



Comprehensive
Annual Financial Report
Year Ended June 30, 2016

Town
of
Purcellville
Virginia

TOWN OF PURCELLVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

Prepared By:

Elizabeth B. Krens
Director of Finance

TOWN OF PURCELLVILLE, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2016

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November 23, 2016

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, 2016. These statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

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

The Town Charter and Code of Virginia §15.2-2511 requires an annual audit performed by independent certified public accountants of the Town's financial affairs. The Town has contracted with Robinson, Farmer, Cox and Associates, Certified Public Accountants to provide audit services in a five-year contract. Robinson, Farmer, Cox and Associates has issued an unqualified opinion on the Town's financial statements for the year ended June 30, 2016. The independent auditor's report is located on page 1 and 2 of this report.

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

Profile of the Town:

Incorporated in 1908, Purcellville is one of seven independent towns in Loudoun County, Virginia. The Town's corporate limits encompass approximately 3.42 miles positioned in western part of the County along the principal east-west transportation corridor, Route 7. Purcellville lies about 40 miles west of Washington, D.C with a population of 8,149. Once a stop along the W&OD rail line, Purcellville has maintained its historic old-town feel through the restoration and maintenance of its many downtown structures, a reflection of the Victorian architecture popular during the early 1900s. Today, Purcellville is the economic hub of western Loudoun County and a popular weekend destination for antiquing, entertainment, farmer's markets, wineries, breweries and restaurants.

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

Financial Condition and Economic Outlook:

The Town Council's commitment to long term financial planning allowed the Town to end fiscal year 2016 in strong financial condition. Several tools are employed to strategically manage the Town's resources and priorities. A Town Council Strategic Planning Session is held in early fall each year. The focus of this session is for Council to review its vision, mission, core values, strategic initiatives and action items. This strategy serves as the foundation of Council and staff actions throughout the year. The next step is the annual budget development process that begins in the fall and incorporates the Council's Strategic Plan into a fiscal plan for the next fiscal year. The staff and Council work on the budget plan through the winter months with budget adoption in the spring. Throughout the year, the Town Manager and department managers continue to closely monitor budget and fiscal policy compliance as well as performance metrics. The Town Council also maintains "Fiscal Policy Guidelines" based on best financial practices and recommendations by its outside financial advisor, Davenport and Company, Inc. Council uses these guidelines as target reference points when considering new initiatives such as program expansion and issuance of debt.

At the end of fiscal year 2016, the Town's total net position increased by \$696,709, with \$388,475 from the governmental activities and \$308,234 from business-type or utility activities. In addition, the governmental fund's total fund balance at the end of fiscal year 2016 was \$6.9 million. Of this amount, \$5.7 million was unassigned and available for future spending. This amount exceeds the Town's fund balance policy target of \$3 million or 30% of total revenues.

The Town received its first public credit rating from all three national credit rating agencies in the fall of 2013: AAA from Standard & Poor's, Aa2 from Moody's Investors Services and AA from Fitch Ratings. In October 2016, Fitch affirmed the Town's AA rating following their routine credit review and upgraded the outlook from stable to positive. No new debt was issued in fiscal year 2016.

The Town's Capital Improvement Plan (CIP) is relatively modest for the next five years and new debt issuance is not anticipated in the short term. The 2013 debt restructuring modified the utility debt service structure which will increase in fiscal year 2020 especially in the sewer fund. The Town will continue to work with financial consultants to model the impact of utility user fees and proposed development to manage these changes. During the fiscal year 2017 budget process, Council increased water rates by 3% and wastewater rates by 5%.

Financial Condition and Economic Outlook: (Continued)

The 2016 real property values increased by 3.84% and preliminary forecasts for 2017 anticipate continued growth for both existing property values and new construction with the Mayfair and Catoctin Corner projects. For tax year 2016, there was no change to real property tax rate of \$.22 per \$100 of assessed value and the Fireman's Field Service tax rate of \$.035 per \$100 of assessed value.

Major Initiatives/Awards:

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in fiscal year 2016:

- Maintained the Town's strong investment grade ratings from the three national credit rating agencies: AAA from Standard and Poor's, AA from Fitch Ratings and Aa2 from Moody's Investor Service. Fitch confirmed the AA rating and upgraded the outlook from stable to positive during a routine rating review in October 2016.
- Received 7th consecutive GFOA Distinguished Budget Presentation Award for fiscal year 2016.
- Received 8th consecutive GFOA Certificate of Achievement for fiscal year 2015 CAFR.
- Received VML's Green Government Challenge, Silver Certification Award.
- Received ICMA's Certificate of Distinction for exceeding the standards by the ICMA Center for Performance Measurement.
- Received 8th consecutive Virginia Department of Health's Excellence in Waterworks. Operations Performance Award.
- Purcellville was named on the Top 10 Safest Cities in Virginia by SafeWise.
- The Police Department maintained State Accreditation by the Virginia Law Enforcement Professional Standards Commission.
- Recruited and hired a new Assistant Town Manager.
- Reorganized the IT Department and hired a new full-time Director.
- After extensive staff research and evaluation of numerous financial software options to address vulnerabilities, inefficiencies and limitations associated with the Town's current financial and tax systems, Town Council approved the purchase of Tyler Technologies Munis system. This includes core financials, purchasing, accounts payable, payroll, HR, tax and utility billing systems. The tax system implementation began in May 2016.
- Procured and selected a consultation team to facilitate the Town's Comprehensive Plan Update process with completion targeted in 2017.
- The Planning Commission completed review of land uses and Council adopted Zoning Ordinance Text Amendments to improve the ordinance.
- Took zoning action to facilitate the sale of Mary's House of Hope to the Good Shepherd Alliance as part of Council's "Fund the Future" initiative.
- Adopted the Town's first Events Ordinance to help with special programs and events.
- Adopted a formal BLA/Annexation Policy to replace the previous PUGAMP agreement that was repealed by the Town and County.

Major Initiatives/Awards: (Continued)

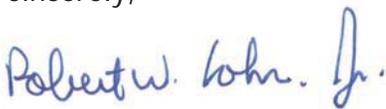
- Launched Town's Facebook page after developing a new Social Media Policy.
- Redeveloped the Town's website to be more user-friendly and streamlined.
- Staff facilitated discussions between the County Commissioner of Revenue and Loudoun towns to improve the exchange of tax assessment information in response to challenges resulting from the County's software transition.
- Resolved several legal issues including agreement with Arthur Construction and VDOT to correct defects in the installation of the storm sewer on 21st St. and reached a favorable settlement with US Surety Company for the Town Hall HVAC installation problems.
- Adopted the new Master Tax and Fee Schedule Ordinance.
- Expanded the Bulk Water Sales program.
- Applied to FEMA/VDEM for \$166,557 in cost reimbursement for expenses related to the 2016 blizzard.
- Infrastructure Projects:
 - Town facility repairs: replaced the HVAC piping and installed a refrigerant alarm system in the Town Hall to address installation problems and ensure occupant safety; structural repair of the Town Hall's cupola; upgrades to the concession stand at Fireman's Field.
 - Completed 7,800 linear feet of paving projects throughout the Town.
 - Downtown Streetscape, Phase II completed Nov. 2015 with some punch list items remaining.
 - J St. Drainage Improvements completed in June 2016.
 - Nursery Ave. Roadway and Drainage Improvements currently in the design phase with construction bids expected in Dec. 2017.
 - N. Maple Ave. Water Main Design project design is complete but the project is on hold waiting funding determination.
 - 12 St. Drainage Study provided a comprehensive review of conditions and solutions was presented to Council.

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, 2015 from the Government Finance Officers Association (GFOA). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

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

Sincerely,

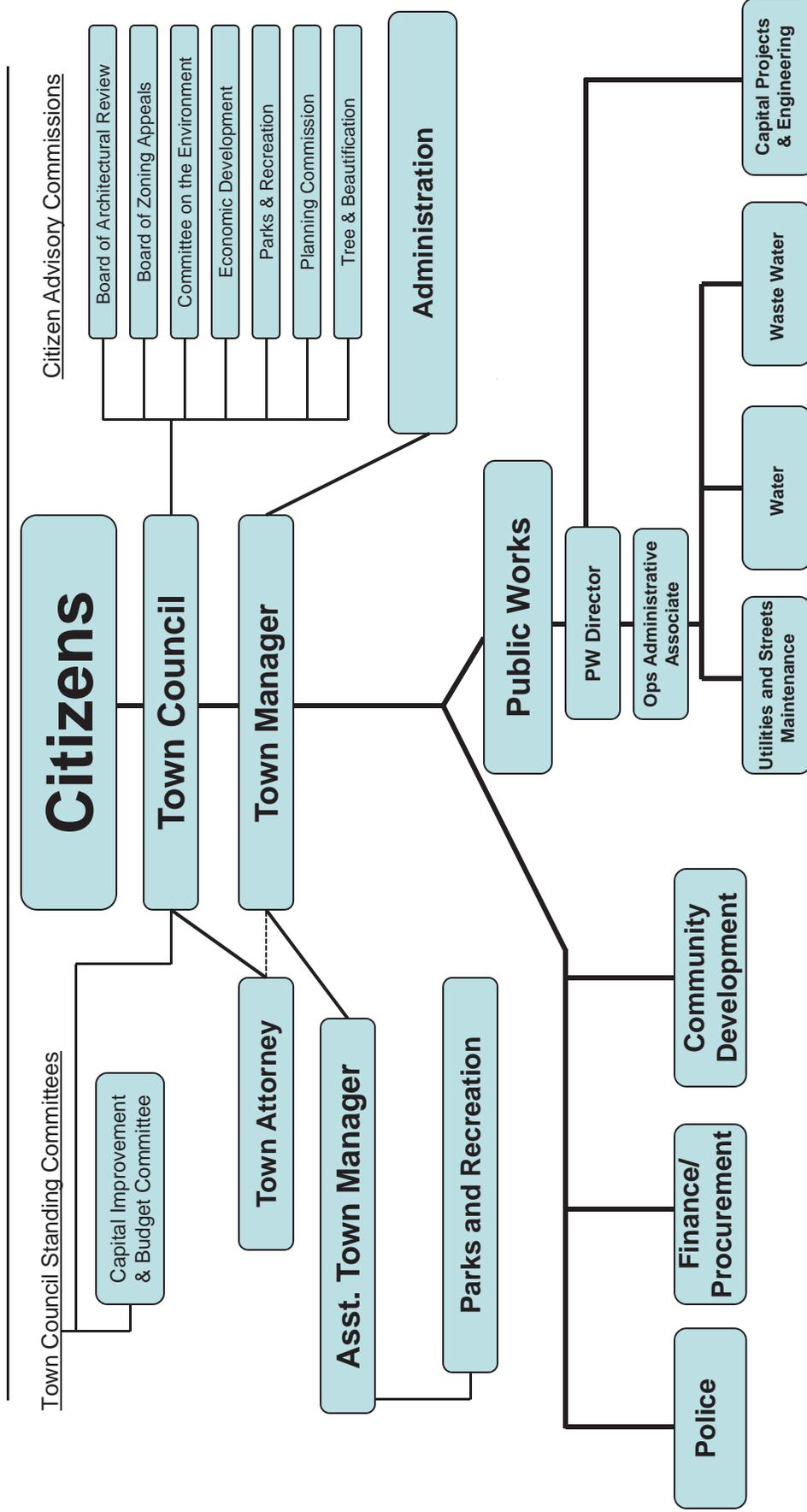


Robert W. Lohr, Jr.
Town Manager



Elizabeth B. Krens
Director of Finance

Town of Purcellville Organization Chart



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TOWN OF PURCELLVILLE, VIRGINIA

COUNCIL

Doug McCollum	Kwasi Fraser, Mayor	Karen Jimmerson
Joan Lehr	Patrick MConville, II, Vice-Mayor	John Nave
	Kelli Grim	

OFFICIALS

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

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Purcellville
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Town of Purcellville, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Purcellville, Virginia, as of June 30, 2016, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016 the Town adopted new accounting guidance, GASB Statement Nos. 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Purcellville, Virginia's basic financial statements. The introductory section, supporting schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of Town of Purcellville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Purcellville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer Cox Associates
Charlottesville, Virginia
November 22, 2016

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, 2016. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$59.2 million (*net position*). Of this amount, \$11.0 million (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$696,709, of which the governmental activities accounted for a \$388,475 increase and business-type activities accounted for a \$308,234 increase.
- The ending fund balance of the Town's general fund was \$6.2 million, an increase of \$322,259 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.6 million, or 57% of the general fund expenditures.
- The Town's total long-term obligations decreased by \$745,016 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

Overview of the Financial Statements (Continued)

Fund financial statements

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

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

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

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

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

Notes to the financial statements

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

Other information

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

Overview of the Financial Statements (Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$59.2 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$47.6 million, 80% 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,371,269	\$ 8,994,168	\$ 8,469,044	\$ 7,677,765	\$ 17,840,313	\$ 16,671,933
Capital assets	54,226,860	54,889,773	54,079,671	54,896,886	108,306,531	109,786,659
Total assets	\$ 63,598,129	\$ 63,883,941	\$ 62,548,715	\$ 62,574,651	\$ 126,146,844	\$ 126,458,592
Deferred outflows of resources	\$ 812,264	\$ 642,700	\$ 1,589,709	\$ 1,624,679	\$ 2,401,973	\$ 2,267,379
Long-term liabilities						
outstanding	\$ 21,181,427	\$ 21,602,041	\$ 43,961,718	\$ 44,286,120	\$ 65,143,145	\$ 65,888,161
Other liabilities	1,310,460	1,146,788	1,255,809	1,208,240	2,566,269	2,355,028
Total liabilities	\$ 22,491,887	\$ 22,748,829	\$ 45,217,527	\$ 45,494,360	\$ 67,709,414	\$ 68,243,189
Deferred inflows of resources	\$ 1,553,465	\$ 1,801,246	\$ 67,575	\$ 159,882	\$ 1,621,040	\$ 1,961,128
Net position:						
Net investment in capital assets	\$ 35,336,103	\$ 35,096,434	\$ 12,328,265	\$ 12,826,291	\$ 47,664,368	\$ 47,922,725
Restricted	548,493	989,533	-	-	548,493	989,533
Unrestricted	4,480,445	3,890,599	6,525,057	5,718,797	11,005,502	9,609,396
Total net position	\$ 40,365,041	\$ 39,976,566	\$ 18,853,322	\$ 18,545,088	\$ 59,218,363	\$ 58,521,654

As previously disclosed, the Town implemented GASB Statement Number 68 and 71, effective for the fiscal year ending June 30, 2015. The implementation of these standards required a restatement of beginning net position (as of July 1, 2014). 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.

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's overall (governmental and business-type activities) net position increased by \$696,709 during the current fiscal year. The business-type activities reported an increase in net position of \$308,234 and the governmental activities reported an increase of \$388,475.

