



Town  
of  
**Purcellville**  
Virginia



Comprehensive  
Annual Financial Report  
Year Ended June 30, 2018



TOWN OF PURCELLVILLE, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

Prepared By:

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Elizabeth B. Krens  
Director of Finance



TOWN OF PURCELLVILLE, VIRGINIA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2018

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November 26, 2018

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, 2018. These statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

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

The Town Charter and Code of Virginia §15.2-2511 requires an annual audit of the Town's financial affairs performed by independent certified public accountants. The Town has contracted with Robinson, Farmer, Cox and Associates, Certified Public Accountants to provide audit services. Robinson, Farmer, Cox and Associates has issued an unmodified opinion on the Town's financial statements for the year ended June 30, 2018. The independent auditor's report is located on pages 1 through 3 of this report.

Also included in this report is a section titled Management's Discussion and Analysis (MD&A) which begins on page 4. 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 9,771. Purcellville is the economic hub of western Loudoun County and a popular weekend destination for antiquing, entertainment, farmer's markets, wineries, breweries, distilleries and restaurants.

The Town 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.

## **Investigations and Organizational Assessment:**

The Town of Purcellville experienced a major upset to its organizational structure during fiscal year 2018 following the retirement of the long tenured Town Manager in June 2017. During this period, five (5) members of the organization were placed on paid administrative leave while a series of investigations were undertaken. The first investigation was conducted by the then Interim Town Manager Vanegas and an outside Human Resources (HR) consultant; the second investigation was initiated by Town Council after information was received that questioned the methodology, intent and validity of the original findings.

The Town Council engaged the law firm of Wilson Elser and Chief Timothy Longo, Sr. (Ret.) of the University of Virginia, School of Continuing and Professional Studies to audit and evaluate the initial investigation and findings conducted by the HR consultant. This consultant, who represented herself as a certified Human Resources professional, was hired by the Interim Town Manager on or about September 22, 2017, to investigate a number of complaints made against the Chief of Police and other staff members.

The Council investigation conducted by the Wilson Elser/Chief Longo team found serious deficiencies in the investigative methods and processes that undermined the reliability and accuracy of the initial report. Based upon a review of the purported evidence relied upon by the HR consultant, they found that the initial report's findings and conclusions were not supported by the evidence. The team's report titled "Final Public Report of Audit and Investigation (Phase 2)" was made public on July 30, 2018 and documented the findings of the second investigation concluding no evidence of untruthfulness or misconduct by the Chief of Police. Their rigorous methodology and depth of investigative experience gave both the Council and the public the utmost confidence in the final report findings.

As a result of these findings, the Interim Manager Vanegas was terminated and four (4) members of the organization (Police Chief, Town Attorney, Human Resources Manager and one Patrol Officer) were returned to duty. The Council expended over \$400,000 in unbudgeted outside Audit and Investigation costs, and another 440,000 in indirect in-kind budgeted expenses.

## Investigations and Organizational Assessment: (Continued)

While for most municipalities such an unprecedented organizational upheaval would have caused a major impact in the morale and productivity of the administration, the Town Council was determined to investigate this matter in the quest of identifying the truth. Through this process, they fully vindicated four (4) members of the organization who were falsely accused. While the administration of justice can be costly, it pales in comparison to the human costs of allowing spurious charges to prevail. This cost goes beyond the individual itself and could have impacted the entire organization culturally for years to come. The formal end of this investigation allowed the organization not only to heal but has strengthened the resolve of all of the Town's employees to become a unified team, culturally aligned with our community and proud to serve our citizens, Mayor and Town Council.

Following this episode, the Town Council hired an outside professional consultant, The Novak Consulting Group, to conduct an Organizational Assessment to: 1) review structure, operations, policies, processes and staffing levels; and to 2) recommend improvements to enhance efficiency and effectiveness. Novak conducted over 20 individual interviews and eight focus group meetings with the Town Council, Town Manager, and key staff. In addition, they comprehensively reviewed all Town policy and procedures, conducted an assessment of data, information and analysis from all departments. Their preliminary findings revealed that Purcellville has both a highly dedicated staff and is a lean organization with approximately 8.4 FTEs per 1,000 residents, the second-lowest ratio of staff per 1,000 population as well as the third-lowest ratio of FTEs per \$1 million in operating expenditures among peer communities. Constructive recommendations were made across all departments to strengthen the efficiency and effectiveness of service delivery across all departments. The final report is expected to be delivered in early December.

The Police Department under the renewed leadership of the reinstated Chief is undertaking a comprehensive transformation of the department, which includes:

- (1) Construct an incremental action plan that includes clear, measurable, and realistic objectives for both the Chief of Police and the Department's law enforcement officers and staff.
- (2) Create two command level positions within the Police Department at the rank of Deputy Chief and Operations Commander.
- (3) Increase the Police Department's table of organization by six to eight police officer positions. This would allow for the department to have a minimum staffing level of three to four officers serving the community during any given 24-hour period.
- (4) Conduct a full and complete audit of the Police Headquarters facility, all administrative and personnel files, and the evidence and property room.
- (5) Hire a part-time Accreditation Manager to ensure that the Department remains current in collecting proofs of compliance and is best equipped to undergo future assessments.
- (6) Relocate to a more secure and functional facility to house police operations.
- (7) Review and update the Department's policy manual with particular focus on the code of conduct and the totality of high risk critical tasks that are related to police operations.
- (8) Develop and implement a comprehensive recruitment and selection process that reflects the quality of personnel the Town envisions for its police department.
- (9) Prepare and implement a recurring twelve-month training program independent of the minimum requirements of the Department of Criminal Justice Services that addresses both the high risk critical tasks and those areas deemed relevant to the Town's constituents with regard to the level and manner of policing services that are consistent with community desires and expectations.

### **Investigations and Organizational Assessment: (Continued)**

- (10) Ensure that the Department's policies are being consistently enforced and that its procedures are being followed.
- (11) Perform daily, weekly, and monthly audits of critical tasks in order to ensure that Purcellville Police Department employees are maintaining best practices.
- (12) Audit and update the process by which the Department receives and investigates citizen complaints to ensure fairness to those who seek address as well as fairness and protections for the men and women who serve the Purcellville Police Department.

### **Management Outlook for Fiscal Year 2019 and beyond:**

The organizational upset that occurred in fiscal year 2018 did not have a lasting impact on the administration. At the onset of the Council investigation, the Council hired a highly skilled Interim Manager John Anzivino to maintain the professional delivery of service, guide the Council into a professional investigative process that repudiated the initial specious investigative report; and coordinate a national recruitment process for a permanent Town Manager. In April of 2018, David Mekarski, AICP was appointed to return the organization to its historical reputation of professionalism. He has initiated a comprehensive departmental and personnel assessment. The Town Council is undertaking a Strategic Planning Process to identify its vision, mission, goals, objectives and strategies to insure long term fiscal sustainability. In addition, updates to the Town's personnel policies, classification and compensation study, utility rate models, water resource study and transportation plan are moving forward.

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

At the end of fiscal year 2018, the Town's total net position increased by \$5,014,680 of which \$1,048,593 was from governmental activities and \$3,966,087 was from business-type or utility activities. In addition, the governmental fund's total fund balance at the end of fiscal year 2018 was \$8.8 million. Of this amount, \$5.2 million, or 56% of General fund expenditures, was unassigned and available for future spending. This amount is well in excess of the Town's fiscal policy target of \$3 million or 30% of total revenues.

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

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

## Major Awards and Initiatives:

The following is a partial listing of a significant initiatives and achievements accomplished across all departments in fiscal year 2018:

- Received 9<sup>th</sup> consecutive GFOA Distinguished Budget Presentation Award for fiscal year 2018.
- Received 10<sup>th</sup> consecutive GFOA Certificate of Achievement for fiscal year 2017 CAFR.
- Maintained the Town's strong investment grade ratings from the three national credit rating agencies: AAA from Standard and Poor's, AA from Fitch Ratings and Aa2 from Moody's Investor Service.
- Received 11<sup>th</sup> annual Tree City USA designation from the Arbor Day Foundation.
- Received 2017 Tree City USA Growth Award for Demonstrating Environmental Improvement and a High Level of Tree Care from the Arbor Day Foundation.
- Received 2018 VML's Green Government Challenge, Platinum Certification Award.
- Received 2018 Gold Leaf Award from the Mid-Atlantic Chapter of the International Society of Arboriculture.
- Received 10<sup>th</sup> consecutive Water Treatment Plant Excellence in Granular Filter Media Performance Silver Award.
- Police Officer Joshua Tanner received the MADD award for Commitment to Apprehension of Impaired Drivers.
- Continued implementation of Tyler Technologies Munis ERP system.  
Kickoff in May 2016  
Tax/Revenue Module- Live February 2017  
Financials Module- Live October 2017 (2 months ahead of schedule)  
Business License Module- Live January 2018  
Utility Billing Module- under implementation, target completion late summer 2019  
Citizen Self Service- implementation to follow Utility Module completion  
HR/Payroll- waiting for personnel policy update  
Employee Self Service- implementation to follow HR/Payroll Module completion
- Continued work on the Comprehensive Plan (target completion mid-2019).
- Infrastructure projects completed: Pavilion at Fireman's Field, North Maple Ave. Waterline Replacement, Allder School Road Waterline Replacement.
- Infrastructure projects underway: Main & Maple Intersection Improvements, Hirst Road Improvements, Hirst Pond Conversion, Nursery Ave. Improvements, 32<sup>nd</sup> & A Improvements, A Street Trail (BRMS to Maple Ave), Tank Renovation & Painting, Nature Park Wells & PLC Upgrades.

**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, 2017 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,

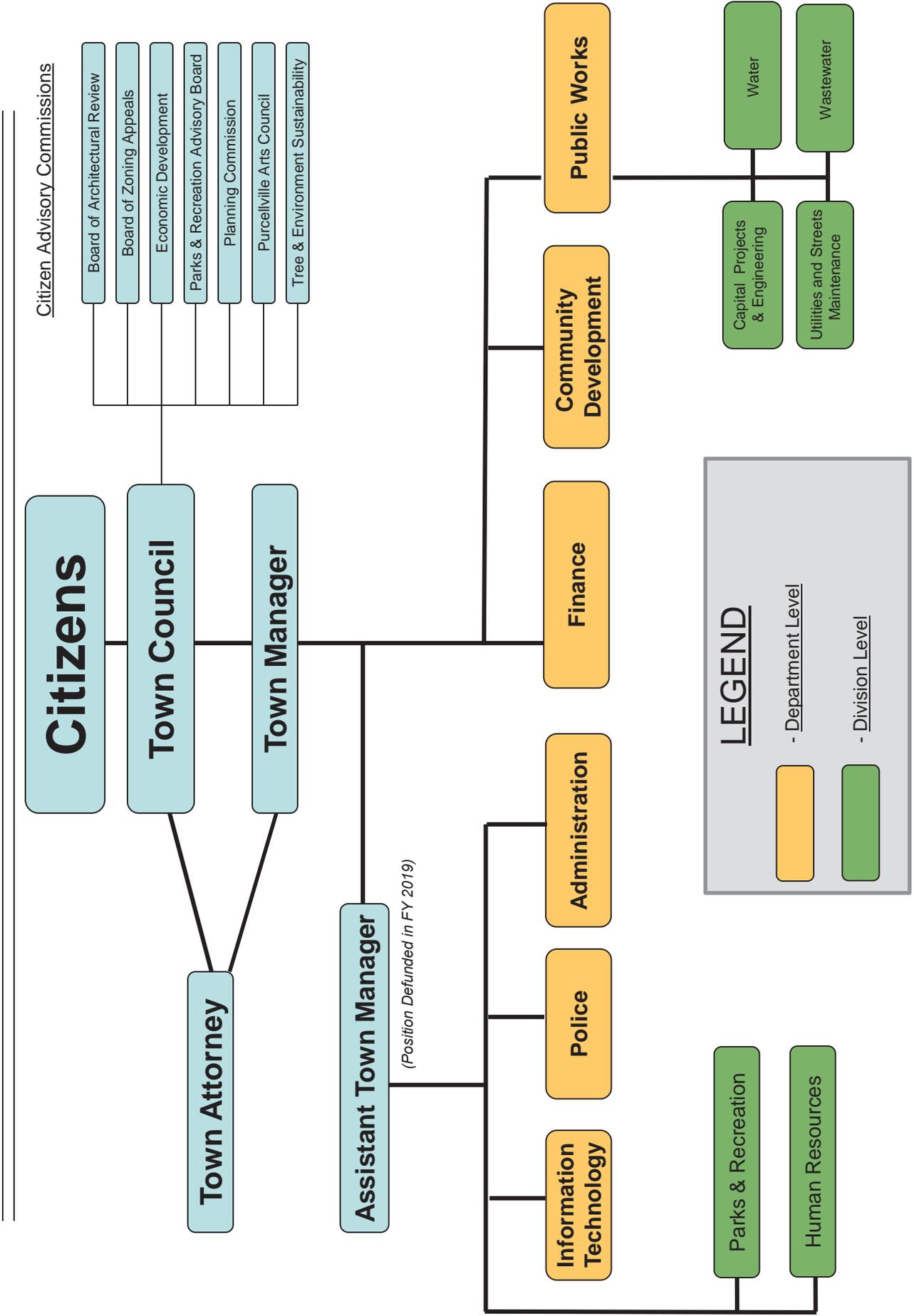


David A. Mekarski, AICP  
Town Manager



Elizabeth B. Krens  
Director of Finance

# Town of Purcellville Organization Chart: Effective March 1, 2017





TOWN OF PURCELLVILLE, VIRGINIA

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COUNCIL

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Doug McCollum Chris Bledsoe	Kwasi Fraser, Mayor Nedim Ogelman, Vice-Mayor	Theodore Greenly Ryan Cool
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OFFICIALS

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David Mekarski	Town Manager
Sally Hankins	Town Attorney
Elizabeth B. Krens	Director of Finance
Vadah McCann	Director of Administration
Patrick Sullivan	Director of Community Development
Cynthia McAlister	Chief of Police
Dawn Ashbacher	Interim Director of Public Works





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, 2017**

*Christopher P. Morrill*

Executive Director/CEO



# 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, 2018, 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, 2018, 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 14 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

### *Restatement of Beginning Balances*

As described in Note 14 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. 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 5-12, and 90-100, 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.

