Sewer	3,845,912	3,191,709	-	59,814		(594,389)	(594,389)
Total business-type activities	6,819,477	5,528,146	-	639,279		(652,052)	(652,052)
Total primary government	\$ 18,595,861	\$ 5,863,445	\$ 1,295,989	\$ 2,505,923	(8,278,452)	(652,052)	(8,930,504)
General revenues:							
Taxes:							
General property taxes					4,356,659	-	4,356,659
Local sales and use					1,315,764	-	1,315,764
Business licenses					854,839	-	854,839
Utility license					219,145	-	219,145
Meals					1,906,056	-	1,906,056
Cigarette					217,575	-	217,575
Franchise					287,906	-	287,906
Other local taxes					12,019	-	12,019
Unrestricted revenues from use of property					68,890	193,317	262,207
Unrestricted investment income					139,166	227,236	366,402
Miscellaneous					113,338	-	113,338
Total general revenues					9,491,357	420,553	9,911,910
Change in net position					1,212,905	(231,499)	981,406
NET POSITION AT JULY 1					42,067,249	27,216,444	69,283,693
NET POSITION AT JUNE 30					\$ 43,280,154	\$ 26,984,945	\$ 70,265,099

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

TOWN OF PURCELLVILLE, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Special Revenue (Parks & Recreation)	Capital Fund	Total
ASSETS				
Cash and cash equivalents (Note 2)	\$ 4,444,012	\$ 424,884	549,375	\$ 5,418,271
Cash and cash equivalents, restricted (Note 2)	1,326,910	-	1,524,783	2,851,693
Investments (Note 2)	2,166,537	-	-	2,166,537
Receivables, net				
Taxes receivable	1,881,853	223,280	-	2,105,133
Accounts receivable	250,266	-	-	250,266
Due from other governmental units (Note 4)	242,264	-	241,710	483,974
Inventories	76,764	-	-	76,764
Prepays	89,162	2,203	-	91,365
Total assets	<u>\$ 10,477,768</u>	<u>\$ 650,367</u>	<u>\$ 2,315,868</u>	<u>\$ 13,444,003</u>
LIABILITIES				
Accounts payable	\$ 620,331	\$ 15,908	\$ 116,580	\$ 752,819
Accrued liabilities	208,775	7,944	6,784	223,503
Customer deposits	261,599	-	-	261,599
Unearned revenue	806,658	-	-	806,658
Total liabilities	<u>1,897,363</u>	<u>23,852</u>	<u>123,364</u>	<u>2,044,579</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes (Note 7)	1,772,571	219,460	-	1,992,031
Total deferred inflows of resources	<u>1,772,571</u>	<u>219,460</u>	<u>-</u>	<u>1,992,031</u>
FUND BALANCES				
Nonspendable:				
Inventories	76,764	-	-	76,764
Prepays	89,162	2,203	-	91,365
Total nonspendable balance	<u>165,926</u>	<u>2,203</u>	<u>-</u>	<u>168,129</u>
Restricted for:				
State highway maintenance	434,922	-	-	434,922
Hirst pond	-	-	74,896	74,896
Proffers	-	-	963,573	963,573
Loudoun County transportation and sidewalk projects	-	-	486,314	486,314
Total restricted fund balance	<u>434,922</u>	<u>-</u>	<u>1,524,783</u>	<u>1,959,705</u>
Committed for:				
Future capital outlay	61,556	-	-	61,556
Capital asset replacement	81,224	-	-	81,224
Parks & recreation	-	404,852	-	404,852
Total committed fund balance	<u>142,780</u>	<u>404,852</u>	<u>-</u>	<u>547,632</u>
Assigned:				
Capital projects	-	-	667,721	667,721
Unassigned	6,064,206	-	-	6,064,206
Total fund balances	<u>6,807,834</u>	<u>407,055</u>	<u>2,192,504</u>	<u>9,407,393</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,477,768</u>	<u>\$ 650,367</u>	<u>\$ 2,315,868</u>	<u>\$ 13,444,003</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, 2020**

Ending fund balance – governmental fund	\$ 9,407,393
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.	52,496,712
Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	189,252
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Pension related deferred outflows	721,958
Pension related deferred inflows	(178,438)
Net pension liability	(540,312)
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	635,446
Other postemployment benefit related deferred inflows	(191,043)
Net other postemployment benefit liabilities	(4,552,713)
Deferred refunding costs are not financial resources and, therefore, are not reported in the funds.	439,191
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	\$ (15,032,858)
Accrued interest payable	(114,434)
	<u>(15,147,292)</u>
Total net position – governmental activities	<u><u>\$ 43,280,154</u></u>

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

TOWN OF PURCELLVILLE, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	General Fund	Special Revenue (Parks & Recreation)	Capital Fund	Total
REVENUES				
General property taxes	\$ 3,885,989	\$ 441,776	\$ -	\$ 4,327,765
Other local taxes	4,813,304	-	-	4,813,304
Permits, privilege fees, and regulatory licenses	289,433	-	-	289,433
Fines and forfeitures	45,866	-	-	45,866
Revenue from use of property	27,000	41,890	-	68,890
Investment income	108,743	-	30,423	139,166
Miscellaneous	48,751	45,569	19,018	113,338
Intergovernmental				
Local government	-	-	597,146	597,146
Commonwealth	1,188,867	-	1,006,350	2,195,217
Federal	107,122	-	263,148	370,270
Total revenues	<u>10,515,075</u>	<u>529,235</u>	<u>1,916,085</u>	<u>12,960,395</u>
EXPENDITURES				
Current				
General government administration	3,578,864	-	-	3,578,864
Public safety	2,430,628	-	-	2,430,628
Public works	2,607,051	-	-	2,607,051
Parks, recreation, and cultural	-	341,714	-	341,714
Community development	501,453	-	-	501,453
Capital outlay	436,417	-	2,359,217	2,795,634
Debt service				
Principal retirement	4,437,053	85,000	-	4,522,053
Interest and other fiscal charges	587,527	21,866	-	609,393
Bond issuance costs	47,019	-	-	47,019
Total expenditures	<u>14,626,012</u>	<u>448,580</u>	<u>2,359,217</u>	<u>17,433,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,110,937)</u>	<u>80,655</u>	<u>(443,132)</u>	<u>(4,473,414)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 1)	-	7,000	200,000	207,000
Transfers out (Note 1)	(207,000)	-	-	(207,000)
Capital leases	420,190	-	-	420,190
General obligation refunding bonds issued	9,119,000	-	-	9,119,000
Payment to advance refunding bond escrow	(5,324,056)	-	-	(5,324,056)
Total other financing sources (uses)	<u>4,008,134</u>	<u>7,000</u>	<u>200,000</u>	<u>4,215,134</u>
Net change in fund balance	<u>(102,803)</u>	<u>87,655</u>	<u>(243,132)</u>	<u>(258,280)</u>
FUND BALANCE AT JULY 1	<u>6,910,637</u>	<u>319,400</u>	<u>2,435,636</u>	<u>9,665,673</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 6,807,834</u></u>	<u><u>\$ 407,055</u></u>	<u><u>\$ 2,192,504</u></u>	<u><u>\$ 9,407,393</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, 2020

Net change in fund balance – total governmental fund \$ (258,280)

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	\$ 2,838,952	
Depreciation expense	(1,386,188)	
		1,452,764

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	28,894
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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	283,153	
Pension expense	(354,107)	
		(70,954)

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	20,939	
Other postemployment benefit expense	(322,828)	
		(301,889)

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	4,522,053	
Issuance of refunding bonds	(9,119,000)	
Issuance of capital leases	(420,190)	
Payments to bond escrow agent	5,324,056	
Amortization of premiums	486,541	
		793,460

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	(132,235)	
Change in accrued interest payable	109,765	
Amortization of deferred charge on refunding	(408,620)	
		(431,090)

Change in net position of governmental activities \$ 1,212,905

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

TOWN OF PURCELLVILLE, VIRGINIA

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2020**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents (Note 2)	\$ 5,617,355	\$ 5,442,896	\$ 11,060,251
Investments (Note 2)	2,169,923	1,084,962	3,254,885
Accounts receivable, net	338,183	656,886	995,069
Inventories	42,696	28,785	71,481
Prepaid items	14,030	11,175	25,205
Total current assets	<u>8,182,187</u>	<u>7,224,704</u>	<u>15,406,891</u>
Noncurrent assets			
Capital assets (Note 5)			
Land	2,672,409	367,100	3,039,509
Utility plant in service	14,718,053	44,860,800	59,578,853
Improvements other than buildings	445,000	-	445,000
Vehicles	171,380	286,505	457,885
Machinery and equipment	594,657	1,024,556	1,619,213
Construction in progress	570,334	357,646	927,980
Accumulated depreciation	(5,382,016)	(8,460,425)	(13,842,441)
Total capital assets	<u>13,789,817</u>	<u>38,436,182</u>	<u>52,225,999</u>
Total noncurrent assets	<u>13,789,817</u>	<u>38,436,182</u>	<u>52,225,999</u>
Total assets	<u>21,972,004</u>	<u>45,660,886</u>	<u>67,632,890</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	697,068	1,951,234	2,648,302
Deferred outflows related to pensions (Note 8)	102,235	91,065	193,300
Deferred outflows related to other postemployment benefits (Notes 9 & 10)	73,367	74,425	147,792
Total deferred inflows of resources	<u>872,670</u>	<u>2,116,724</u>	<u>2,989,394</u>
LIABILITIES			
Current liabilities			
Accounts payable	410,790	58,981	469,771
Accrued liabilities	25,445	20,565	46,010
Customer deposits	503,055	-	503,055
Accrued interest payable	110,616	319,257	429,873
Bonds - current portion (Note 6)	389,000	447,584	836,584
Capital lease - current portion (Note 6)	3,110	55,829	58,939
Compensated absences - current portion (Note 6)	4,254	4,542	8,796
Total current liabilities	<u>1,446,270</u>	<u>906,758</u>	<u>2,353,028</u>
Noncurrent liabilities			
Bonds - net of current portion (Note 6)	8,685,000	31,141,416	39,826,416
Capital lease - net of current portion (Note 6)	16,131	75,678	91,809
Compensated absences - net of current portion (Note 6)	38,290	40,876	79,166
Net pension liability (Note 8)	76,512	68,153	144,665
Net other postemployment benefit liability (Notes 9 & 10)	518,878	530,903	1,049,781
Total noncurrent liabilities	<u>9,334,811</u>	<u>31,857,026</u>	<u>41,191,837</u>
Total liabilities	<u>10,781,081</u>	<u>32,763,784</u>	<u>43,544,865</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 8)	25,268	22,508	47,776
Deferred inflows related to other postemployment benefits (Note 9)	22,254	22,444	44,698
Total deferred inflows of resources	<u>47,522</u>	<u>44,952</u>	<u>92,474</u>
NET POSITION			
Net investment in capital assets	5,393,644	8,666,909	14,060,553
Unrestricted	<u>6,622,427</u>	<u>6,301,965</u>	<u>12,924,392</u>
Total net position	<u>\$ 12,016,071</u>	<u>\$ 14,968,874</u>	<u>\$ 26,984,945</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, 2020**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 2,223,362	\$ 3,163,581	\$ 5,386,943
Other revenue	22,021	22,021	44,042
Miscellaneous	91,054	6,107	97,161
Total operating revenues	<u>2,336,437</u>	<u>3,191,709</u>	<u>5,528,146</u>
OPERATING EXPENSES			
Personnel	1,453,445	1,328,337	2,781,782
Plant operations and meter reading	530,929	676,340	1,207,269
Well operations	168,154	-	168,154
Pump station operations	-	43,292	43,292
Depreciation	351,713	727,764	1,079,477
Capital outlay-non-capitalizable expenses	530	10	540
Other operating expenses	69,648	32,470	102,118
Total operating expenses	<u>2,574,419</u>	<u>2,808,213</u>	<u>5,382,632</u>
Operating income (loss)	<u>(237,982)</u>	<u>383,496</u>	<u>145,514</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	130,279	96,957	227,236
Cellular lease	193,317	-	193,317
Loss on sale of capital assets	(59,350)	-	(59,350)
Bond issuance costs	(4,166)	(32,114)	(36,280)
Interest expense	(335,630)	(1,005,585)	(1,341,215)
Net non-operating revenues (expenses)	<u>(75,550)</u>	<u>(940,742)</u>	<u>(1,016,292)</u>
Loss before contributions	<u>(313,532)</u>	<u>(557,246)</u>	<u>(870,778)</u>
CAPTIAL CONTRIBUTIONS			
Availability fees	579,465	59,814	639,279
Change in net position	265,933	(497,432)	(231,499)
NET POSITION AT JULY 1	<u>11,750,138</u>	<u>15,466,306</u>	<u>27,216,444</u>
NET POSITION AT JUNE 30	<u>\$ 12,016,071</u>	<u>\$ 14,968,874</u>	<u>\$ 26,984,945</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, 2020