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

Town of Purcellville, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 185,618	\$ 218,696	\$ 4,788,353	\$ 4,689,646	\$ 4,973,971	\$ 4,908,342
Operating grants and contributions	812,838	798,187	27,041	28,287	839,879	826,474
Capital grants and contributions	1,277,717	755,462	1,752,098	2,325,382	3,029,815	3,080,844
General revenues:						
Property taxes	3,395,079	3,344,853	-	-	3,395,079	3,344,853
Other taxes	4,567,328	4,186,769	-	-	4,567,328	4,186,769
Unrestricted revenues from the use of money and property	39,846	40,442	667	1,030	40,513	41,472
Miscellaneous	89,326	112,530	213,285	174,807	302,611	287,337
Gain (loss) on sale of capital asset	-	(9,735)	-	35,000	-	25,265
Grants and contributions not restricted to specific programs	385,727	391,107	-	-	385,727	391,107
Total revenues	<u>\$ 10,753,479</u>	<u>\$ 9,838,311</u>	<u>\$ 6,781,444</u>	<u>\$ 7,254,152</u>	<u>\$ 17,534,923</u>	<u>\$ 17,092,463</u>
Expenses:						
General government administration	\$ 2,815,863	\$ 2,763,529	-	-	\$ 2,815,863	\$ 2,763,529
Public safety	2,122,003	1,947,552	-	-	2,122,003	1,947,552
Public works	3,537,166	2,978,601	-	-	3,537,166	2,978,601
Parks, recreation and culture	284,991	341,526	-	-	284,991	341,526
Community development	1,993,482	1,957,359	-	-	1,993,482	1,957,359
Interest on long-term debt	624,740	652,262	-	-	624,740	652,262
Water fund	-	-	2,213,759	2,536,825	2,213,759	2,536,825
Sewer fund	-	-	3,246,210	3,105,398	3,246,210	3,105,398
Total expenses	<u>\$ 11,378,245</u>	<u>\$ 10,640,829</u>	<u>\$ 5,459,969</u>	<u>\$ 5,642,223</u>	<u>\$ 16,838,214</u>	<u>\$ 16,283,052</u>
Increase (decrease) in net position before transfers	<u>\$ (624,766)</u>	<u>\$ (802,518)</u>	<u>\$ 1,321,475</u>	<u>\$ 1,611,929</u>	<u>\$ 696,709</u>	<u>\$ 809,411</u>
Transfers	<u>\$ 1,013,241</u>	<u>\$ 1,050,904</u>	<u>\$ (1,013,241)</u>	<u>\$ (1,050,904)</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net position	<u>\$ 388,475</u>	<u>\$ 248,386</u>	<u>\$ 308,234</u>	<u>\$ 561,025</u>	<u>\$ 696,709</u>	<u>\$ 809,411</u>
Net position-beginning of year	<u>\$ 39,976,566</u>	<u>\$ 39,728,180</u>	<u>\$ 18,545,088</u>	<u>\$ 17,984,063</u>	<u>\$ 58,521,654</u>	<u>\$ 57,712,243</u>
Net position-end of year	<u>\$ 40,365,041</u>	<u>\$ 39,976,566</u>	<u>\$ 18,853,322</u>	<u>\$ 18,545,088</u>	<u>\$ 59,218,363</u>	<u>\$ 58,521,654</u>

Overview of the Financial Statements (Continued)

Government-wide Financial Analysis (Continued)

Generally, net position changes are for the difference between revenues and expenses. The Town reported an increase in net position of governmental activities of \$388,475 in 2016. The Town reported an increase of approximately \$0.5 million in capital grants and contributions as a result of higher State and County contributions for capital projects. Additionally, other taxes increased \$0.4 million, and public works expenses increased \$0.6 million. All other revenues and expenses were fairly consistent with the prior years. The combination of these factors resulted in a slightly higher increase in net position in 2016 than and 2015.

Business-type activities increased the Town's net position by \$308,234. As a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. While revenue for utility services increased modestly, availability revenue remained high due to the Mayfair project. Expenditures settled back to normal levels following the fiscal year 2015 write-off for terminated capital projects in the water fund.

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 were \$509,572 higher than 2015. The largest increases were seen in general property taxes, \$211,649, and other local taxes, \$380,559. General fund expenditures, excluding principal payments, were \$1,004,690 greater than 2016. The increase was largely due to increases to Public Works for streets and property expenditures.

Special parks and recreation fund revenues were \$27,092 higher than 2015. This was a combination of increases in general property taxes of \$22,180 and miscellaneous revenues of \$8,163. Expenditures, excluding principal payments, were \$60,705 less than 2015 with savings recognized in all program areas.

Capital projects fund revenues were \$552,373 higher than 2015. Increases in federal funding of \$770,492 were offset by a decrease in state funding of \$218,019. Expenditures were \$784,706 less than 2015. This decrease is due to a reduction in the number of active projects.

The town's total governmental fund balance ended 2016 with a fund balance of \$6.9 million, an increase of \$.252 million over 2015. Of this amount, \$5.7 million was unassigned and available for future spending, an increase of \$.645 million over 2015.

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 were down \$17,532 from 2015. Operating expenditures were down \$615,104 from 2015. The largest decrease, \$434,657, was seen in plant expenditures that returned to normal levels following the 2015 write off of terminated capital projects. The water fund's ending net position for 2016 was \$6,538,744, of which \$3,585,986 was unrestricted. The 2016 increase in unrestricted net position of \$438,436 was largely a result of Mayfair project availability revenue.

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

Wastewater Fund operating revenues increased \$131,899 from 2015. Operating expenditures were \$68,155 higher than 2015. The sewer fund's ending net position for 2016 was \$12,314,578, of which \$2,939,071 was unrestricted. The 2016 increase in unrestricted net position of \$367,824 is largely a result of Mayfair project availability revenue.

The town's total net position at the end of 2016 for the two proprietary funds was \$18.5 million, \$.8 million of which was unrestricted.

General Fund Budgetary Highlights

General fund revenues exceeded budget projections by \$547,795 in 2016. The largest positive trends were reported in meals tax, sales tax, real property tax, business license tax and bank franchise tax. Categories that did not meet budget forecasts were gas tax, police fines, communication tax, cigarette tax, motor vehicle license fees and personal property tax.

The 2016 expenditures were less than budgeted by \$177,212. With the exception of legal services, expenditure savings were seen in all departments, the largest of which was public works.

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, 2016, amounts to \$108.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Buildings	10,521,654	10,829,695	-	-	10,521,654	10,829,695
Utility plant in service	-	-	49,935,270	50,766,176	49,935,270	50,766,176
Improvements other than buildings	3,713,829	3,820,050	96,700	117,500	3,810,529	3,937,550
Infrastructure	32,023,677	32,640,321	-	-	32,023,677	32,640,321
Machinery & Equipment	535,119	643,788	737,062	545,917	1,272,181	1,189,705
Vehicles	93,356	113,061	18,564	17,552	111,920	130,613
Construction in progress	3,028,461	2,532,094	252,566	410,232	3,281,027	2,942,326
Total	\$ <u>54,226,860</u>	\$ <u>54,889,773</u>	\$ <u>54,079,671</u>	\$ <u>54,896,886</u>	\$ <u>108,306,531</u>	\$ <u>109,786,659</u>

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

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$65.1 million and details are summarized in the following table:

**Town of Purcellville, Virginia
Outstanding Obligations
For the Year Ended June 30, 2016**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 18,251,388	\$ 19,094,249	\$ 43,033,090	\$ 43,475,334	\$ 61,284,478	\$ 62,569,583
Notes payable	935,000	1,020,000	-	-	935,000	1,020,000
Capital leases	-	-	300,393	345,026	300,393	345,026
Net pension liability	346,038	17,760	114,607	5,880	460,645	23,640
OPEB obligation	1,327,793	1,120,330	421,822	357,206	1,749,615	1,477,536
Compensated absences	321,208	349,702	91,806	102,674	413,014	452,376
Total	<u>\$ 21,181,427</u>	<u>\$ 21,602,041</u>	<u>\$ 43,961,718</u>	<u>\$ 44,286,120</u>	<u>\$ 65,143,145</u>	<u>\$ 65,888,161</u>

Obligations associated with governmental activities decreased by \$420,614 in 2016 due to regular principal payments, which were offset by increases in the pension liability and other post-employment benefit obligation.

Obligations associated with business-type activities decreased by \$324,402 in 2016 due to regular principal payments, which were offset by increases in the pension liability and other post-employment benefit obligation.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total assessed value of taxed real property. The Town was in compliance with debt limitation as of June 30, 2016.

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

Economic Factors and Next Year's Budgets and Rates

The Town of Purcellville is located in western Loudoun County at the base of the Blue Ridge Mountains approximately 40 miles west of Washington, DC. Once a stop along the W&OD rail line, Purcellville has maintained its historic old-town feel through the restoration and maintenance of its many downtown structures, reflecting the Victorian architecture popular during the early 1900s. Today, 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.

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

With a population of approximately 8,200, Purcellville has a small town feel, with the economic benefits of the D.C. region. Loudoun County continues to be ranked as the wealthiest county in the country with a median household income (2015) of \$125,003 and a low unemployment rate of 3.2%.

Purcellville's real property assessments increased by 3.84% in 2016 due to a 4.82% increase in new construction and growth offset by a .98% decrease in existing property values. The town will continue to see new construction in 2017 with the Mayfair and Catoctin Corner projects. The current residential/business tax base split is 77/23%.

In the fall of 2013, the town obtained its inaugural credit rating from the three nation credit rating agencies: Standard and Poor's rating of AAA, Moody's Investor Service rating of Aa2 and Fitch Ratings rating of AA. In October 2016 during a routine review, Fitch affirmed the town's AA general obligation credit rating and upgraded the outlook to positive, given continued improvements in the utility system's financial profile. According to Fitch, this rating reflects "...the town's strong and growing economic base and superior budget flexibility, supporting historically strong operating performance."

In 2016, the town's general fund continues to benefit from a diversified revenue stream with the largest categories of property tax (33%), meals tax (19%), revenue from the Commonwealth (13%), sales tax (12%) and business license (8%). The Loudoun County gas tax contribution (2%) continues to decline due to lower fuel prices and is expected to end all together in 2018 when funds will be redirected to the metro rail project.

In tax year 2016, the Town Council made no change to any general fund tax rates. The real property tax rate and the Fireman's Field Service tax rate remained at .22/\$100 and .035/\$100 respectively.

The Town continues to work with its financial advisors to review and update utility rates annually. In fiscal year 2017, Town Council increased the utility rates in the water fund by 3% and the waste water fund by 5%. Factors reviewed during the rate setting process include forecasted new connections, operating expenses, capital improvement plan expenses, debt service and historical usage trends. In 2013, the town restructured its utility debt and is continuing to work with consultants to develop a sustainable long term fiscal plan to deal with future increases in utility debt payments scheduled in fiscal year 2020. Availability fees are expected to continue to be strong through the buildout of the Mayfair project in fiscal year 2020.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
As of June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,614,954	\$ 7,149,943	\$ 13,764,897
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,477,166	-	1,477,166
Accounts receivable	196,803	826,017	1,022,820
Due from other governmental units	226,467	-	226,467
Prepaid items	-	990	990
Restricted assets:			
Cash and cash equivalents	855,879	163,479	1,019,358
Cash held for customer deposits	-	328,615	328,615
Capital assets (net of accumulated depreciation):			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	10,521,654	-	10,521,654
Improvements other than buildings	3,713,829	96,700	3,810,529
Machinery and equipment	535,119	737,062	1,272,181
Vehicles	93,356	18,564	111,920
Infrastructure	32,023,677	-	32,023,677
Utility plant in service	-	49,935,270	49,935,270
Construction in progress	3,028,461	252,566	3,281,027
Total assets	\$ 63,598,129	\$ 62,548,715	\$ 126,146,844
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 295,631	\$ 1,418,598	\$ 1,714,229
Deferred difference between expected and actual experience	178,724	59,194	237,918
Pension contributions after measurement date	337,909	111,917	449,826
Total deferred outflows of resources	\$ 812,264	\$ 1,589,709	\$ 2,401,973
LIABILITIES			
Accounts payable	\$ 549,230	\$ 259,274	\$ 808,504
Accrued liabilities	159,622	32,290	191,912
Customers' deposits	1,050	328,615	329,665
Accrued interest payable	284,422	635,007	919,429
Unearned revenue	8,750	623	9,373
Deposits held in escrow	307,386	-	307,386
Long-term liabilities:			
Due within one year	896,242	356,783	1,253,025
Due in more than one year	20,285,185	43,604,935	63,890,120
Total liabilities	\$ 22,491,887	\$ 45,217,527	\$ 67,709,414
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue-property taxes	\$ 1,349,436	\$ -	\$ 1,349,436
Items related to measurement of net pension liability	204,029	67,575	271,604
Total deferred inflows of resources	\$ 1,553,465	\$ 67,575	\$ 1,621,040
NET POSITION			
Net investment in capital assets	\$ 35,336,103	\$ 12,328,265	\$ 47,664,368
Restricted for:			
State highway maintenance	58,377	-	58,377
Loudoun county settlement funds	221,800	-	221,800
Fireman's field	53,486	-	53,486
Loudoun Co. - transportation and sidewalk projects	214,830	-	214,830
Unrestricted	4,480,445	6,525,057	11,005,502
Total net position	\$ 40,365,041	\$ 18,853,322	\$ 59,218,363

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

TOWN OF PURCELLVILLE, VIRGINIA

Statement of Activities
 For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,815,863	\$ -	\$ -	\$ -
Public safety	2,122,003	42,844	142,244	-
Public works	3,537,166	142,774	667,541	223,147
Parks, recreation, and cultural	284,991	-	-	-
Community development	1,993,482	-	3,053	1,054,570
Interest on long-term debt	624,740	-	-	-
Total governmental activities	\$ 11,378,245	\$ 185,618	\$ 812,838	\$ 1,277,717
Business-type activities:				
Water	\$ 2,213,759	\$ 2,072,275	\$ 27,041	\$ 952,898
Sewer	3,246,210	2,716,078	-	799,200
Total business-type activities	\$ 5,459,969	\$ 4,788,353	\$ 27,041	\$ 1,752,098
Total primary government	\$ 16,838,214	\$ 4,973,971	\$ 839,879	\$ 3,029,815
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility license taxes				
Meals taxes				
Cigarette taxes				
Bank franchise taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,815,863)	\$ -	\$ (2,815,863)
(1,936,915)	-	(1,936,915)
(2,503,704)	-	(2,503,704)
(284,991)	-	(284,991)
(935,859)	-	(935,859)
(624,740)	-	(624,740)
<u>\$ (9,102,072)</u>	<u>\$ -</u>	<u>\$ (9,102,072)</u>
\$ -	\$ 838,455	\$ 838,455
-	269,068	269,068
<u>\$ -</u>	<u>\$ 1,107,523</u>	<u>\$ 1,107,523</u>
<u>\$ (9,102,072)</u>	<u>\$ 1,107,523</u>	<u>\$ (7,994,549)</u>
\$ 3,395,079	\$ -	\$ 3,395,079
1,110,071	-	1,110,071
765,795	-	765,795
220,033	-	220,033
1,786,932	-	1,786,932
233,855	-	233,855
292,544	-	292,544
158,098	-	158,098
39,846	667	40,513
89,326	213,285	302,611
385,727	-	385,727
1,013,241	(1,013,241)	-
<u>\$ 9,490,547</u>	<u>\$ (799,289)</u>	<u>\$ 8,691,258</u>
\$ 388,475	\$ 308,234	\$ 696,709
39,976,566	18,545,088	58,521,654
<u>\$ 40,365,041</u>	<u>\$ 18,853,322</u>	<u>\$ 59,218,363</u>