#### *Supplementary and Other Information*

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

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Purcellville, Virginia's 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 19, 2018

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

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As management of Town of Purcellville (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's basic financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,138,396 (*net position*). Of this amount, \$14,716,103 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$5,014,680, of which the governmental activities accounted for a \$1,048,593 increase and business-type activities accounted for a \$3,966,087 increase.
- The ending fund balance of the Town's general fund was \$5,814,582, a decrease of \$1,506,286 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,176,351, or 56% of the general fund expenditures.
- The Town's total long-term obligations decreased by \$3,438,962 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 17 through 19 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 22 through 25 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 26 through 28 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 29 through 88 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and schedules of funding progress relating to the Town's participation in its pension plan and other postemployment benefits. Required supplementary information can be found on pages 92 through 100 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 \$67,138,396 at the close of the most recent fiscal year. A large portion of the Town's net position (\$50,720,729, 75.55% 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,240,117	\$ 11,396,065	\$ 13,812,831	\$ 12,915,987	\$ 25,052,948	\$ 24,312,052
Capital assets	51,283,975	52,903,167	53,252,853	53,259,505	104,536,828	106,162,672
Total assets	\$ 62,524,092	\$ 64,299,232	\$ 67,065,684	\$ 66,175,492	\$ 129,589,776	\$ 130,474,724
Deferred outflows of resources	\$ 658,654	\$ 989,926	\$ 2,627,807	\$ 1,542,413	\$ 3,286,461	\$ 2,532,339
Long-term liabilities outstanding	\$ 19,041,451	\$ 20,936,895	\$ 42,152,306	\$ 43,695,824	\$ 61,193,757	\$ 64,632,719
Other liabilities	778,678	1,112,290	1,170,547	1,272,054	1,949,225	2,384,344
Total liabilities	\$ 19,820,129	\$ 22,049,185	\$ 43,322,853	\$ 44,967,878	\$ 63,142,982	\$ 67,017,063
Deferred inflows of resources	\$ 2,404,179	\$ 1,658,857	\$ 190,680	\$ 3,648	\$ 2,594,859	\$ 1,662,505
Net position:						
Net investment in capital assets	\$ 36,103,203	\$ 34,948,299	\$ 14,617,526	\$ 11,835,787	\$ 50,720,729	\$ 46,784,086
Restricted	1,701,564	723,338	-	-	1,701,564	723,338
Unrestricted	3,153,671	5,909,479	11,562,432	10,910,592	14,716,103	16,820,071
Total net position	\$ 40,958,438	\$ 41,581,116	\$ 26,179,958	\$ 22,746,379	\$ 67,138,396	\$ 64,327,495

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

As noted previously, the Town's overall (governmental and business-type activities) net position increased by \$5,014,680 during the current fiscal year. The business-type activities reported an increase in net position of \$3,966,087 and the governmental activities reported an increase of \$1,048,593.

## Government-wide Financial Analysis: (Continued)

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

Town of Purcellville, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 184,823	\$ 219,325	\$ 5,140,334	\$ 5,053,734	\$ 5,325,157	\$ 5,273,059
Operating grants and contributions	825,145	957,708	12,164	25,902	837,309	983,610
Capital grants and contributions	1,642,735	1,181,722	5,114,232	4,851,708	6,756,967	6,033,430
General revenues:						
Property taxes	3,889,211	3,690,806	-	-	3,889,211	3,690,806
Other taxes	4,935,609	4,762,951	-	-	4,935,609	4,762,951
Unrestricted revenues from the use of money and property	97,313	49,464	38,860	20,429	136,173	69,893
Miscellaneous	173,981	210,938	525,701	582,346	699,682	793,284
Gain (loss) on sale of capital asset	(14,987)	-	-	-	(14,987)	-
Grants and contributions not restricted to specific programs	362,408	381,086	-	-	362,408	381,086
Total revenues	<u>\$ 12,096,238</u>	<u>\$ 11,454,000</u>	<u>\$ 10,831,291</u>	<u>\$ 10,534,119</u>	<u>\$ 22,927,529</u>	<u>\$ 21,988,119</u>
Expenses:						
General government						
administration	\$ 3,437,040	\$ 2,942,494	\$ -	\$ -	\$ 3,437,040	\$ 2,942,494
Public safety	2,302,104	2,238,136	-	-	2,302,104	2,238,136
Public works	2,227,327	3,240,338	-	-	2,227,327	3,240,338
Parks, recreation and culture	422,519	288,865	-	-	422,519	288,865
Community development	2,015,654	2,085,427	-	-	2,015,654	2,085,427
Interest on long-term debt	643,001	599,827	-	-	643,001	599,827
Water fund	-	-	3,008,206	2,173,568	3,008,206	2,173,568
Sewer fund	-	-	3,856,998	3,310,332	3,856,998	3,310,332
Total expenses	<u>\$ 11,047,645</u>	<u>\$ 11,395,087</u>	<u>\$ 6,865,204</u>	<u>\$ 5,483,900</u>	<u>\$ 17,912,849</u>	<u>\$ 16,878,987</u>
Increase (decrease) in net position before transfers	<u>\$ 1,048,593</u>	<u>\$ 58,913</u>	<u>\$ 3,966,087</u>	<u>\$ 5,050,219</u>	<u>\$ 5,014,680</u>	<u>\$ 5,109,132</u>
Transfers	<u>\$ -</u>	<u>\$ 1,157,162</u>	<u>\$ -</u>	<u>\$ (1,157,162)</u>	<u>\$ -</u>	<u>\$ -</u>
Increase (decrease) in net position	<u>\$ 1,048,593</u>	<u>\$ 1,216,075</u>	<u>\$ 3,966,087</u>	<u>\$ 3,893,057</u>	<u>\$ 5,014,680</u>	<u>\$ 5,109,132</u>
Net position-beginning of year, as restated	<u>\$ 39,909,845</u>	<u>\$ 40,365,041</u>	<u>\$ 22,213,871</u>	<u>\$ 18,853,322</u>	<u>\$ 62,123,716</u>	<u>\$ 59,218,363</u>
Net position-end of year	<u>\$ 40,958,438</u>	<u>\$ 41,581,116</u>	<u>\$ 26,179,958</u>	<u>\$ 22,746,379</u>	<u>\$ 67,138,396</u>	<u>\$ 64,327,495</u>

Amounts for 2017 do not reflect the restatement of net position made for 2018.

Generally, changes in net position reflect the difference between revenues and expenses. The Town reported an increase in net position of governmental activities by \$1,048,593. Governmental revenues increased over 2017 by \$0.642 million driven by increases in capital grants from the County and VDOT revenue sharing as well as increases property and other taxes. After adjusting for 2017 transfers (change in 2018 to report utility related personnel costs directly to departments rather than via a transfer), governmental expenses increased by \$0.810 million largely due to costs associated with the police investigation. The combination of these factors resulted in a slight decrease in the change in net position for governmental activities in 2018 as compared to 2017.

Business-type activities increased the Town's net position by \$3,966,087 largely a result of availability revenue associated with new Mayfair connections. As a public utility function comprises the Town's business-type activities, there is more of a direct correlation to the revenues generated relative to expenses incurred because of service demands. Much of this change can be attributed to revenue, an increase of \$0.297 million over 2017. After adjusting for 2017 transfers, business-type expenses increased by \$0.224 million over 2017 largely due to Water fund repairs reclassified from construction in progress.

## Overview of the Financial Statements (Continued)

### Government-wide Financial Analysis (Continued)

#### Financial Analysis of the Town's Funds

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

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

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

General fund revenues totaled \$10,013,798, a \$228,922 increase over 2017. The categories of greatest growth were general property taxes and other local taxes. General fund expenditures, excluding principal payments, totaled \$8,525,699, \$382,263 less than 2017. Although 2018 legal costs exceeded the prior year by \$500,016 as a result of the independent audit and investigation of the police department and interim manager, the overall reduction was driven primarily due to allocation of \$878,432 in General fund public works personnel costs to the Utility Proprietary funds and \$140,263 in reductions in street spending by the public works department. In prior years, General fund personnel costs for services provided to the Utility Proprietary funds were reported under Other Financing Sources as transfers in. In 2018, the methodology was modified to allocate costs directly to the personnel line items of the funds.

Special parks and recreation fund revenues totaled \$583,992, an increase of \$33,125 over 2017 largely due to the new concessionaire agreement with Shaun Alexander Enterprises, Inc. and event fees. Expenditures, excluding principal payments, were slightly greater than 2017 primarily due to improvements to the Tabernacle and Fireman's Field.

Capital projects fund revenues totaled \$1,499,001, a \$423,301 increase over 2017 largely due to increased contributions from Loudoun County. Expenditures totaled \$373,089, \$279,115 less than 2017, largely due to delays in project timing due to staff reassignments and vacancies.

The town's total governmental fund balance was \$8,790,571 at the end of 2018, an increase of \$4,304 over 2017. Of this amount, \$5,176,351 was unassigned and available for future spending, a decrease of \$1,509,204 over 2017 primarily due to the early payoff of 2010 RBC bond.

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

Water fund operating revenues totaled \$2,179,702, an increase of \$34,624 over 2017 driven by new users. Operating expenses totaled \$2,393,736, an increase of \$664,073 over 2017. This increase was primarily driven by the allocation of \$439,216 in General fund public works personnel costs for services and support to the water fund (no longer reported as transfers out). In addition, \$80,378 in capital outlay costs associated with the Hirst Well Rehab (\$44,672) and A Street Water Line (\$35,706) projects were reclassified from construction in progress to repair expense. Non-operating revenues less expenses grew by \$7,446 and included forestry management revenue of \$252,234 and bond issuance costs of \$212,798. Contributed capital totaled \$2,781,432 and included 97 Mayfair availabilities. The water fund's ending net position for 2018 was \$10,992,473, of which \$5,861,862 was unrestricted. The 2018 increase in unrestricted net position of \$2,429,615 is largely a result of new connections.

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

Wastewater Fund operating revenues totaled \$3,022,056, an increase of \$90,614 over 2017 driven by new users and \$39,528 in Hirst Farm Settlement proceeds. Operating expenses totaled \$2,482,839, an increase of \$304,119 over 2017. This increase was primarily driven by the allocation of \$439,216 in General fund public works personnel costs for services and support to the wastewater fund (no longer reported as transfers out). Nonoperating revenues less expenses decreased in 2018 by \$511,148 largely due to the sale of the Mary's House of Hope property in 2017 and bond issuance costs of \$338,167 in 2018. Contributed capital totaled \$2,332,800 and included 97 Mayfair availabilities. The sewer fund's ending net position for 2018 was \$15,187,485, of which \$5,700,570 was unrestricted. The 2018 increase in unrestricted net position of \$1,536,472 is largely a result of new connections.

The town's total net position at the end of 2018 for the two proprietary funds was \$26,179,958, \$11,562,432 of which was unrestricted.

## General Fund Budgetary Highlights

General fund revenues exceeded budget projections by \$544,777 in 2018. The largest positive trends were reported in real property taxes, meals tax, personal property taxes, and bank franchise tax. A few categories did not meet budget forecasts, the largest of which was local sales and use taxes (under budget by \$20,884), cigarette tax (under budget by \$11,438) and revenue from the State (under budget by 4,170).

The 2018 expenditures were \$812,057 less than budget. Most departments' expenditures were below budget. The largest expenditure savings was seen in public works largely due to reduced street spending and position vacancies.

## Capital Asset and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$104,536,828 (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:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,310,764	\$ 4,310,764	\$ 3,039,509	\$ 3,039,509	\$ 7,350,273	\$ 7,350,273
Buildings	9,905,571	10,213,612	-	-	9,905,571	10,213,612
Utility plant in service	-	-	49,240,349	49,163,812	49,240,349	49,163,812
Improvements other than buildings	2,903,982	3,295,748	55,100	75,900	2,959,082	3,371,648
Infrastructure	32,697,796	33,803,107	-	-	32,697,796	33,803,107
Machinery and equipment	381,310	462,964	661,615	739,122	1,042,925	1,202,086
Vehicles	80,936	82,705	52,671	29,361	133,607	112,066
Construction in progress	1,003,616	734,267	203,609	211,801	1,207,225	946,068
Total	\$ 51,283,975	\$ 52,903,167	\$ 53,252,853	\$ 53,259,505	\$ 104,536,828	\$ 106,162,672

Additional information on the Town's capital assets can be found in Note 4 on pages 42 and 43 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 \$61,193,757 and details are summarized in the following table:

**Town of Purcellville, Virginia  
Outstanding Obligations  
For the Year Ended June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 14,657,946	\$ 17,374,221	\$ 40,921,224	\$ 42,595,476	\$ 55,579,170	\$ 59,969,697
Notes payable	765,000	850,000	-	-	765,000	850,000
Capital leases	-	-	206,671	254,291	206,671	254,291
Net pension liability	18,776	806,905	6,162	253,275	24,938	1,060,180
Net OPEB liabilities	3,292,361	1,550,040	942,797	490,017	4,235,158	2,040,057
Compensated absences	307,368	355,729	75,452	102,765	382,820	458,494
<b>Total</b>	<b>\$ 19,041,451</b>	<b>\$ 20,936,895</b>	<b>\$ 42,152,306</b>	<b>\$ 43,695,824</b>	<b>\$ 61,193,757</b>	<b>\$ 64,632,719</b>

Amounts for 2017 do not reflect the restatement of net position made for 2018.

Obligations associated with governmental activities decreased by \$1,895,444 in 2018 due to regular principal payments, the early payoff of the 2010 RBC bond and the 2017 refunding bond, offset by an increase in the net OPEB liabilities due to the restatement of net position resulting from the implementation of GASB 75.

Obligations associated with business-type activities decreased by \$1,543,518 in 2018 due to regular principal payments, the early payoff of the 2010 RBC bond and the 2017 refunding bonds, offset by an increase in the net OPEB liabilities due to the restatement of net position resulting from the implementation of GASB 75.

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, 2018.

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

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

The Town of Purcellville is located in western Loudoun County at the base of the Blue Ridge Mountains approximately 40 miles west of Washington, DC. With a population of approximately 9,771, Purcellville has a small town feel with the economic benefits of the D.C. region. Purcellville's median household income is high at \$117,736 with a low unemployment rate of 2.7%.

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

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

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

In 2018, the town's general fund continues to benefit from a diversified revenue stream. The largest categories are property tax (34%), meals tax (20%), revenue from the Commonwealth (12%), sales tax (11%) and business license (8%). 2018 marks the last year the Town will receive gasoline tax funding from Loudoun County (\$143,733) as future funds will be redirected to the regional metro rail project.

Purcellville's real property assessments increased by 5.06% in 2018, made up of a 2.13% increase in existing property values and a 2.93% increase in new construction and growth. The town expects to see continued growth in assessed values in 2019 as the Mayfair and Catoctin Corner projects continue to develop. The current residential/business tax base split is 78/22%. The 2018 real estate tax rate remained unchanged at \$0.22 per \$100 of assessed value. As a result of the new concessionaire contract with Shaun Alexander Enterprises, Inc. in December 2017, Town Council reduced the Fireman's Field Service tax rate by \$0.005 to \$0.030. This special assessment is used to support recreational and cultural facilities and activities and is reported in the Parks and Recreation special revenue fund.