	Water Fund	Sewer Fund	Total
OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,355,566	\$ 3,110,069	\$ 5,465,635
Payments to suppliers	(902,081)	(757,626)	(1,659,707)
Payments to and on behalf of employees	(1,443,427)	(1,319,138)	(2,762,565)
Other operating receipts	193,317	-	193,317
Net cash provided by operating activities	203,375	1,033,305	1,236,680
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	(188,668)	(395,273)	(583,941)
Loss on sale of capital assets	(59,350)	-	(59,350)
Capital contributions	579,465	59,814	639,279
Bond issuance costs	(4,166)	(32,114)	(36,280)
Retirements of long-term indebtedness	(997,369)	(5,880,600)	(6,877,969)
Proceeds from debt issued	754,000	6,450,000	7,204,000
Interest expense	(298,219)	(1,756,694)	(2,054,913)
Net cash used in capital and related financing activities	(214,307)	(1,554,867)	(1,769,174)
INVESTING ACTIVITIES			
Investment income	90,240	76,937	167,177
Purchase of investments	(43,767)	(21,883)	(65,650)
Net cash provided by investing activities	46,473	55,054	101,527
Net increase (decrease) in cash and cash equivalents	35,541	(466,508)	(430,967)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	5,581,814	5,909,404	11,491,218
Ending at June 30	\$ 5,617,355	\$ 5,442,896	\$ 11,060,251
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (237,982)	\$ 383,496	\$ 145,514
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	351,713	727,764	1,079,477
Pension expense net of employer contribution	10,902	11,278	22,180
Other postemployment benefit expense net of employer contribution	(16,565)	1,425	(15,140)
Other nonoperating revenues included in operating activities	193,317	-	193,317
(Increase) decrease in:			
Accounts receivable	3,189	(81,640)	(78,451)
Inventories	3,377	16,267	19,644
Prepaid items	(2,945)	(9,720)	(12,665)
Increase (decrease) in:			
Accounts payable	(133,252)	(12,061)	(145,313)
Accrued liabilities	3,716	1,029	4,745
Customer deposits	15,940	-	15,940
Compensated absences	11,965	(4,533)	7,432
Net cash provided by operating activities	\$ 203,375	\$ 1,033,305	\$ 1,236,680
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Capital assets purchased through leases	\$ -	\$ 26,622	\$ 26,622
Capital assets acquired through accounts payable	\$ 290,556	\$ 1,389	\$ 291,945
Increase in fair value of investments	\$ 40,039	\$ 20,020	\$ 60,059

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

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 the Town of Purcellville, Virginia, (the "Town").

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, 2020

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, 2020

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 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. 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 Fund

The Capital 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. The Capital 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, 2020

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, 2020 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, 2020

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	20-75 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. During 2020, Town Manager allowed employees to carry over additional hours, which may have exceeded the maximum due to the COVID-19 pandemic.

J. Unearned revenues

Unearned revenue represents amount for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue consists of unspent federal awards.

K. 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 and premiums on debt issuances are reported as other financing uses.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

L. 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.

M. 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.

N. Deferred Outflows and Inflows of Resources

In addition to assets, the statement which presents financial position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement which presents financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualify for reporting as deferred inflows or outflows:

- Deferred charge on refunding. A deferred loss 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. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB; these will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Changes in proportion and differences between the Town's contributions and its proportionate share of contributions for OPEB are deferred and amortized over the average expected remaining service lives of all employees provided with group life insurance benefits, and may be reported as a deferred inflow or outflow as appropriate
- Differences between projected and actual earnings on pension and OPEB plan investments. These differences will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

N. Deferred Outflows and Inflows of Resources (Continued)

- 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.
- Service concession arrangement for the excess of the amount reported as a receivable over the related contractual obligations.

O. 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.

P. 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;

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

P. Fund Balance (Continued)

- **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.

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).

Appropriations lapse on June 30, for all Town departments. Encumbrances and committed fund balances outstanding at June 30 are reappropriated in the succeeding year on a case-by-case basis.

The Town's expenditures exceeded budget in some categories for the year ending June 30, 2020.

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.

Q. Pensions/ Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, 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.

R. Interfund Transfers

The composition of interfund transfers is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 207,000
Parks & Recreation	7,000	-
Capital fund	200,000	-
	<u>\$ 207,000</u>	<u>\$ 207,000</u>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

S. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Town’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Town received revenue during fiscal year 2020. As such, the Town’s financial condition and liquidity may be negatively impacted for the fiscal year 2021.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

T. Upcoming Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84, Fiduciary Activities**. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87, Leases**. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

T. Upcoming Pronouncements (Continued):

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of *GASB Statements No. 14 and No. 61*. 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, 2019. 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.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. 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, 2021.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

T. Upcoming Pronouncements (Continued):

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Deposits and Investments (Continued)

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.

As of June 30th, the Town had the following deposits and investments:

Type	Fair Value	Credit Rating	Weighted Average Maturity*
Demand Deposits	\$ 8,786,285	N/A	N/A
LGIP	1,082,909	AAAm	0.14
Virginia Investment Pool – NAV Liquidity Pool	9,460,221	AAAm	0.14
Virginia Investment Pool – 1-3 Year High Quality Bond Fund	5,421,422	AA+f/S1	1.81
Cash on Hand	800	N/A	N/A
	<u>\$ 24,751,637</u>		

*Average maturity in years

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 16,478,522
Cash and cash equivalents, restricted	2,851,693
Investments	<u>5,421,422</u>
Total deposits and investments	<u>\$ 24,751,636</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.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 2. Deposits and Investments (Continued)

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.

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 funds are restricted for highway maintenance, unspent federal awards, 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 facilities were closed starting in April 2020 due to the COVID-19 pandemic and payments during this time were waived. 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 \$48,000 as of June 30, 2020.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Due from Other Governmental Units

Amounts due from other governmental units are as follows:

Commonwealth of Virginia:	
VDOT	\$ 148,046
Communications tax	21,903
Northern Virginia Transportation Authority-NVTA	93,664
County of Loudoun, Virginia	220,361
	<u>\$ 483,974</u>

Note 5. Capital Assets

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	1,840,291	2,359,217	2,442,324	1,757,184
Total capital assets, not being depreciated	<u>6,151,055</u>	<u>2,359,217</u>	<u>2,442,324</u>	<u>6,067,948</u>
Capital assets, depreciated:				
Buildings and system	12,080,410	-	-	12,080,410
Improvements other than buildings	4,754,025	-	-	4,754,025
Machinery and equipment	2,614,705	62,848	23,520	2,654,033
Vehicles	992,673	416,887	123,230	1,286,330
Infrastructure	62,453,811	2,442,324	-	64,896,135
Total capital assets being depreciated	<u>82,895,624</u>	<u>2,922,059</u>	<u>146,750</u>	<u>85,670,933</u>
Less accumulated depreciation for:				
Buildings and system	2,475,670	300,832	-	2,776,502
Improvements other than buildings	1,726,835	228,880	-	1,955,715
Machinery and equipment	2,242,648	68,653	23,520	2,287,781
Vehicles	807,280	99,286	123,230	783,336
Infrastructure	30,750,298	688,537	-	31,438,835
Total accumulated depreciation	<u>38,002,731</u>	<u>1,386,188</u>	<u>146,750</u>	<u>39,242,169</u>
Total capital assets being depreciated, net	<u>44,892,893</u>	<u>1,535,871</u>	<u>-</u>	<u>46,428,764</u>
Governmental activities capital assets, net	<u>\$ 51,043,948</u>	<u>\$ 3,895,088</u>	<u>\$ 2,442,324</u>	<u>\$ 52,496,712</u>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	300,362	627,618	-	927,980
Total capital assets, not depreciated	3,339,871	627,618	-	3,967,489
Utility plant in service	59,679,866	-	101,013	59,578,853
Improvements other than buildings	445,000	-	-	445,000
Vehicles	440,140	121,949	104,204	457,885
Machinery and equipment	1,403,772	215,441	-	1,619,213
Total capital assets, depreciated	61,968,778	337,390	205,217	62,100,951
Less accumulated depreciation for:				
Utility plant in service	11,349,371	907,956	38,513	12,218,814
Improvements other than buildings	410,700	20,800	-	431,500
Vehicles	380,149	29,159	104,204	305,104
Machinery and equipment	765,461	121,562	-	887,023
Total accumulated depreciation	12,905,681	1,079,477	142,717	13,842,441
Total capital assets, depreciated, net	49,063,097	(742,087)	62,500	48,258,510
Business-type activities capital assets, net	<u>\$ 52,402,968</u>	<u>\$ (114,469)</u>	<u>\$ 62,500</u>	<u>\$ 52,225,999</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 302,412
Public safety	57,810
Public works	182,324
Community development	843,642
Total depreciation expense – governmental activities	<u>\$ 1,386,188</u>
Business-type activities	
Water	\$ 351,713
Sewer	727,764
Total depreciation expense – business-type activities	<u>\$ 1,079,477</u>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,102,483	\$ 9,119,000	\$ 9,072,483	\$ 13,149,000	\$ 884,000
Notes payable	680,000	-	85,000	595,000	85,000
Issuance premiums	797,522	-	486,541	310,981	94,915
Capital Lease	135,983	420,190	54,570	501,603	85,174
Compensated absences	344,039	514,064	381,829	476,274	47,627
	<u>\$ 15,060,027</u>	<u>\$ 10,053,254</u>	<u>\$ 10,080,423</u>	<u>\$ 15,032,858</u>	<u>\$ 1,196,716</u>
Business-type activities:					
General obligation bond	\$ 40,230,822	\$ 7,204,000	\$ 6,822,500	\$ 40,612,322	\$ 822,000
Premium on bonds	375,059	16,907	341,288	50,678	14,584
Capital Lease	179,595	26,622	55,469	150,748	58,939
Compensated absences	80,530	112,851	105,419	87,962	8,796
	<u>\$ 40,866,006</u>	<u>\$ 7,360,380</u>	<u>\$ 7,324,676</u>	<u>\$ 40,901,710</u>	<u>\$ 904,319</u>