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 As of June 30, 2016

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
ASSETS				
Cash and cash equivalents (Note 2)	\$ 6,261,128	\$ 71,091	\$ 282,735	\$ 6,614,954
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	1,471,025	6,141	-	1,477,166
Accounts receivable	196,803	-	-	196,803
Due from other governmental units (Note 3)	218,622	-	7,846	226,468
Restricted assets:				
Cash and cash equivalents	365,763	-	490,116	855,879
Total assets	<u>\$ 8,513,341</u>	<u>\$ 77,232</u>	<u>\$ 780,697</u>	<u>\$ 9,371,270</u>
LIABILITIES				
Accounts payable	\$ 474,054	\$ 4,793	\$ 70,382	\$ 549,229
Accrued liabilities	158,743	879	-	159,622
Unearned revenue	-	8,750	-	8,750
Deposits-other	-	1,050	-	1,050
Deposits held in escrow	307,386	-	-	307,386
Total liabilities	<u>\$ 940,183</u>	<u>\$ 15,472</u>	<u>\$ 70,382</u>	<u>\$ 1,026,037</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>\$ 1,418,374</u>	<u>\$ 2,479</u>	<u>\$ -</u>	<u>\$ 1,420,853</u>
FUND BALANCES				
Restricted:				
State highway maintenance	\$ 58,377	\$ -	\$ -	\$ 58,377
Loudoun Co. settlement funds	-	-	221,800	221,800
Fireman's field	-	-	53,486	53,486
Loudoun Co. - transportation and sidewalk projects	-	-	214,830	214,830
Total restricted fund balance	<u>\$ 58,377</u>	<u>\$ -</u>	<u>\$ 490,116</u>	<u>\$ 548,493</u>
Committed:				
Future capital outlay	\$ 444,761	\$ -	\$ -	\$ 444,761
Capital asset replacement	34,500	-	-	34,500
Total committed fund balance	<u>\$ 479,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,261</u>
Assigned:				
Capital projects	\$ -	\$ -	\$ 220,199	\$ 220,199
Unassigned	<u>\$ 5,617,146</u>	<u>\$ 59,281</u>	<u>\$ -</u>	<u>\$ 5,676,427</u>
Total fund balances (deficits)	<u>\$ 6,154,784</u>	<u>\$ 59,281</u>	<u>\$ 710,315</u>	<u>\$ 6,924,380</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,513,341</u>	<u>\$ 77,232</u>	<u>\$ 780,697</u>	<u>\$ 9,371,270</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 As of June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,924,380	
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.			54,226,860
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds.			
Unavailable revenue related to property taxes	\$	71,415	
Items related to measurement of net pension liability		<u>(204,029)</u>	(132,614)
The difference between expected and actual experience related to the net pension liability is reported as a deferred outflow of resources.			178,724
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			337,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. All liabilities - both current and long-term - are reported in the Statement of Net Position.			
Total long-term liabilities		(21,181,427)	
Accrued interest payable		(284,422)	
Deferred charge on refunding		<u>295,631</u>	<u>(21,170,218)</u>
Net Position of governmental activities	\$		<u><u>40,365,041</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
REVENUES				
General property taxes	\$ 3,054,559	\$ 418,403	\$ -	\$ 3,472,962
Other local taxes	4,567,328	-	-	4,567,328
Permits, privilege fees, and regulatory licenses	142,774	-	-	142,774
Fines and forfeitures	42,844	-	-	42,844
Revenue from the use of money and property	3,256	36,590	-	39,846
Miscellaneous	38,640	50,687	-	89,327
Intergovernmental:				
Local government	223,147	-	-	223,147
Commonwealth	1,169,923	-	245,578	1,415,501
Federal	500	28,142	808,992	837,634
	<u>9,242,971</u>	<u>533,822</u>	<u>1,054,570</u>	<u>10,831,363</u>
Total revenues	\$	\$	\$	\$
EXPENDITURES				
Current:				
General government administration	\$ 2,611,773	\$ -	\$ -	\$ 2,611,773
Public safety	2,068,546	-	-	2,068,546
Public works	3,387,426	-	-	3,387,426
Parks, recreation, and cultural	-	169,803	-	169,803
Community development	495,504	-	-	495,504
Capital outlay	-	-	1,323,834	1,323,834
Debt service:				
Principal retirement	658,336	175,207	-	833,543
Interest and other fiscal charges	590,868	111,411	-	702,279
	<u>9,812,453</u>	<u>456,421</u>	<u>1,323,834</u>	<u>11,592,708</u>
Total expenditures	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	\$ (569,482)	\$ 77,401	\$ (269,264)	\$ (761,345)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,033,241	\$ -	\$ 141,500	\$ 1,174,741
Transfers out	(141,500)	-	(20,000)	(161,500)
	<u>891,741</u>	<u>-</u>	<u>121,500</u>	<u>1,013,241</u>
Total other financing sources (uses)	\$	\$	\$	\$
Net change in fund balances	\$ 322,259	\$ 77,401	\$ (147,764)	\$ 251,896
Fund balances - beginning	5,832,525	(18,120)	858,079	6,672,484
Fund balances - ending	<u>\$ 6,154,784</u>	<u>\$ 59,281</u>	<u>\$ 710,315</u>	<u>\$ 6,924,380</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$	251,896
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$ 1,417,242	
Depreciation expense	<u>(2,080,156)</u>	(662,914)

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

Property taxes	(77,885)	
(Increase)/decrease in items related to measurement of net pension liability	<u>278,700</u>	200,815

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	748,543	
Principal retired on notes payable	85,000	
Amortization of premium	<u>94,318</u>	927,861

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

(Increase)/decrease in compensated absences	28,494	
(Increase)/decrease in accrued interest payable	8,499	
(Increase)/decrease in net OPEB obligation	(207,463)	
(Increase)/decrease in net pension liability	(328,277)	
Increase/(decrease) in deferred charge on refunding	(25,279)	
Increase/(decrease) in items related to expected and actual experience of pension funding	178,724	
Increase/(decrease) in pension contributions after measurement date	<u>16,119</u>	<u>(329,183)</u>

Change in net position of governmental activities	\$	<u><u>388,475</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
As of June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,882,260	\$ 3,267,683	\$ 7,149,943
Prepaid items	495	495	990
Receivables, net of allowances for uncollectibles			
Accounts	266,337	559,680	826,017
Total current assets	\$ 4,149,092	\$ 3,827,858	\$ 7,976,950
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents - unspent bonds proceeds	\$ 163,479	\$ -	\$ 163,479
Cash held for customer deposits	328,615	-	328,615
Total restricted assets	\$ 492,094	\$ -	\$ 492,094
Capital assets:			
Land	\$ 2,672,409	\$ 367,100	\$ 3,039,509
Utility plant in service	13,707,438	44,860,801	58,568,239
Improvements other than buildings	445,000	-	445,000
Vehicles	172,036	201,333	373,369
Machinery and equipment	520,336	663,866	1,184,202
Construction in progress	252,566	-	252,566
Accumulated depreciation	(4,142,613)	(5,640,601)	(9,783,214)
Total capital assets	\$ 13,627,172	\$ 40,452,499	\$ 54,079,671
Total noncurrent assets	\$ 14,119,266	\$ 40,452,499	\$ 54,571,765
Total assets	\$ 18,268,358	\$ 44,280,357	\$ 62,548,715
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 487,596	\$ 931,002	\$ 1,418,598
Deferred difference between expected and actual experience	29,335	29,859	59,194
Pension contributions after measurement date	55,464	56,453	111,917
Total deferred outflows of resources	\$ 572,395	\$ 1,017,314	\$ 1,589,709
Total assets and deferred outflows of resources	\$ 18,840,753	\$ 45,297,671	\$ 64,138,424
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 91,121	\$ 168,153	\$ 259,274
Accrued payroll	19,072	13,218	32,290
Customer deposits	328,615	-	328,615
Accrued interest payable	194,805	440,202	635,007
Unearned revenue	623	-	623
Bonds - current portion	301,500	-	301,500
Capital lease - current portion	-	46,102	46,102
Compensated absences - current portion	4,041	5,140	9,181
Total current liabilities	\$ 939,777	\$ 672,815	\$ 1,612,592
Noncurrent liabilities:			
Bonds - net of current portion	\$ 11,023,989	\$ 31,707,601	\$ 42,731,590
Capital lease - net of current portion	-	254,291	254,291
Compensated absences - net of current portion	36,370	46,255	82,625
Net pension liability	56,797	57,810	114,607
Net OPEB obligation	211,587	210,235	421,822
Total noncurrent liabilities	\$ 11,328,743	\$ 32,276,192	\$ 43,604,935
Total liabilities	\$ 12,268,520	\$ 32,949,007	\$ 45,217,527
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 33,489	\$ 34,086	\$ 67,575
NET POSITION			
Net investment in capital assets	\$ 2,952,758	\$ 9,375,507	\$ 12,328,265
Unrestricted	3,585,986	2,939,071	6,525,057
Total net position	\$ 6,538,744	\$ 12,314,578	\$ 18,853,322
Total liabilities, deferred inflows of resources, and net position	\$ 18,840,753	\$ 45,297,671	\$ 64,138,424

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Charges for services and connection fees	\$ 2,047,071	\$ 2,690,873	\$ 4,737,944
Other revenues	25,204	25,205	50,409
Miscellaneous	5,043	28,562	33,605
Total operating revenues	<u>\$ 2,077,318</u>	<u>\$ 2,744,640</u>	<u>\$ 4,821,958</u>
OPERATING EXPENSES			
Personnel services	\$ 625,955	\$ 628,572	\$ 1,254,527
Employee benefits	235,450	224,832	460,282
Plant operations	401,217	524,587	925,804
Well operations	162,869	-	162,869
Pump station operations	-	21,130	21,130
Depreciation	334,249	714,338	1,048,587
Total operating expenses	<u>\$ 1,759,740</u>	<u>\$ 2,113,459</u>	<u>\$ 3,873,199</u>
Operating income (loss)	<u>\$ 317,578</u>	<u>\$ 631,181</u>	<u>\$ 948,759</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	\$ 27,041	\$ -	\$ 27,041
Investment income	667	-	667
Rental income	1,525	-	1,525
Cellular lease	178,155	-	178,155
Interest expense	(454,019)	(1,132,751)	(1,586,770)
Total nonoperating revenues (expenses)	<u>\$ (246,631)</u>	<u>\$ (1,132,751)</u>	<u>\$ (1,379,382)</u>
Income before contributions and transfers	\$ 70,947	\$ (501,570)	\$ (430,623)
Contributed capital - availability fees	952,898	799,200	1,752,098
Transfers out	(534,614)	(478,627)	(1,013,241)
Change in net position	\$ 489,231	\$ (180,997)	\$ 308,234
Total net position - beginning	6,049,513	12,495,575	18,545,088
Total net position - ending	<u>\$ 6,538,744</u>	<u>\$ 12,314,578</u>	<u>\$ 18,853,322</u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,266,198	\$ 2,720,825	\$ 4,987,023
Payments to suppliers	(586,770)	(405,683)	(992,453)
Payments to and on behalf of employees	(871,865)	(872,314)	(1,744,179)
Net cash provided by (used for) operating activities	\$ 807,563	\$ 1,442,828	\$ 2,250,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 27,041	\$ -	\$ 27,041
Transfers to other funds	(534,614)	(478,627)	(1,013,241)
Net cash provided by (used for) noncapital financing activities	\$ (507,573)	\$ (478,627)	\$ (986,200)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant and equipment	\$ (113,811)	\$ (117,562)	\$ (231,373)
Capital contributions	952,898	799,200	1,752,098
Retirements of long-term indebtedness	(305,000)	(44,633)	(349,633)
Interest expense	(492,655)	(1,137,159)	(1,629,814)
Net cash provided by (used for) capital and related financing activities	\$ 41,432	\$ (500,154)	\$ (458,722)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$ 667	\$ -	\$ 667
Net cash provided by (used for) investing activities	\$ 667	\$ -	\$ 667
Net increase (decrease) in cash and cash equivalents	\$ 342,089	\$ 464,047	\$ 806,136
Cash and cash equivalents - beginning (including restricted)	4,032,265	2,803,636	6,835,901
Cash and cash equivalents - ending (including restricted)	\$ 4,374,354	\$ 3,267,683	\$ 7,642,037
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 317,578	\$ 631,181	\$ 948,759
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	334,249	714,338	1,048,587
Cellular lease revenue	178,155	-	178,155
Rental income	1,525	-	1,525
(Increase) decrease in prepaid items	10,141	9,158	19,299
(Increase) decrease in accounts receivable	19,373	(23,815)	(4,442)
(Increase) decrease in difference between expected and actual experience	(29,335)	(29,859)	(59,194)
(Increase) decrease in pension contributions after measurement date	(2,646)	(2,693)	(5,339)
Increase (decrease) in accounts payable	(32,825)	130,876	98,051
Increase (decrease) in accrued payroll	(14,169)	(20,836)	(35,005)
Increase (decrease) in customer deposits	42,120	-	42,120
Increase (decrease) in unearned revenue	(52,293)	-	(52,293)
Increase (decrease) in compensated absences	(5,500)	(5,368)	(10,868)
Increase (decrease) in net pension liability	53,882	54,845	108,727
Increase (decrease) in net OPEB obligation	33,053	31,563	64,616
Increase (decrease) in items related to measurement of net pension liability	(45,745)	(46,562)	(92,307)
Total adjustments	\$ 489,985	\$ 811,647	\$ 1,301,632
Net cash provided by (used for) operating activities	\$ 807,563	\$ 1,442,828	\$ 2,250,391

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1—Summary of Significant Accounting Policies:

A. Financial Reporting Entity

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

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. General Fund

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

- b. Special Revenue Fund

The special revenue fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Park and Recreation Fund, which is considered a major fund at June 30, 2016. The primary revenue source for this fund is the Fireman's Field Special Tax District and additional revenue is generated from contributions and users fees associated with special events.

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

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

c. Capital Projects Fund

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

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

Enterprise Funds

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

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

D. Budgets and Budgetary Accounting

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

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

TOWN OF PURCELLVILLE, VIRGINIA

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

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

D. Budgets and Budgetary Accounting (Continued)

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

E. Cash and Cash Equivalents

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

F. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$19,617 at June 30, 2016 and is comprised solely of property taxes.

G. Restricted Assets

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

H. Investments

Money market investments and external investment pools are measured at amortized cost. All other investments are reported at fair value.

I. Prepaid Items

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

TOWN OF PURCELLVILLE, VIRGINIA

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

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

J. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2016 was immaterial.

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

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

K. Compensated Absences

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

L. Long-term Obligations

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

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

TOWN OF PURCELLVILLE, VIRGINIA

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

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

M. Property Taxes

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

N. Use of Estimates

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

O. Deferred Outflows/Inflows of Resources

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

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

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

P. Net Position

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

Q. Net Position Flow Assumption

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

R. Fund Equity

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

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

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

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

R. Fund Equity: (Continued)

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

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

S. Pensions

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

T. Upcoming Pronouncements

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

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

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

T. Upcoming Pronouncements: (Continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is meant to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

U. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 2—Deposits and Investments:

Deposits:

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

Investments:

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

Custodial Credit Risk (Investments):

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

The Town's investments at June 30, 2016 were held by the Town or in the Town's name by the Town's custodial banks.

Credit Risk of Debt Securities:

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

The Town's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 1,017,423
State Non-Arbitrage Pool	163,479
Total	<u>\$ 1,180,902</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk:

Interest rate risk is the risk that changing interest rates will cause investments to lose value. The maturities of the Town's investments to lose value. The maturities of the Town's investments as of June 30, 2016 are as follows:

<u>Investment Maturities (in years)</u>	
<u>Investment Type</u>	<u>Less than 1 year</u>
Local Government Investment Pool	\$ 1,017,423
State Non-Arbitrage Pool	<u>163,479</u>
Total	<u>\$ 1,180,902</u>

External Investment Pools:

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

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

Note 3—Due from Other Governmental Units:

Commonwealth:	
VDOT	\$ 7,846
Communications Tax	<u>25,454</u>
Due from Commonwealth	<u>\$ 33,300</u>
County of Loudoun:	
Local Sales Tax	<u>\$ 193,168</u>
Total	<u>\$ 226,468</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 4—Capital Assets:

Governmental Funds

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	<u>2,532,094</u>	<u>1,285,808</u>	<u>789,441</u>	<u>3,028,461</u>
Total capital assets not being depreciated	<u>\$ 6,842,858</u>	<u>\$ 1,285,808</u>	<u>\$ 789,441</u>	<u>\$ 7,339,225</u>
Capital assets being depreciated:				
Buildings	\$ 12,080,410	\$ -	\$ -	\$ 12,080,410
Improvements other than buildings	4,715,995	38,030	-	4,754,025
Machinery and equipment	2,457,464	53,439	-	2,510,903
Vehicles	860,858	39,966	-	900,824
Infrastructure	<u>58,644,271</u>	<u>789,441</u>	<u>-</u>	<u>59,433,712</u>
Total capital assets being depreciated	<u>\$ 78,758,998</u>	<u>\$ 920,876</u>	<u>\$ -</u>	<u>\$ 79,679,874</u>
Less accumulated depreciation for:				
Buildings	\$ (1,250,715)	\$ (308,041)	\$ -	\$ (1,558,756)
Improvements other than buildings	(895,945)	(144,251)	-	(1,040,196)
Machinery and equipment	(1,813,676)	(162,108)	-	(1,975,784)
Vehicles	(747,797)	(59,671)	-	(807,468)
Infrastructure	<u>(26,003,950)</u>	<u>(1,406,085)</u>	<u>-</u>	<u>(27,410,035)</u>
Total accumulated depreciation	<u>\$ (30,712,083)</u>	<u>\$ (2,080,156)</u>	<u>\$ -</u>	<u>\$ (32,792,239)</u>
Net capital assets being depreciated	<u>\$ 48,046,915</u>	<u>\$ (1,159,280)</u>	<u>\$ -</u>	<u>\$ 46,887,635</u>
Capital assets, net	<u>\$ 54,889,773</u>	<u>\$ 126,528</u>	<u>\$ 789,441</u>	<u>\$ 54,226,860</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 4—Capital Assets: (Continued)

Business-type Activities

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	410,232	60,373	218,039	252,566
Total capital assets not being depreciated	<u>\$ 3,449,741</u>	<u>\$ 60,373</u>	<u>\$ 218,039</u>	<u>\$ 3,292,075</u>
Capital assets being depreciated:				
Utility plant in service	\$ 58,504,117	\$ 64,122	\$ -	\$ 58,568,239
Improvements other than buildings	445,000	-	-	445,000
Vehicles	328,748	44,621	-	373,369
Machinery and equipment	903,907	280,295	-	1,184,202
Total capital assets being depreciated	<u>\$ 60,181,772</u>	<u>\$ 389,038</u>	<u>\$ -</u>	<u>\$ 60,570,810</u>
Less accumulated depreciation for:				
Utility plant in service	\$ (7,737,941)	\$ (895,028)	\$ -	\$ (8,632,969)
Improvements other than buildings	(327,500)	(20,800)	-	(348,300)
Vehicles	(311,196)	(43,609)	-	(354,805)
Machinery and equipment	(357,990)	(89,150)	-	(447,140)
Total accumulated depreciation	<u>\$ (8,734,627)</u>	<u>\$ (1,048,587)</u>	<u>\$ -</u>	<u>\$ (9,783,214)</u>
Net capital assets being depreciated	<u>\$ 51,447,145</u>	<u>\$ (659,549)</u>	<u>\$ -</u>	<u>\$ 50,787,596</u>
Capital assets, net	<u>\$ 54,896,886</u>	<u>\$ (599,176)</u>	<u>\$ 218,039</u>	<u>\$ 54,079,671</u>