In the Proprietary funds, Town Council increased water and sewer user rates by 2% effective July 2018. As availability fees are expected to decline significantly after the buildout of Mayfair, the Town is working with its financial advisors to develop a sustainable plan to manage future user rate increases. The first step of this process was achieved with the 2017 Plan of Finance which included payoff of the 2010 RBC bond in order to eliminate private use restrictions on the Aberdeen property and balloon payments due in FY21 as well as the issuance of 2017A & B refunding bonds to better manage future utility cash flows. In fall 2018, the Town will solicit bids to select a utility rate consultant to develop an interactive utility rate model and prepare utility rate recommendations. In addition, the Town plans to update the Water Resource Study to identify utility capacity and capital needs.

### 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,121,463	\$ 12,523,019	\$ 18,644,482
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,870,336	-	1,870,336
Accounts receivable	319,317	849,867	1,169,184
Due from other governmental units	293,131	-	293,131
Prepaid items	20,199	-	20,199
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	2,615,671	-	2,615,671
Cash held for customer deposits	-	439,945	439,945
Capital assets (net of accumulated depreciation):			
Land	4,310,764	3,039,509	7,350,273
Buildings and system	9,905,571	-	9,905,571
Improvements other than buildings	2,903,982	55,100	2,959,082
Machinery and equipment	381,310	661,615	1,042,925
Vehicles	80,936	52,671	133,607
Infrastructure	32,697,796	-	32,697,796
Utility plant in service	-	49,240,349	49,240,349
Construction in progress	1,003,616	203,609	1,207,225
Total assets	\$ 62,524,092	\$ 67,065,684	\$ 129,589,776
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 242,174	\$ 2,492,568	\$ 2,734,742
Items related to net pension liability	388,490	133,924	522,414
Items related to net OPEB liabilities	27,990	1,315	29,305
Total deferred outflows of resources	\$ 658,654	\$ 2,627,807	\$ 3,286,461
<b>LIABILITIES</b>			
Accounts payable	\$ 357,893	\$ 166,831	\$ 524,724
Accrued liabilities	160,326	34,440	194,766
Customers' deposits	3,400	439,945	443,345
Deposits held in escrow	21,927	-	21,927
Accrued interest payable	235,132	529,331	764,463
Long-term liabilities:			
Due within one year	767,648	334,231	1,101,879
Due in more than one year	18,273,803	41,818,075	60,091,878
Total liabilities	\$ 19,820,129	\$ 43,322,853	\$ 63,142,982
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue-property taxes	\$ 1,777,594	\$ -	\$ 1,777,594
Items related to net pension liability	394,533	131,290	525,823
Items related to net OPEB liabilities	232,052	59,390	291,442
Total deferred inflows of resources	\$ 2,404,179	\$ 190,680	\$ 2,594,859
<b>NET POSITION</b>			
Net investment in capital assets	\$ 36,103,203	\$ 14,617,526	\$ 50,720,729
Restricted for:			
State highway maintenance	364,998	-	364,998
Loudoun Co. settlement funds	195,001	-	195,001
Fireman's field	90,376	-	90,376
Loudoun Co. transportation and sidewalk projects	1,051,189	-	1,051,189
Unrestricted	3,153,671	11,562,432	14,716,103
Total net position	\$ 40,958,438	\$ 26,179,958	\$ 67,138,396

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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 3,437,040	\$ -	\$ -	\$ -
Public safety	2,302,104	58,302	151,116	-
Public works	2,227,327	-	669,292	143,733
Parks, recreation, and cultural	422,519	-	4,737	-
Community development	2,015,654	126,521	-	1,499,002
Interest on long-term debt	643,001	-	-	-
<b>Total governmental activities</b>	<b>\$ 11,047,645</b>	<b>\$ 184,823</b>	<b>\$ 825,145</b>	<b>\$ 1,642,735</b>
Business-type activities:				
Water	\$ 3,008,206	\$ 2,161,407	\$ 12,164	\$ 2,781,432
Sewer	3,856,998	2,978,927	-	2,332,800
<b>Total business-type activities</b>	<b>\$ 6,865,204</b>	<b>\$ 5,140,334</b>	<b>\$ 12,164</b>	<b>\$ 5,114,232</b>
<b>Total primary government</b>	<b>\$ 17,912,849</b>	<b>\$ 5,325,157</b>	<b>\$ 837,309</b>	<b>\$ 6,756,967</b>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Business licenses				
Utility license taxes				
Meals taxes				
Cigarette taxes				
Bank franchise taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Gain (loss) on disposal of capital asset				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning, as restated				
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
\$ (3,437,040)	\$ -	\$ (3,437,040)
(2,092,686)	-	(2,092,686)
(1,414,302)	-	(1,414,302)
(417,782)	-	(417,782)
(390,131)	-	(390,131)
(643,001)	-	(643,001)
<u>\$ (8,394,942)</u>	<u>\$ -</u>	<u>\$ (8,394,942)</u>
\$ -	\$ 1,946,797	\$ 1,946,797
<u>-</u>	<u>1,454,729</u>	<u>1,454,729</u>
<u>\$ -</u>	<u>\$ 3,401,526</u>	<u>\$ 3,401,526</u>
<u>\$ (8,394,942)</u>	<u>\$ 3,401,526</u>	<u>\$ (4,993,416)</u>
\$ 3,889,211	\$ -	\$ 3,889,211
1,136,133	-	1,136,133
791,317	-	791,317
222,488	-	222,488
2,047,316	-	2,047,316
212,348	-	212,348
346,067	-	346,067
179,940	-	179,940
97,313	38,860	136,173
173,981	525,701	699,682
(14,987)	-	(14,987)
362,408	-	362,408
<u>\$ 9,443,535</u>	<u>\$ 564,561</u>	<u>\$ 10,008,096</u>
\$ 1,048,593	\$ 3,966,087	\$ 5,014,680
<u>39,909,845</u>	<u>22,213,871</u>	<u>62,123,716</u>
<u>\$ 40,958,438</u>	<u>\$ 26,179,958</u>	<u>\$ 67,138,396</u>

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## Fund Financial Statements

Balance Sheet  
 Governmental Funds  
 As of June 30, 2018

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 5,354,056	\$ 340,981	\$ 426,427	\$ 6,121,464
Receivables (net of allowance for uncollectibles):				
Taxes receivable (Note 1)	1,726,161	203,748	-	1,929,909
Accounts receivable	249,744	10,000	-	259,744
Due from other governmental units (Note 3)	230,153	1,237	61,741	293,131
Prepaid items	1,758	-	18,440	20,198
Restricted assets:				
Cash and cash equivalents	386,925	-	2,228,746	2,615,671
Total assets	<u>\$ 7,948,797</u>	<u>\$ 555,966</u>	<u>\$ 2,735,354</u>	<u>\$ 11,240,117</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 207,722	\$ 63,900	\$ 44,631	\$ 316,253
Accrued liabilities	198,789	3,177	-	201,966
Deposits-other	-	1,150	-	1,150
Security deposits	2,250	-	-	2,250
Deposits held in escrow	21,927	-	-	21,927
Total liabilities	<u>\$ 430,688</u>	<u>\$ 68,227</u>	<u>\$ 44,631</u>	<u>\$ 543,546</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	<u>\$ 1,703,527</u>	<u>\$ 202,473</u>	<u>\$ -</u>	<u>\$ 1,906,000</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	<u>\$ 1,758</u>	<u>\$ -</u>	<u>\$ 18,440</u>	<u>\$ 20,198</u>
Restricted:				
State highway maintenance	\$ 364,998	\$ -	\$ -	\$ 364,998
Loudoun Co. settlement funds	-	-	195,001	195,001
Hirst pond	-	-	90,376	90,376
Proffers	-	-	892,180	892,180
Loudoun Co. transportation and sidewalk projects	-	-	1,051,189	1,051,189
Total restricted fund balance	<u>\$ 364,998</u>	<u>\$ -</u>	<u>\$ 2,228,746</u>	<u>\$ 2,593,744</u>
Committed:				
Future capital outlay	\$ 215,975	\$ -	\$ -	\$ 215,975
Capital asset replacement	55,500	-	-	55,500
Parks and recreation	-	285,266	-	285,266
Total committed fund balance	<u>\$ 271,475</u>	<u>\$ 285,266</u>	<u>\$ -</u>	<u>\$ 556,741</u>
Assigned:				
Capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,537</u>	<u>\$ 443,537</u>
Unassigned	<u>\$ 5,176,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,176,351</u>
Total fund balances (deficits)	<u>\$ 5,814,582</u>	<u>\$ 285,266</u>	<u>\$ 2,690,723</u>	<u>\$ 8,790,571</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,948,797</u>	<u>\$ 555,966</u>	<u>\$ 2,735,354</u>	<u>\$ 11,240,117</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,790,571	
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.			51,283,975
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	\$	<u>128,406</u>	128,406
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Deferred charge on refunding		242,174	
Items related to net pension liability		388,490	
Items related to net OPEB liabilities		<u>27,990</u>	658,654
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		(19,041,451)	
Accrued interest payable		<u>(235,132)</u>	(19,276,583)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Items related to net pension liability		(394,533)	
Items related to net OPEB liabilities		<u>(232,052)</u>	<u>(626,585)</u>
Net Position of governmental activities	\$		<u><u>40,958,438</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, 2018

	General	Special Revenue (Parks & Recreation)	Capital Projects	Total
<b>REVENUES</b>				
General property taxes	\$ 3,446,222	\$ 428,556	\$ -	\$ 3,874,778
Other local taxes	4,935,609	-	-	4,935,609
Permits, privilege fees, and regulatory licenses	126,521	-	-	126,521
Fines and forfeitures	58,302	-	-	58,302
Revenue from the use of money and property	24,713	79,880	-	104,593
Miscellaneous	105,786	60,915	224,644	391,345
Intergovernmental:				
Local government	143,733	-	1,025,000	1,168,733
Commonwealth	1,165,035	1,237	247,853	1,414,125
Federal	7,877	13,404	1,504	22,785
	<u>10,013,798</u>	<u>583,992</u>	<u>1,499,001</u>	<u>12,096,791</u>
Total revenues	\$	\$	\$	\$
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,205,477	\$ -	\$ -	\$ 3,205,477
Public safety	2,243,805	-	-	2,243,805
Public works	2,045,628	-	-	2,045,628
Parks, recreation, and cultural	-	289,565	-	289,565
Community development	477,634	-	-	477,634
Capital outlay	-	-	373,089	373,089
Debt service:				
Principal retirement	710,137	2,444,735	-	3,154,872
Interest and other fiscal charges	553,155	153,773	-	706,928
Bond issue costs	-	20,312	-	20,312
	<u>9,235,836</u>	<u>2,908,385</u>	<u>373,089</u>	<u>12,517,310</u>
Total expenditures	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	\$ 777,962	\$ (2,324,393)	\$ 1,125,912	\$ (420,519)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 2,033,248	\$ 251,000	\$ 2,284,248
Transfers out	(2,284,248)	-	-	(2,284,248)
General obligation refunding bonds issued	-	700,000	-	700,000
Payment to advance refunding bond escrow agent	-	(275,177)	-	(275,177)
	<u>(2,284,248)</u>	<u>2,458,071</u>	<u>251,000</u>	<u>424,823</u>
Total other financing sources (uses)	\$	\$	\$	\$
Net change in fund balances	\$ (1,506,286)	\$ 133,678	\$ 1,376,912	\$ 4,304
Fund balances - beginning	<u>7,320,868</u>	<u>151,588</u>	<u>1,313,811</u>	<u>8,786,267</u>
Fund balances - ending	<u>\$ 5,814,582</u>	<u>\$ 285,266</u>	<u>\$ 2,690,723</u>	<u>\$ 8,790,571</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, 2018

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

Net change in fund balances - total governmental funds	\$	4,304
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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	\$ 437,874	
Depreciation expense	<u>(2,042,079)</u>	(1,604,205)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(14,987)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	<u>14,432</u>	14,432
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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:

Issuance of general obligation refunding bonds	(700,000)	
Principal retired on general obligation bonds	3,314,872	
Principal retired on notes payable	85,000	
Amortization of premium	<u>101,403</u>	2,801,275

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

Change in compensated absences	48,361	
Change in accrued interest payable	40,191	
Pension expense	61,511	
OPEB expense	(275,110)	
Amortization of deferred charge on refunding	<u>(27,179)</u>	(152,226)

Change in net position of governmental activities	\$	<u><u>1,048,593</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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,327,340	\$ 6,195,679	\$ 12,523,019
Receivables, net of allowances for uncollectibles			
Accounts	333,719	516,148	849,867
Total current assets	\$ 6,661,059	\$ 6,711,827	\$ 13,372,886
Noncurrent assets:			
Restricted assets:			
Cash held for customer deposits	\$ 439,945	\$ -	\$ 439,945
Total restricted assets	\$ 439,945	\$ -	\$ 439,945
Capital assets:			
Land	\$ 2,672,409	\$ 367,100	\$ 3,039,509
Utility plant in service	14,819,065	44,860,801	59,679,866
Improvements other than buildings	445,000	-	445,000
Vehicles	215,714	201,333	417,047
Machinery and equipment	532,711	793,412	1,326,123
Construction in progress	4,729	198,880	203,609
Accumulated depreciation	(4,788,313)	(7,069,988)	(11,858,301)
Total capital assets	\$ 13,901,315	\$ 39,351,538	\$ 53,252,853
Total noncurrent assets	\$ 14,341,260	\$ 39,351,538	\$ 53,692,798
Total assets	\$ 21,002,319	\$ 46,063,365	\$ 67,065,684
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	\$ 796,156	\$ 1,696,412	\$ 2,492,568
Items related to net pension liability	68,981	64,943	133,924
Items related to net OPEB liabilities	647	668	1,315
Total deferred outflows of resources	\$ 865,784	\$ 1,762,023	\$ 2,627,807
Total assets and deferred outflows of resources	\$ 21,868,103	\$ 47,825,388	\$ 69,693,491
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 93,032	\$ 73,799	\$ 166,831
Accrued payroll	16,513	17,927	34,440
Customer deposits	439,945	-	439,945
Accrued interest payable	122,669	406,662	529,331
Bonds - current portion	277,500	-	277,500
Capital lease - current portion	-	49,186	49,186
Compensated absences - current portion	2,953	4,592	7,545
Total current liabilities	\$ 952,612	\$ 552,166	\$ 1,504,778
Noncurrent liabilities:			
Bonds - net of current portion	\$ 9,289,360	\$ 31,354,364	\$ 40,643,724
Capital lease - net of current portion	-	157,485	157,485
Compensated absences - net of current portion	26,575	41,332	67,907
Net pension liability	3,045	3,117	6,162
Net OPEB liabilities	505,919	436,878	942,797
Total noncurrent liabilities	\$ 9,824,899	\$ 31,993,176	\$ 41,818,075
Total liabilities	\$ 10,777,511	\$ 32,545,342	\$ 43,322,853
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Items related to net pension liability	\$ 66,185	\$ 65,105	\$ 131,290
Items related to net OPEB liabilities	31,934	27,456	59,390
Total deferred inflows of resources	\$ 98,119	\$ 92,561	\$ 190,680
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,130,611	\$ 9,486,915	\$ 14,617,526
Unrestricted	5,861,862	5,700,570	11,562,432
Total net position	\$ 10,992,473	\$ 15,187,485	\$ 26,179,958
Total liabilities, deferred inflows of resources, and net position	\$ 21,868,103	\$ 47,825,388	\$ 69,693,491