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

Governmental Activities					
Fiscal Year	General Obligation Bond		Capital Leases		Notes Payable
	Principal	Interest	Principal	Interest	Principal
2021	\$ 884,000	\$ 316,326	\$ 85,174	\$ 32,510	\$ 85,000
2022	1,012,000	316,732	91,360	26,325	85,000
2023	1,054,000	278,166	97,999	19,685	85,000
2024	1,116,000	216,810	125,957	12,094	85,000
2025	1,127,000	174,136	101,113	2,984	85,000
2026-2030	5,501,000	479,347	-	-	170,000
2031-2035	2,305,000	127,303	-	-	-
2036-2037	150,000	7,455	-	-	-
	<u>\$ 13,149,000</u>	<u>\$ 1,916,275</u>	<u>\$ 501,603</u>	<u>\$ 93,598</u>	<u>\$ 595,000</u>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Long-Term Liabilities (Continued)

Fiscal Year	Business-Type Activities			
	General Obligation Bond		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 822,000	\$ 1,120,851	\$ 58,939	\$ 6,753
2022	1,078,000	1,123,985	61,195	4,497
2023	1,945,627	1,068,355	7,563	2,141
2024	2,065,066	989,733	13,329	1,403
2025	2,118,352	933,264	9,722	388
2026-2030	11,529,277	3,810,966	-	-
2031-2035	12,639,000	2,407,301	-	-
2036-2038	8,415,000	563,749	-	-
	<u>\$ 40,612,322</u>	<u>\$ 12,018,204</u>	<u>\$ 150,748</u>	<u>\$ 15,182</u>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Long-Term Liabilities (Continued)

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 2013A & 2013B	2.00-5.00%	2/1/34	\$ 33,690,000	\$ 3,330,000	\$ 1,435,000
Series 2017A	3.22%	2/1/38	4,962,000	-	4,839,000
Series 2017B	3.35%	2/1/38	16,370,000	700,000	15,600,000
VRA Series 2008	2.77%	3/1/30	14,449,513	-	11,534,322
Series 2020A GO	1.46%	2/1/2033	4,522,000	3,768,000	754,000
Series 2020B GO	2.00%	2/8/2023	11,801,000	5,351,000	6,450,000
				<u>\$ 13,149,000</u>	<u>\$ 40,612,322</u>
Capital leases:					
Combination sewer cleaner	3.29%	1/15/22	\$ 345,026	\$ -	\$ 106,680
Pickup truck	8.28%	2/1/24	25,431	20,959	-
Police interceptor	8.19%	3/1/24	37,552	30,640	-
Sports utility vehicle	8.09%	3/1/24	23,093	19,241	-
Sports utility vehicle	8.09%	3/1/24	23,093	-	19,241
Pickup truck	7.55%	5/1/24	55,349	45,596	-
Pickup truck	7.03%	7/1/24	55,349	46,979	-
Sports utility vehicle	6.87%	9/1/24	49,922	43,419	-
Sports utility vehicle	6.91%	10/1/24	25,130	22,877	-
Sports utility vehicle	7.04%	11/1/24	29,900	27,374	-
Police interceptor	7.39%	1/1/25	35,643	32,802	-
Police interceptor	7.39%	1/1/25	35,643	32,802	-
Pickup truck	7.68%	1/1/25	27,747	25,874	-
Pickup truck	6.36%	3/1/25	58,653	55,700	-
Police interceptor	6.06%	3/1/25	51,102	48,670	-
Police interceptor	6.06%	3/1/25	51,102	48,670	-
Pickup truck	7.73%	1/1/25	26,622	-	24,827
				<u>\$ 501,603</u>	<u>\$ 150,748</u>
Notes Payable					
Fireman’s Field	0.00%	8/1/26	\$ 1,700,000	\$ 595,000	\$ -

Assets acquired through capital leases have a carrying value of \$482,849 and \$193,179 for governmental and business-type activities, respectively, as of June 30, 2020. Depreciation expense for assets under capital leases was \$68,891 for governmental activities and \$45,394 for business-type activities.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the following bonds are considered defeased:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
VRA GO Bond, Series 2008	\$ 3,763,416	\$ -	\$ 1,223,191	\$ 2,540,225
GO Public Bond, Series 2013A	14,405,000	5,005,000	90,000	19,320,000
GO Public Bond, Series 2013B	1,165,000	5,370,000	-	6,535,000
	<u>\$ 19,333,416</u>	<u>\$ 10,375,000</u>	<u>\$ 1,313,191</u>	<u>\$ 28,395,225</u>

Advanced Refunding of Debt

On April 8, 2020, the Town issued \$11.7 million General Obligation Bonds with an average interest rate of 2% to advance refund \$10.4 million of outstanding 2013A and 2013B refunding bonds with an average interest rate of 4.65%. The net proceeds of \$11.8 million (after payment of issuance costs of \$58,774) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2013A and B bonds. As a result, the 2013 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

The Town in effect reduced its aggregate debt service payments by \$2,043,288 over the next 14 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$850,728.

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

	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Uncollected property tax billings that are unavailable for the funding of current expenditures	\$ -	\$ 189,252
Uncollected property tax billings for 2nd half assessment	1,806,630	1,806,630
Property tax billings collected in advance for 2nd half assessment	<u>(3,851)</u>	<u>(3,851)</u>
	<u>\$ 1,802,779</u>	<u>\$ 1,992,031</u>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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>.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>45</u>
Inactive members:	
Vested inactive members	15
Non-vested inactive members	9
Inactive members active elsewhere in VRS	<u>31</u>
Total inactive members	55
Active members	<u>70</u>
Total covered employees	<u><u>170</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.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 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 \$358,966 and \$357,501 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

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	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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, except the changes in the discount rate, which was based on VRS Board action effective July 1, 2019. 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; adjusted withdrawal rates to better fit experience at each year of age and service through 9 years of service; 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; lowered retirement 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, 2020

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00 %	5.61 %	1.91 %
Fixed income	15.00	0.88	0.13
Credit strategies	14.00	5.13	0.72
Real assets	14.00	5.27	0.74
Private equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
	Inflation		2.50
			7.63 %

- * The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2018	\$ 14,793,312	\$ 14,750,598	\$ 42,714
Changes for the year:			
Service cost	539,913	-	539,913
Interest	1,011,938	-	1,011,938
Differences between expected and actual experience	187,582	-	187,582
Changes in assumptions	512,755	-	512,755
Contributions – employer	-	357,501	(357,501)
Contributions – employee	-	272,387	(272,387)
Net investment income	-	990,181	(990,181)
Benefit payments, including refunds of employee contributions	(674,107)	(674,107)	-
Administrative expenses	-	(9,518)	9,518
Other changes	-	(626)	626
Net changes	1,578,081	935,818	642,263
Balances at June 30, 2019	\$ 16,371,393	\$ 15,686,416	\$ 684,977

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability	\$ 3,002,041	\$ 684,977	\$ (1,157,125)

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$452,100. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 189,206	\$ 47,467
Change in assumptions	367,086	44,483
Net difference between projected and actual earnings on pension plan investments	-	134,264
Employer contributions subsequent to the measurement date	<u>358,966</u>	<u>-</u>
Total	<u>\$ 915,258</u>	<u>\$ 226,214</u>

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Defined Benefit Pension Plan (Continued)

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

The \$358,966 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ 130,597
2022	91,107
2023	100,284
2024	8,090
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020

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 January 1, 2020 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	18
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	18
Active plan members	<u>77</u>
	<u><u>95</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$5,184,494 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of January 1, 2020.

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	2.21%
Salary increases, including inflation	3.50-5.35%
Healthcare cost trend rates	4.00-5.50% over 74 years

Mortality rates: Pre-Retirement Mortality Rates: RP-2014 Employee Rates to age 80 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, 2020

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 2020 valuation were based on the results of an actuarial experience study covering the period from July 1, 2012 to June 30, 2016.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 4,433,848
Changes for the year:	
Service cost	229,310
Interest	160,700
Differences between expected and actual experience	132,605
Assumption or other input changes	372,745
Benefit payments	(144,714)
Net changes	750,646
Balance at June 30, 2020	\$ 5,184,494

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 (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	1.00% Decrease (1.21%)	Current Discount Rate (2.21%)	1.00% Increase (3.21%)
Total OPEB liability	\$ 6,251,636	\$ 5,184,494	\$ 4,351,479

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 or one percentage point higher 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	\$ 4,194,997	\$ 5,184,494	\$ 6,531,130

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$445,829. At June 30, 2020, 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	\$ 565,620	\$ 197,741
Differences between expected and actual experience	119,074	-
	<u>\$ 684,694</u>	<u>\$ 197,741</u>

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>
2021	\$ 55,819
2022	55,819
2023	55,819
2024	55,819
2025	55,819
Thereafter	207,858

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020 Contribution	\$26,544
June 30, 2019 Contribution	\$26,178

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$418,000
June 30, 2019 proportion	0.02568%
June 30, 2018 proportion	0.02458%
June 30, 2020 expense	\$11,000

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, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,000	\$ 5,000
Change in assumptions	26,000	13,000
Net difference between projected and actual earnings on OPEB plan investments	-	9,000
Changes in proportion	18,000	11,000
Employer contributions subsequent to the measurement date	26,544	-
Total	<u>\$ 98,544</u>	<u>\$ 38,000</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, 2021. 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, 2020

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

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 2,733
2022	2,733
2023	6,369
2024	9,192
2025	9,670
Thereafter	3,303

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

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	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

- * 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, 2020

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, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,390,238
Plan fiduciary net position	\$ 1,762,972
Employers' net OPEB liability (asset)	\$ 1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00%

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, 2020

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

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investments Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.63 %

- * The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. 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, 2019, 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, 2019 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, 2020

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, 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 (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 549,000	\$ 418,000	\$ 312,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11. Summary of Other Postemployment Benefit Elements

A summary of other postemployment benefit ("OPEB") related financial statement elements is as follows:

Deferred outflows of resources – OPEB	
Changes in proportion	
VRS-Group Life Insurance	\$ 18,000
Employer contributions subsequent to the measurement date	
VRS-Group Life Insurance	26,544
Difference between expected and actual experience	
Local Plan	119,074
VRS-Group Life Insurance	28,000
Change in assumptions	
Local Plan	565,620
VRS-Group Life Insurance	26,000
	<hr/>
Total deferred outflow of resources – OPEB	\$ 783,238
	<hr/>
Net OPEB liability	
Local Plan	\$ 5,184,494
VRS-Group Life Insurance	418,000
	<hr/>
Total net OPEB liability	\$ 5,602,494
	<hr/>

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 11. Summary of Other Postemployment Benefit Elements (Continued)

Deferred inflows of resources – OPEB	
Differences between expected and actual experience	
VRS-Group Life Insurance	\$ 5,000
Change in assumptions	
Local Plan	197,741
VRS-Group Life Insurance	13,000
Net difference between projected and actual earnings on OPEB plan investments	
VRS-Group Life Insurance	9,000
Changes in proportion	
VRS-Group Life Insurance	11,000
	<hr/>
Total deferred inflow of resources – OPEB	\$ 235,741
	<hr/>
OPEB Expense	
Local Plan	\$445,829
VRS-Group Life Insurance	11,000
	<hr/>
Total expense – OPEB	\$ 456,829
	<hr/>

Note 12. 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 lawsuits and 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 four fiscal years, excluding FY2020. In FY2020, the town had to pay out of pocket for these settle lawsuits.