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

Governmental activities:

General government administration	\$ 251,198
Parks and recreation	115,336
Public safety	26,973
Public works	180,059
Community development	<u>1,506,590</u>
Total governmental activities	<u>\$ 2,080,156</u>
Business-type activities	<u>\$ 1,048,587</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 5—Long-term Obligations:

Governmental Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
General obligation bonds	\$ 17,896,932	\$ -	\$ (748,543)	\$ 17,148,389
Premium on issuance	1,197,317	-	(94,318)	1,102,999
Total general obligation bonds	\$ 19,094,249	\$ -	\$ (842,861)	\$ 18,251,388
Note payable	\$ 1,020,000	\$ -	\$ (85,000)	\$ 935,000
Net pension liability	\$ 17,760	\$ 1,190,826	\$ (862,548)	\$ 346,038
Net OPEB obligation	\$ 1,120,330	\$ 218,138	\$ (10,675)	\$ 1,327,793
Compensated absences	\$ 349,702	\$ -	\$ (28,494)	\$ 321,208
Totals	\$ 21,602,041	\$ 1,408,964	\$ (1,829,578)	\$ 21,181,427

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

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

Year Ending June 30,	Bonds		Notes
	Principal	Interest	Principal
2017	\$ 779,121	\$ 680,692	\$ 85,000
2018	801,266	657,962	85,000
2019	818,500	637,137	85,000
2020	853,500	607,497	85,000
2021	2,438,500	542,634	85,000
2022-2026	5,132,500	1,939,047	425,000
2027-2031	4,757,500	768,666	85,000
2021-2034	1,567,502	90,989	-
Total	\$ 17,148,389	\$ 5,924,624	\$ 935,000

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 5—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$835,133 General Obligation Bond Series 2003 dated May 22, 2003 with principal payable annually, bearing interest at 3.27% payable semi-annually, maturing October 1, 2017.	\$ 133,389	\$ 65,621
\$2,155,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bearing interest at 4.23%, maturing July 15, 2020.	1,995,000	50,000
\$5,055,000 (total bond issued was \$5,870,000 allocated between governmental and business-type activities) General Obligation Public Improvement and Refunding Bond Series 2012A dated December 6, 2012 with principal payments beginning in 2016, bearing interest at 2.75% payable semi-annually, maturing August 1, 2032.	4,890,000	188,500
\$11,160,000 (total bonds issued were \$33,690,000, allocated between governmental and business-type activities) General Obligation Refunding Bonds Series 2013A & 2013B dated October 16, 2013 with principal payable annually beginning February 1, 2015, bearing interest from 2.00% - 5.00% payable semi-annually, maturing February 1, 2034.	10,130,000	475,000
Premium on bond issuance	<u>1,102,999</u>	<u>-</u>
Total general obligation bonds	\$ <u>18,251,388</u>	\$ <u>779,121</u>
Note Payable:		
Fireman's Field (land). Payments of \$75,000 (increased to \$85,000 in 2010) due annually with the final installment due 2026, bearing interest at 0%.	\$ <u>935,000</u>	\$ <u>85,000</u>
Compensated Absences (Note 6)	\$ <u>321,208</u>	\$ <u>32,121</u>
Net pension liability (Note 7)	\$ <u>346,038</u>	\$ <u>-</u>
Net OPEB obligation (Note 12)	\$ <u>1,327,793</u>	\$ <u>-</u>
Total general long-term obligations	\$ <u><u>21,181,427</u></u>	\$ <u><u>896,242</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 5—Long-term Obligations: (Continued)

Business-type Activities:

Changes in Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town's business-type activities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
General obligation bonds	\$ 41,607,738	\$ -	\$ (305,000)	\$ 41,302,738
Premium on issuance	1,867,596	-	(137,244)	1,730,352
Total general obligation bonds	<u>\$ 43,475,334</u>	<u>\$ -</u>	<u>\$ (442,244)</u>	<u>\$ 43,033,090</u>
Capital lease	\$ 345,026	-	(44,633)	\$ 300,393
Net pension liability	\$ 5,880	\$ 394,407	\$ (285,680)	\$ 114,607
Net OPEB obligation	\$ 357,206	\$ 67,941	\$ (3,325)	\$ 421,822
Compensated absences	\$ 102,674	-	(10,868)	\$ 91,806
Totals	<u>\$ 44,286,120</u>	<u>\$ 462,348</u>	<u>\$ (786,750)</u>	<u>\$ 43,961,718</u>

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

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

Year Ending June 30,	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2017	\$ 301,500	\$ 1,605,193	\$ 46,102	\$ 9,885
2018	316,500	1,591,352	47,619	8,368
2019	331,500	1,576,139	49,186	6,801
2020	1,679,691	1,541,955	50,805	5,183
2021	3,360,710	1,465,363	52,477	3,511
2022-2026	13,242,068	5,904,686	54,204	1,784
2027-2031	15,188,269	3,274,937	-	-
2032-2034	6,882,500	542,576	-	-
Total	<u>\$ 41,302,738</u>	<u>\$ 17,502,201</u>	<u>\$ 300,393</u>	<u>\$ 35,532</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 5—Long-term Obligations: (Continued)

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$22,530,000 (total bonds issued were \$33,690,000, allocated between governmental and business-type activities) General Obligation Refunding Bonds Series 2013A & 2013B dated October 16, 2013 with principal payable annually beginning February 1, 2021, bearing interest from 2.00% - 5.00% payable semi-annually beginning February 1, 2015, maturing February 1, 2034.	\$ 22,530,000	\$ -
\$24,944,377 (original amount issued) General Obligation Bond, Series 2008 (VRA) with principal payable annually, bearing interest at 2.77%, maturing 2030. The bond was partially refunded and annual requirements were restructured with issuance of the Series 2013A & 2013B General Obligation Refunding Bonds. After the restructuring the balance was \$18,288,255.	15,297,738	-
\$815,000 (total bond issued was \$5,870,000 allocated between governmental and business-type activities) General Obligation Public Improvement and Refunding Bond Series 2012A dated December 6, 2012 with principal payment due upon maturity, bearing interest at 2.75% payable semi-annually, maturing August 1, 2032.	790,000	11,500
\$2,245,000 General Obligation Bonds Series 2010 dated July 27, 2010 with principal payable semi-annually, bearing interest at 4.23%, maturing July 15, 2020.	1,865,000	100,000
\$1,655,000 General Obligation Refunding Bond Series 2010 (VRA) dated October 15, 2010 with principal payable annually, bearing interest at 2.5433% payable semi-annually maturing October 1, 2019.	820,000	190,000
Premium on issuance	1,730,352	-
Total general obligation bonds	<u>\$ 43,033,090</u>	<u>\$ 301,500</u>
Capital Lease:		
\$345,026 Capital Lease dated May 11, 2015 with annual payments of \$55,987, including interest of 3.29%. Final installment due January 15, 2022.	\$ 300,393	\$ 46,102
Compensated Absences (Note 6)	\$ 91,806	\$ 9,181
Net pension liability (Note 7)	\$ 114,607	\$ -
Net OPEB obligation (Note 12)	\$ 421,822	\$ -
Total business-type activities long-term obligations	<u>\$ 43,961,718</u>	<u>\$ 356,783</u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 5—Long-term Obligations: (Continued)

The assets acquired through capital leases are as follows:

Asset:		
Equipment	\$	380,026
Less: Accumulated depreciation		<u>(76,005)</u>
Total	\$	<u><u>304,021</u></u>

Defeased Debt - Current and Advanced Refundings

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

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

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

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

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

Note 6—Compensated Absences:

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

Town employees earn annual leave at various rates. No benefits or pay is received for unused sick leave upon termination, except for employees who retire under VRS from the Town in good standing are paid for 25% of their sick leave balance. Accumulated vacation is paid upon termination. The Town's General Fund has outstanding accrued leave pay totaling \$321,208 and the Enterprise Funds have outstanding accrued leave pay of \$91,806.

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan:

Plan Description

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

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

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

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 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	27
Inactive members:	
Vested inactive members	8
Non-vested inactive members	12
Inactive members active elsewhere in VRS	<u>29</u>
Total inactive members	49
Active members	<u>65</u>
Total covered employees	<u><u>141</u></u>

Contributions

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

The Town’s contractually required contribution rate for the year ended June 30, 2016 was 9.96% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$449,826 and \$427,672 for the years ended June 30, 2016 and June 30, 2015, respectively.

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 10,841,396	\$ 10,817,754	\$ 23,642
Changes for the year:			
Service cost	\$ 517,073	\$ -	\$ 517,073
Interest	746,112	-	746,112
Differences between expected and actual experience	315,416	-	315,416
Contributions - employer	-	427,672	(427,672)
Contributions - employee	-	216,720	(216,720)
Net investment income	-	503,837	(503,837)
Benefit payments, including refunds of employee contributions	(365,311)	(365,311)	-
Administrative expenses	-	(6,523)	6,523
Other changes	-	(109)	109
Net changes	\$ 1,213,290	\$ 776,286	\$ 437,004
Balances at June 30, 2015	\$ 12,054,686	\$ 11,594,040	\$ 460,646

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 7—Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	2,198,655	460,646	(974,254)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$255,752. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 237,918	\$ -
Net difference between projected and actual earnings on pension plan investments	-	271,604
Employer contributions subsequent to the measurement date	449,826	-
Total	\$ 687,744	\$ 271,604

\$449,826 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	\$ (30,566)
2018	(30,566)
2019	(30,566)
2020	58,014

TOWN OF PURCELLVILLE, VIRGINIA

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

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

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

A. Unavailable Property Tax Revenue (Deferred Inflows of Resources)

Unavailable revenue representing property tax revenues totaled \$1,407,460 at June 30, 2016.

B. Prepaid Property Taxes (Deferred Inflows of Resources)

Property taxes due subsequent to June 30, 2016, but paid in advance by the taxpayers totaled \$10,914 at June 30, 2016.

C. Firemen's Field Service Tax (Deferred Inflows of Resources)

At June 30, 2016, the Firemen's Field Service Tax unavailable revenue to be recognized when earned totaled \$2,479.

D. Parks and Recreation

Unearned Wine Festival revenue was \$8,750 at June 30, 2016.

Note 9—Risk Management:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 10—Interfund Transfers:

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 1,033,241	\$ 141,500
Capital Projects Fund	141,500	20,000
Water Fund	-	534,614
Sewer Fund	-	478,627
Total	<u>\$ 1,174,741</u>	<u>\$ 1,174,741</u>

Transfers were made for capital projects, and debt service.

Note 11—Commitments:

At June 30, 2016 the Town had the following commitments outstanding:

<u>Vendor</u>	<u>Project</u>	<u>Outstanding Commitment</u>
ATCS, PLC	Nursery Avenue Road and Drainage Improvements	\$ 47,413
Kimley Horn	21st 23rd Streetscapes Improvements Phase 2	17,273
Geoconcepts Engineering	21st 23rd Streetscapes Improvements Phase 2	47,980
Jefferson Asphalt	21st 23rd Streetscapes Improvements Phase 2	2,507
Kimley Horn	Main and Maple Intersection	18,393

Note 12—Other Postemployment Benefits Program:

Background

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 12—Other Postemployment Benefits Program: (Continued)

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$286,079 for fiscal year 2016. The Town did not make a payment towards this obligation during the fiscal year. The Town is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) as a level percentage of payroll or an open basis over a period not to exceed thirty years.

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

Annual required contribution	\$ 289,000
Interest on net OPEB obligation	51,714
Adjustment to annual required contribution	<u>(54,635)</u>
Annual OPEB cost (expense)	\$ 286,079
Contributions made	<u>(14,000)</u>
Increase in net OPEB obligation	\$ 272,079
Net OPEB obligation - beginning of year	<u>1,477,536</u>
Net OPEB obligation - end of year	<u><u>\$ 1,749,615</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 12—Other Postemployment Benefits Program: (Continued)

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

For 2015, the Town’s estimated cash payment of \$14,000 was \$272,079 less than the OPEB cost. The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 248,445	10.78%	\$ 1,228,164
June 30, 2015	270,672	7.87%	1,477,536
June 30, 2016	286,079	4.89%	1,749,615

D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015 is as follows:

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

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

E. Actuarial Methods and Assumptions

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 12—Other Postemployment Benefits Program: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.9% initially, reduced by decrements to an ultimate rate of 4.8% after 85 years. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at January 1, 2015, was 30 years.

Cost Method

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

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

Interest Assumptions

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

TOWN OF PURCELLVILLE, VIRGINIA

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

Note 13—Operating Leases:

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 121,470
2018	85,214
2019	<u>34,619</u>
Total	<u>\$ 241,303</u>

Note 14—Commitments:

The Town has several commitments related to construction contracts. As of June 30, 2016 the total outstanding contract commitments was \$133,566.

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

General Fund

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

For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 2,962,960	\$ 2,962,960	\$ 3,054,559	\$ 91,599
Other local taxes	4,058,965	4,058,965	4,567,328	508,363
Permits, privilege fees, and regulatory licenses	118,000	118,000	142,774	24,774
Fines and forfeitures	56,100	56,100	42,844	(13,256)
Revenue from the use of money and property	1,000	1,000	3,256	2,256
Miscellaneous	24,700	24,700	38,640	13,940
Intergovernmental:				
Local government	331,310	331,310	223,147	(108,163)
Commonwealth	1,142,141	1,142,141	1,169,923	27,782
Federal	-	-	500	500
Total revenues	\$ 8,695,176	\$ 8,695,176	\$ 9,242,971	\$ 547,795
EXPENDITURES				
Current:				
General government administration	\$ 2,557,715	\$ 2,575,746	\$ 2,611,773	\$ (36,027)
Public safety	2,078,218	2,085,216	2,068,546	16,670
Public works	3,361,105	3,561,316	3,387,426	173,890
Community development	511,724	518,183	495,504	22,679
Debt service:				
Principal retirement	658,336	658,336	658,336	-
Interest and other fiscal charges	590,868	590,868	590,868	-
Total expenditures	\$ 9,757,966	\$ 9,989,665	\$ 9,812,453	\$ 177,212
Excess (deficiency) of revenues over (under) expenditures	\$ (1,062,790)	\$ (1,294,489)	\$ (569,482)	\$ 725,007
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,031,896	\$ 1,031,896	\$ 1,033,241	\$ 1,345
Transfers out	(87,000)	(179,841)	(141,500)	38,341
Total other financing sources (uses)	\$ 944,896	\$ 852,055	\$ 891,741	\$ 39,686
Net change in fund balance	\$ (117,894)	\$ (442,434)	\$ 322,259	\$ 764,693
Fund balance - beginning	117,894	442,434	5,832,525	5,390,091
Fund balance - ending	\$ -	\$ -	\$ 6,154,784	\$ 6,154,784

Parks and Recreation Fund
 Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 401,258	\$ 401,258	\$ 418,403	\$ 17,145
Revenue from the use of money and property	78,000	78,000	36,590	(41,410)
Miscellaneous	41,950	41,950	50,687	8,737
Intergovernmental:				
Federal	28,000	28,000	28,142	142
Total revenues	\$ 549,208	\$ 549,208	\$ 533,822	\$ (15,386)
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 221,353	\$ 227,588	\$ 169,803	\$ 57,785
Debt service:				
Principal retirement	175,207	175,207	175,207	-
Interest and other fiscal charges	111,411	111,411	111,411	-
Total expenditures	\$ 507,971	\$ 514,206	\$ 456,421	\$ 57,785
Excess (deficiency) of revenues over (under) expenditures	\$ 41,237	\$ 35,002	\$ 77,401	\$ 42,399
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 1,615	\$ -	\$ (1,615)
Transfers out	(41,237)	(36,617)	-	36,617
Total other financing sources (uses)	\$ (41,237)	\$ (35,002)	\$ -	\$ 35,002
Net change in fund balance	\$ -	\$ -	\$ 77,401	\$ 77,401
Fund balance - beginning	-	-	(18,120)	(18,120)
Fund balance - ending	\$ -	\$ -	\$ 59,281	\$ 59,281

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

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

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years are available. Additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2016	\$ 450,671	\$ 450,671	\$ -	\$ 4,524,808	9.96%
2015	429,272	429,272	-	4,309,958	9.96%
2014	520,781	520,781	-	4,176,271	12.47%
2013	514,080	514,080	-	4,122,533	12.47%
2012	405,950	405,950	-	3,952,771	10.27%
2011	376,340	376,340	-	3,824,598	9.84%
2010	306,644	306,644	-	3,911,276	7.84%
2009	308,466	308,466	-	3,934,522	7.84%
2008	277,054	277,054	-	3,529,346	7.85%
2007	253,431	253,431	-	3,228,414	7.85%

Information prior to 2015 was obtained from the VRS actuarial valuation performed for that year.