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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Charges for services and connection fees	\$ 2,135,142	\$ 2,952,663	\$ 5,087,805
Other revenues	26,265	26,264	52,529
Miscellaneous	18,295	43,129	61,424
Total operating revenues	<u>\$ 2,179,702</u>	<u>\$ 3,022,056</u>	<u>\$ 5,201,758</u>
<b>OPERATING EXPENSES</b>			
Personnel	\$ 968,374	\$ 930,536	\$ 1,898,910
Employee benefits	366,436	278,372	644,808
Plant operations and meter reading	449,950	530,359	980,309
Well operations	243,527	-	243,527
Pump station operations	-	39,656	39,656
Depreciation	345,931	703,916	1,049,847
Capital outlay - non-capitalizable expenses	19,518	-	19,518
Total operating expenses	<u>\$ 2,393,736</u>	<u>\$ 2,482,839</u>	<u>\$ 4,876,575</u>
Operating income (loss)	<u>\$ (214,034)</u>	<u>\$ 539,217</u>	<u>\$ 325,183</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenue	\$ 12,164	\$ -	\$ 12,164
Investment income	20,246	18,614	38,860
Cellular lease	192,043	-	192,043
Forestry management	252,234	-	252,234
Proffers	-	20,000	20,000
Bond issuance costs	(212,798)	(338,167)	(550,965)
Interest expense	(401,672)	(1,035,992)	(1,437,664)
Total nonoperating revenues (expenses)	<u>\$ (137,783)</u>	<u>\$ (1,335,545)</u>	<u>\$ (1,473,328)</u>
Income before contributions and transfers	<u>\$ (351,817)</u>	<u>\$ (796,328)</u>	<u>\$ (1,148,145)</u>
Contributed capital - availability fees	<u>\$ 2,781,432</u>	<u>\$ 2,332,800</u>	<u>\$ 5,114,232</u>
Change in net position	<u>\$ 2,429,615</u>	<u>\$ 1,536,472</u>	<u>\$ 3,966,087</u>
Total net position - beginning, as restated	<u>8,562,858</u>	<u>13,651,013</u>	<u>22,213,871</u>
Total net position - ending	<u>\$ 10,992,473</u>	<u>\$ 15,187,485</u>	<u>\$ 26,179,958</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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 2,094,574	\$ 3,081,312	\$ 5,175,886
Payments to suppliers	(607,677)	(532,710)	(1,140,387)
Payments to and on behalf of employees	(1,343,867)	(1,275,088)	(2,618,955)
Net cash provided by (used for) operating activities	\$ 143,030	\$ 1,273,514	\$ 1,416,544
<b>CASH FLOWS FROM NONOPERATING ACTIVITIES</b>			
Intergovernmental revenue	\$ 12,164	\$ -	\$ 12,164
Cellular lease	192,043	-	192,043
Forestry management	252,234	-	252,234
Proffers	-	20,000	20,000
Net cash provided by (used for) nonoperating activities	\$ 456,441	\$ 20,000	\$ 476,441
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of property, plant and equipment	\$ (903,777)	\$ (219,796)	\$ (1,123,573)
Capital contributions	2,781,432	2,332,800	5,114,232
Bond issuance costs	(212,798)	(338,167)	(550,965)
Retirements of long-term indebtedness	(1,986,500)	(47,620)	(2,034,120)
Payments to refunding bond escrow agent including deferred charge on refunding	(7,834,496)	(13,718,029)	(21,552,525)
Proceeds from indebtedness	8,068,000	12,564,000	20,632,000
Interest expense	(451,019)	(1,030,074)	(1,481,093)
Net cash provided by (used for) capital and related financing activities	\$ (539,158)	\$ (456,886)	\$ (996,044)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	\$ 20,246	\$ 18,614	\$ 38,860
Net cash provided by (used for) investing activities	\$ 20,246	\$ 18,614	\$ 38,860
Net increase (decrease) in cash and cash equivalents	\$ 80,559	\$ 855,242	\$ 935,801
Cash and cash equivalents - beginning (including restricted)	6,686,726	5,340,437	12,027,163
Cash and cash equivalents - ending (including restricted)	\$ 6,767,285	\$ 6,195,679	\$ 12,962,964
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (214,034)	\$ 539,217	\$ 325,183
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	345,931	703,916	1,049,847
Write off of construction in progress	80,378	-	80,378
(Increase) decrease in accounts receivable	(74,299)	113,256	38,957
(Increase) decrease in deferred outflows related to net pension liability	38,841	52,229	91,070
(Increase) decrease in deferred outflows related to net OPEB liabilities	2,279	2,353	4,632
Increase (decrease) in accounts payable	24,940	37,305	62,245
Increase (decrease) in accrued payroll	57	2,073	2,130
Increase (decrease) in customer deposits	57,690	-	57,690
Increase (decrease) in unearned revenue	(68,519)	(54,000)	(122,519)
Increase (decrease) in compensated absences	(17,232)	(10,081)	(27,313)
Increase (decrease) in net pension liability	(118,345)	(128,768)	(247,113)
Increase (decrease) in net OPEB liabilities	(9,533)	(76,142)	(85,675)
(Increase) decrease in deferred inflows related to net pension liability	62,942	64,700	127,642
(Increase) decrease in deferred inflows related to net OPEB liabilities	31,934	27,456	59,390
Total adjustments	\$ 357,064	\$ 734,297	\$ 1,091,361
Net cash provided by (used for) operating activities	\$ 143,030	\$ 1,273,514	\$ 1,416,544

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, 2018

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

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**A. Financial Reporting Entity**

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

Individual Component Unit Disclosures

The Town has no component units.

Related Organizations

The Town has no related organizations.

Jointly Governed Organizations

The Town has no jointly governed organizations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. General Fund

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

- b. Special Revenue Fund

The special revenue fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Park and Recreation Fund, which is considered a major fund at June 30, 2018. The primary revenue source for this fund is the Fireman's Field Special Tax District and additional revenue is generated from contributions and users fees associated with special events.

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

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

**c. Capital Projects Fund**

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

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

**Enterprise Funds**

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

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

**D. Budgets and Budgetary Accounting**

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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D. Budgets and Budgetary Accounting (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The governmental funds utilize the modified accrual basis of accounting, while the proprietary funds utilize accrual basis of accounting.
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is as amended and approved by Town Council.
9. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations.

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, 2018 and is comprised solely of property taxes.

G. Restricted Assets

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

H. Investments

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

I. Prepaid Items

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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J. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets for the year ended June 30, 2018 was immaterial.

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

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

K. Compensated Absences

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

L. Long-term Obligations

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

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

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

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**M. Property Taxes**

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

**N. Use of Estimates**

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

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

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

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 three items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the net pension and OPEB liabilities are reported separately as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, change in proportionate share, and the net difference between projected and actual earnings on investments. For more detailed information on these items, reference the pension note and OPEB notes.

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

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**P. Net Position**

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

**Q. Net Position Flow Assumption**

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

**R. Fund Equity**

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

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

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

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

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

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

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

**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. Other Postemployment Benefits (OPEB)**

*Group Life Insurance*

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

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

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**U. Upcoming Pronouncements:**

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

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

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

## TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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#### U. Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

### Note 2—Deposits and Investments:

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#### Deposits:

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

#### 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, the State Treasurer's Local Government Investment Pool (LGIP), and VML/VaCo's Virginia Investment Pool (VIP).

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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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, 2018 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, 2018 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>	<u>AAf/S1</u>
Local Government Investment Pool	\$ 1,040,340	\$ -
Virginia Investment Pool	<u>3,050,040</u>	<u>5,019,723</u>
Total	<u>\$ 4,090,380</u>	<u>\$ 5,019,723</u>

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 2—Deposits and Investments: (Continued)

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Interest Rate Risk:

Interest rate risk is the risk that changing interest rates will cause investments to lose value. The maturities of the Town's investments to lose value. The Town's investment policy require that investments be limited to instruments maturing within one year at the time of purchase, and the Town's investments meet this requirement.

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Local Government Investment Pool	\$ 1,040,340	\$ -
Virginia Investment Pool	<u>3,050,040</u>	<u>5,019,723</u>
Total	<u>\$ 4,090,380</u>	<u>\$ 5,019,723</u>

External Investment Pools:

The value of the positions in the external investment pools (Local Government Investment Pool and Virginia Investment 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 VIP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 3—Due from Other Governmental Units:

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Commonwealth:	
VDOT	\$ 33,340
Communications Tax	23,646
Forestry	<u>1,237</u>
Due from Commonwealth	<u>\$ 58,223</u>
Northern Virginia Transportation Authority:	
NVTA	<u>\$ 28,401</u>
County of Loudoun:	
Local Sales Tax	<u>\$ 206,507</u>
Total	<u>\$ 293,131</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 4—Capital Assets:**

Governmental Funds

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 4,310,764	\$ -	\$ -	\$ 4,310,764
Construction in progress	<u>734,267</u>	<u>366,468</u>	<u>97,119</u>	<u>1,003,616</u>
Total capital assets not being depreciated	<u>\$ 5,045,031</u>	<u>\$ 366,468</u>	<u>\$ 97,119</u>	<u>\$ 5,314,380</u>
Capital assets being depreciated:				
Buildings	\$ 12,080,410	\$ -	\$ -	\$ 12,080,410
Improvements other than buildings	4,754,025	-	-	4,754,025
Machinery and equipment	2,547,763	18,336	20,583	2,545,516
Vehicles	890,349	76,486	115,587	851,248
Infrastructure	<u>62,380,108</u>	<u>73,703</u>	<u>-</u>	<u>62,453,811</u>
Total capital assets being depreciated	<u>\$ 82,652,655</u>	<u>\$ 168,525</u>	<u>\$ 136,170</u>	<u>\$ 82,685,010</u>
Less accumulated depreciation for:				
Buildings	\$ (1,866,798)	\$ (308,041)	\$ -	\$ (2,174,839)
Improvements other than buildings	(1,458,277)	(391,766)	-	(1,850,043)
Machinery and equipment	(2,084,799)	(99,990)	(20,583)	(2,164,206)
Vehicles	(807,644)	(63,268)	(100,600)	(770,312)
Infrastructure	<u>(28,577,001)</u>	<u>(1,179,014)</u>	<u>-</u>	<u>(29,756,015)</u>
Total accumulated depreciation	<u>\$ (34,794,519)</u>	<u>\$ (2,042,079)</u>	<u>\$ (121,183)</u>	<u>\$ (36,715,415)</u>
Net capital assets being depreciated	<u>\$ 47,858,136</u>	<u>\$ (1,873,554)</u>	<u>\$ 14,987</u>	<u>\$ 45,969,595</u>
Capital assets, net	<u>\$ 52,903,167</u>	<u>\$ (1,507,086)</u>	<u>\$ 112,106</u>	<u>\$ 51,283,975</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 4—Capital Assets: (Continued)**

Business-type Activities

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 3,039,509	\$ -	\$ -	\$ 3,039,509
Construction in progress	211,801	1,058,574	1,066,766	203,609
Total capital assets not being depreciated	<u>\$ 3,251,310</u>	<u>\$ 1,058,574</u>	<u>\$ 1,066,766</u>	<u>\$ 3,243,118</u>
Capital assets being depreciated:				
Utility plant in service	\$ 58,693,479	\$ 986,387	\$ -	\$ 59,679,866
Improvements other than buildings	445,000	-	-	445,000
Vehicles	402,376	44,084	29,413	417,047
Machinery and equipment	1,305,207	20,916	-	1,326,123
Total capital assets being depreciated	<u>\$ 60,846,062</u>	<u>\$ 1,051,387</u>	<u>\$ 29,413</u>	<u>\$ 61,868,036</u>
Less accumulated depreciation for:				
Utility plant in service	\$ (9,529,667)	\$ (909,850)	\$ -	\$ (10,439,517)
Improvements other than buildings	(369,100)	(20,800)	-	(389,900)
Vehicles	(373,015)	(20,774)	(29,413)	(364,376)
Machinery and equipment	(566,085)	(98,423)	-	(664,508)
Total accumulated depreciation	<u>\$ (10,837,867)</u>	<u>\$ (1,049,847)</u>	<u>\$ (29,413)</u>	<u>\$ (11,858,301)</u>
Net capital assets being depreciated	<u>\$ 50,008,195</u>	<u>\$ 1,540</u>	<u>\$ -</u>	<u>\$ 50,009,735</u>
Capital assets, net	<u>\$ 53,259,505</u>	<u>\$ 1,060,114</u>	<u>\$ 1,066,766</u>	<u>\$ 53,252,853</u>

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

Governmental activities:	
General government administration	\$ 204,283
Parks and recreation	119,021
Public safety	50,466
Public works	149,128
Community development	1,519,181
Total governmental activities	<u>\$ 2,042,079</u>
Business-type activities	<u>\$ 1,049,847</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>
General obligation bonds	\$ 16,369,266	\$ 700,000	\$ (3,314,872)	\$ 13,754,394
Premium on issuance	<u>1,004,955</u>	<u>-</u>	<u>(101,403)</u>	<u>903,552</u>
Total general obligation bonds	<u>\$ 17,374,221</u>	<u>\$ 700,000</u>	<u>\$ (3,416,275)</u>	<u>\$ 14,657,946</u>
Note payable	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 765,000</u>
Net pension liability	<u>\$ 806,905</u>	<u>\$ 1,113,841</u>	<u>\$ (1,901,970)</u>	<u>\$ 18,776</u>
Net OPEB liabilities	<u>\$ 3,239,364</u>	<u>\$ 276,797</u>	<u>\$ (223,800)</u>	<u>\$ 3,292,361</u>
Compensated absences	<u>\$ 355,729</u>	<u>\$ -</u>	<u>\$ (48,361)</u>	<u>\$ 307,368</u>
Totals	<u>\$ 22,626,219</u>	<u>\$ 2,090,638</u>	<u>\$ (5,675,406)</u>	<u>\$ 19,041,451</u>