(Continued)

TOWN OF PURCELLVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 13. Commitments and Contingencies

The Town had the following commitments outstanding at June 30, 2020:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
Governmental Activities:		
Clark Nexsen	Main & Maple Improvements	\$ 111,443
ATCS PLC	Nursery Avenue	112,309
Arthur Construction	Nursery Avenue	1,073,059
Tyler Technologies	Financial Software Upgrade	89,641
Clark Nexsen	12 th Street Improvements	198,884
Kimley Horn	Hatcher Avenue Sidewalk	33,697
M&F Concrete	Loudon Valley High School to Sutton Avenue Sidewalk	113,451
		<u>\$ 1,732,484</u>
Water Fund:		
CH2M Hill, Inc.	Water Resource Study	\$ 30,213
Tetra Tech	Nature Park Wells Connection	30,750
The Matthews Group	Nature Park Wells Connection	561,460
Arthur Construction	Nursery Avenue	79,700
		<u>\$ 702,123</u>

The above outstanding commitments represent significant encumbrances and are included in restricted, committed, and assigned fund balance on the governmental funds balance sheet.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 3,742,199	\$ 3,742,199	\$ 3,885,989	\$ 143,790
Other local taxes	4,968,455	4,968,455	4,813,304	(155,151)
Permits, privilege fees, and regulatory licenses	271,240	271,240	289,433	18,193
Fines and forfeitures	44,100	44,100	45,866	1,766
Revenue from use of property	27,000	27,000	27,000	-
Investment income	75,000	75,000	108,743	33,743
Miscellaneous	89,200	89,200	48,751	(40,449)
Intergovernmental				
Commonwealth	1,178,148	1,178,148	1,188,867	10,719
Federal	-	337,876	107,122	(230,754)
Total revenues	10,395,342	10,733,218	10,515,075	(218,143)
EXPENDITURES				
Current				
General government administration	3,334,495	3,705,332	3,578,864	126,468
Public safety	2,669,376	2,697,534	2,430,628	266,906
Public works	2,986,625	3,002,775	2,607,051	395,724
Community development	579,217	573,416	501,453	71,963
Capital outlay	139,023	135,131	436,417	(301,286)
Debt service				
Principal retirement	689,998	689,998	4,437,053	(3,747,055)
Interest and other fiscal charges	512,843	512,843	587,527	(74,684)
Bond issuance costs	-	-	47,019	(47,019)
Total expenditures	10,911,577	11,317,029	14,626,012	(3,308,983)
Excess (deficiency) of revenues over (under) expenditures	(516,235)	(583,811)	(4,110,937)	(3,527,126)
OTHER FINANCING SOURCES (USES)				
Transfers in	766,235	640,811	-	(640,811)
Transfers out	(250,000)	(257,000)	(207,000)	50,000
Capital leases	-	-	420,190	420,190
General obligation refunding bonds issued	-	-	9,119,000	9,119,000
Payment to advance refunding bond escrow	-	-	(5,324,056)	(5,324,056)
Total other financing sources (uses)	516,235	383,811	4,008,134	3,624,323
Net change in fund balance	\$ -	\$ (200,000)	\$ (102,803)	\$ 97,197

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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 423,544	\$ 423,544	\$ 441,776	\$ 18,232
Revenue from use of property	52,500	52,500	41,890	(10,610)
Miscellaneous	52,810	52,810	45,569	(7,241)
Intergovernmental				
Commonwealth	5,000	5,000	-	(5,000)
Total revenues	533,854	533,854	529,235	(4,619)
EXPENDITURES				
Current				
Parks, recreation, and cultural	476,988	558,988	341,714	217,274
Debt service				
Principal retirement	85,000	85,000	85,000	-
Interest and other fiscal charges	21,866	21,866	21,866	-
Total expenditures	583,854	665,854	448,580	217,274
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(132,000)	80,655	212,655
OTHER FINANCING SOURCES				
Transfers in	50,000	57,000	7,000	(50,000)
Total other financing sources (uses)	50,000	57,000	7,000	(50,000)
Net change in fund balance	\$ -	\$ (75,000)	\$ 87,655	\$ 162,655

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 – CAPITAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 30,423	\$ 30,423
Miscellaneous	235,435	545,028	19,018	(526,010)
Intergovernmental				
Local government	1,488,651	3,890,493	597,146	(3,293,347)
Commonwealth	1,450,406	3,387,444	1,006,350	(2,381,094)
Federal	546,438	1,073,018	263,148	(809,870)
Total revenues	<u>3,720,930</u>	<u>8,895,983</u>	<u>1,916,085</u>	<u>(6,979,898)</u>
EXPENDITURES				
Capital outlay	<u>3,920,930</u>	<u>9,466,446</u>	<u>2,359,217</u>	<u>7,107,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,000)</u>	<u>(570,463)</u>	<u>(443,132)</u>	<u>127,331</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>200,000</u>	<u>570,463</u>	<u>200,000</u>	<u>(370,463)</u>
Total other financing sources (uses)	<u>200,000</u>	<u>570,463</u>	<u>200,000</u>	<u>(370,463)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (243,132)</u>	<u>\$ (243,132)</u>

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, 2020

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 539,913	\$ 560,029	\$ 565,009	\$ 520,138	\$ 517,073	\$ 555,900
Interest on total pension liability	1,011,938	940,955	904,712	831,714	746,112	683,141
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	187,582	106,210	(223,270)	127,380	315,416	-
Changes in assumptions	512,755	-	(209,240)	-	-	-
Benefit payments, including refunds of employee contributions	(674,107)	(512,191)	(526,713)	(346,107)	(365,311)	(313,605)
Net change in total pension liability	1,578,081	1,095,003	510,498	1,133,125	1,213,290	925,436
Total pension liability – beginning	14,793,312	13,698,309	13,187,811	12,054,686	10,841,396	9,915,960
Total pension liability – ending	16,371,393	14,793,312	13,698,309	13,187,811	12,054,686	10,841,396
Plan Fiduciary Net Position						
Contributions – employer	357,501	354,829	363,393	445,991	427,672	520,781
Contributions – employee	272,387	228,399	232,553	224,263	216,720	210,587
Net investment income	990,181	1,015,636	1,486,189	216,458	503,837	1,444,988
Benefit payments, including refunds of employee contributions	(674,107)	(512,191)	(526,713)	(346,107)	(365,311)	(313,605)
Administrative expenses	(9,518)	(8,531)	(8,346)	(6,926)	(6,523)	(7,349)
Other	(626)	(915)	(1,336)	(88)	(109)	76
Net change in plan fiduciary net position	935,818	1,077,227	1,545,740	533,591	776,286	1,855,478
Plan fiduciary net position – beginning	14,750,598	13,673,371	12,127,631	11,594,040	10,817,754	8,962,276
Plan fiduciary net position – ending	15,686,416	14,750,598	13,673,371	12,127,631	11,594,040	10,817,754
Net pension liability – ending	\$ 684,977	\$ 42,714	\$ 24,938	\$ 1,060,180	\$ 460,646	\$ 23,642
Plan fiduciary net position as a percentage of total pension liability	95.82%	99.71%	99.82%	91.96%	96.18%	99.78%
Covered payroll	\$ 5,167,111	\$ 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	13.26%	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.

TOWN OF PURCELLVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
June 30, 2020

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 358,966	\$ 358,966	\$ -	\$ 5,155,135	6.96 %
2019	357,501	357,501	-	5,167,111	6.92
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 - LOCAL PLAN
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 229,310	\$ 191,276	\$ 204,974
Interest on total OPEB liability	160,700	155,405	140,295
Differences between expected and actual experience	132,605	-	-
Changes in assumptions	372,745	290,118	(273,794)
Benefit payments	<u>(144,714)</u>	<u>(54,106)</u>	<u>(47,156)</u>
Net change in total OPEB liability	750,646	582,693	24,319
Total OPEB liability - beginning	<u>4,433,848</u>	<u>3,851,155</u>	<u>3,826,836</u>
Total OPEB liability - ending	<u><u>\$ 5,184,494</u></u>	<u><u>\$ 4,433,848</u></u>	<u><u>\$ 3,851,155</u></u>
Covered employee payroll	<u><u>\$ 5,529,749</u></u>	<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>94%</u></u>	<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, 2020

Plan Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2019	0.02568 %	\$ 418,000	\$ 5,167,111	8.09 %	52.00 %
2018	0.02458	373,000	4,673,958	7.98	51.22
2017	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, 2020

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2020	\$ 26,544	\$ 26,544	\$ -	\$ 5,155,135	0.51 %
2019	26,178	26,178	-	5,167,111	0.51
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 FINANCIAL STATEMENTS
June 30, 2020

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 FINANCIAL STATEMENTS
June 30, 2020

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

OTHER SUPPLEMENTARY INFORMATION

TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Fund				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,102,320	\$ 3,102,320	\$ 3,289,894	\$ 187,574
Personal property taxes	607,879	607,879	568,101	(39,778)
Penalties and interest	32,000	32,000	27,994	(4,006)
Total general property taxes	3,742,199	3,742,199	3,885,989	143,790
Other local taxes:				
Local sales and use taxes	1,217,052	1,217,052	1,315,764	98,712
Cigarette taxes	207,592	207,592	217,575	9,983
Business license taxes	806,429	806,429	854,839	48,410
Utility license taxes	220,000	220,000	219,145	(855)
Franchise taxes	340,000	340,000	287,906	(52,094)
Meals tax	2,165,382	2,165,382	1,906,056	(259,326)
Other local taxes	12,000	12,000	12,019	19
Total other local taxes	4,968,455	4,968,455	4,813,304	(155,151)
Permits, privilege fees, and regulatory licenses:				
Motor vehicle license fees	170,000	170,000	176,334	6,334
Zoning fees	80,000	80,000	51,089	(28,911)
Right of way usage fees	21,000	21,000	62,010	41,010
Other permit fees	240	240	-	(240)
Total permits, privilege fees, and regulatory licenses	271,240	271,240	289,433	18,193
Fines and forfeitures:				
Police fines	44,100	44,100	45,866	1,766
Total fines and forfeitures	44,100	44,100	45,866	1,766
Revenue from use of property:	27,000	27,000	27,000	-
Investment income:	75,000	75,000	108,743	33,743
Miscellaneous:				
Insurance reimbursement	40,000	40,000	15,108	(24,892)
Proceeds from sales of property	30,100	30,100	13,904	(16,196)
Local grant & awards	8,500	8,500	3,472	(5,028)
Community events sign	1,200	1,200	795	(405)
Public Works reimbursement from others	5,000	5,000	9,169	4,169
Miscellaneous	4,400	4,400	6,303	1,903
Total miscellaneous	89,200	89,200	48,751	(40,449)
Total revenue from local sources	9,217,194	9,217,194	9,219,086	1,892