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll was subject to pension coverage or not. This definition was modified in GASB Statement No. 82, and now Covered Payroll is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on liabilities as of the measurement date of June 30, 2015 is not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

OTHER SUPPLEMENTARY INFORMATION

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Supporting Schedules

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,531,302	\$ 2,531,302	\$ 2,620,943	\$ 89,641
Personal property taxes	401,658	401,658	400,708	(950)
Penalties and interest	30,000	30,000	32,908	2,908
Total general property taxes	<u>\$ 2,962,960</u>	<u>\$ 2,962,960</u>	<u>\$ 3,054,559</u>	<u>\$ 91,599</u>
Other local taxes:				
Local sales and use taxes	\$ 933,445	\$ 933,445	\$ 1,110,071	\$ 176,626
Cigarette taxes	237,801	237,801	233,855	(3,946)
Business license taxes	683,720	683,720	765,795	82,075
Utility license taxes	220,000	220,000	220,033	33
Motor vehicle license taxes	150,000	150,000	146,961	(3,039)
Bank franchise taxes	220,000	220,000	292,544	72,544
Cable franchise taxes	10,000	10,000	11,137	1,137
Meals tax	1,603,999	1,603,999	1,786,932	182,933
Total other local taxes	<u>\$ 4,058,965</u>	<u>\$ 4,058,965</u>	<u>\$ 4,567,328</u>	<u>\$ 508,363</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 118,000	\$ 118,000	\$ 142,774	\$ 24,774
Total permits, privilege fees, and regulatory licenses	<u>\$ 118,000</u>	<u>\$ 118,000</u>	<u>\$ 142,774</u>	<u>\$ 24,774</u>
Fines and forfeitures:				
Police fines	\$ 56,100	\$ 56,100	\$ 42,844	\$ (13,256)
Total fines and forfeitures	<u>\$ 56,100</u>	<u>\$ 56,100</u>	<u>\$ 42,844</u>	<u>\$ (13,256)</u>
Revenue from use of money and property:				
Interest	\$ 1,000	\$ 1,000	\$ 3,256	\$ 2,256
Total revenue from use of money and property	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 3,256</u>	<u>\$ 2,256</u>
Miscellaneous revenue:				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 14,684	\$ 6,684
Proceeds from sales of property	5,000	5,000	4,608	(392)
Local grant & awards	5,000	5,000	4,000	(1,000)
Community events sign	1,000	1,000	1,730	730
Public Works reimbursement from others	4,000	4,000	11,761	7,761
Vehicle compensation reimbursement	1,700	1,700	1,857	157
Total miscellaneous revenue	<u>\$ 24,700</u>	<u>\$ 24,700</u>	<u>\$ 38,640</u>	<u>\$ 13,940</u>
Total revenue from local sources	<u>\$ 7,221,725</u>	<u>\$ 7,221,725</u>	<u>\$ 7,849,401</u>	<u>\$ 627,676</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental revenue:				
Revenue from local governments:				
Gasoline tax funding from Loudoun County	\$ 311,310	\$ 311,310	\$ 223,147	\$ (88,163)
Loudoun County settlement	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total revenue from local governments	<u>\$ 331,310</u>	<u>\$ 331,310</u>	<u>\$ 223,147</u>	<u>\$ (108,163)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 162,000	\$ 162,000	\$ 155,832	\$ (6,168)
Personal property tax relief funds	<u>201,753</u>	<u>201,753</u>	<u>201,753</u>	<u>-</u>
Total noncategorical aid	<u>\$ 363,753</u>	<u>\$ 363,753</u>	<u>\$ 357,585</u>	<u>\$ (6,168)</u>
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 106,648	\$ 106,648	\$ 106,648	\$ -
Total shared expenses	<u>\$ 106,648</u>	<u>\$ 106,648</u>	<u>\$ 106,648</u>	<u>\$ -</u>
Other categorical aid:				
Other categorical aid	\$ 2,500	\$ 2,500	\$ 10,606	\$ 8,106
Fire program funds	24,000	24,000	24,490	490
Highway maintenance funds	641,840	641,840	667,541	25,701
Litter control grant	<u>3,400</u>	<u>3,400</u>	<u>3,053</u>	<u>(347)</u>
Total other categorical aid	<u>\$ 671,740</u>	<u>\$ 671,740</u>	<u>\$ 705,690</u>	<u>\$ 33,950</u>
Total categorical aid	<u>\$ 778,388</u>	<u>\$ 778,388</u>	<u>\$ 812,338</u>	<u>\$ 33,950</u>
Total revenue from the Commonwealth	<u>\$ 1,142,141</u>	<u>\$ 1,142,141</u>	<u>\$ 1,169,923</u>	<u>\$ 27,782</u>
Revenue from the federal government:				
Categorical aid:				
Law enforcement funds	\$ -	\$ -	\$ 500	\$ 500
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>
Total intergovernmental revenue	<u>\$ 1,473,451</u>	<u>\$ 1,473,451</u>	<u>\$ 1,393,570</u>	<u>\$ (79,881)</u>
Total General Fund	<u>\$ 8,695,176</u>	<u>\$ 8,695,176</u>	<u>\$ 9,242,971</u>	<u>\$ 547,795</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
Parks and Recreation Fund:				
Revenue from local sources:				
General property taxes:				
Real property - special tax district	\$ 399,658	\$ 399,658	\$ 416,371	\$ 16,713
Penalties and interest	1,600	1,600	2,032	432
Total general property taxes	<u>\$ 401,258</u>	<u>\$ 401,258</u>	<u>\$ 418,403</u>	<u>\$ 17,145</u>
Revenue from use of money and property:				
Revenue from the use of property	\$ 78,000	\$ 78,000	\$ 36,590	\$ (41,410)
Total revenue from use of money and property	<u>\$ 78,000</u>	<u>\$ 78,000</u>	<u>\$ 36,590</u>	<u>\$ (41,410)</u>
Miscellaneous revenue:				
Donations	\$ 500	\$ 500	\$ 500	\$ -
Garden plot	450	450	250	(200)
Event revenue	41,000	41,000	49,937	8,937
Total miscellaneous revenue	<u>\$ 41,950</u>	<u>\$ 41,950</u>	<u>\$ 50,687</u>	<u>\$ 8,737</u>
Total revenue from local sources	<u>\$ 521,208</u>	<u>\$ 521,208</u>	<u>\$ 505,680</u>	<u>\$ (15,528)</u>
Revenue from the federal government:				
Noncategorical aid:				
BAB subsidy	\$ 28,000	\$ 28,000	\$ 28,142	\$ 142
Total noncategorical aid	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 28,142</u>	<u>\$ 142</u>
Total revenue from the federal government	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 28,142</u>	<u>\$ 142</u>
Total Parks and Recreation Fund	<u><u>\$ 549,208</u></u>	<u><u>\$ 549,208</u></u>	<u><u>\$ 533,822</u></u>	<u><u>\$ (15,386)</u></u>
Capital Projects Fund:				
General Capital Improvements Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Loudoun County settlement	\$ -	\$ 530,734	\$ -	\$ (530,734)
Other miscellaneous	-	307,346	-	(307,346)
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 838,080</u>	<u>\$ -</u>	<u>\$ (838,080)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 838,080</u>	<u>\$ -</u>	<u>\$ (838,080)</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grants	\$ 638,500	\$ 2,133,211	\$ 245,578	\$ (1,887,633)
Total revenue from the Commonwealth	<u>\$ 638,500</u>	<u>\$ 2,133,211</u>	<u>\$ 245,578</u>	<u>\$ (1,887,633)</u>
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	\$ -	\$ 1,599,135	\$ 808,992	\$ (790,143)
Total categorical aid	<u>\$ -</u>	<u>\$ 1,599,135</u>	<u>\$ 808,992</u>	<u>\$ (790,143)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 1,599,135</u>	<u>\$ 808,992</u>	<u>\$ (790,143)</u>
Total intergovernmental revenue	<u>\$ 638,500</u>	<u>\$ 3,732,346</u>	<u>\$ 1,054,570</u>	<u>\$ (2,677,776)</u>
Total General Capital Improvements Fund	<u><u>\$ 638,500</u></u>	<u><u>\$ 4,570,426</u></u>	<u><u>\$ 1,054,570</u></u>	<u><u>\$ (3,515,856)</u></u>
Total Primary Government	<u><u>\$ 9,882,884</u></u>	<u><u>\$ 13,814,810</u></u>	<u><u>\$ 10,831,363</u></u>	<u><u>\$ (2,983,447)</u></u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 79,259	\$ 79,259	\$ 74,922	\$ 4,337
General and financial administration:				
Administration	\$ 1,191,126	\$ 1,200,005	\$ 1,200,621	\$ (616)
Legal services	109,000	109,000	165,257	(56,257)
Financial administration	54,500	54,500	45,067	9,433
Information technology	262,801	294,417	295,225	(808)
Finance	827,784	805,320	800,765	4,555
Retiree benefits	33,245	33,245	29,916	3,329
Total general and financial administration	\$ 2,478,456	\$ 2,496,487	\$ 2,536,851	\$ (40,364)
Total general government administration	\$ 2,557,715	\$ 2,575,746	\$ 2,611,773	\$ (36,027)
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,958,661	\$ 1,965,659	\$ 1,945,385	\$ 20,274
Fire and rescue services:				
Fire department	\$ 65,886	\$ 65,886	\$ 69,490	\$ (3,604)
Ambulance and rescue services	53,671	53,671	53,671	-
Total fire and rescue services	\$ 119,557	\$ 119,557	\$ 123,161	\$ (3,604)
Total public safety	\$ 2,078,218	\$ 2,085,216	\$ 2,068,546	\$ 16,670
Public works:				
Highways, streets, bridges and sidewalks	\$ 753,000	\$ 740,000	\$ 713,889	\$ 26,111
Administration	410,879	413,570	373,635	39,935
General properties	1,281,685	1,482,031	1,418,605	63,426
Capital and engineer	496,541	506,715	466,770	39,945
Refuse	419,000	419,000	414,527	4,473
Total public works	\$ 3,361,105	\$ 3,561,316	\$ 3,387,426	\$ 173,890
Community development:				
Planning and community development:				
Planning	\$ 458,657	\$ 465,116	\$ 456,941	\$ 8,175
Planning commission	14,349	14,349	13,810	539
Board of zoning and appeals	250	250	700	(450)
Board of architectural review	4,768	4,768	2,809	1,959
Total planning and community development	\$ 478,024	\$ 484,483	\$ 474,260	\$ 10,223
Environmental management:				
Environmental service	\$ 1,500	\$ 1,500	\$ 1,110	\$ 390
Total environmental management	\$ 1,500	\$ 1,500	\$ 1,110	\$ 390

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (Continued)				
Economic development:				
Economic development	\$ 17,200	\$ 17,200	\$ 6,255	\$ 10,945
Arts:				
Arts	\$ 15,000	\$ 15,000	\$ 13,879	\$ 1,121
Total community development	\$ 511,724	\$ 518,183	\$ 495,504	\$ 22,679
Debt service:				
Principal retirement	\$ 658,336	\$ 658,336	\$ 658,336	\$ -
Interest and other fiscal charges	590,868	590,868	590,868	-
Total debt service	\$ 1,249,204	\$ 1,249,204	\$ 1,249,204	\$ -
Total General Fund	\$ 9,757,966	\$ 9,989,665	\$ 9,812,453	\$ 177,212
Special Revenue Fund:				
Parks and Recreation Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Management	\$ 74,703	\$ 81,318	\$ 73,304	\$ 8,014
Skating rink	50,000	45,000	9,712	35,288
Train station	38,300	42,920	29,999	12,921
Programs	49,650	49,650	52,013	(2,363)
Firemans Field	6,500	6,500	4,775	1,725
Tree commission	2,200	2,200	-	2,200
Total parks, recreation, and cultural	\$ 221,353	\$ 227,588	\$ 169,803	\$ 57,785
Debt service:				
Principal retirement and interest	\$ 175,207	\$ 175,207	\$ 175,207	\$ 0
Interest and other fiscal charges	111,411	111,411	111,411	(0)
Total debt service	\$ 286,618	\$ 286,618	\$ 286,618	\$ (0)
Total Parks and Recreation Fund	\$ 507,971	\$ 514,206	\$ 456,421	\$ 57,785
Capital Projects Fund:				
Capital projects expenditures:				
General capital projects	\$ -	\$ 1,948,685	\$ 1,041,036	\$ 907,649
Financial software upgrade	-	141,500	80,634	60,866
Main and Maple improvements	-	959,065	31,927	927,138
Main Street sidewalks	-	237,275	15,252	222,023
N. 21st Street sidewalk	-	197,670	-	197,670
Fireman's field upgrades	-	92,515	38,030	54,485
Nursery Avenue drain improvement	638,500	1,195,009	116,955	1,078,054
Total Capital Projects Fund	\$ 638,500	\$ 4,771,719	\$ 1,323,834	\$ 3,447,885
Total Primary Government	\$ 10,904,437	\$ 15,275,590	\$ 11,592,708	\$ 3,682,882

Schedule of Revenues and Expenses - Budget and Actual
 Water Fund
 For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund:				
Operating revenues:				
Water meter fees	\$ 12,019	\$ 12,019	\$ 10,175	\$ (1,844)
Water fees	2,060,364	2,060,364	2,036,896	(23,468)
Miscellaneous income	5,250	5,250	5,043	(207)
Penalties and interest	27,000	27,000	25,204	(1,796)
Water flushing	1,000	1,000	-	(1,000)
Total operating revenues	\$ 2,105,633	\$ 2,105,633	\$ 2,077,318	\$ (28,315)
Operating expenses:				
Personnel:				
Water staff	\$ 572,139	\$ 578,060	\$ 590,317	\$ (12,257)
Overtime - Water	30,000	30,000	35,638	(5,638)
Employee benefits:				
Health insurance	104,246	104,246	133,298	(29,052)
Retirement	56,985	56,985	32,504	24,481
Workers' compensation	10,734	10,734	11,081	(347)
Payroll taxes	46,064	46,064	48,162	(2,098)
Drug testing	715	715	(380)	1,095
Life insurance	6,808	6,808	6,732	76
Disability insurance	273	273	273	-
Deferred compensation match	3,640	3,640	3,780	(140)
Plant operations and meter reading:				
Electricity	15,000	15,000	17,048	(2,048)
Telephone	10,100	10,100	11,243	(1,143)
Supplies	17,000	17,000	18,123	(1,123)
Lab Equipment	11,000	11,000	2,051	8,949
Contracts	53,600	53,025	44,599	8,426
Uniforms	6,400	6,400	6,550	(150)
Safety	8,000	8,000	4,657	3,343
Sludge disposal	14,500	14,500	10,771	3,729
Cross connections	6,800	6,800	-	6,800
Plant repairs	39,000	39,000	28,159	10,841
Water line repairs	29,000	29,000	25,656	3,344
Leak detection	3,100	3,100	2,125	975
Meter repairs and testing	2,000	7,775	6,486	1,289
New water meters	12,600	14,700	14,687	13
Computer upgrades	2,000	2,000	1,158	842
Chemicals - plant	31,600	31,600	16,827	14,773
Permits	6,800	6,800	2,143	4,657
VDH operations fee	8,200	8,200	8,121	79
GIS layers	22,000	22,000	15,980	6,020
Advertisements	860	860	-	860
Water samples	12,000	12,000	8,220	3,780
Training	7,000	7,000	3,115	3,885
Dues and subscriptions	1,100	1,100	1,077	23
Consumer reports	500	500	-	500
General expenses	1,300	1,300	903	397
Postage/mailings	11,000	11,000	7,638	3,362
Miscellaneous	1,500	1,500	500	1,000