The liabilities for other postemployment benefits, net pension liability and compensated absences of the governmental activities are 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
2019	\$ 651,911	\$ 557,510	\$ 85,000
2020	689,998	534,709	85,000
2021	754,998	511,171	85,000
2022	909,538	478,871	85,000
2023	953,616	438,884	85,000
2024-2028	5,338,863	1,541,749	340,000
2029-2033	3,860,470	462,782	-
2034-2038	<u>595,000</u>	<u>36,941</u>	<u>-</u>
Total	<u>\$ 13,754,394</u>	<u>\$ 4,562,617</u>	<u>\$ 765,000</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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:		
\$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.	\$ 4,114,394	\$ 176,911
\$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.	8,940,000	475,000
\$700,000 General Obligation Refunding Bonds Series 2017B dated September 19, 2017 with principal payable annually and bearing interest at 3.35% payable semi-annually, maturing February 1, 2038.	700,000	-
Premium on bond issuance	<u>903,552</u>	<u>-</u>
Total general obligation bonds	<u>\$ 14,657,946</u>	<u>\$ 651,911</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>\$ 765,000</u>	<u>\$ 85,000</u>
Compensated Absences (Note 6)	<u>\$ 307,368</u>	<u>\$ 30,737</u>
Net pension liability (Note 7)	<u>\$ 18,776</u>	<u>\$ -</u>
Net OPEB liabilities (Note 12)	<u>\$ 3,292,361</u>	<u>\$ -</u>
Total general long-term obligations	<u><u>\$ 19,041,451</u></u>	<u><u>\$ 767,648</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
General obligation bonds	\$ 41,001,238	\$ 20,632,000	\$ (21,124,916)	\$ 40,508,322
Premium on issuance	1,594,238	-	(1,181,336)	412,902
Total general obligation bonds	<u>\$ 42,595,476</u>	<u>\$ 20,632,000</u>	<u>\$ (22,306,252)</u>	<u>\$ 40,921,224</u>
Capital lease	\$ 254,291	-	\$ (47,620)	\$ 206,671
Net pension liability	\$ 253,275	\$ 374,256	\$ (621,369)	\$ 6,162
Net OPEB liabilities	\$ 1,028,472	\$ 78,472	\$ (164,147)	\$ 942,797
Compensated absences	\$ 102,765	-	\$ (27,313)	\$ 75,452
Totals	<u><u>\$ 44,234,279</u></u>	<u><u>\$ 21,084,728</u></u>	<u><u>\$ (23,166,701)</u></u>	<u><u>\$ 42,152,306</u></u>

The liabilities for other postemployment benefits, net pension liability and compensated absences are 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
2019	\$ 277,500	\$ 1,327,089	\$ 49,186	\$ 6,801
2020	398,500	1,303,673	50,805	5,182
2021	781,500	1,292,365	52,477	3,511
2022	1,061,500	1,267,048	54,203	1,784
2023	1,930,127	1,210,994	-	-
2024-2028	10,605,500	5,212,113	-	-
2029-2033	11,833,695	3,637,550	-	-
2034-2038	13,620,000	1,394,670	-	-
Total	<u><u>\$ 40,508,322</u></u>	<u><u>\$ 16,645,502</u></u>	<u><u>\$ 206,671</u></u>	<u><u>\$ 17,278</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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:		
\$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 and again with the issuance of Series 2017B General Obligation Refunding Bonds. With the 2017 restructuring, the balance was lowered to \$14,449,513.	\$ 11,534,322	\$ -
\$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.	430,000	210,000
\$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.	767,000	11,500
\$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.	7,155,000	-
\$4,962,000 General Obligation Refunding Bonds Series 2017A dated August 1, 2017 with principal payable annually and bearing interest at 3.22% payable semi-annually, maturing February 1, 2038.	4,952,000	41,000
\$15,670,000 General Obligation Refunding Bonds Series 2017B dated September 19, 2017 with principal payable annually and bearing interest at 3.35% payable semi-annually, maturing February 1, 2038.	15,670,000	15,000
Premium on issuance	412,902	-
Total general obligation bonds	<u>\$ 40,921,224</u>	<u>\$ 277,500</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.	\$ 206,671	\$ 49,186
Compensated Absences (Note 6)	\$ 75,452	\$ 7,545
Net pension liability (Note 7)	\$ 6,162	\$ -
Net OPEB liabilities (Note 12)	\$ 942,797	\$ -
Total business-type activities long-term obligations	<u>\$ 42,152,306</u>	<u>\$ 334,231</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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The assets acquired through capital leases are as follows:

Asset:	
Equipment	\$ 380,026
Less: Accumulated depreciation	<u>(152,010)</u>
Total	<u><u>\$ 228,016</u></u>

Defeased Debt - Current and Advanced Refundings

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.

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 August 16, 2017 the Town issued General Obligation Refunding Bonds, Series 2017A to current refund existing Series 2013A bonds. The Series 2017A bonds were issued with an interest rate of 3.22% to refund the Series 2013A bonds with an interest rate between 2% -5%. The intent of the refunding was to restructure repayment terms.

On September 25, 2017 the Town used reserves in excess of policy guidelines to pay off the series 2010 General Obligation Bond prior to the final maturity date of July 15, 2020.

On October 4, 2017 the Town issued General Obligation Refunding Bonds, Series 2017B to advance and current refund all or portions of the existing Series 2008 VRA/DEQ bonds, Series 2013A and 2013B and Series 2012A bonds. The Series 2017B bonds were issued with an interest rate of 3.26% to refund bonds with interest rates ranging from 2% - 5%. The intent of the refunding was to restructure repayment terms.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**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 \$307,368 and the Enterprise Funds have outstanding accrued leave pay of \$75,452.

**Note 7—Pension Plan:**

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

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

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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 Contribution 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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b> VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component:</b></u> VRS: 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, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*Plan Description (Continued)*

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

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 7—Pension Plan: (Continued)

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*Employees Covered by Benefit Terms*

As of the June 30, 2016 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	33
Inactive members:	
Vested inactive members	9
Non-vested inactive members	10
Inactive members active elsewhere in VRS	<u>31</u>
Total inactive members	50
Active members	<u>67</u>
Total covered employees	<u><u>150</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 employer contribution rate for the year ended June 30, 2018 was 7.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$366,545 and \$369,503 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 7—Pension Plan: (Continued)

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*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, 2016, 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, 2017.

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

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 7—Pension Plan: (Continued)

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*Actuarial Assumptions - General Employees (Continued)*

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

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 7—Pension Plan: (Continued)

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*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees *with* hazardous duty benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 7—Pension Plan: (Continued)

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*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)*

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

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non Largest 10) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*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, 2019, 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, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

*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, 2016	\$ 13,187,811	\$ 12,127,631	\$ 1,060,180
Changes for the year:			
Service cost	\$ 565,009	\$ -	\$ 565,009
Interest	904,712	-	904,712
Changes of assumptions	(209,240)	-	(209,240)
Differences between expected and actual experience	(223,270)	-	(223,270)
Contributions - employer	-	363,393	(363,393)
Contributions - employee	-	232,553	(232,553)
Net investment income	-	1,486,189	(1,486,189)
Benefit payments, including refunds of employee contributions	(526,713)	(526,713)	-
Administrative expenses	-	(8,346)	8,346
Other changes	-	(1,336)	1,336
Net changes	\$ 510,498	\$ 1,545,740	\$ (1,035,242)
Balances at June 30, 2017	\$ 13,698,309	\$ 13,673,371	\$ 24,938

*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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's Net Pension Liability	\$ 1,994,910	\$ 24,938	\$ (1,602,994)

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$276,651. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 148,914	\$ 164,669
Changes of assumptions	-	154,321
Changes of proportionate share	6,955	6,955
Net difference between projected and actual earnings on pension plan investments	-	199,878
Employer contributions subsequent to the measurement date	<u>366,546</u>	<u>-</u>
Total	<u>\$ 522,415</u>	<u>\$ 525,823</u>

\$366,545 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 ending June 30, 2019. 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:

<u>Year ended June 30</u>	
2019	\$ (119,183)
2020	(30,601)
2021	(93,135)
2022	(127,035)

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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

	<u>Government-wide Statements</u> <u>Governmental Activities</u>	<u>Balance Sheet</u> <u>Governmental Funds</u>
Deferred/Unavailable Revenue		
Uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 128,406
2nd half assessment - property tax	1,571,991	1,571,991
Prepaid property taxes due after June 30 but paid in advance by taxpayers	3,130	3,130
2nd half assessment - Firemen's Field service tax	<u>202,473</u>	<u>202,473</u>
Total deferred/unavailable revenue	<u>\$ 1,777,594</u>	<u>\$ 1,906,000</u>

**Note 9—Risk Management:**

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 10—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 2,284,248
Parks & Recreation Fund	2,033,248	-
Capital Projects Fund	251,000	-
Total	\$ <u>2,284,248</u>	\$ <u>2,284,248</u>

Transfers were made for capital projects and debt service. Prior to fiscal year 2018, the allocation of General Fund personnel costs for services provided to the Water and Sewer Funds was reported as Interfund Transfers. In fiscal year 2018, these costs are reported in the personnel line items of each fund.

**Note 11—Commitments:**

At June 30, 2018 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	\$ 71,751
Kimley Horn	Hirst Road Improvements	17,164
Kimley Horn	Hirst Farm Pond Engineering	834
Clark Nexsen	A Street Trail	61,793
Tyler Technologies	Financial Software Upgrade	143,300

**Note 12—Other Postemployment Benefits Programs:**

The Town implemented GASB Statement Number 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ending June 30, 2018. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**Health Insurance - Pay-as-You-Go:**

**Plan Description**

In addition to the pension benefits described in Note 7, the Town administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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Health Insurance - Pay-as-You-Go: (Continued)

**Benefits Provided**

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

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

**Plan Membership**

At January 1, 2018 (the valuation date) the following employees were covered by the benefit terms:

Total active employees with coverage	66
Total retirees with coverage	<u>8</u>
Total	<u><u>74</u></u>

**Contributions**

The Town does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2018 was \$47,156.

**Total OPEB Liability**

The Town's total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year as of June 30, 2017 2.50% per year as of June 30, 2018
Salary Increases	The salary increase rate starts at 5.35% salary increase for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Discount Rate	3.50% per year as of June 30, 2017 3.87% per year as of June 30, 2018

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

Health Insurance - Pay-as-You-Go: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates were based on a RPH-2014 Employee Rates, Healthy Annuitant Rates and Disabled Mortality Rates.

The date of the most recent actuarial experience study for which significant assumptions were based is June 30, 2016.

Discount Rate

The discount rate used to determine the liabilities under GASB 75 is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. This rate was 3.50% as of June 30, 2017 and 3.87% as of June 30, 2018.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>	
Balances at June 30, 2017	\$	3,826,836
Changes for the year:		
Service cost		204,974
Interest		140,295
Changes in assumptions		(273,794)
Benefit payments		(47,156)
Net changes	\$	<u>24,319</u>
Balances at June 30, 2018	\$	<u><u>3,851,155</u></u>

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
\$	4,649,078	\$ 3,851,155	\$ 3,217,083

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

Health Insurance - Pay-as-You-Go: (Continued)

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

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates which vary from 3.00% to 7.75% over the years used in the calculations:

Rates		
1% Decrease in Trend Rates	Healthcare Cost Current Trend Rates	1% Increase in Trend Rates
\$ 3,098,802	\$ 3,851,155	\$ 4,846,202

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

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of \$319,918. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 248,442
Total	\$ -	\$ 248,442

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	\$ 25,351
2020	25,351
2021	25,351
2022	25,351
2023	25,351
Thereafter	121,687

Additional disclosures on changes in net OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

**Note 12—Other Postemployment Benefits Programs: (Continued)**

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**Group Life Insurance**

*Plan Description*

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City School Board</li></ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

**Note 12—Other Postemployment Benefits Programs: (Continued)**

*Plan Description (Continued)*

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)</b>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b><u>Other Benefit Provisions</u></b> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

*Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$24,305 and \$24,477 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB*

At June 30, 2018, the entity reported a liability of \$384,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.02552% as compared to 0.02518% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$5,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 9,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	14,000
Change in assumptions	-	20,000
Changes in proportion	5,000	-
Employer contributions subsequent to the measurement date	<u>24,305</u>	<u>-</u>
Total	<u>\$ 29,305</u>	<u>\$ 43,000</u>

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

\$24,305 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ 8,000
2020	8,000
2021	8,000
2022	8,000
2023	4,000
Thereafter	2,000

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - SPORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - VaLORS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - JRS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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Note 12—Other Postemployment Benefits Programs: (Continued)

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Program</b>
		<u>                    </u>
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on the System’s 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 System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

Note 12—Other Postemployment Benefits Programs: (Continued)

*Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate*

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 497,000	\$ 384,000	\$ 293,000

*Group Life Insurance Program Fiduciary Net Position*

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13—Operating Leases:

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

Year Ending June 30,	Amount
2019	\$ 60,212
Total	\$ 60,212

TOWN OF PURCELLVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**Note 14—Adoption of Accounting Principles:**

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The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position as of July 1, 2017:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net position at June 30, 2017, as previously reported	\$ 41,581,116	\$ 8,829,263	\$ 13,917,116
Implementation of GASB 75	<u>(1,671,271)</u>	<u>(266,405)</u>	<u>(266,103)</u>
Net position at June 30, 2017, as restated	<u>\$ 39,909,845</u>	<u>\$ 8,562,858</u>	<u>\$ 13,651,013</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

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

## General Fund

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

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 3,197,729	\$ 3,197,729	\$ 3,446,222	\$ 248,493
Other local taxes	4,726,120	4,726,120	4,935,609	209,489
Permits, privilege fees, and regulatory licenses	99,000	99,000	126,521	27,521
Fines and forfeitures	45,100	45,100	58,302	13,202
Revenue from the use of money and property	13,750	13,750	24,713	10,963
Miscellaneous	25,100	74,384	105,786	31,402
Intergovernmental:				
Local government	143,733	143,733	143,733	-
Commonwealth	1,169,205	1,169,205	1,165,035	(4,170)
Federal	-	-	7,877	7,877
Total revenues	\$ 9,419,737	\$ 9,469,021	\$ 10,013,798	\$ 544,777
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,791,061	\$ 3,505,483	\$ 3,205,477	\$ 300,006
Public safety	2,177,437	2,270,721	2,243,805	26,916
Public works	2,621,439	2,458,940	2,045,628	413,312
Community development	552,957	549,457	477,634	71,823
Debt service:				
Principal retirement	710,137	710,137	710,137	-
Interest and other fiscal charges	553,155	553,155	553,155	-
Total expenditures	\$ 9,406,186	\$ 10,047,893	\$ 9,235,836	\$ 812,057
Excess (deficiency) of revenues over (under) expenditures	\$ 13,551	\$ (578,872)	\$ 777,962	\$ 1,356,834
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (251,000)	\$ (2,284,248)	\$ (2,284,248)	\$ -
Total other financing sources (uses)	\$ (251,000)	\$ (2,284,248)	\$ (2,284,248)	\$ -
Net change in fund balance	\$ (237,449)	\$ (2,863,120)	\$ (1,506,286)	\$ 1,356,834
Fund balance - beginning	237,449	2,863,120	7,320,868	4,457,748
Fund balance - ending	\$ -	\$ -	\$ 5,814,582	\$ 5,814,582