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	130,000	130,000	133,490	3,490
Personal property tax relief funds	201,753	201,753	201,753	-
Total noncategorical aid	331,753	331,753	335,243	3,490
Categorical aid:				
Shared expenses:				
Aid to Police	114,156	114,156	118,608	4,452
Total shared expenses	114,156	114,156	118,608	4,452
Other categorical aid:				
Arts grant	4,500	4,500	4,500	-
Other categorical aid	8,000	8,000	6,430	(1,570)
Fire program funds	26,000	26,000	28,143	2,143
Highway maintenance funds	690,739	690,739	693,010	2,271
Litter control grant	3,000	3,000	2,933	(67)
Total other categorical aid	732,239	732,239	735,016	2,777
Total categorical aid	846,395	846,395	853,624	7,229
Total revenue from the Commonwealth	1,178,148	1,178,148	1,188,867	10,719
Revenue from the federal government:				
Categorical aid:				
Law enforcement funds	-	17,876	21,791	3,915
CARES Act Funding	-	320,000	85,331	(234,669)
Total categorical aid	-	337,876	107,122	(230,754)
Total revenue from the federal government	-	337,876	107,122	(230,754)
Total intergovernmental	1,178,148	1,516,024	1,295,989	(220,035)
Total General Fund	\$ 10,395,342	\$ 10,733,218	\$ 10,515,075	\$ (218,143)
Parks and Recreation Fund:				
Revenue from local sources:				
General property taxes:				
Real property - special tax district	\$ 423,044	\$ 423,044	\$ 441,441	\$ 18,397
Penalties and interest	500	500	335	(165)
Total general property taxes	423,544	423,544	441,776	18,232
Revenue from use of property:	52,500	52,500	41,890	(10,610)

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Miscellaneous:				
Donations	500	500	790	290
Miscellaneous	52,310	52,310	44,779	(7,531)
Total miscellaneous	52,810	52,810	45,569	(7,241)
Total revenue from local sources	528,854	528,854	529,235	381
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	5,000	5,000	-	(5,000)
Total revenue from the Commonwealth	5,000	5,000	-	(5,000)
Total intergovernmental	5,000	5,000	-	(5,000)
Total Parks and Recreation Fund	<u>\$ 533,854</u>	<u>\$ 533,854</u>	<u>\$ 529,235</u>	<u>\$ (4,619)</u>
Capital Fund:				
Revenue from local sources:				
Investment income:	\$ -	\$ -	\$ 30,423	\$ 30,423
Miscellaneous:				
Proffers	235,435	545,028	15,000	(530,028)
Miscellaneous	-	-	4,018	4,018
Total miscellaneous	235,435	545,028	19,018	(526,010)
Total revenue from local sources	235,435	545,028	49,441	(495,587)
Intergovernmental:				
Revenue from local governments:				
Loudoun County settlement	-	178,755	-	(178,755)
Loudoun County contribution	-	1,228,250	-	(1,228,250)
NVTA	1,488,651	2,483,488	597,146	(1,886,342)
Total revenue from local governments	1,488,651	3,890,493	597,146	(3,293,347)
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grants	1,450,406	3,387,444	1,006,350	(2,381,094)
Total revenue from the Commonwealth	1,450,406	3,387,444	1,006,350	(2,381,094)

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	546,438	1,073,018	263,148	(809,870)
Total categorical aid	546,438	1,073,018	263,148	(809,870)
Total revenue from the federal government	546,438	1,073,018	263,148	(809,870)
Total intergovernmental	3,485,495	8,350,955	1,866,644	(6,484,311)
Total General Capital Improvements Fund	\$ 3,720,930	\$ 8,895,983	\$ 1,916,085	\$ (6,979,898)
Total Primary Government	\$ 14,650,126	\$ 20,163,055	\$ 12,960,395	\$ (7,202,660)

TOWN OF PURCELLVILLE, VIRGINIA

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General Fund				
General government administration:				
Legislative:				
Town Council	\$ 85,588	\$ 85,588	\$ 67,990	\$ 17,598
General and financial administration:				
Administration	1,290,914	1,693,393	1,522,530	170,863
Legal services	76,000	76,000	357,739	(281,739)
Financial administration	79,000	91,833	81,132	10,701
Information technology	486,249	477,459	427,034	50,425
Finance	1,137,438	1,138,496	1,084,205	54,291
Retiree benefits	69,300	69,300	63,364	5,936
Contingency-Operating Reserve	114,469	77,183	-	77,183
Total general and financial administration	3,253,370	3,623,664	3,536,004	87,660
Total general government administration	3,338,958	3,709,252	3,603,994	105,258
Public safety:				
Law enforcement and traffic control:				
Police department	2,605,435	2,626,183	2,538,055	88,128
Fire and rescue services:				
Fire department	71,000	71,000	73,143	(2,143)
Ambulance and rescue services	45,000	45,000	45,000	-
Total fire and rescue services	116,000	116,000	118,143	(2,143)
Total public safety	2,721,435	2,742,183	2,656,198	85,985
Public works:				
Highways, streets, bridges and sidewalks	1,055,868	1,055,868	729,173	326,695
Administration	150,083	148,377	145,390	2,987
General properties	1,064,904	1,086,202	1,151,762	(65,560)
Capital and engineer	310,271	310,890	282,055	28,835
Refuse	488,000	488,000	484,388	3,612
Total public works	3,069,126	3,089,337	2,792,768	296,569
Community development:				
Planning and community development:				
Planning	518,000	519,199	481,298	37,901
Planning commission	14,349	14,349	11,949	2,400
Board of zoning and appeals	100	100	28	72
Board of architectural review	3,768	3,768	3,230	538
Total planning and community development	536,217	537,416	496,505	40,911
Environmental management:	8,000	8,000	1,839	6,161
Economic development:	15,000	8,000	660	7,340
Arts:	20,000	20,000	2,449	17,551
Total community development	579,217	573,416	501,453	71,963

(Continued)

SCHEDULE 2 (Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt service:				
Principal retirement	689,998	689,998	4,437,053	(3,747,055)
Interest and other fiscal charges	512,843	512,843	587,527	(74,684)
Bond issuance costs	-	-	47,019	(47,019)
Total debt service	1,202,841	1,202,841	5,071,599	3,868,758
Total General Fund	\$ 10,911,577	\$ 11,317,029	\$ 14,626,012	\$ (3,308,983)
Parks and Recreation Fund:				
Parks, recreation, and cultural:				
Management	\$ 228,790	\$ 233,389	\$ 183,325	\$ 50,064
Train station	43,415	50,415	35,124	15,291
Programs	81,400	81,400	34,051	47,349
Firemans Field	99,650	174,650	88,972	85,678
Tree commission	2,500	2,500	242	2,258
Contingency-Operating Reserve	21,233	16,634	-	16,634
Total parks, recreation, and cultural	476,988	558,988	341,714	217,274
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	\$ 583,854	\$ 665,854	\$ 448,580	\$ 217,274
Capital Fund:				
Capital projects expenditures:				
General capital projects	\$ -	\$ 11,953	\$ -	\$ 11,953
Financial software upgrade	-	136,825	42,184	94,641
Hirst Farm pond	-	540,276	15,480	524,796
Main and Maple improvements	685,930	1,241,717	130,693	1,111,024
A Street trail	-	735,828	457,573	278,255
12th Street improvements	1,780,000	1,995,141	215,592	1,779,549
32nd and A Street improvements	-	650,323	632,866	17,457
32nd and Main Street improvements	780,000	876,437	77,081	799,356
Hirst road improvements	-	670,374	495,843	174,531
Hatcher Avenue improvements	475,000	580,669	167,852	412,817
LVHS/Sutton path	-	188,310	6,693	181,617
Police Facility	200,000	200,000	31,736	168,264
Nursery Avenue drain improvement	-	1,594,468	85,624	1,508,844
Outdoor Stage	-	44,125	-	44,125
Total capital projects	3,920,930	9,466,446	2,359,217	7,107,229
Total General Capital Improvements Fund	3,920,930	9,466,446	2,359,217	7,107,229
Total Primary Government	\$ 15,416,361	\$ 21,449,329	\$ 17,433,809	\$ 4,015,520

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

WATER FUND

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Water fees	\$ 2,272,521	\$ 2,272,521	\$ 2,218,108	\$ (54,413)
Water meter fees	4,195	4,195	5,254	1,059
Miscellaneous income	1,000	1,000	91,054	90,054
Penalties and interest	28,000	28,000	22,021	(5,979)
Total operating revenues	2,305,716	2,305,716	2,336,437	30,721
Operating expenses:				
Personnel:				
Water staff	625,392	625,392	683,502	(58,110)
Overtime	31,000	31,000	28,727	2,273
Health insurance	117,801	117,801	102,102	15,699
Retirement	47,717	47,717	41,739	5,978
Workers' compensation	12,109	12,109	13,968	(1,859)
Payroll taxes	50,214	50,214	53,272	(3,058)
Life insurance	8,193	8,193	8,138	55
Disability insurance	4,267	4,267	1,304	2,963
Deferred compensation match	3,640	3,640	3,380	260
Utility chargeback	493,226	493,226	511,888	(18,662)
Retiree Health Benefit	-	-	8,658	(8,658)
CARES Act Eligible Wages	-	-	(3,234)	3,234
Plant operations and meter reading:				
Electricity	16,000	16,000	14,243	1,757
Communications	13,000	13,000	10,376	2,624
Supplies	29,000	37,250	31,398	5,852
Lab equipment	5,000	5,000	4,374	626
Contracts	82,000	141,150	69,533	71,617
Uniforms	7,100	7,100	6,557	543
Safety	5,000	5,000	912	4,088
Sludge disposal	15,000	15,000	8,960	6,040
Cross connections	1,000	1,000	1,667	(667)
Plant repairs	20,000	20,000	19,407	593
Water line repairs	30,000	30,000	25,584	4,416
Leak detection	2,500	2,500	-	2,500
Meter repairs, tools and equipment	12,600	29,725	29,748	(23)
New water meters	10,000	4,318	4,335	(17)
Hardware and computer supplies	4,000	4,000	576	3,424
Chemicals - plant	24,000	24,000	28,523	(4,523)
Permits	8,900	8,900	8,516	384
GIS layers	20,000	20,000	16,960	3,040
Advertisements	500	500	-	500
Water samples	16,000	16,000	9,602	6,398
Training	12,508	12,508	2,836	9,672
Dues and subscriptions	900	900	350	550
General expenses	1,500	1,500	145	1,355
Postage/mailings	13,000	4,000	1,549	2,451
Professional services	46,400	33,935	28,236	5,699
Watershed management	14,200	14,200	9,233	4,967

(Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
WATER FUND
Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Forestry management	2,500	2,500	-	2,500
Environmental compliance	1,500	1,500	1,207	293
Mowing	6,500	4,500	-	4,500
Administrative supplies	300	300	256	44
Water department emergency	250	250	-	250
Purchased water	50,000	50,000	31,968	18,032
New equipment and tools	32,100	37,007	30,207	6,800
Leased/rented equipment	2,000	4,000	5,139	(1,139)
Vehicle repairs and maintenance	8,695	8,695	692	8,003
Propane	15,000	15,000	11,523	3,477
Generator maintenance	12,000	12,000	21,361	(9,361)
Long range planning	50,000	116,114	83,240	32,874
Pest control	-	-	175	(175)
Vehicle fuel	8,000	8,000	7,187	813
Tank painting	49,000	9,000	3,675	5,325
Public information/education	-	-	680	(680)
Well operations:				
Electricity	58,000	58,000	55,722	2,278
Telephone	1,500	1,500	1,089	411
Supplies	26,500	-	-	-
Contracts	7,500	12,500	7,452	5,048
Plant repairs	-	-	31,527	(31,527)
Spare parts	16,000	29,250	27,632	1,618
Repairs	25,000	25,000	6,634	18,366
Chemicals	21,000	21,000	8,937	12,063
Carbon change-out	20,000	20,000	20,130	(130)
Water samples	3,500	3,500	300	3,200
New equipment and tools	-	-	5,893	(5,893)
Propane	-	-	364	(364)
Well rehabilitation	26,000	3,000	2,474	526
Depreciation	255,500	-	351,713	(351,713)
Capital outlay	245,589	1,915,568	530	1,915,038
Other operating expenses	30,050	79,050	69,648	9,402
Total operating expenses	2,777,651	4,298,279	2,574,419	1,723,860
Operating income (loss)	(471,935)	(1,992,563)	(237,982)	1,754,581
Nonoperating revenues (expenses):				
Investment income	80,000	80,000	130,279	50,279
Cellular lease	185,000	185,000	193,317	8,317
Loss on sale of capital assets	-	-	(59,350)	(59,350)
Bond issuance costs	-	-	(4,166)	(4,166)
Interest expense	(285,703)	(285,703)	(335,630)	(49,927)
Total nonoperating revenues (expenses)	(20,703)	(20,703)	(75,550)	(54,847)
Income (loss) before operating transfers and cont	(492,638)	(2,013,266)	(313,532)	1,699,734
Other financing sources (uses):				
Contributed capital - availability fees	656,727	656,727	579,465	(77,262)
Contingency-Operating Reserve	(164,089)	(124,089)	-	124,089
Total other financing sources (uses)	492,638	532,638	579,465	46,827
Change in net position	\$ -	\$ (1,480,628)	\$ 265,933	\$ 1,746,561

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
SEWER FUND
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues				
Sewer fees	\$ 3,142,863	\$ 3,142,863	\$ 3,158,327	\$ 15,464
Sewer meter fees	4,195	4,195	5,254	1,059
Penalties and interest	28,000	28,000	22,021	(5,979)
Miscellaneous income	5,000	5,000	6,107	1,107
Total operating revenues	3,180,058	3,180,058	3,191,709	11,651
Operating expenses:				
Personnel:				
Sewer staff	622,566	622,566	608,342	14,224
Overtime - Sewer	32,500	32,500	36,461	(3,961)
Health insurance	111,957	111,957	105,805	6,152
Retirement	47,502	47,502	54,926	(7,424)
Workers' compensation	5,423	5,423	5,684	(261)
Payroll taxes	50,113	50,113	48,532	1,581
Deferred compensation match	3,640	3,640	3,020	620
Life insurance	8,156	8,156	7,249	907
Disability insurance	4,193	4,193	934	3,259
Retiree Health Benefit	-	-	5,265	(5,265)
CARES Act Eligible Wages	-	-	(3,782)	3,782
Utility chargeback	493,226	493,226	455,901	37,325
Plant operations:				
Electricity	125,000	148,000	149,106	(1,106)
Telephone	10,000	10,000	13,415	(3,415)
Plant supplies	16,500	20,500	19,802	698
Contracts	51,775	47,425	27,182	20,243
Permits	10,500	10,500	10,980	(480)
Uniforms	7,500	7,500	8,079	(579)
Plant repairs	10,000	10,000	7,800	2,200
Sewer line repairs	50,000	40,000	15,580	24,420
Safety	13,500	5,000	2,316	2,684
Lab supplies	32,300	32,300	28,842	3,458
New equipment and tools	115,900	120,675	32,556	88,119
Sludge removal	34,000	34,000	27,313	6,687
Chemicals	92,000	99,825	106,016	(6,191)
Lab certification	2,700	2,700	2,444	256
Sample analysis	6,030	6,030	7,072	(1,042)
Computer operations	5,000	-	-	-
GIS layers	14,000	14,000	12,918	1,082
Waste disposal	3,000	3,000	489	2,511
Meter repairs, tools, and equipment	12,600	29,858	29,665	193
New water meters	10,000	4,318	4,335	(17)
Equipment - plant	35,000	40,000	41,057	(1,057)
Vehicle repairs	8,000	8,000	1,339	6,661
Dues and subscriptions	1,000	1,000	1,011	(11)

(Continued)

SCHEDULE 4 (Continued)

TOWN OF PURCELLVILLE, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

SEWER FUND

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Leased/Rented Equipment	6,000	6,000	6,410	(410)
Advertisements	1,000	1,000	-	1,000
Training	12,451	12,451	2,654	9,797
Postage/mailings	9,000	-	466	(466)
Other expenses	5,000	2,500	58	2,442
Professional services	32,000	22,000	9,008	12,992
Mowing	2,500	2,500	449	2,051
Environmental compliance	14,000	-	204	(204)
Sewer department emergency	3,000	-	-	-
Administrative supplies	600	600	239	361
Generator maintenance	5,000	5,000	18,100	(13,100)
Long range planning	78,600	78,600	64,059	14,541
Pest control	-	-	175	(175)
Vehicle fuel	-	-	4,552	(4,552)
Cleaning	-	3,000	1,083	1,917
Regulatory	-	-	19,565	(19,565)
Pump station operations:				
Electricity	11,300	11,300	15,158	(3,858)
Telephone	1,100	1,100	913	187
Repairs	-	-	6,132	(6,132)
Contracts	15,000	13,675	2,959	10,716
Equipment	25,000	25,000	10,437	14,563
Propane	2,500	2,500	2,196	304
Leased/Rented Equipment	-	-	5,497	(5,497)
Depreciation	143,000	-	727,764	(727,764)
Capital outlay	560,729	1,352,669	10	1,352,659
Other operating expenses	30,500	39,500	32,470	7,030
Total operating expenses	3,003,861	3,653,302	2,808,212	845,090
Operating income (loss)	176,197	(473,244)	383,497	856,741
Nonoperating revenues (expenses):				
Investment income	75,000	75,000	96,957	21,957
Gain on sale of capital assets	1,700	1,700	-	(1,700)
Bond issuance costs	-	-	(32,114)	(32,114)
Interest expense	(1,017,969)	(1,017,969)	(1,005,585)	12,384
Total nonoperating revenues (expenses)	(941,269)	(941,269)	(940,742)	527
Income (loss) before operating transfers and contri	(765,072)	(1,414,513)	(557,245)	857,268
Other financing sources (uses):				
Contributed capital - availability fees	171,968	171,968	59,814	(112,154)
Contingency-Operating Reserve	(56,000)	(107)	-	107
Total other financing sources (uses)	115,968	171,861	59,814	(112,047)
Change in net position	\$ (649,104)	\$ (1,242,652)	\$ (497,431)	\$ 745,221

STATISTICAL SECTION

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.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time.	1-5
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town’s ability to generate its property and sales taxes.	6-10
Debt Capacity These tables present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and the Town’s ability to issue additional debt in the future.	11-14
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place and to help make comparisons over time and with other governments.	15-16
Operating Information These 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.	17-19

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 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	\$ 38,353,880
Restricted	-	-	2,546,527	1,992,726	989,533	548,493	723,338	1,701,564	2,608,858	1,959,705
Unrestricted	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	2,966,569
Total governmental activities net position	<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>	<u>\$ 43,280,154</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 14,060,553
Unrestricted	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	12,924,392
Total business-type activities net position	<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>	<u>\$ 26,984,945</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 52,414,433
Restricted	-	-	2,546,527	1,992,726	989,533	548,493	723,338	1,701,564	2,608,858	1,959,705
Unrestricted	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	15,890,961
Total primary government net position	<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>	<u>\$ 70,265,099</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 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	\$ 4,083,075
Public safety	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	2,643,488
Public works	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	2,868,524
Parks, recreation, and cultural	1,573,776	94,152	68,927	265,740	341,526	284,991	288,865	422,519	279,894	312,666
Community development	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	1,399,905
Interest on long-term debt	727,584	682,642	742,904	833,107	652,262	624,740	599,827	643,001	470,275	468,726
Total governmental activities expenses	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	11,776,384
Business-type activities:										
Water	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	2,973,565
Sewer	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	3,845,912
Total business-type activities expenses	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	6,819,477
Total primary government expenses	\$ 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	\$ 18,595,861
Program Revenues										
Governmental activities:										
Charges for services:										
General government	136,777	154,275	149,973	153,981	145,791	146,961	154,425	167,457	181,409	176,334
Public safety	80,287	73,046	84,156	64,947	57,326	42,844	61,696	58,302	50,466	45,866
Community development	94,043	81,782	102,822	217,668	161,370	143,284	158,169	127,221	91,765	113,099
Operating grants and contributions	784,645	736,855	739,275	789,086	798,187	812,838	957,708	825,145	1,229,911	1,295,989
Capital grants and contributions	418,501	2,082,699	2,974,978	1,862,645	755,462	1,277,717	1,181,722	1,642,735	368,774	1,866,644
Total governmental activities program revenues	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	3,497,932
Business-type activities:										
Charges for services:										
Water	\$ 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	\$ 2,336,437
Sewer	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	3,191,709
Operating grants and contributions			33,237	29,368	28,287	27,041	25,902	12,164	-	-
Capital grants and contributions	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	639,279
Total business-type activities program revenues	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	6,167,425
Total primary government program revenues	\$ 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	\$ 9,665,357
(Continued)										
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (8,278,452)
Business-type activities	164,380	(158,937)	(2,230,072)	798,743	1,401,092	1,107,523	4,447,444	3,462,950	578,590	(652,052)
Total primary government net expense	\$ (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)	\$ (8,930,504)