Schedule of Revenues and Expenses - Budget and Actual

Water Fund

For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Water Fund: (Continued)				
Operating expenses: (Continued)				
Plant operations and meter reading: (Continued)				
Professional services	\$ 85,000	\$ 85,000	\$ 28,597	\$ 56,403
Watershed management	15,000	15,000	15,163	(163)
Forestry management	3,100	3,100	-	3,100
Environmental compliance	3,000	3,000	1,512	1,488
Mowing	10,000	10,000	7,705	2,295
Administrative supplies	300	300	-	300
Water department emergency	4,200	4,200	4,793	(593)
Purchased water	70,000	50,000	33,149	16,851
Billing software	3,000	3,000	-	3,000
Water conservation development	5,000	5,000	2,214	2,786
New equipment and tools	29,000	29,000	25,599	3,401
Vehicle repairs and maintenance	17,000	17,000	13,966	3,034
Vehicle purchase	89,500	76,000	-	76,000
Propane	11,000	11,000	10,682	318
Other expenses:				
Well operations:				
Electricity	40,000	40,000	58,166	(18,166)
Telephone	700	700	716	(16)
Supplies	29,000	29,000	28,598	402
Contracts	18,000	18,000	7,250	10,750
Spare parts	5,000	5,000	3,012	1,988
Repairs	29,000	62,500	34,567	27,933
Chemicals	24,500	24,500	11,630	12,870
Carbon change-out	19,000	19,000	17,645	1,355
Water samples	7,000	7,000	1,285	5,715
Depreciation	305,000	305,000	334,249	(29,249)
Capital outlay	300,000	478,260	-	478,260
Total operating expenses	\$ 2,287,864	\$ 2,479,345	\$ 1,759,740	\$ 719,605
Operating income (loss)	\$ (182,231)	\$ (373,712)	\$ 317,578	\$ 691,290
Nonoperating revenues (expenses):				
Interest income	\$ 500	\$ 500	\$ 667	\$ 167
Cellular lease	150,000	150,000	178,155	28,155
Rental income	3,050	3,050	1,525	(1,525)
Intergovernmental revenue	28,067	28,067	27,041	(1,026)
Interest expense	(492,655)	(492,655)	(454,019)	38,636
Total nonoperating revenues (expenses)	\$ (311,038)	\$ (311,038)	\$ (246,631)	\$ 64,407
Net income (loss) before operating transfers and contributions	\$ (493,269)	\$ (684,750)	\$ 70,947	\$ 755,697
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,081,668	\$ 1,081,668	\$ 952,898	\$ (128,770)
Transfers in	-	5,921	-	(5,921)
Transfers out	(515,948)	(515,948)	(534,614)	(18,666)
Total other financing sources (uses)	\$ 565,720	\$ 571,641	\$ 418,284	\$ (153,357)
Change in net position	\$ 72,451	\$ (113,109)	\$ 489,231	\$ 602,340

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund:				
Operating revenues:				
Sewer fees	\$ 2,725,659	\$ 2,725,659	\$ 2,690,873	\$ (34,786)
Penalties and interest	27,000	27,000	25,205	(1,795)
Miscellaneous income	5,280	5,280	28,562	23,282
Total operating revenues	\$ 2,757,939	\$ 2,757,939	\$ 2,744,640	\$ (13,299)
Operating expenses:				
Personnel:				
Sewer staff	\$ 601,350	\$ 608,347	\$ 577,647	\$ 30,700
Overtime - Sewer	32,500	32,500	50,925	(18,425)
Employee benefits:				
Health insurance	92,219	92,219	127,280	(35,061)
Retirement	56,869	56,869	31,014	25,855
Workers' compensation	9,175	9,175	7,352	1,823
Payroll taxes	48,490	48,490	48,968	(478)
Drug testing	715	715	190	525
Deferred compensation match	3,120	3,120	3,140	(20)
Life insurance	6,795	6,795	6,603	192
Disability insurance	-	-	285	(285)
Plant operations:				
Electricity	125,000	125,000	133,867	(8,867)
Telephone	10,000	10,000	10,547	(547)
Plant supplies	5,000	5,000	1,153	3,847
Contracts	36,000	35,425	16,338	19,087
Permits	10,800	10,800	8,679	2,121
Uniforms	7,000	7,000	5,877	1,123
Plant repairs	50,000	42,500	28,237	14,263
Sewer line repairs	25,000	25,000	23,292	1,708
Safety	15,500	15,500	5,422	10,078
Lab supplies	35,000	35,000	28,959	6,041
New equipment and tools	40,000	47,500	51,637	(4,137)
Sludge removal	31,500	31,500	30,029	1,471
Chemicals	88,500	88,500	78,455	10,045
Lab certification	3,500	3,500	3,575	(75)
Sample analysis	3,100	3,100	2,248	852
Computer operations	5,000	5,000	3,778	1,222
GIS layers	15,000	15,000	3,750	11,250
Billing software	3,000	3,000	-	3,000
Waste disposal	4,500	4,500	232	4,268
Meter repairs, tools, and equipment	3,000	7,775	5,861	1,914
New water meters	4,600	7,700	10,108	(2,408)
Touch read HDW	7,000	7,000	7,195	(195)
Equipment - plant	19,000	19,000	10,042	8,958

Schedule of Revenues and Expenses - Budget and Actual

Sewer Fund

For the Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Sewer Fund: (Continued)				
Operating expenses: (Continued)				
Plant operations: (Continued)				
Vehicle purchase	75,500	75,500	-	75,500
Vehicle repairs	8,000	8,000	6,640	1,360
Dues and subscriptions	1,000	1,000	416	584
Advertisements	1,000	1,000	359	641
Training	3,000	3,000	3,587	(587)
Postage/mailings	11,000	11,000	8,997	2,003
Other expenses	5,500	5,500	2,874	2,626
Professional services	85,000	85,000	29,987	55,013
Mowing	5,000	5,000	456	4,544
Environmental compliance	3,200	3,200	1,875	1,325
Sewer department emergency	3,000	3,000	-	3,000
Administrative supplies	1,500	1,500	115	1,385
Public education	500	500	-	500
Pump station operations:				
Electricity	9,200	9,200	13,151	(3,951)
Telephone	600	600	640	(40)
Repairs	22,000	22,000	5,956	16,044
Contracts	5,000	5,000	-	5,000
Equipment	70,000	70,000	-	70,000
Gas and oil	2,501	2,501	1,383	1,118
Depreciation	-	-	714,338	(714,338)
Capital outlay	200,000	200,000	-	200,000
Total operating expenses	\$ 1,910,734	\$ 1,925,031	\$ 2,113,459	\$ (188,428)
Operating income	\$ 847,205	\$ 832,908	\$ 631,181	\$ (201,727)
Nonoperating revenues (expenses):				
Interest expense	\$ (1,125,806)	\$ (1,125,806)	\$ (1,132,751)	\$ (6,945)
Total nonoperating revenues (expenses)	\$ (1,125,806)	\$ (1,125,806)	\$ (1,132,751)	\$ (6,945)
Net income before transfers and contributions	\$ (278,601)	\$ (292,898)	\$ (501,570)	\$ (208,672)
Other financing sources (uses):				
Contributed capital - availability fees	\$ 907,200	\$ 907,200	\$ 799,200	\$ (108,000)
Transfers in	-	6,997	-	(6,997)
Transfers out	(515,948)	(515,948)	(478,627)	37,321
Total other financing sources (uses)	\$ 391,252	\$ 398,249	\$ 320,573	\$ (77,676)
Change in net position	\$ 112,651	\$ 105,351	\$ (180,997)	\$ (286,348)

Capital Assets Used in the Operation of Governmental Funds
 Comparative Schedules by Source
 As of June 30, 2016

	<u>2016</u>	<u>2015</u>
Governmental funds capital assets:		
Land	\$ 4,310,764	\$ 4,310,764
Buildings	12,080,410	12,080,410
Improvements other than buildings	4,754,025	4,715,995
Machinery and equipment	2,510,903	2,457,464
Vehicles	900,824	860,858
Infrastructure	59,433,712	58,644,271
Construction in progress	<u>3,028,461</u>	<u>2,532,094</u>
Total governmental funds capital assets	<u>\$ 87,019,099</u>	<u>\$ 85,601,856</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 87,019,099</u>	<u>\$ 85,601,856</u>
Total governmental funds capital assets	<u>\$ 87,019,099</u>	<u>\$ 85,601,856</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 As of June 30, 2016

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 3,877,612	\$ -	\$ 2,927,693
Finance and administration	-	80,634	3,819,631
Total general government administration	<u>\$ 3,877,612</u>	<u>\$ 80,634</u>	<u>\$ 6,747,324</u>
Public safety:			
Police department	\$ -	\$ -	\$ -
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Public works:			
Highways and roads	\$ 433,152	\$ 2,947,827	\$ 144,752
Maintenance of buildings and grounds	-	-	5,188,334
Total public works	<u>\$ 433,152</u>	<u>\$ 2,947,827</u>	<u>\$ 5,333,086</u>
Parks, recreation, and cultural:			
Parks and recreation	\$ -	\$ -	\$ -
Total parks, recreation, and cultural	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total governmental funds capital assets	<u><u>\$ 4,310,764</u></u>	<u><u>\$ 3,028,461</u></u>	<u><u>\$ 12,080,410</u></u>

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
\$ 110,931	\$ 223,781	\$ 187,468	\$ -	\$ 7,327,485
-	345,940	76,814	-	4,323,019
\$ 110,931	\$ 569,721	\$ 264,282	\$ -	\$ 11,650,504
\$ 3,850	\$ 269,221	\$ 396,424	\$ -	\$ 669,495
\$ 3,850	\$ 269,221	\$ 396,424	\$ -	\$ 669,495
\$ 2,322,081	\$ 721,639	\$ 240,118	\$ 59,433,712	\$ 66,243,281
-	950,322	-	-	6,138,656
\$ 2,322,081	\$ 1,671,961	\$ 240,118	\$ 59,433,712	\$ 72,381,937
\$ 2,317,163	\$ -	\$ -	\$ -	\$ 2,317,163
\$ 2,317,163	\$ -	\$ -	\$ -	\$ 2,317,163
\$ 4,754,025	\$ 2,510,903	\$ 900,824	\$ 59,433,712	\$ 87,019,099

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 For the Year Ended June 30, 2016

Function and Activity	Governmental Funds Capital Assets July 1, 2015	Additions	Deductions	Governmental Funds Capital Assets June 30, 2016
General government administration:				
Town council	\$ 7,327,485	\$ -	\$ -	\$ 7,327,485
Finance and administration	4,242,385	80,634	-	4,323,019
Total general government administration	\$ 11,569,870	\$ 80,634	\$ -	\$ 11,650,504
Public safety:				
Police department	\$ 629,529	\$ 39,966	\$ -	\$ 669,495
Total public safety	\$ 629,529	\$ 39,966	\$ -	\$ 669,495
Public works:				
Highways and roads	\$ 65,038,107	\$ 1,205,174	\$ -	\$ 66,243,281
Maintenance of buildings and grounds	6,085,217	53,439	-	6,138,656
Total public works	\$ 71,123,324	\$ 1,258,613	\$ -	\$ 72,381,937
Parks, recreation, and cultural:				
Parks and recreation	\$ 2,279,133	\$ 38,030	\$ -	\$ 2,317,163
Total parks, recreation, and cultural	\$ 2,279,133	\$ 38,030	\$ -	\$ 2,317,163
Total governmental funds capital assets	\$ 85,601,856	\$ 1,417,243	\$ -	\$ 87,019,099

Statistical Section

Contents

Tables

Financial Trends

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

1 - 6

Revenue Capacity

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

7 - 10

Debt Capacity

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

11 - 14

Demographic and Economic Information

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

15 - 16

Operating Information

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

17 - 19

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

TOWN OF PURCELLVILLE, VIRGINIA

Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 32,879,544	\$ 31,855,360	\$ 30,862,894	\$ 30,549,900
Restricted	-	-	-	-
Unrestricted	<u>2,641,704</u>	<u>2,794,536</u>	<u>4,809,256</u>	<u>7,932,422</u>
Total governmental activities net position	<u>\$ 35,521,248</u>	<u>\$ 34,649,896</u>	<u>\$ 35,672,150</u>	<u>\$ 38,482,322</u>
Business-type activities				
Net investment in capital assets	\$ 10,214,935	\$ 10,211,089	\$ 13,004,232	\$ 13,731,932
Unrestricted	<u>12,237,431</u>	<u>12,737,618</u>	<u>13,246,469</u>	<u>10,273,480</u>
Total business-type activities net position	<u>\$ 22,452,366</u>	<u>\$ 22,948,707</u>	<u>\$ 26,250,701</u>	<u>\$ 24,005,412</u>
Primary government				
Net investment in capital assets	\$ 43,094,479	\$ 42,066,449	\$ 43,867,126	\$ 44,281,832
Restricted	-	-	-	-
Unrestricted	<u>14,879,135</u>	<u>15,532,154</u>	<u>18,055,725</u>	<u>18,205,902</u>
Total primary government net position	<u>\$ 57,973,614</u>	<u>\$ 57,598,603</u>	<u>\$ 61,922,851</u>	<u>\$ 62,487,734</u>