Parks and Recreation Fund  
 Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 436,151	\$ 436,151	\$ 428,556	\$ (7,595)
Revenue from the use of money and property	34,200	78,600	79,880	1,280
Miscellaneous	58,950	62,700	60,915	(1,785)
Intergovernmental:				
Commonwealth	-	3,436	1,237	(2,199)
Federal	25,916	13,405	13,404	(1)
Total revenues	\$ 555,217	\$ 594,292	\$ 583,992	\$ (10,300)
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ 242,298	\$ 310,735	\$ 289,565	\$ 21,170
Debt service:				
Principal retirement	176,129	2,444,735	2,444,735	-
Interest and other fiscal charges	104,807	153,773	153,773	-
Bond issuance costs	-	20,312	20,312	-
Total expenditures	\$ 523,234	\$ 2,929,555	\$ 2,908,385	\$ 21,170
Excess (deficiency) of revenues over (under) expenditures	\$ 31,983	\$ (2,335,263)	\$ (2,324,393)	\$ 10,870
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 2,033,248	\$ 2,033,248	\$ -
General obligation refunding bonds issued	-	700,000	700,000	-
Payment to refunding bond escrow agent	-	(275,177)	(275,177)	-
Total other financing sources (uses)	\$ -	\$ 2,458,071	\$ 2,458,071	\$ -
Net change in fund balance	\$ 31,983	\$ 122,808	\$ 133,678	\$ 10,870
Fund balance - beginning	(31,983)	(122,808)	151,588	274,396
Fund balance - ending	\$ -	\$ -	\$ 285,266	\$ 285,266

Schedule of Changes in Net Pension Liability and Related Ratios  
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 565,009	\$ 520,138	\$ 517,073	\$ 555,900
Interest	904,712	831,714	746,112	683,141
Differences between expected and actual experience	(223,270)	127,380	315,416	-
Changes in assumptions	(209,240)	-	-	-
Benefit payments, including refunds of employee contributions	(526,713)	(346,107)	(365,311)	(313,605)
<b>Net change in total pension liability</b>	<b>\$ 510,498</b>	<b>\$ 1,133,125</b>	<b>\$ 1,213,290</b>	<b>\$ 925,436</b>
<b>Total pension liability - beginning</b>	<b>13,187,811</b>	<b>12,054,686</b>	<b>10,841,396</b>	<b>9,915,960</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 13,698,309</b>	<b>\$ 13,187,811</b>	<b>\$ 12,054,686</b>	<b>\$ 10,841,396</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 363,393	\$ 445,991	\$ 427,672	\$ 520,781
Contributions - employee	232,553	224,263	216,720	210,587
Net investment income	1,486,189	216,458	503,837	1,444,988
Benefit payments, including refunds of employee contributions	(526,713)	(346,107)	(365,311)	(313,605)
Administrative expense	(8,346)	(6,926)	(6,523)	(7,349)
Other	(1,336)	(88)	(109)	76
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,545,740</b>	<b>\$ 533,591</b>	<b>\$ 776,286</b>	<b>\$ 1,855,478</b>
<b>Plan fiduciary net position - beginning</b>	<b>12,127,631</b>	<b>11,594,040</b>	<b>10,817,754</b>	<b>8,962,276</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 13,673,371</b>	<b>\$ 12,127,631</b>	<b>\$ 11,594,040</b>	<b>\$ 10,817,754</b>
<b>Town's net pension liability - ending (a) - (b)</b>	<b>\$ 24,938</b>	<b>\$ 1,060,180</b>	<b>\$ 460,646</b>	<b>\$ 23,642</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>99.82%</b>	<b>91.96%</b>	<b>96.18%</b>	<b>99.78%</b>
<b>Covered payroll</b>	<b>\$ 4,707,039</b>	<b>\$ 4,524,808</b>	<b>\$ 4,309,958</b>	<b>\$ 4,176,271</b>
<b>Town's net pension liability as a percentage of covered payroll</b>	<b>0.53%</b>	<b>23.43%</b>	<b>10.69%</b>	<b>0.57%</b>

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

Schedule of Employer Contributions - Pension  
 For the Years Ended June 30, 2009 through June 30, 2018

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2018	\$ 366,546	\$ 366,546	\$ -	\$ 4,669,375	7.85%
2017	369,503	369,503	-	4,707,039	7.85%
2016	450,671	450,671	-	4,524,808	9.96%
2015	429,272	429,272	-	4,309,958	9.96%
2014	520,781	520,781	-	4,176,271	12.47%
2013	514,080	514,080	-	4,122,533	12.47%
2012	405,950	405,950	-	3,952,771	10.27%
2011	376,340	376,340	-	3,824,598	9.84%
2010	306,644	306,644	-	3,911,276	7.84%
2009	308,466	308,466	-	3,934,522	7.84%

Notes to Required Supplementary Information - Pension  
For the Year Ended June 30, 2018

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on liabilities as of the measurement date of June 30, 2017 was not material.

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

**Largest 10 - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Largest 10 - Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Changes in Total OPEB Liability and Related Ratios - Health Insurance  
For the Year Ended June 30, 2018

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 204,974
Interest	140,295
Changes in assumptions	(273,794)
Benefit payments	<u>(47,156)</u>
<b>Net change in total OPEB liability</b>	<b>\$ 24,319</b>
<b>Total OPEB liability - beginning</b>	<b>3,826,836</b>
<b>Total OPEB liability - ending</b>	<b>\$ <u><u>3,851,155</u></u></b>
Covered payroll	\$ 4,540,991
<b>Total OPEB liability as a percentage of covered payroll</b>	 84.81%

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - OPEB - Health Insurance  
For the Year Ended June 30, 2018

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Valuation Date: January 1, 2018  
Measurement Date: June 30, 2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay.
Discount Rate	3.50% as of June 30, 2017; 3.87% as of June 30, 2018.
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018.
Healthcare Trend Rates	The healthcare trend rate assumptions vary by year and range between 3.75% and 7.75%.
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for one year of service and gradually declines to 3.50% salary increase for twenty or more years of service.
Mortality Rates	The mortality rates for healthy participants were calculated using the RP-2014 Employee Rates. The mortality rates for disabled participants were calculated using the RP-2014 Disabled Mortality Rates.

Schedule of Town's Share of Net OPEB Liability - Group Life Insurance  
For the Year Ended June 30, 2018

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<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability (a)</u>	<u>Employer's Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (a)/(b)</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
2017	0.02552% \$	384,000 \$	4,707,039	8.16%	48.86%

This schedule is intended to show information for 10 years. However, information prior to the 2017 valuation is not available. Additional years will be included as they become available.

Schedule of Employer Contributions - Group Life Insurance  
 For the Years Ended June 30, 2009 through June 30, 2018

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<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2018	\$ 24,305	\$ 24,305	\$ -	\$ 4,673,958	0.52%
2017	24,477	24,477	-	4,707,039	0.52%
2016	21,719	21,719	-	4,524,808	0.48%
2015	20,688	20,688	-	4,309,958	0.48%
2014	20,046	20,046	-	4,176,271	0.48%
2013	19,788	19,788	-	4,122,533	0.48%
2012	11,068	11,068	-	3,952,771	0.28%
2011	10,709	10,709	-	3,824,598	0.28%
2010	7,916	7,916	-	3,911,276	0.20%
2009	10,623	10,623	-	3,934,522	0.27%

Notes to Required Supplementary Information - OPEB - Group Life Insurance  
For the Year Ended June 30, 2018

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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

**General State Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**SPORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**ValORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information - OPEB - Group Life Insurance  
For the Year Ended June 30, 2018 (Continued)

**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**OTHER SUPPLEMENTARY INFORMATION**

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## Supporting Schedules

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,732,995	\$ 2,732,995	\$ 2,923,580	\$ 190,585
Personal property taxes	432,734	432,734	494,158	61,424
Penalties and interest	32,000	32,000	28,484	(3,516)
Total general property taxes	<u>\$ 3,197,729</u>	<u>\$ 3,197,729</u>	<u>\$ 3,446,222</u>	<u>\$ 248,493</u>
Other local taxes:				
Local sales and use taxes	\$ 1,157,017	\$ 1,157,017	\$ 1,136,133	\$ (20,884)
Cigarette taxes	223,786	223,786	212,348	(11,438)
Business license taxes	788,536	788,536	791,317	2,781
Utility license taxes	223,000	223,000	222,488	(512)
Motor vehicle license taxes	148,000	148,000	167,457	19,457
Bank franchise taxes	280,000	280,000	346,067	66,067
Cable franchise taxes	11,000	11,000	12,161	1,161
Hotel and motel room taxes	1,000	1,000	322	(678)
Meals tax	1,893,781	1,893,781	2,047,316	153,535
Total other local taxes	<u>\$ 4,726,120</u>	<u>\$ 4,726,120</u>	<u>\$ 4,935,609</u>	<u>\$ 209,489</u>
Permits, privilege fees, and regulatory licenses:				
Zoning fees	\$ 99,000	\$ 99,000	\$ 126,521	\$ 27,521
Total permits, privilege fees, and regulatory licenses	<u>\$ 99,000</u>	<u>\$ 99,000</u>	<u>\$ 126,521</u>	<u>\$ 27,521</u>
Fines and forfeitures:				
Police fines	\$ 45,100	\$ 45,100	\$ 58,302	\$ 13,202
Total fines and forfeitures	<u>\$ 45,100</u>	<u>\$ 45,100</u>	<u>\$ 58,302</u>	<u>\$ 13,202</u>
Revenue from use of money and property:				
Interest	\$ 13,750	\$ 13,750	\$ 21,713	\$ 7,963
Revenue from use of property	-	-	3,000	3,000
Total revenue from use of money and property	<u>\$ 13,750</u>	<u>\$ 13,750</u>	<u>\$ 24,713</u>	<u>\$ 10,963</u>
Miscellaneous:				
Miscellaneous	\$ 8,100	\$ 46,160	\$ 72,363	\$ 26,203
Proceeds from sales of property	5,000	5,000	11,966	6,966
Local grant & awards	4,000	15,224	11,000	(4,224)
Donations	-	-	155	155
Community events sign	1,600	1,600	1,251	(349)
Public Works reimbursement from others	4,700	4,700	7,550	2,850
Vehicle compensation reimbursement	1,700	1,700	1,501	(199)
Total miscellaneous	<u>\$ 25,100</u>	<u>\$ 74,384</u>	<u>\$ 105,786</u>	<u>\$ 31,402</u>
Total revenue from local sources	<u>\$ 8,106,799</u>	<u>\$ 8,156,083</u>	<u>\$ 8,697,153</u>	<u>\$ 541,070</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from local governments:				
Gasoline tax funding from Loudoun County	\$ 143,733	\$ 143,733	\$ 143,733	\$ -
Total revenue from local governments	\$ 143,733	\$ 143,733	\$ 143,733	\$ -
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 151,000	\$ 151,000	\$ 147,250	\$ (3,750)
Personal property tax relief funds	201,753	201,753	201,753	-
Total noncategorical aid	\$ 352,753	\$ 352,753	\$ 349,003	\$ (3,750)
Categorical aid:				
Shared expenses:				
Aid to Police	\$ 110,000	\$ 110,000	\$ 110,084	\$ 84
Total shared expenses	\$ 110,000	\$ 110,000	\$ 110,084	\$ 84
Other categorical aid:				
Arts grant	\$ 5,000	\$ 5,000	\$ 3,500	\$ (1,500)
Other categorical aid	6,200	6,200	7,324	1,124
Fire program funds	25,000	25,000	25,832	832
Highway maintenance funds	667,252	667,252	666,425	(827)
Litter control grant	3,000	3,000	2,867	(133)
Total other categorical aid	\$ 706,452	\$ 706,452	\$ 705,948	\$ (504)
Total categorical aid	\$ 816,452	\$ 816,452	\$ 816,032	\$ (420)
Total revenue from the Commonwealth	\$ 1,169,205	\$ 1,169,205	\$ 1,165,035	\$ (4,170)
Revenue from the federal government:				
Categorical aid:				
Law enforcement funds	\$ -	\$ -	\$ 7,877	\$ 7,877
Total categorical aid	\$ -	\$ -	\$ 7,877	\$ 7,877
Total revenue from the federal government	\$ -	\$ -	\$ 7,877	\$ 7,877
Total intergovernmental	\$ 1,312,938	\$ 1,312,938	\$ 1,316,645	\$ 3,707
Total General Fund	\$ 9,419,737	\$ 9,469,021	\$ 10,013,798	\$ 544,777