TABLE 2

Town of Purcellville, Virginia

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 4,356,659
Local sales and use taxes	878,531	952,497	931,067	898,669	998,571	1,110,071	1,164,728	1,136,133	1,225,507	1,315,764
Meals taxes	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	1,906,056
Utility license taxes	208,945	201,784	209,182	218,543	222,625	220,033	220,180	222,488	222,898	219,145
Business license taxes	549,271	621,289	709,692	666,178	677,503	765,285	765,041	790,617	888,515	854,839
Other local taxes	447,658	472,815	475,834	508,110	535,057	537,536	547,485	570,898	579,098	517,500
Unrestricted grants and contributions	386,923	368,625	369,061	392,714	391,107	385,727	381,086	362,408	-	-
Unrestricted revenues from use of money and property	69,615	50,350	44,400	41,890	40,442	39,846	49,464	75,600	44,680	68,890
Unrestricted investment income	-	-	-	-	-	-	-	21,713	149,046	139,166
Miscellaneous	2,130,196	70,166	80,487	88,120	112,530	89,326	210,938	173,981	185,791	113,338
Gain (loss) on sale of capital asset	-	-	923,762	-	(9,735)	-	-	(14,987)	-	-
Transfers	1,115,904	1,115,904	1,115,904	1,115,904	1,050,904	1,013,241	1,157,162	-	-	-
Total governmental activities	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	9,491,357
Business-type activities:										
Miscellaneous	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	128,552	137,842	145,296	147,590	153,812	178,155	259,562	444,277	210,882	193,317
Unrestricted investment income	57,927	18,870	5,318	2,244	1,030	667	20,429	38,860	247,014	227,236
Transfers	(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	(903,241)	(920,553)	(940,913)	(946,044)	(840,067)	(799,289)	(554,387)	503,137	457,896	420,553
Total primary government	\$ 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	\$ 9,911,910
Change in Net Position										
Governmental activities	\$ 634,928	\$ 59,013	\$ 1,946,725	\$ 219,187	\$ 248,386	\$ 388,475	\$ 1,216,075	\$ 1,048,593	\$ 1,108,811	\$ 1,212,905
Business-type activities	(738,861)	(1,079,490)	(3,170,985)	(147,301)	561,025	308,234	3,893,057	3,966,087	1,036,486	(231,499)
Total primary government	\$ (103,933)	\$ (1,020,477)	\$ (1,224,260)	\$ 71,886	\$ 809,411	\$ 696,709	\$ 5,109,132	\$ 5,014,680	\$ 2,145,297	\$ 981,406

TABLE 3

Town of Purcellville, Virginia

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

Fiscal Year	Property Taxes	Local Sales and Use Taxes	Business Licenses	Utility License Taxes	Meals Taxes	Other Local Taxes	Total
2020	\$ 4,356,659	\$ 1,315,764	\$ 854,839	\$ 219,145	\$ 1,906,056	\$ 517,500	\$ 9,169,963
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

TABLE 4

Town of Purcellville, Virginia

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental funds:										
Nonspendable:										
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,838	\$ 76,764
Prepays	52,722	52,902	48,661	63,487	61,630	-	1,256	20,198	-	91,365
Total nonspendable balance	\$ 52,722	\$ 52,902	\$ 48,661	\$ 63,487	\$ 61,630	\$ -	\$ 1,256	\$ 20,198	\$ 61,838	\$ 168,129
Restricted for:										
State highway maintenance	\$ 120,260	\$ 66,503	\$ 397,701	\$ 35,051	\$ 131,454	\$ 58,377	\$ 260,205	\$ 364,998	\$ 371,240	\$ 434,922
Loudoun County settlement funds	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	486,314
Fireman's field	-	-	357,961	399,984	92,515	53,486	17,959	-	-	-
Hirst pond	-	-	-	-	-	-	-	90,376	90,275	74,896
Proffers	-	-	-	-	-	-	667,536	892,180	1,018,924	963,573
USDA bond covenant	-	-	59,913	-	-	-	-	-	-	-
Unspent bond proceeds	2,876,577	57,669	237,332	42,636	-	-	-	-	-	-
Total restricted fund balance	\$ 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	\$ 1,959,705
Committed for:										
Street bonds	\$ 10,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital expense	-	10,000	768,892	691,135	590,155	479,261	373,852	271,475	178,523	142,780
Parks & recreation	-	-	-	-	-	59,281	151,588	285,266	319,400	404,852
Total committed fund balance	\$ 10,328	\$ 10,000	\$ 768,892	\$ 691,135	\$ 590,155	\$ 538,542	\$ 525,440	\$ 556,741	\$ 497,923	\$ 547,632
Assigned for:										
Capital projects	\$ -	\$ -	\$ -	\$ 21,654	\$ -	\$ 220,199	\$ 183,142	\$ 443,537	\$ 198,018	\$ 667,721
Unassigned	\$ 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	\$ 6,064,206
Total governmental funds	\$ 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	\$ 9,407,393

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
General property taxes	\$ 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	\$ 4,327,765
Other local taxes	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	4,813,304
Permits, privilege fees, and regulatory licenses	254,847	236,057	252,795	371,649	307,161	290,245	312,594	294,678	273,174	289,433
Fines and forfeitures	80,287	73,046	84,156	64,947	57,326	42,844	61,696	58,302	50,466	45,866
Revenue from use of property	29,700	38,410	42,630	40,862	39,315	36,590	36,540	82,880	44,680	68,890
Investment income	39,915	11,940	1,770	1,028	1,127	3,256	12,924	21,713	149,046	139,166
Miscellaneous	2,106,173	70,166	80,487	88,119	112,530	89,327	210,938	166,701	185,791	113,338
Intergovernmental										
Local government	-	-	687,739	1,102,228	253,365	223,147	773,558	1,393,377	223,579	597,146
Commonwealth	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	2,195,217
Federal	209,437	1,690,041	34,404	111,888	68,292	837,634	415,637	22,785	80,287	370,270
Total revenues	9,487,620	9,181,428	10,951,390	10,382,632	9,742,326	10,831,363	11,411,443	12,096,791	11,612,355	12,960,395
Expenditures										
General government administration	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	3,578,864
Public safety	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	2,430,628
Public works	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	2,607,051
Parks, recreation, and cultural	26,800	80,475	153,330	183,440	227,434	169,803	174,316	289,565	279,696	341,714
Community development	412,050	420,361	426,093	420,836	431,276	495,504	537,634	477,634	459,406	501,453
Capital projects	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	2,795,634
Debt service										
Principal	496,895	672,460	3,440,182	8,517,384	756,531	833,543	864,121	3,154,872	742,353	4,522,053
Interest and other fiscal charges	570,022	665,834	769,333	596,339	725,508	702,279	680,691	706,928	558,819	609,393
Bond issue costs	143,973	-	-	165,517	-	-	-	20,312	-	47,019
Total expenditures	14,332,101	15,231,841	16,489,385	19,781,864	11,356,417	11,592,708	10,706,718	12,517,310	10,878,678	17,433,809
Excess of revenues over (under) expenditures	(4,844,481)	(6,050,413)	(5,537,995)	(9,399,232)	(1,614,091)	(761,345)	704,725	(420,519)	733,677	(4,473,414)
Other financing sources (uses)										
Transfers in	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	207,000
Transfers out	(6,956,034)	(4,722,328)	-	(463,512)	(208,457)	(161,500)	(180,000)	(2,284,248)	(50,000)	(207,000)
Refunding bonds issued(including bond premiums)	4,241,000	-	-	12,473,453	-	-	-	700,000	-	9,119,000
Issuance of debt	6,366,117	-	4,840,000	-	215,000	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	141,425	420,190
Proceeds from sale of property	-	-	1,259,700	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	(4,142,633)	-	-	(4,655,399)	-	-	-	(275,177)	-	(5,324,056)
Total other financing sources (uses)	7,580,388	1,115,904	7,215,604	8,933,958	1,265,904	1,013,241	1,157,162	424,823	141,425	4,215,134
Net change in fund balances	\$ 2,735,907	\$ (4,934,509)	\$ 1,677,609	\$ (465,274)	\$ (348,187)	\$ 251,896	\$ 1,861,887	\$ 4,304	\$ 875,102	\$ (258,280)
Debt service as a percentage of noncapital expenditures	14.34%	15.27%	35.78%	52.75%	15.92%	14.96%	15.36%	31.97%	13.05%	34.49%

TABLE 6

Town of Purcellville, Virginia

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

Fiscal Year	Property Taxes	Local Sales and Use Taxes	Business Licenses	Utility License Taxes	Meals Taxes	Other Local Taxes	Total
2020	\$ 4,327,765	\$ 1,315,763	\$ 854,839	\$ 219,145	\$ 1,906,056	\$ 517,501	\$ 9,141,069
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

TABLE 7

Town of Purcellville, Virginia

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

Calendar Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2020	\$ 1,485,999,930	\$ 88,518,762	\$ 21,769,718	\$ 1,596,288,410	\$ 1,596,288,410	100%
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%

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
2020	.22/.22	.03/.03	1.05	0.01	0.55	N/A	1.035	4.20	2.75
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	1.285	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	2020		2011	
		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)	\$ \$ 24,808,568	1.62 %	\$ \$ 5,999,300	0.62 %
Main St. Station LLC	Shopping Center (1000 E Main St)	24,617,490	1.61	12,249,000	1.27
S R B Enterprises LLC	Shopping Center (711 E Main St)	11,961,340	0.78	4,623,800	0.48
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	10,773,610	0.70	9,457,000	0.98
Valley Medical Center LLC	Medical Center (205 Hirst Road)	8,818,400	0.58	4,779,000	0.49
Purcellville Development LLC	Shopping Center (1231 Wolf Rock Rd)	8,026,240	0.53	2,553,900	0.26
Maple Avenue Apartments LP	Apartments (610-650 Dominion TE)	5,769,920	0.38	5,259,200	0.54
Main Street Associates LP	Apartments (123 16th St)	5,391,540	0.35	4,260,700	0.44
LRG-125 Hirst Road LLC	Office Building (125 Hirst Road)	4,331,850	0.28	2,366,800	0.25
Castle Storage LLC	Storage Facility (113 N Bailey)	4,059,070	0.27	2,142,100	0.22
		<u>\$ 108,558,028</u>	<u>7.11 %</u>	<u>\$ 53,690,800</u>	<u>5.55 %</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

Fiscal Year	RE Tax Levy for Fiscal Year	PP Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Year of Levy	Percentage of Levy Collected in Year of Levy	Collections in Subsequent Years	Total Collections to Date	Percentage of Total Collection to Date of Levy
2020	\$ 3,670,993	\$ 656,460	\$ 4,327,453	\$ 4,097,076	94.68 %	\$ -	\$ 4,097,076	94.68 %
2019	3,444,525	617,998	4,062,523	3,854,265	94.87	154,913	4,009,178	98.69
2018	3,309,611	579,342	3,888,953	3,689,674	94.88	188,985	3,878,659	99.74
2017	3,191,567	489,048	3,680,615	3,528,421	95.86	141,451	3,669,872	99.71
2016	3,006,627	427,528	3,434,155	3,320,031	96.68	108,169	3,428,200	99.83
2015	2,833,250	438,636	3,271,886	3,099,061	94.72	164,700	3,263,761	99.75
2014	2,684,760	431,752	3,116,512	3,021,519	96.95	91,331	3,112,850	99.88
2013	2,448,170	422,435	2,870,605	2,746,752	95.69	119,963	2,866,715	99.86
2012	2,214,116	395,634	2,609,750	2,523,249	96.69	80,933	2,604,182	99.79
2011	2,208,797	383,180	2,591,977	2,494,927	96.26	93,266	2,588,193	99.85