Table 1

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 30,838,249	\$ 33,175,084	\$ 33,837,613	\$ 34,615,139	\$ 35,096,434	\$ 35,336,103
-	-	2,546,527	1,992,726	989,533	548,493
<u>7,181,242</u>	<u>4,712,380</u>	<u>3,450,049</u>	<u>3,445,511</u>	<u>3,890,599</u>	<u>4,480,445</u>
<u>\$ 38,019,491</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>
\$ 12,743,081	\$ 14,149,999	\$ 14,345,188	\$ 13,902,748	\$ 12,826,291	\$ 12,328,265
<u>10,523,471</u>	<u>7,260,056</u>	<u>3,893,882</u>	<u>4,189,021</u>	<u>5,718,797</u>	<u>6,525,057</u>
<u>\$ 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>
\$ 43,581,330	\$ 47,325,083	\$ 48,182,801	\$ 48,517,887	\$ 47,922,725	\$ 47,664,368
-	-	2,546,527	1,992,726	989,533	548,493
<u>17,704,713</u>	<u>11,972,436</u>	<u>7,343,931</u>	<u>7,634,532</u>	<u>9,609,396</u>	<u>11,005,502</u>
<u>\$ 61,286,043</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>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 1,876,357	\$ 2,226,330	\$ 2,574,927	\$ 2,472,829	\$ 1,890,188	\$ 3,214,457	\$ 3,100,979	\$ 2,923,193	\$ 2,763,529	\$ 2,815,863
Public safety	1,466,000	1,663,801	1,696,590	1,692,290	1,720,461	1,809,443	1,916,652	1,919,119	1,947,552	2,122,003
Public works	3,286,874	3,472,004	4,130,972	3,788,818	3,645,872	2,802,812	3,478,574	3,472,819	2,978,601	3,537,166
Parks, recreation and cultural	35,241	81,503	66,748	124,442	1,573,776	94,152	68,927	265,740	341,526	284,991
Community development	526,780	584,944	349,850	461,341	377,000	1,666,302	1,708,045	1,858,057	1,957,359	1,993,482
Interest on long-term debt	113,602	100,727	304,336	228,749	727,584	682,642	742,904	833,107	652,262	624,740
Total governmental activities expenses	\$ 7,304,854	\$ 8,129,309	\$ 9,123,423	\$ 8,768,469	\$ 9,934,881	\$ 10,269,808	\$ 11,016,081	\$ 11,272,035	\$ 10,640,829	\$ 11,378,245
Business-type activities:										
Water	\$ 2,449,890	\$ 2,262,486	\$ 2,069,090	\$ 2,179,820	\$ 2,092,401	\$ 2,045,177	\$ 4,227,361	\$ 2,116,235	\$ 2,536,825	\$ 2,213,759
Sewer	1,868,553	1,962,968	1,726,879	3,069,217	2,702,696	3,051,529	3,023,902	3,336,116	3,105,398	3,246,210
Total business-type activities expenses	\$ 4,318,443	\$ 4,225,454	\$ 3,795,969	\$ 5,249,037	\$ 4,795,097	\$ 5,096,706	\$ 7,251,263	\$ 5,452,351	\$ 5,642,223	\$ 5,459,969
Total primary government expenses	\$ 11,623,297	\$ 12,354,763	\$ 12,919,392	\$ 14,017,506	\$ 14,729,978	\$ 15,366,514	\$ 18,267,344	\$ 16,724,386	\$ 16,283,052	\$ 16,838,214
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 140,718	\$ 91,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	77,431	83,729	66,087	65,268	80,287	73,046	84,156	64,947	57,326	42,844
Public works	1,846	592	192,209	103,501	94,043	81,782	102,822	217,668	161,370	142,774
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	247,883	294,341	659,113	815,203	784,645	736,855	739,275	789,086	798,187	812,838
Capital grants and contributions	574,687	777,854	253,195	388,843	418,501	2,082,699	2,974,978	1,862,645	755,462	1,277,717
Total governmental activities program revenues	\$ 1,042,565	\$ 1,247,585	\$ 1,170,604	\$ 1,372,815	\$ 1,377,476	\$ 2,974,382	\$ 3,901,231	\$ 2,934,346	\$ 1,772,345	\$ 2,276,173
Business-type activities:										
Charges for services:										
Water	\$ 1,028,062	\$ 975,004	\$ 1,083,580	\$ 1,372,182	\$ 1,828,883	\$ 1,933,357	\$ 1,996,566	\$ 2,062,128	\$ 2,085,958	\$ 2,072,275
Sewer	1,574,790	1,358,261	1,472,164	1,733,717	2,016,920	2,224,268	2,386,434	2,652,841	2,603,688	2,716,078
Operating grants and contributions	-	-	-	-	-	-	33,237	29,368	28,287	27,041
Capital grants and contributions	2,076,400	1,032,096	5,308,197	1,031,874	1,113,674	780,144	604,954	1,506,757	2,325,382	1,752,098
Total business-type activities program revenues	\$ 4,679,252	\$ 3,365,361	\$ 7,863,941	\$ 4,137,773	\$ 4,959,477	\$ 4,937,769	\$ 5,021,191	\$ 6,251,094	\$ 7,043,315	\$ 6,567,492
Total primary government program revenues	\$ 5,721,817	\$ 4,612,946	\$ 9,034,545	\$ 5,510,588	\$ 6,336,953	\$ 7,912,151	\$ 8,922,422	\$ 9,185,440	\$ 8,815,660	\$ 8,843,665
Net (expense) / revenue										
Governmental activities	\$ (6,262,289)	\$ (6,881,724)	\$ (7,952,819)	\$ (7,395,654)	\$ (8,557,405)	\$ (7,295,426)	\$ (7,114,850)	\$ (8,337,689)	\$ (8,868,484)	\$ (9,102,072)
Business-type activities	360,809	(860,093)	4,067,972	(1,111,264)	164,380	(158,937)	(2,230,072)	798,743	1,401,092	1,107,523
Total primary government net (expense) / revenue	\$ (5,901,480)	\$ (7,741,817)	\$ (3,884,847)	\$ (8,506,918)	\$ (8,393,025)	\$ (7,454,363)	\$ (9,344,922)	\$ (7,538,946)	\$ (7,467,392)	\$ (7,994,549)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,428,380	\$ 2,464,023	\$ 2,763,362	\$ 2,474,112	\$ 2,493,115	\$ 2,557,786	\$ 2,822,718	\$ 3,088,573	\$ 3,344,853	\$ 3,395,079
Local sales and use taxes	652,195	678,260	688,327	811,566	878,531	952,497	931,067	898,669	998,571	1,110,071
Meals taxes	699,300	625,138	689,856	679,083	775,398	788,948	1,229,495	1,384,194	1,607,222	1,786,932
Utility license taxes	256,927	200,387	201,503	204,768	208,945	201,784	209,182	218,543	222,625	220,033
Business licenses	525,813	682,534	534,537	633,268	549,271	621,289	709,692	666,178	677,503	765,795
Other local taxes	665,311	711,683	673,677	553,191	584,435	627,090	625,807	662,091	680,848	684,497
Unrestricted grants and contributions	210,019	208,556	204,253	372,869	386,923	368,625	369,061	392,714	391,107	385,727
Unrestricted revenues from use of money and property	151,843	126,148	98,761	55,765	69,615	50,350	44,400	41,890	40,442	39,846
Miscellaneous	52,916	96,347	1,900,565	2,103,213	2,130,196	70,166	80,487	88,120	112,530	89,326
Gain (loss) on sale of capital asset	-	-	-	-	-	-	923,762	-	(9,735)	-
Transfers	167,302	217,296	1,220,232	1,220,232	1,115,904	1,115,904	1,115,904	1,115,904	1,050,904	1,013,241
Total governmental activities	\$ 5,810,006	\$ 6,010,372	\$ 8,975,073	\$ 9,108,067	\$ 9,192,333	\$ 7,354,439	\$ 9,061,575	\$ 8,556,876	\$ 9,116,870	\$ 9,490,547
Business-type activities:										
Miscellaneous	\$ 135,860	\$ 1,095,464	\$ 133,621	\$ 161,020	\$ 154,736	\$ 176,481	\$ 169,673	\$ 167,616	\$ 174,807	\$ 213,285
Gain (loss) on sale of capital asset	-	-	-	-	-	-	-	-	35,000	-
Unrestricted revenues from use of money and property	661,445	478,266	320,633	92,566	57,927	18,870	5,318	2,244	1,030	667
Transfers	(167,302)	(217,296)	(1,220,232)	(1,220,232)	(1,115,904)	(1,115,904)	(1,115,904)	(1,115,904)	(1,050,904)	(1,013,241)
Total business-type activities	\$ 630,003	\$ 1,356,434	\$ (765,978)	\$ (966,646)	\$ (903,241)	\$ (920,553)	\$ (940,913)	\$ (946,044)	\$ (840,067)	\$ (799,289)
Total primary government	\$ 6,440,009	\$ 7,366,806	\$ 8,209,095	\$ 8,141,421	\$ 8,289,092	\$ 6,433,886	\$ 8,120,662	\$ 7,610,832	\$ 8,276,803	\$ 8,691,258
Change in Net Position										
Governmental activities	\$ (452,283)	\$ (871,352)	\$ 1,022,254	\$ 1,712,413	\$ 634,928	\$ 59,013	\$ 1,946,725	\$ 219,187	\$ 248,386	\$ 388,475
Business-type activities	990,812	496,341	3,301,994	(2,077,910)	(738,861)	(1,079,490)	(3,170,985)	(147,301)	561,025	308,234
Total primary government	\$ 538,529	\$ (375,011)	\$ 4,324,248	\$ (365,497)	\$ (103,933)	\$ (1,020,477)	\$ (1,224,260)	\$ 71,886	\$ 809,411	\$ 696,709

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Sales and Use Tax</u>	<u>Utility License Taxes</u>	<u>Meals Taxes</u>	<u>Business Licenses</u>	<u>Other Local Taxes</u>	<u>Total</u>
2016	\$ 3,395,079	\$ 1,110,071	\$ 220,033	\$ 1,786,932	\$ 765,795	\$ 684,497	\$ 7,962,407
2015	3,344,853	998,571	222,625	1,607,222	677,503	680,848	7,531,622
2014	3,088,573	898,669	218,543	1,384,194	666,178	662,091	6,918,248
2013	2,822,718	931,067	209,182	1,229,495	709,692	625,807	6,527,961
2012	2,557,786	952,497	201,784	788,948	621,289	627,090	5,749,394
2011	2,493,115	878,531	208,945	775,398	549,271	584,435	5,489,695
2010	2,474,112	811,566	204,768	679,083	633,268	553,191	5,355,988
2009	2,763,362	688,327	201,503	689,856	534,537	673,677	5,551,262
2008	2,464,023	678,260	200,387	625,138	682,534	711,683	5,362,025
2007	2,428,380	652,195	256,927	699,300	525,813	665,311	5,227,926

TOWN OF PURCELLVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental funds:			
Nonspendable:			
Prepaid items	\$ 38,951	\$ 43,196	\$ 48,897
Restricted for:			
State highway maintenance	\$ -	\$ -	\$ 170,807
Loudoun County settlement funds	-	-	-
Loudoun County - transportation and sidewalk projects	-	-	-
Fireman's field	-	-	-
USDA bond covenant	-	-	-
Unspent bond proceeds	920,511	2,136,455	1,157,112
Total restricted fund balance	<u>\$ 920,511</u>	<u>\$ 2,136,455</u>	<u>\$ 1,327,919</u>
Committed for:			
Loudoun County settlement funds	\$ -	\$ -	\$ 1,394,619
Street bonds	-	-	28,733
Capital expense	260,116	-	-
Total committed fund balance	<u>\$ 260,116</u>	<u>\$ -</u>	<u>\$ 1,423,352</u>
Assigned for:			
Capital projects	\$ -	\$ -	\$ -
Unassigned	<u>\$ 2,560,453</u>	<u>\$ 3,102,709</u>	<u>\$ 3,719,677</u>
Total governmental funds	<u>\$ 3,780,031</u>	<u>\$ 5,282,360</u>	<u>\$ 6,519,845</u>

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

Table 4

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 51,782	\$ 52,722	\$ 52,902	\$ 48,661	\$ 63,487	\$ 61,630	\$ -
\$ 94,890	\$ 120,260	\$ 66,503	\$ 397,701	\$ 35,051	\$ 131,454	\$ 58,377
-	-	2,193,686	1,730,952	945,882	550,734	221,800
-	-	-	-	611,809	214,830	214,830
-	-	-	357,961	399,984	92,515	53,486
-	-	-	59,913	-	-	-
627,311	2,876,577	57,669	237,332	42,636	-	-
<u>\$ 722,201</u>	<u>\$ 2,996,837</u>	<u>\$ 2,317,858</u>	<u>\$ 2,783,859</u>	<u>\$ 2,035,362</u>	<u>\$ 989,533</u>	<u>\$ 548,493</u>
\$ 2,840,945	\$ 3,314,618	\$ -	\$ -	\$ -	\$ -	\$ -
28,733	10,328	-	-	-	-	-
-	-	10,000	768,892	691,135	590,155	479,261
<u>\$ 2,869,678</u>	<u>\$ 3,324,946</u>	<u>\$ 10,000</u>	<u>\$ 768,892</u>	<u>\$ 691,135</u>	<u>\$ 590,155</u>	<u>\$ 479,261</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,654	\$ -	\$ 220,199
<u>\$ 4,363,277</u>	<u>\$ 4,368,340</u>	<u>\$ 3,427,576</u>	<u>\$ 3,884,533</u>	<u>\$ 4,209,033</u>	<u>\$ 5,031,166</u>	<u>\$ 5,676,427</u>
<u>\$ 8,006,938</u>	<u>\$ 10,742,845</u>	<u>\$ 5,808,336</u>	<u>\$ 7,485,945</u>	<u>\$ 7,020,671</u>	<u>\$ 6,672,484</u>	<u>\$ 6,924,380</u>

TOWN OF PURCELLVILLE, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2007	2008	2009	2010
Revenues				
General property taxes	\$ 2,409,596	\$ 2,469,194	\$ 2,728,737	\$ 2,487,151
Other local taxes	2,799,546	2,898,002	2,787,900	2,881,876
Permits, privilege fees and regulatory licenses	142,564	91,661	192,209	103,501
Fines and forfeitures	77,431	83,729	66,087	65,268
Revenue from use of money and property	151,842	126,148	98,761	55,765
Miscellaneous	52,917	96,347	1,900,565	2,103,213
Intergovernmental:				
Local government	204,000	126,000	150,000	165,000
Commonwealth	824,384	1,294,824	956,767	1,282,739
Federal	4,205	123,533	9,794	129,176
Total revenues	\$ 6,666,485	\$ 7,309,438	\$ 8,890,820	\$ 9,273,689
Expenditures				
General government administration	\$ 1,903,006	\$ 2,096,975	\$ 2,342,444	\$ 2,109,213
Public safety	1,393,867	1,506,641	1,566,094	1,606,485
Public works	2,093,861	2,120,074	2,812,620	2,724,992
Parks, recreation and cultural	21,720	41,174	27,794	33,063
Community development	529,779	607,290	517,069	486,933
Capital outlay	993,440	3,329,921	2,626,704	7,966,091
Debt service				
Principal	125,752	224,322	265,970	448,699
Interest and other fiscal charges	113,786	100,002	169,385	318,906
Bond issue costs	-	-	-	88,274
Total expenditures	\$ 7,175,211	\$ 10,026,399	\$ 10,328,080	\$ 15,782,656
Excess of revenues over (under) expenditures	\$ (508,726)	\$ (2,716,961)	\$ (1,437,260)	\$ (6,508,967)
Other financing sources (uses)				
Transfers in	\$ 1,160,741	\$ 1,771,518	\$ 2,263,960	\$ 5,223,555
Transfers out	(993,440)	(1,554,222)	(1,043,728)	(4,003,323)
Refunding bonds issued (including bond premiums)	-	2,565,600	-	-
Issuance of debt	-	1,700,000	1,454,523	6,775,828
Proceeds from sale of property	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	\$ 167,301	\$ 4,482,896	\$ 2,674,755	\$ 7,996,060
Net change in fund balances	\$ (341,425)	\$ 1,765,935	\$ 1,237,495	\$ 1,487,093

Debt service as a percentage of noncapital expenditures	3.77%	4.99%	5.94%	10.98%
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Table 5

	2011	2012	2013	2014	2015	2016
\$	2,526,829	\$ 2,526,297	\$ 2,850,968	\$ 3,095,888	\$ 3,239,133	\$ 3,472,962
	2,996,580	3,191,608	3,705,243	3,829,675	4,186,769	4,567,328
	118,070	81,782	102,822	217,668	161,370	142,774
	80,287	73,046	84,156	64,947	57,326	42,844
	69,615	50,350	44,400	41,890	40,442	39,846
	2,106,173	70,166	80,487	88,119	112,530	89,327
	-	-	687,739	1,102,228	253,365	223,147
	1,380,629	1,498,138	3,361,171	1,830,329	1,623,099	1,415,501
	209,437	1,690,041	34,404	111,888	68,292	837,634
\$	<u>9,487,620</u>	<u>\$ 9,181,428</u>	<u>\$ 10,951,390</u>	<u>\$ 10,382,632</u>	<u>\$ 9,742,326</u>	<u>\$ 10,831,363</u>
\$	2,348,933	\$ 2,366,088	\$ 2,390,979	\$ 2,515,213	\$ 2,471,121	\$ 2,611,773
	1,626,498	1,788,562	1,838,119	1,906,858	1,968,590	2,068,546
	2,821,523	2,769,287	2,747,417	3,285,281	2,729,601	3,387,426
	26,800	80,475	153,330	183,440	227,434	169,803
	412,050	420,361	426,093	420,836	431,276	495,504
	5,885,407	6,468,774	4,723,932	2,190,996	2,046,356	1,323,834
	496,895	672,460	3,440,182	8,517,384	756,531	833,543
	570,022	665,834	769,333	596,339	725,508	702,279
	143,973	-	-	165,517	-	-
\$	<u>14,332,101</u>	<u>\$ 15,231,841</u>	<u>\$ 16,489,385</u>	<u>\$ 19,781,864</u>	<u>\$ 11,356,417</u>	<u>\$ 11,592,708</u>
\$	<u>(4,844,481)</u>	<u>\$ (6,050,413)</u>	<u>\$ (5,537,995)</u>	<u>\$ (9,399,232)</u>	<u>\$ (1,614,091)</u>	<u>\$ (761,345)</u>
\$	8,071,938	\$ 5,838,232	\$ 1,115,904	\$ 1,579,416	\$ 1,259,361	\$ 1,174,741
	(6,956,034)	(4,722,328)	-	(463,512)	(208,457)	(161,500)
	4,241,000	-	-	12,473,453	-	-
	6,366,117	-	4,840,000	-	215,000	-
	-	-	1,259,700	-	-	-
	(4,142,633)	-	-	(4,655,399)	-	-
\$	<u>7,580,388</u>	<u>\$ 1,115,904</u>	<u>\$ 7,215,604</u>	<u>\$ 8,933,958</u>	<u>\$ 1,265,904</u>	<u>\$ 1,013,241</u>
\$	<u>2,735,907</u>	<u>\$ (4,934,509)</u>	<u>\$ 1,677,609</u>	<u>\$ (465,274)</u>	<u>\$ (348,187)</u>	<u>\$ 251,896</u>
	13.90%	14.63%	33.99%	51.92%	15.94%	16.11%