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Fund:</b>				
<b>Parks and Recreation Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property - special tax district	\$ 434,651	\$ 434,651	\$ 427,761	\$ (6,890)
Penalties and interest	1,500	1,500	795	(705)
Total general property taxes	<u>\$ 436,151</u>	<u>\$ 436,151</u>	<u>\$ 428,556</u>	<u>\$ (7,595)</u>
Revenue from use of money and property:				
Revenue from the use of property	\$ 34,200	\$ 78,600	\$ 79,880	\$ 1,280
Total revenue from use of money and property	<u>\$ 34,200</u>	<u>\$ 78,600</u>	<u>\$ 79,880</u>	<u>\$ 1,280</u>
Miscellaneous:				
Product sales	\$ 100	\$ 100	\$ 154	\$ 54
Donations	500	500	1,250	750
Garden plot	250	250	250	-
Event revenue	58,100	61,850	59,261	(2,589)
Total miscellaneous	<u>\$ 58,950</u>	<u>\$ 62,700</u>	<u>\$ 60,915</u>	<u>\$ (1,785)</u>
Total revenue from local sources	<u>\$ 529,301</u>	<u>\$ 577,451</u>	<u>\$ 569,351</u>	<u>\$ (8,100)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ 3,436	\$ 1,237	\$ (2,199)
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 3,436</u>	<u>\$ 1,237</u>	<u>\$ (2,199)</u>
Revenue from the federal government:				
Noncategorical aid:				
BAB subsidy	\$ 25,916	\$ 13,405	\$ 13,404	\$ (1)
Total noncategorical aid	<u>\$ 25,916</u>	<u>\$ 13,405</u>	<u>\$ 13,404</u>	<u>\$ (1)</u>
Total revenue from the federal government	<u>\$ 25,916</u>	<u>\$ 13,405</u>	<u>\$ 13,404</u>	<u>\$ (1)</u>
Total Parks and Recreation Fund	<u>\$ 555,217</u>	<u>\$ 594,292</u>	<u>\$ 583,992</u>	<u>\$ (10,300)</u>
<b>Capital Projects Fund:</b>				
<b>General Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Loudoun County settlement	\$ 79,673	\$ 230,344	\$ -	\$ (230,344)
Loudoun County contribution	1,025,000	1,257,790	1,025,000	(232,790)
Other miscellaneous	357,403	357,403	224,644	(132,759)
Total miscellaneous	<u>\$ 1,462,076</u>	<u>\$ 1,845,537</u>	<u>\$ 1,249,644</u>	<u>\$ (595,893)</u>
Total revenue from local sources	<u>\$ 1,462,076</u>	<u>\$ 1,845,537</u>	<u>\$ 1,249,644</u>	<u>\$ (595,893)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Transportation grants	\$ 2,778,544	\$ 2,674,637	\$ 247,853	\$ (2,426,784)
Total revenue from the Commonwealth	<u>\$ 2,778,544</u>	<u>\$ 2,674,637</u>	<u>\$ 247,853</u>	<u>\$ (2,426,784)</u>
Revenue from the federal government:				
Categorical aid:				
Highway planning and construction	\$ 83,536	\$ 354,016	\$ 1,504	\$ (352,512)
Total categorical aid	<u>\$ 83,536</u>	<u>\$ 354,016</u>	<u>\$ 1,504</u>	<u>\$ (352,512)</u>
Total revenue from the federal government	<u>\$ 83,536</u>	<u>\$ 354,016</u>	<u>\$ 1,504</u>	<u>\$ (352,512)</u>
Total intergovernmental	<u>\$ 2,862,080</u>	<u>\$ 3,028,653</u>	<u>\$ 249,357</u>	<u>\$ (2,779,296)</u>
Total General Capital Improvements Fund	<u>\$ 4,324,156</u>	<u>\$ 4,874,190</u>	<u>\$ 1,499,001</u>	<u>\$ (3,375,189)</u>
Total Primary Government	<u>\$ 14,299,110</u>	<u>\$ 14,937,503</u>	<u>\$ 12,096,791</u>	<u>\$ (2,840,712)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 79,482	\$ 79,482	\$ 68,104	\$ 11,378
General and financial administration:				
Administration	\$ 1,278,721	\$ 1,288,889	\$ 1,209,548	\$ 79,341
Legal services	53,000	660,800	544,802	115,998
Financial administration	59,500	59,500	47,333	12,167
Information technology	397,626	431,380	375,135	56,245
Finance	882,493	929,693	904,745	24,948
Retiree benefits	40,239	55,739	55,810	(71)
Total general and financial administration	\$ 2,711,579	\$ 3,426,001	\$ 3,137,373	\$ 288,628
Total general government administration	\$ 2,791,061	\$ 3,505,483	\$ 3,205,477	\$ 300,006
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,062,437	\$ 2,155,721	\$ 2,127,973	\$ 27,748
Fire and rescue services:				
Fire department	\$ 70,000	\$ 70,000	\$ 70,832	\$ (832)
Ambulance and rescue services	45,000	45,000	45,000	-
Total fire and rescue services	\$ 115,000	\$ 115,000	\$ 115,832	\$ (832)
Total public safety	\$ 2,177,437	\$ 2,270,721	\$ 2,243,805	\$ 26,916
Public works:				
Highways, streets, bridges and sidewalks	\$ 687,000	\$ 687,000	\$ 470,283	\$ 216,717
Administration	252,341	214,637	162,708	51,929
General properties	979,503	857,703	765,077	92,626
Capital and engineer	252,595	249,600	201,875	47,725
Refuse	450,000	450,000	445,685	4,315
Total public works	\$ 2,621,439	\$ 2,458,940	\$ 2,045,628	\$ 413,312
Community development:				
Planning and community development:				
Planning	\$ 496,439	\$ 480,939	\$ 439,104	\$ 41,835
Planning commission	14,350	14,350	14,508	(158)
Board of zoning and appeals	1,400	1,400	24	1,376
Board of architectural review	3,768	3,768	3,230	538
Total planning and community development	\$ 515,957	\$ 500,457	\$ 456,866	\$ 43,591
Environmental management:				
Environmental service	\$ 5,000	\$ 10,000	\$ 6,557	\$ 3,443
Total environmental management	\$ 5,000	\$ 10,000	\$ 6,557	\$ 3,443

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development: (Continued)				
Economic development:				
Economic development	\$ 12,000	\$ 19,000	\$ 1,135	\$ 17,865
Arts:				
Arts	\$ 20,000	\$ 20,000	\$ 13,076	\$ 6,924
Total community development	\$ 552,957	\$ 549,457	\$ 477,634	\$ 71,823
Debt service:				
Principal retirement	\$ 710,137	\$ 710,137	\$ 710,137	\$ -
Interest and other fiscal charges	553,155	553,155	553,155	-
Total debt service	\$ 1,263,292	\$ 1,263,292	\$ 1,263,292	\$ -
Total General Fund	\$ 9,406,186	\$ 10,047,893	\$ 9,235,836	\$ 812,057
<b>Special Revenue Fund:</b>				
<b>Parks and Recreation Fund:</b>				
Parks, recreation, and cultural:				
Management	\$ 112,238	\$ 113,838	\$ 104,738	\$ 9,100
Skating rink	20,150	14,850	13,923	927
Train station	42,960	32,660	26,339	6,321
Programs	58,250	67,080	56,043	11,037
Firemans Field	6,500	76,671	88,522	(11,851)
Tree commission	2,200	5,636	-	5,636
Total parks, recreation, and cultural	\$ 242,298	\$ 310,735	\$ 289,565	\$ 21,170
Debt service:				
Principal retirement and interest	\$ 176,129	\$ 2,444,735	\$ 2,444,735	\$ -
Interest and other fiscal charges	104,807	153,773	153,773	-
Bond issuance costs	-	20,312	20,312	-
Total debt service	\$ 280,936	\$ 2,618,820	\$ 2,618,820	\$ -
Total Parks and Recreation Fund	\$ 523,234	\$ 2,929,555	\$ 2,908,385	\$ 21,170
<b>Capital Projects Fund:</b>				
Capital projects expenditures:				
General capital projects	\$ -	\$ 87,323	\$ -	\$ 87,323
Financial software upgrade	101,000	217,650	50,910	166,740
Hirst Farm pond	600,000	600,000	59,624	540,376
Main and Maple improvements	100,000	376,000	1,200	374,800
A Street trail	875,000	875,000	38,641	836,359
12th Street improvements	620,000	-	-	-
Nursery Avenue drain improvement	267,062	1,456,322	78,778	1,377,544
32nd and A Street improvements	347,000	582,250	35,561	546,689
32nd and Main Street improvements	200,000	-	-	-
Hirst road improvements	874,152	1,068,849	70,199	998,650
Fireman's field upgrades	-	38,177	38,176	1
Total capital projects	\$ 3,984,214	\$ 5,301,571	\$ 373,089	\$ 4,928,482
Total Capital Projects Fund	\$ 3,984,214	\$ 5,301,571	\$ 373,089	\$ 4,928,482
Total Primary Government	\$ 13,913,634	\$ 18,279,019	\$ 12,517,310	\$ 5,761,709

Schedule of Revenues and Expenses - Budget and Actual  
 Water Fund  
 For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund:</b>				
Operating revenues:				
Water fees	\$ 2,106,684	\$ 2,106,684	\$ 2,120,353	\$ 13,669
Water meter fees	22,757	22,757	14,789	(7,968)
Miscellaneous income	5,250	5,250	18,295	13,045
Penalties and interest	25,000	25,000	26,265	1,265
Water flushing	1,000	1,000	-	(1,000)
Total operating revenues	\$ 2,160,691	\$ 2,160,691	\$ 2,179,702	\$ 19,011
Operating expenses:				
Personnel:				
Water staff	\$ 899,397	\$ 886,797	\$ 924,596	\$ (37,799)
Overtime - Water	40,750	40,750	43,778	(3,028)
Employee benefits:				
Health insurance	198,957	198,957	209,320	(10,363)
Retirement	68,572	68,572	50,271	18,301
Workers' compensation	18,455	18,455	19,263	(808)
Payroll taxes	71,900	71,900	71,472	428
Drug testing	715	715	197	518
Life insurance	11,443	11,443	8,799	2,644
Disability insurance	5,523	5,523	2,231	3,292
Deferred compensation match	4,983	4,983	4,883	100
Plant operations and meter reading:				
Electricity	13,000	13,000	11,604	1,396
Telephone	13,800	13,800	11,330	2,470
Supplies	16,500	20,000	22,912	(2,912)
Lab Equipment	3,000	7,850	7,607	243
Contracts	58,600	58,040	67,352	(9,312)
Uniforms	7,100	7,100	5,540	1,560
Safety	6,000	6,000	1,698	4,302
Sludge disposal	11,000	11,000	10,740	260
Cross connections	3,400	50	-	50
Plant repairs	41,000	46,150	46,482	(332)
Water line repairs	37,000	37,000	34,731	2,269
Leak detection	3,100	3,100	2,250	850
Meter repairs and testing	7,000	7,000	6,872	128
New water meters	31,000	31,000	29,231	1,769
Computer upgrades	2,000	2,000	1,993	7
Chemicals - plant	26,000	19,598	19,866	(268)
Permits	6,800	6,390	2,177	4,213
VDH operations fee	8,200	8,200	8,193	7
GIS layers	20,000	20,000	6,641	13,359
Advertisements	1,000	500	-	500
Water samples	16,000	16,000	12,276	3,724
Training	6,000	6,000	4,640	1,360
Dues and subscriptions	1,100	1,100	730	370
General expenses	1,100	560	382	178
Postage/mailings	14,000	14,000	8,036	5,964
Miscellaneous	1,500	500	55	445

## Schedule of Revenues and Expenses - Budget and Actual

## Water Fund

For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Water Fund: (Continued)</b>				
Operating expenses: (Continued)				
Plant operations and meter reading: (Continued)				
Professional services	\$ 100,000	\$ 106,155	\$ 37,985	\$ 68,170
Watershed management	14,200	7,870	7,978	(108)
Forestry management	3,500	330	330	-
Environmental compliance	2,000	2,000	305	1,695
Mowing	9,000	9,000	4,000	5,000
Administrative supplies	300	300	136	164
Water department emergency	500	500	-	500
Purchased water	40,000	40,000	32,351	7,649
New equipment and tools	27,000	23,500	15,686	7,814
Vehicle repairs and maintenance	15,000	15,000	14,665	335
Propane	9,000	18,350	13,176	5,174
Other expenses:				
Well operations:				
Electricity	41,000	56,818	56,384	434
Telephone	1,000	1,000	1,459	(459)
Supplies	23,500	23,500	21,236	2,264
Contracts	10,000	10,000	10,226	(226)
Spare parts	5,000	5,000	4,709	291
Repairs	25,000	27,500	111,144	(83,644)
Chemicals	18,000	18,000	16,368	1,632
Carbon change-out	20,000	18,350	18,350	-
Water samples	4,000	4,000	3,358	642
Propane	-	-	293	(293)
Depreciation	334,250	334,250	345,931	(11,681)
Capital outlay	687,280	1,625,988	19,518	1,606,470
Total operating expenses	<u>\$ 3,065,425</u>	<u>\$ 4,011,444</u>	<u>\$ 2,393,736</u>	<u>\$ 1,617,708</u>
Operating income (loss)	<u>\$ (904,734)</u>	<u>\$ (1,850,753)</u>	<u>\$ (214,034)</u>	<u>\$ 1,636,719</u>
Nonoperating revenues (expenses):				
Interest income	\$ 19,500	\$ 19,500	\$ 45,520	\$ 26,020
Unrealized investment gain (loss)	-	-	(25,274)	(25,274)
Cellular lease	170,000	170,000	192,043	22,043
Forestry management	20,000	20,000	252,234	232,234
Intergovernmental revenue	23,518	12,164	12,164	-
Bond proceeds	-	108,857	-	(108,857)
Bond issuance costs	-	(212,798)	(212,798)	-
Interest expense	(479,388)	(559,469)	(401,672)	157,797
Total nonoperating revenues (expenses)	<u>\$ (246,370)</u>	<u>\$ (441,746)</u>	<u>\$ (137,783)</u>	<u>\$ 303,963</u>
Net income (loss) before operating transfers and contributions	<u>\$ (1,151,104)</u>	<u>\$ (2,292,499)</u>	<u>\$ (351,817)</u>	<u>\$ 1,940,682</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 2,189,090	\$ 2,189,090	\$ 2,781,432	\$ 592,342
Transfers in	-	591,929	-	(591,929)
Total other financing sources (uses)	<u>\$ 2,189,090</u>	<u>\$ 2,781,019</u>	<u>\$ 2,781,432</u>	<u>\$ 413</u>
Change in net position	<u>\$ 1,037,986</u>	<u>\$ 488,520</u>	<u>\$ 2,429,615</u>	<u>\$ 1,941,095</u>

Schedule of Revenues and Expenses - Budget and Actual  
Sewer Fund  
For the Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund:</b>				
Operating revenues:				
Sewer fees	\$ 2,874,114	\$ 2,874,114	\$ 2,937,874	\$ 63,760
Sewer meter fees	-	-	14,789	14,789
Penalties and interest	25,000	25,000	26,264	1,264
Miscellaneous income	5,280	5,280	43,129	37,849
<b>Total operating revenues</b>	<b>\$ 2,904,394</b>	<b>\$ 2,904,394</b>	<b>\$ 3,022,056</b>	<b>\$ 117,662</b>
Operating expenses:				
Personnel:				
Sewer staff	\$ 913,987	\$ 893,487	\$ 885,715	\$ 7,772
Overtime - Sewer	42,250	42,250	44,821	(2,571)
Employee benefits:				
Health insurance	180,168	180,168	120,039	60,129
Retirement	69,717	69,717	56,059	13,658
Workers' compensation	14,143	14,143	12,660	1,483
Payroll taxes	73,130	73,130	73,134	(4)
Drug testing	715	715	125	590
Deferred compensation match	4,983	4,983	5,083	(100)
Life insurance	11,634	11,634	8,965	2,669
Disability insurance	5,577	5,577	2,307	3,270
Plant operations:				
Electricity	130,000	130,000	137,305	(7,305)
Telephone	10,000	10,000	12,899	(2,899)
Plant supplies	5,000	5,000	2,378	2,622
Contracts	61,700	45,450	29,806	15,644
Permits	8,600	8,600	7,984	616
Uniforms	7,000	7,000	6,247	753
Plant repairs	42,000	55,950	28,430	27,520
Sewer line repairs	32,000	32,000	2,671	29,329
Safety	9,850	9,850	4,262	5,588
Lab supplies	32,000	32,000	26,501	5,499
New equipment and tools	31,400	33,600	15,122	18,478
Sludge removal	32,000	32,000	27,058	4,942
Chemicals	80,000	80,000	84,324	(4,324)
Lab certification	2,500	2,500	2,125	375
Sample analysis	3,200	3,200	2,960	240
Computer operations	5,000	5,000	3,493	1,507
GIS layers	15,000	15,000	6,641	8,359
Waste disposal	2,500	2,500	-	2,500
Meter repairs, tools, and equipment	9,000	9,000	5,241	3,759
New water meters	29,000	29,000	30,862	(1,862)
Equipment - plant	20,000	20,000	12,947	7,053