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			
2020	\$ 13,459,980	\$ 501,603	\$ 595,000	\$ 40,663,000	\$ 150,748	\$ 55,370,331	6.80 %	\$ 5,440
2019	13,900,005	135,983	680,000	40,605,881	179,596	55,501,465	6.79	5,453
2018	14,657,946	-	765,000	40,921,224	206,671	56,550,841	7.24	5,652
2017	17,374,221	-	850,000	42,595,476	254,291	61,073,988	8.12	6,082
2016	18,251,388	-	935,000	43,033,090	300,393	62,519,871	8.73	6,398
2015	19,094,249	-	1,020,000	43,475,334	345,026	63,934,609	9.52	6,734
2014	19,642,757	-	1,105,000	44,173,657	-	64,921,414	10.33	7,051
2013	19,929,554	-	1,190,000	43,194,735	-	64,314,289	11.13	7,457
2012	18,444,736	-	1,275,000	44,146,465	-	63,866,201	11.19	7,662
2011	19,032,196	-	1,360,000	45,216,445	-	65,608,641	12.26	8,136

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 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	\$ 150,776,965
Total net debt applicable to limit	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	55,370,331
Legal debt margin	\$ 37,734,377	\$ 35,514,869	\$ 38,476,015	\$ 43,639,002	\$ 52,228,823	\$ 59,899,438	\$ 66,351,872	\$ 78,190,001	\$ 87,103,359	\$ 95,406,634
Total net debt applicable to the limit as a percentage of debt limit	63.49%	64.26%	62.57%	59.80%	55.04%	51.07%	47.93%	41.97%	38.92%	36.72%

Legal debt margin calculation for fiscal year 2020

Assessed value	\$ 1,507,769,648
Debt limit (10% of total assessed value)	\$ 150,776,965
Net debt applicable to limit	55,370,331
Legal debt margin	\$ 95,406,634

TABLE 13

Town of Purcellville, Virginia

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2020

<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	\$ 1,863,149,345	1.46 %	\$ 27,201,980
Subtotal, overlapping debt			
Town of Purcellville, direct debt (2)			<u>14,556,583</u>
Total direct and overlapping debt			<u><u>\$ 41,758,563</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**

Fiscal Year Ended June 30,	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (1) (2)	Ratio of Net General Obligation Debt to Assessed Value (3)	Net Bonded Debt per Capita
2020	\$ 55,370,331	\$ -	\$ 55,370,331	3.47 %	\$ 5,440
2019	55,501,465	-	55,501,465	3.67	5,453
2018	56,550,841	-	56,550,841	3.96	5,652
2017	61,073,988	-	61,073,988	4.54	6,082
2016	62,519,871	-	62,519,871	4.86	6,398
2015	63,934,609	-	63,934,609	5.21	6,734
2014	64,921,414	-	64,921,414	5.64	7,051
2013	64,314,289	-	64,314,289	5.87	7,457
2012	63,866,201	-	63,866,201	6.05	7,662
2011	65,608,641	-	65,608,641	6.33	8,136

(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)
2020	N/A	79,986	35.5	2,904	7.5 %
2019	10,178	80,275	35.5	2,913	2.4
2018	10,006	78,070	35.5	2,838	2.7
2017	10,041	74,878	34.4	2,842	3.2
2016	9,772	73,295	33.8	3,127	3.4
2015	9,495	70,750	32.8	2,563	3.8
2014	9,208	68,286	33.6	2,603	4.5
2013	8,625	67,023	33.6	2,488	4.7
2012	8,335	68,468	34.7	2,330	4.8
2011	8,064	66,366	34.8	2,297	5.0

Sources:

(1) 2011-2019: US Bureau of Census Annual Population Estimates; 2020 update not yet available.

(2) 2011-2018: Bureau of Economic Analysis, US Department of Commerce 2019-2020: Loudoun County Department of Finance and Budget estimates.

(3) US Bureau of Census 5-Year Population Estimates; 2019 and 2020 updates not yet available (2018 value is shown for 2019 and 2020).

(4) 2011-2019: Weldon Cooper Center for Public Service School-Age Population Estimates for July 1 of the year indicated. 2020 is Loudoun County Department of Finance 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

Employer	Fiscal Year 2020		Fiscal Year 2011	
	Employees	Rank	Employees	Rank
Loudoun County Schools	835	1	605	1
Harris Teeter	165	2	n/a	n/a
Blue Ridge Veterinary Assoc., Inc.	152	3	71	8
Giant	151	4	132	2
Home School Legal Defense Association	120	5	118	4
Chick-fil-A (Payne Leadership Dev. Group)	90	6	n/a	n/a
Magnolia's at the Mill	87	7	60	10
Wholesale Screening Solutions	85	8	n/a	n/a
Town of Purcellville	84	9	72	7
Loudoun Stairs	68	10	n/a	n/a

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Administration	7.50	8.50	8.50	8.50	9.00	10.00	9.50	10.20	11.20	11.20
Finance Administration	7.50	7.50	7.50	7.50	7.50	8.00	8.60	8.60	9.30	9.90
Public safety/Police	15.00	15.00	15.00	16.00	17.00	16.00	17.00	18.00	19.60	18.00
Public works	8.00	8.00	8.00	8.00	7.00	6.75	6.00	9.00	8.00	7.00
General maintenance	9.00	9.00	9.00	9.00	9.00	9.60	10.60	10.60	9.60	11.00
Planning & Zoning	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00
Parks & Recreation		1.00	1.00	1.00	1.00	1.00	1.20	1.20	1.20	2.00
Water Treatment	9.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00
Wastewater Treatment	9.00	9.00	9.00	9.00	9.50	9.00	9.00	9.00	9.00	9.00
	<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>	<u>80.10</u>

*Although some departmental changes were undertaken during FY20, the Town retained the old departmental structure for its accounting records through the end of the fiscal year.

Source: IRS Form 941's

TABLE 18

Town of Purcellville, Virginia

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Administration</u>										
Special Events	22	19	20	22	27	27	20	19	10	9
FOIA Requests Processed	227	161	115	105	137	135	85	116	85	79
<u>Finance</u>										
Utility Bills Processed	15,209	15,763	15,913	15,590	15,787	15,949	16,303	16,941	17,484	1,779
Tax Bills Processed	12,959	12,740	12,881	12,823	12,923	12,220	12,812	14,971	14,349	15,122
Accounts Payable Transactions	6,133	6,133	6,175	6,652	6,291	6,449	6,815	8,361	8,474	8,500
<u>Public safety</u>										
Parking violations	172	128	229	358	270	79	142	221	136	197
Traffic violations	1,692	1,021	1,457	1,152	834	624	1,038	915	1,072	851
Incident reports	986	680	933	865	756	632	755	814	823	754
Warning Tickets*	-	-	-	-	-	524	588	1,258	911	1,102
<u>Public works</u>										
<u>Maintenance Dept</u>										
Work Orders, number of	1,190	1,406	1,356	1,583	1,753	1,395	2,154	1,979	1,961	2,343
New Meters Installed	12	22	25	25	24	38	93	99	77	14
Miss Utility's' processed	783	1,186	1,014	1,014	988	1,372	1,523	1,475	1,659	1,236
<u>Water Dept</u>										
Total Gallons Treated (millions)	203	196	194	192	201	200	198	210	202.5	203.0
Samples in compliance, % of	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Violations, number of	-	-	-	-	-	-	-	-	-	-
<u>Wastewater Dept</u>										
Daily average of gallons treated	590,200	591,200	638,400	614,200	549,400	661,400	589,800	576,000	684,200	664,892
Complaints, number of	-	-	1	1	1	1	-	2	-	-
<u>Planning and Zoning</u>										
Occupancy permits issued	68	76	84	70	93	81	129	192	117	60
Zoning permits issued	179	268	140	214	202	259	306	386	268	270
Development Plans Processed	9	9	7	8	11	7	10	19	14	15

*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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Administration</u>										
Administration buildings	2	2	1	1	1	1	1	1	1	1
Bus stops of public transportation	1	6	6	6	6	6	6	6	6	6
Public parking lots	2	4	4	4	4	4	4	4	4	4
Vehicles	1	1	1	1	1	1	1	1	1	1
<u>Parks and Recreation</u>										
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	5	5
<u>Public safety</u>										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar smart trailers	3	1	-	-	-	-	-	-	1	1
Vehicles	10	11	11	12	12	12	13	12	13	15
<u>Public works</u>										
<u>Maintenance Dept</u>										
Heavy Equipment (Backhoes,etc.)	10	12	13	13	12	12	12	12	12	12
Maintenance Facility	2	2	2	2	2	2	2	2	2	1
Message Boards	3	3	3	3	3	3	3	3	2	2
Traffic Signals	2	2	2	2	2	2	2	2	2	2
Vehicles	21	21	20	20	20	20	20	18	20	23
<u>Water Dept</u>										
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	4	4	4	4	4	4	4	4	4	4
Vehicles	4	5	6	5	5	5	5	5	5	5
Water Reservoir(s)	1	1	1	1	1	1	1	4	1	1
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
Modular Bldg @ Plant	1	1	1	1	1	1	1	1	1	1
Wells/Well Houses	8	9	9	9	9	9	9	9	9	9
<u>Wastewater Dept</u>										
Pump stations	6	6	6	6	6	6	6	6	7	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
<u>Planning and Zoning</u>										
Vehicles	1	1	1	1	1	1	1	1	1	1

Source: Town depreciation schedule.

COMPLIANCE SECTION

**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, 2020, 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 12, 2020.

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) as a basis for designing 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 a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.**

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2020-002, 2020-003, and 2020-004.**

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 12, 2020

**TOWN OF PURCELLVILLE, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2020**

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, 2020**

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2020-001: 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 donated to the Town.

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.

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2020-002: Weldon Cooper Report

Condition:

The Town's Weldon Cooper report submitted in March 2020 did not reflect an audit adjustment, reporting inaccurate information.

Recommendation:

We recommend an additional review of the Weldon Cooper report by the finance department prior to submission.

Views of Responsible Officials and Planned Corrective Action:

The Town agrees and the Accounting Manager will begin reconciling the Weldon Cooper report prior to submission.

**TOWN OF PURCELLVILLE, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020**

B. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)

2020-003: Highway Maintenance Labor

Condition:

The Town utilizes software for tracking highway maintenance costs, including labor. During testing, certain employee rates did not agree to payroll registers. Additionally, employee time was not entered into the software and therefore not included on the Weldon Cooper report.

Recommendation:

We recommend the Town implement additional procedures and training to ensure staff understand the importance of entering time into the software. Public Works staff should review work orders on occasion to ensure time is being entered.

Views of Responsible Officials and Planned Corrective Action:

The Town agrees and will implement training and oversight to ensure all labor costs are appropriately reflected on the Weldon Cooper report.

2020-004: Highway Maintenance Materials

Condition:

The Town utilizes software for tracking highway maintenance costs, including materials. The software does not update material costs prospectively, resulting in errors. During testing, we noted for both invoices tested that were not accurately reflected in the software.

Recommendation:

We recommend that the Town continue to assign specific materials invoices to work orders where possible. We also recommend the Town work with the software provider to improve the process of updating costs that will impact multiple work orders.

Views of Responsible Officials and Planned Corrective Action:

The Town agrees and will evaluate the process for updating material costs in the software.

TOWN OF PURCELLVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001: 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.

Current Status:

Due to management's implementation of additional procedures and compensating controls, we did not detect a similar finding in the current year.

2019-002: 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 donated to the Town.

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.

Current Status:

Finding repeated in current year at 2020-01.

TOWN OF PURCELLVILLE, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2019-003: 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.

Current Status:

Due to management's implementation of additional procedures, we did not detect a similar finding in the current year.