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

Fiscal Year	Property Tax	Local Sales and Use Tax	Utility License Taxes	Motor Vehicle License Tax	Meals Taxes	Business Licenses	Other Local Taxes	Total
2016	\$ 3,472,962	\$ 1,110,071	\$ 220,033	\$ 146,961	\$ 1,786,932	\$ 765,795	\$ 537,536	8,040,290
2015	3,239,133	998,571	222,625	145,791	1,607,222	677,503	535,057	7,425,902
2014	3,095,888	898,669	218,543	153,981	1,384,194	666,178	508,110	6,925,563
2013	2,850,968	931,067	209,182	149,973	1,229,495	709,692	475,834	6,556,211
2012	2,526,297	952,497	201,784	154,275	788,948	621,289	472,815	5,717,905
2011	2,526,829	878,531	208,945	136,777	775,398	549,271	447,658	5,523,409
2010	2,487,151	811,566	204,768	127,915	679,083	633,268	425,276	5,369,027
2009	2,728,737	688,327	201,503	126,268	689,856	534,537	547,409	5,516,637
2008	2,469,194	678,260	200,387	134,023	682,534	625,138	577,660	5,367,196
2007	2,409,596	652,195	256,927	128,959	699,300	525,813	536,352	5,209,142

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

Fiscal Year	Real Estate	Personal Property	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2016	1,202,445,320	63,071,081	21,747,771	1,287,264,172	1,287,264,172	100.00%
2015	1,140,041,935	65,961,448	21,628,009	1,227,631,392	1,227,631,392	100.00%
2014	1,064,663,675	64,959,370	20,976,414	1,150,599,459	1,150,599,459	100.00%
2013	1,010,965,950	63,685,657	20,575,695	1,095,227,302	1,095,227,302	100.00%
2012	976,555,250	61,387,349	17,270,331	1,055,212,930	1,055,212,930	100.00%
2011	960,616,700	62,755,192	12,415,217	1,035,787,109	1,035,787,109	100.00%
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100.00%
2009	1,048,886,350 *	108,172,940	12,226,592	1,169,285,882	1,169,285,882	100.00%
2008	1,160,800,550	56,347,033	11,912,214	1,229,059,797	1,229,059,797	100.00%
2007	1,195,641,850	58,069,859	11,220,869	1,264,932,578	1,264,932,578	100.00%

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

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

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

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

Fiscal Years	Direct Rates						Overlapping Rates County of Loudoun, Virginia		
	Real Estate	FF Service Tax District	Personal Property	Volunteers	Machinery and Tools	Merchants' Capital	Real Estate	Personal Property	Machinery and Tools
2016	.22/.22	.035/.035	1.05	0.01	0.55	N/A	1.145	4.20	2.75
2015	.21/.22	.035/.035	1.05	0.01	0.55	N/A	1.135	4.20	2.75
2014	.225/.21	.035/.035	1.05	0.01	0.55	N/A	1.155	4.20	2.75
2013	.225/.225	NA/.035	1.05	0.01	0.55	N/A	1.205	4.20	2.75
2012	.23/.225	N/A	1.05	0.01	0.55	N/A	1.24	4.20	2.75
2011	.23/.23	N/A	1.05	0.01	0.55	N/A	1.29	4.20	2.75
2010	.225/.23	N/A	1.05	0.01	0.55	N/A	1.30	4.20	2.75
2009	.19/.225	N/A	1.05	0.01	0.55	N/A	1.245	4.20	2.75
2008	.18/.19	N/A	1.05	0.01	0.55	N/A	1.14	4.20	2.75
2007	.17/.18	N/A	1.05	0.01	0.55	N/A	0.92	4.20	2.75

(1) Per \$100 of assessed value

Source: Town Finance Department and Treasurer of Loudoun County

Principal Property Taxpayers
Current Year and 9 Years Ago

Taxpayer	Type Business	Fiscal Year 2016		Fiscal Year 2007	
		2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
NSHE Fool Hollow Lake LLC	Shopping Ctr (105 Purcellville Gateway)	\$ 27,964,660	2.30%	\$ 4,542,600	0.38%
Main St. Station LLC	Shopping Center (1000 E Main St)	18,509,880	1.52%	12,247,800	1.03%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	12,208,350	1.00%	9,924,300	0.84%
S R B Enterprises LLC	Shopping Center (711 E Main St)	11,612,670	0.95%	5,365,800	0.45%
Valley Medical Center LLC	Medical Center (205 Hirst Road)	9,117,590	0.75%	N/A	N/A
Maple Avenue Apartments LP	Apartments (610 Dominion TE)	5,340,730	0.44%	5,449,200	0.46%
Main Street Associates LP	Apartments (123 16th St)	4,363,680	0.36%	5,227,500	0.44%
Purcellville Development LLC	6.53 acre Catoctin Corner	3,862,960	0.32%	N/A	N/A
Purcellville Plaza LLC	201 N Maple Ave	3,477,910	0.29%	5,462,800	0.46%
413 Browning Court LLC	Office Building(413 Browning Court)	3,456,630	0.28%	690,000	0.06%
		<u>\$ 99,915,060</u>	<u>8.21%</u>	<u>\$ 48,910,000</u>	<u>4.12%</u>

Source: Loudoun County Assessor of Real Estate taxable data

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	RE Tax Levy for Fiscal Year	PP Tax Levy for Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2016	3,006,627	427,528	3,434,155	3,320,031	96.68%	N/A	3,320,031	96.68%
2015	2,833,250	438,636	3,271,886	3,099,061	94.72%	151,784	3,250,845	99.36%
2014	2,684,760	431,752	3,116,512	3,021,519	96.95%	89,227	3,110,746	99.81%
2013	2,448,170	422,435	2,870,605	2,746,752	95.69%	119,206	2,865,958	99.84%
2012	2,214,116	395,634	2,609,750	2,523,249	96.69%	80,726	2,603,976	99.78%
2011	2,208,797	383,180	2,591,977	2,494,927	96.26%	93,266	2,588,193	99.85%
2010	2,192,212	319,036	2,511,248	2,436,375	97.02%	71,372	2,507,747	99.86%
2009	2,183,022	633,639 *	2,816,661	2,725,048	96.75%	84,417	2,809,465	99.74%
2008	2,137,439	343,010	2,480,449	2,435,698	98.20%	40,063	2,475,761	99.81%
2007	2,075,259	336,483	2,411,741	2,347,023	97.32%	61,092	2,408,114	99.85%

Source: Town Finance Department and Loudoun County Commissioner of Revenue

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

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Other Notes/ Bonds	General Obligation Bonds	Capital Leases			
2016	\$ 18,251,388	\$ 935,000	\$ 43,033,090	300,393	\$ 62,519,871	10.41%	\$ 7,672
2015	19,094,249	1,020,000	43,475,334	345,026	63,934,609	12.54%	7,917
2014	19,642,757	1,105,000	44,173,657	-	64,921,414	14.02%	8,141
2013	19,929,554	1,190,000	43,194,735	-	64,314,289	14.00%	8,132
2012	18,444,736	1,275,000	44,146,465	-	63,866,201	14.10%	8,158
2011	19,032,196	1,360,000	45,216,445	-	65,608,641	14.70%	8,416
2010	12,953,021	1,445,000	47,287,639	-	61,685,660	14.83%	7,983
2009	6,483,776	1,530,000	40,873,842	-	48,887,618	12.68%	6,406
2008	5,220,223	1,605,000	27,122,557	-	33,947,780	8.75%	4,528
2007	2,783,945	-	13,380,619	-	16,164,564	4.46%	2,213

Notes:

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 124,464,884	\$ 122,474,266	\$ 111,097,731	\$ 103,391,108
Total net debt applicable to limit	<u>16,164,564</u>	<u>33,947,780</u>	<u>48,887,618</u>	<u>61,685,660</u>
Legal debt margin	<u>\$ 108,300,320</u>	<u>\$ 88,526,486</u>	<u>\$ 62,210,113</u>	<u>\$ 41,705,448</u>
Total net debt applicable to the limit as a percentage of debt limit	12.99%	27.72%	44.00%	59.66%

Table 12

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	103,343,018	\$ 99,381,070	\$ 102,790,304	\$ 108,560,416	\$ 116,163,432	\$ 122,419,309
	<u>65,608,641</u>	<u>63,866,201</u>	<u>64,314,289</u>	<u>64,921,414</u>	<u>63,934,609</u>	<u>62,519,871</u>
\$	<u><u>37,734,377</u></u>	<u><u>35,514,869</u></u>	<u><u>38,476,015</u></u>	<u><u>43,639,002</u></u>	<u><u>52,228,823</u></u>	<u><u>59,899,438</u></u>
	59.66%	63.49%	64.26%	59.80%	55.04%	51.07%

Legal Debt Margin Calculation for Fiscal Year 2016

Total assessed value of real estate	\$ 1,224,193,091
Debt limit (10% of total assessed value)	122,419,309
Net debt applicable to limit	<u>62,519,871</u>
Legal debt margin	<u><u>\$ 59,899,438</u></u>

Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

<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 Subtotal, overlapping debt	\$ 1,244,497,725	1.76%	\$ 21,903,160
Town of Purcellville, direct debt (2)			\$ 19,186,388
Total direct and overlapping debt			\$ 41,089,548

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

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

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

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

Fiscal Year	Net Bonded Debt (1), (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita
2016	\$ 62,519,871	4.86%	\$ 7,672
2015	63,934,609	5.21%	7,917
2014	64,921,414	5.64%	8,141
2013	64,314,289	5.87%	8,132
2012	63,866,201	6.05%	8,158
2011	65,608,641	6.33%	8,416
2010	61,685,660	5.99%	7,983
2009	48,887,618	4.18%	6,406
2008	33,947,780	2.76%	4,528
2007	16,164,564	1.28%	2,213

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

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

(3) Net bonded debt is tax supported debt.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Purcellville Population (1)	Loudoun County Per Capita Income (2)	Purcellville Median Age (3)	Purcellville School Age Population (4)	Loudoun County Unemployment Rate (5)
2016	8,149	73,720	33.7	2,608	3.2
2015	8,075	70,057	33.6	2,563	3.8
2014	7,975	67,384	33.6	2,603	4.5
2013	7,902	66,062	33.5	2,488	4.8
2012	7,820	67,628	33.4	2,330	4.8
2011	7,786	65,283	33.5	2,297	5.0
2010	7,727	62,030	33.6	2,105	5.2
2009	7,632	60,600	33.8	2,105	5.0
2008	7,497	63,405	33.9	2,105	2.9
2007	7,304	59,594	34.0	1,511	2.4

Sources:

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

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

Principal Employers
Current Year and 8 Years Ago

Employer	Fiscal Year 2016		Fiscal Year 2008	
	Employees	Rank	Employees	Rank
Loudoun County Schools	595	1	483	1
Wholesale Screening Solutions	220	2	n/a	n/a
Blue Ridge Veterinary Assoc., Inc.	125	3	90	7
Harris Teeter	125	4	n/a	n/a
Home School Legal Defense	100	5	90	6
Giant	85	6	147	2
Magnolia's at the Mill	84	7	n/a	n/a
Food Lion/Bloom	80	8	80	8
Chick-fil-A	80	9	n/a	n/a
Town of Purcellville	78	10	75	9

Source: Town Business License Renewal

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	7.75	7.75	7.50	7.75	7.50	8.50	8.50	8.50	9.00	10.00
Finance Administration	6.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	8.00
Public Safety/Police	15.50	14.50	14.00	15.00	15.00	15.00	15.00	16.00	17.00	16.00
Public Works	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.00	6.75
General Maintenance	10.00	10.00	10.00	10.00	9.00	9.00	9.00	9.00	9.00	9.60
Planning & Zoning	6.75	4.75	4.75	4.00	3.00	4.00	4.00	4.00	4.00	4.00
Parks & Recreation						1.00	1.00	1.00	1.00	1.00
Water Treatment	9.00	9.00	9.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00
Wastewater Treatment	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.50	9.00
Totals	<u>71.50</u>	<u>70.50</u>	<u>69.75</u>	<u>70.25</u>	<u>68.00</u>	<u>70.00</u>	<u>70.00</u>	<u>71.00</u>	<u>73.00</u>	<u>73.35</u>

Source: IRS Form 941s

Operating Indicators by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration											
Special Events	22	18	19	17	23	22	19	20	22	27	27
FOIA Requests Processed	90	116	160	75	157	227	161	115	105	137	135
Finance											
Utility Bills Processed	15,168	15,096	15,188	15,392	15,201	15,209	15,763	15,913	15,590	15,787	15,949
Tax Bills Processed	10,532	11,517	11,757	19,366	12,342	12,959	12,740	12,881	12,823	12,923	12,220
Accounts Payable Transactions	N/A	5,885	6,157	6,139	6,089	6,133	6,133	6,175	6,652	6,291	6,449
Public Safety											
Parking Violations	170	316	183	163	177	172	128	229	358	270	79
Traffic violations	1,579	1,637	1,618	1,356	1,671	1,692	1,021	1,457	1,152	834	624
Incident Reports	739	856	912	829	1,103	986	680	933	865	756	632
Warning Tickets											524
Public Works											
Maintenance Dept.											
Work Orders, number of	570	264	596	890	902	1,190	1,406	1,356	1,583	1,753	1,395
New Meters Installed	N/A	14	53	22	13	12	22	27	25	24	38
Miss Utility's Processed	N/A	711	1,355	830	899	783	1,186	905	1014	988	1,372
Water Dept.											
Total Gallons Treated (millions)	N/A	190	206	207	203	202	196	194	192	201	200
Samples in Compliance, % of	N/A	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Violations, number of	N/A	-	1	1	0	0	0	0	0	0	0
Wastewater Dept.											
Daily average of gallons treated	593,900	622,400	625,400	536,500	575,200	590,200	591,200	638,400	614,200	549,400	661,400
Complaints, number of	N/A	-	3	2	3	0	0	1	1	1	1
Planning and Zoning											
Occupancy Permits Issued	144	92	120	98	108	83	82	90	102	105	90
Zoning Permits Issued	436	375	286	178	183	178	268	137	214	198	259
Development Plans Processed	54	63	85	30	26	19	13	15	17	20	19

Source: Individual town departments.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration										
Administration Buildings	2	2	2	2	2	2	1	1	1	1
Bus Stops for Public Transportation	1	1	1	1	1	6	6	6	6	6
Public Parking Lots	2	2	2	2	2	4	4	4	4	4
Vehicles	2	2	2	2	1	1	1	1	1	1
Finance										
Vehicles	-	-	-	-	-	-	-	-	-	-
Parks and Recreation										
Recreation Facilities - Buildings	1	2	2	2	2	2	2	2	2	2
Recreation Facilities - Fields, Parks	-	1	1	1	1	1	1	1	1	1
Public safety										
Administration Buildings	-	-	-	-	-	-	-	-	-	-
Radar Smart Trailers	3	3	3	3	3	1	-	-	-	-
Vehicles	12	13	11	10	10	11	11	12	12	12
Public works										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	11	13	14	17	20	20	22	22	22	23
Maintenance Facility	1	1	1	2	2	2	2	2	2	2
Message Boards	3	3	3	3	3	3	3	3	3	3
Traffic Signals	-	2	2	2	2	2	2	2	2	2
Vehicles	16	16	18	18	21	21	20	20	20	20
<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 Buildings	3	3	3	3	4	4	4	4	4	4
Vehicles	3	4	4	4	4	5	6	5	5	5
Water Reservoir(s)	1	1	1	1	1	1	1	1	1	1
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
Modular Bldg @ Plant	-	1	1	1	1	1	1	1	1	1
Wells/Well Houses	4	5	7	8	8	9	9	9	9	9
<u>Wastewater Dept.</u>										
Pump Stations	9	9	6	6	6	6	6	6	6	6
Vehicles	3	5	5	5	5	5	5	5	5	5
Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
Planning and Zoning										
Vehicles	1	1	1	1	1	1	1	1	1	1

Source: Town depreciation schedule.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Purcellville, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Purcellville, Virginia's basic financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 22, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Town Council
Town of Purcellville
Purcellville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Purcellville, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Purcellville, Virginia's major federal programs for the year ended June 30, 2016. Town of Purcellville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Purcellville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Purcellville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Purcellville, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Purcellville, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Town of Purcellville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Purcellville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Purcellville, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 22, 2016

TOWN OF PURCELLVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
Department of Transportation Pass Through Payments: Virginia Department of Transportation: Highway Planning and Construction	20.205	105472/70578	\$ <u>808,992</u>
Department of Justice: Pass Through Payments: Department of Criminal Justice Services: Edward Byrne Memorial Justice Assistance Grant Program	16.738	14DJBX0887	<u>500</u>
Total Expenditures of Federal Awards			\$ <u><u>809,492</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Purcellville, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Purcellville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Purcellville, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	500
Special Revenue Fund		28,142
Capital Projects Fund		<u>808,992</u>

Total federal expenditures per basic financial statements	\$	837,634
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Less BAB subsidy		<u>(28,142)</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>809,492</u></u>
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TOWN OF PURCELLVILLE, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There were no prior year findings.

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