## Schedule of Revenues and Expenses - Budget and Actual

## Sewer Fund

For the Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Sewer Fund: (Continued)</b>				
Operating expenses: (Continued)				
Plant operations: (Continued)				
Vehicle repairs	\$ 8,000	\$ 8,000	\$ 7,798	\$ 202
Dues and subscriptions	1,000	1,000	1,058	(58)
Advertisements	1,000	-	-	-
Training	3,500	3,500	2,119	1,381
Postage/mailings	9,000	9,000	8,480	520
Other expenses	6,000	5,875	4,912	963
Professional services	90,000	91,625	54,571	37,054
Mowing	2,500	2,500	718	1,782
Environmental compliance	1,000	1,000	-	1,000
Sewer department emergency	3,000	3,000	1,306	1,694
Administrative supplies	500	500	141	359
Pump station operations:				
Electricity	9,200	9,200	13,425	(4,225)
Telephone	600	600	917	(317)
Repairs	10,000	10,000	3,741	6,259
Contracts	5,000	4,600	-	4,600
Equipment	25,000	25,000	19,414	5,586
Propane	2,500	2,500	2,159	341
Depreciation	714,500	714,500	703,916	10,584
Capital outlay	179,000	379,000	-	379,000
Total operating expenses	<u>\$ 2,955,354</u>	<u>\$ 3,134,854</u>	<u>\$ 2,482,839</u>	<u>\$ 652,015</u>
Operating income (loss)	<u>\$ (50,960)</u>	<u>\$ (230,460)</u>	<u>\$ 539,217</u>	<u>\$ 769,677</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 9,750	\$ 9,750	\$ 31,251	\$ 21,501
Unrealized investment gain (loss)	-	-	(12,637)	(12,637)
Proffers	-	-	20,000	20,000
Bond issuance costs	-	(338,167)	(338,167)	-
Interest expense	(1,125,805)	(1,125,805)	(1,035,992)	89,813
Total nonoperating revenues (expenses)	<u>\$ (1,116,055)</u>	<u>\$ (1,454,222)</u>	<u>\$ (1,335,545)</u>	<u>\$ 118,677</u>
Net income (loss) before transfers and contributions	<u>\$ (1,167,015)</u>	<u>\$ (1,684,682)</u>	<u>\$ (796,328)</u>	<u>\$ 888,354</u>
Other financing sources (uses):				
Contributed capital - availability fees	\$ 1,836,000	\$ 1,836,000	\$ 2,332,800	\$ 496,800
Transfers in	-	200,000	-	(200,000)
Total other financing sources (uses)	<u>\$ 1,836,000</u>	<u>\$ 2,036,000</u>	<u>\$ 2,332,800</u>	<u>\$ 296,800</u>
Change in net position	<u>\$ 668,985</u>	<u>\$ 351,318</u>	<u>\$ 1,536,472</u>	<u>\$ 1,185,154</u>

Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 As of June 30, 2018 and June 30, 2017

	<u>2018</u>	<u>2017</u>
Governmental funds capital assets:		
Land	\$ 4,310,764	\$ 4,310,764
Buildings	12,080,410	12,080,410
Improvements other than buildings	4,754,025	4,754,025
Machinery and equipment	2,545,516	2,547,763
Vehicles	851,248	890,349
Infrastructure	62,453,811	62,380,108
Construction in progress	<u>1,003,616</u>	<u>734,267</u>
Total governmental funds capital assets	<u>\$ 87,999,390</u>	<u>\$ 87,697,686</u>
Investments in governmental funds capital assets by source:		
General fund	<u>\$ 87,999,390</u>	<u>\$ 87,697,686</u>
Total governmental funds capital assets	<u>\$ 87,999,390</u>	<u>\$ 87,697,686</u>

TOWN OF PURCELLVILLE, VIRGINIA

Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 As of June 30, 2018

Function and Activity	Land	Construction in Progress	Buildings
General government administration:			
Town council	\$ 3,877,612	\$ -	\$ 2,927,693
Finance and administration	-	226,199	3,819,631
Total general government administration	<u>\$ 3,877,612</u>	<u>\$ 226,199</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	\$ 777,417	\$ 144,752
Maintenance of buildings and grounds	-	-	5,188,334
Total public works	<u>\$ 433,152</u>	<u>\$ 777,417</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>\$ 1,003,616</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
<u>-</u>	<u>365,724</u>	<u>23,291</u>	<u>-</u>	<u>4,434,845</u>
\$ <u>110,931</u>	\$ <u>589,505</u>	\$ <u>210,759</u>	\$ <u>-</u>	\$ <u>11,762,330</u>
\$ <u>3,850</u>	\$ <u>254,871</u>	\$ <u>400,371</u>	\$ <u>-</u>	\$ <u>659,092</u>
\$ <u>3,850</u>	\$ <u>254,871</u>	\$ <u>400,371</u>	\$ <u>-</u>	\$ <u>659,092</u>
\$ 2,322,081	\$ 721,639	\$ 240,118	\$ 62,380,108	\$ 67,019,267
<u>-</u>	<u>979,501</u>	<u>-</u>	<u>-</u>	<u>6,167,835</u>
\$ <u>2,322,081</u>	\$ <u>1,701,140</u>	\$ <u>240,118</u>	\$ <u>62,380,108</u>	\$ <u>73,187,102</u>
\$ <u>2,317,163</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>73,703</u>	\$ <u>2,390,866</u>
\$ <u>2,317,163</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>73,703</u>	\$ <u>2,390,866</u>
\$ <u><u>4,754,025</u></u>	\$ <u><u>2,545,516</u></u>	\$ <u><u>851,248</u></u>	\$ <u><u>62,453,811</u></u>	\$ <u><u>87,999,390</u></u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity  
 For the Year Ended June 30, 2018

Function and Activity	Governmental Funds Capital Assets July 1, 2017	Additions	Deductions	Governmental Funds Capital Assets June 30, 2018
General government administration:				
Town council	\$ 7,327,485	\$ -	\$ -	\$ 7,327,485
Finance and administration	<u>4,395,160</u>	<u>63,101</u>	<u>(23,416)</u>	<u>4,434,845</u>
Total general government administration	<u>\$ 11,722,645</u>	<u>\$ 63,101</u>	<u>\$ (23,416)</u>	<u>\$ 11,762,330</u>
Public safety:				
Police department	<u>\$ 712,543</u>	<u>\$ 76,486</u>	<u>\$ (129,937)</u>	<u>\$ 659,092</u>
Total public safety	<u>\$ 712,543</u>	<u>\$ 76,486</u>	<u>\$ (129,937)</u>	<u>\$ 659,092</u>
Public works:				
Highways and roads	\$ 66,771,267	\$ 321,703	\$ (73,703)	\$ 67,019,267
Maintenance of buildings and grounds	<u>6,174,068</u>	<u>-</u>	<u>(6,233)</u>	<u>6,167,835</u>
Total public works	<u>\$ 72,945,335</u>	<u>\$ 321,703</u>	<u>\$ (79,936)</u>	<u>\$ 73,187,102</u>
Parks, recreation, and cultural:				
Parks and recreation	<u>\$ 2,317,163</u>	<u>\$ 73,703</u>	<u>\$ -</u>	<u>\$ 2,390,866</u>
Total parks, recreation, and cultural	<u>\$ 2,317,163</u>	<u>\$ 73,703</u>	<u>\$ -</u>	<u>\$ 2,390,866</u>
Total governmental funds capital assets	<u><u>\$ 87,697,686</u></u>	<u><u>\$ 534,993</u></u>	<u><u>\$ (233,289)</u></u>	<u><u>\$ 87,999,390</u></u>

## 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.

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#### 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.

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#### 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.

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#### 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.

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#### Operating Information

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

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

TOWN OF PURCELLVILLE, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 30,862,894	\$ 30,549,900	\$ 30,838,249	\$ 33,175,084
Restricted	-	-	-	-
Unrestricted	<u>4,809,256</u>	<u>7,932,422</u>	<u>7,181,242</u>	<u>4,712,380</u>
Total governmental activities net position	<u>\$ 35,672,150</u>	<u>\$ 38,482,322</u>	<u>\$ 38,019,491</u>	<u>\$ 37,887,464</u>
Business-type activities				
Net investment in capital assets	\$ 13,004,232	\$ 13,731,932	\$ 12,743,081	\$ 14,149,999
Unrestricted	<u>13,246,469</u>	<u>10,273,480</u>	<u>10,523,471</u>	<u>7,260,056</u>
Total business-type activities net position	<u>\$ 26,250,701</u>	<u>\$ 24,005,412</u>	<u>\$ 23,266,552</u>	<u>\$ 21,410,055</u>
Primary government				
Net investment in capital assets	\$ 43,867,126	\$ 44,281,832	\$ 43,581,330	\$ 47,325,083
Restricted	-	-	-	-
Unrestricted	<u>18,055,725</u>	<u>18,205,902</u>	<u>17,704,713</u>	<u>11,972,436</u>
Total primary government net position	<u>\$ 61,922,851</u>	<u>\$ 62,487,734</u>	<u>\$ 61,286,043</u>	<u>\$ 59,297,519</u>

Table 1

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<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 33,837,613	\$ 34,615,139	\$ 35,096,434	\$ 35,336,103	\$ 34,948,299	\$ 36,103,203
2,546,527	1,992,726	989,533	548,493	723,338	1,701,564
<u>3,450,049</u>	<u>3,445,511</u>	<u>3,890,599</u>	<u>4,480,445</u>	<u>5,909,479</u>	<u>3,153,671</u>
<u>\$ 39,834,189</u>	<u>\$ 40,053,376</u>	<u>\$ 39,976,566</u>	<u>\$ 40,365,041</u>	<u>\$ 41,581,116</u>	<u>\$ 40,958,438</u>
\$ 14,345,188	\$ 13,902,748	\$ 12,826,291	\$ 12,328,265	\$ 11,835,787	\$ 14,617,526
<u>3,893,882</u>	<u>4,189,021</u>	<u>5,718,797</u>	<u>6,525,057</u>	<u>10,910,592</u>	<u>11,562,432</u>
<u>\$ 18,239,070</u>	<u>\$ 18,091,769</u>	<u>\$ 18,545,088</u>	<u>\$ 18,853,322</u>	<u>\$ 22,746,379</u>	<u>\$ 26,179,958</u>
\$ 48,182,801	\$ 48,517,887	\$ 47,922,725	\$ 47,664,368	\$ 46,784,086	\$ 50,720,729
2,546,527	1,992,726	989,533	548,493	723,338	1,701,564
<u>7,343,931</u>	<u>7,634,532</u>	<u>9,609,396</u>	<u>11,005,502</u>	<u>16,820,071</u>	<u>14,716,103</u>
<u>\$ 58,073,259</u>	<u>\$ 58,145,145</u>	<u>\$ 58,521,654</u>	<u>\$ 59,218,363</u>	<u>\$ 64,327,495</u>	<u>\$ 67,138,396</u>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,574,927	\$ 2,472,829	\$ 1,890,188	\$ 3,214,457	\$ 3,100,979	\$ 2,923,193	\$ 2,763,529	\$ 2,815,863	\$ 2,942,494	\$ 3,437,040
Public safety	1,696,590	1,692,290	1,720,461	1,809,443	1,916,652	1,919,119	1,947,552	2,122,003	2,238,136	2,302,104
Public works	4,130,972	3,788,818	3,645,872	2,802,812	3,478,574	3,472,819	2,978,601	3,537,166	3,240,338	2,227,327
Parks, recreation and cultural	66,748	124,442	1,573,776	94,152	68,927	265,740	341,526	284,991	288,865	422,519
Community development	349,850	461,341	377,000	1,666,302	1,708,045	1,858,057	1,957,359	1,993,482	2,085,427	2,015,654
Interest on long-term debt	304,336	228,749	727,584	682,642	742,904	833,107	652,262	624,740	599,827	643,001
Total governmental activities expenses	\$ 9,123,423	\$ 8,768,469	\$ 9,934,881	\$ 10,269,808	\$ 11,016,081	\$ 11,272,035	\$ 10,640,829	\$ 11,378,245	\$ 11,395,087	\$ 11,047,645
Business-type activities:										
Water	\$ 2,069,090	\$ 2,179,820	\$ 2,092,401	\$ 2,045,177	\$ 4,227,361	\$ 2,116,235	\$ 2,536,825	\$ 2,213,759	\$ 2,173,568	\$ 3,008,206
Sewer	1,726,879	3,069,217	2,702,696	3,051,529	3,023,902	3,336,116	3,105,398	3,246,210	3,310,332	3,856,998
Total business-type activities expenses	\$ 3,795,969	\$ 5,249,037	\$ 4,795,097	\$ 5,096,706	\$ 7,251,263	\$ 5,452,351	\$ 5,642,223	\$ 5,459,969	\$ 5,483,900	\$ 6,865,204
Total primary government expenses	\$ 12,919,392	\$ 14,017,506	\$ 14,729,978	\$ 15,366,514	\$ 18,267,344	\$ 16,724,386	\$ 16,283,052	\$ 16,838,214	\$ 16,878,987	\$ 17,912,849
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 66,087	\$ 65,268	\$ 80,287	\$ 73,046	\$ 84,156	\$ 64,947	\$ 57,326	\$ 42,844	\$ 61,696	\$ 58,302
Public works	192,209	103,501	94,043	81,782	102,822	217,668	161,370	142,774	157,629	126,521
Operating grants and contributions	659,113	815,203	784,645	736,855	739,275	789,086	798,187	812,838	957,708	825,145
Capital grants and contributions	253,195	388,843	418,501	2,082,699	2,974,978	1,862,645	755,462	1,277,717	1,181,722	1,642,735
Total governmental activities program revenues	\$ 1,170,604	\$ 1,372,815	\$ 1,377,476	\$ 2,974,382	\$ 3,901,231	\$ 2,934,346	\$ 1,772,345	\$ 2,276,173	\$ 2,358,755	\$ 2,652,703
Business-type activities:										
Charges for services:										
Water	\$ 1,083,580	\$ 1,372,182	\$ 1,828,883	\$ 1,933,357	\$ 1,996,566	\$ 2,062,128	\$ 2,085,958	\$ 2,072,275	\$ 2,135,053	\$ 2,161,407
Sewer	1,472,164	1,733,717	2,016,920	2,224,268	2,386,434	2,652,841	2,603,688	2,716,078	2,918,681	2,978,927
Operating grants and contributions	-	-	-	-	33,237	29,368	28,287	27,041	25,902	12,164
Capital grants and contributions	5,308,197	1,031,874	1,113,674	780,144	604,954	1,506,757	2,325,382	1,752,098	4,851,708	5,114,232
Total business-type activities program revenues	\$ 7,863,941	\$ 4,137,773	\$ 4,959,477	\$ 4,937,769	\$ 5,021,191	\$ 6,251,094	\$ 7,043,315	\$ 6,567,492	\$ 9,931,344	\$ 10,266,730
Total primary government program revenues	\$ 9,034,545	\$ 5,510,588	\$ 6,336,953	\$ 7,912,151	\$ 8,922,422	\$ 9,185,440	\$ 8,815,660	\$ 8,843,665	\$ 12,290,099	\$ 12,919,433
Net (expense) / revenue										
Governmental activities	\$ (7,952,819)	\$ (7,395,654)	\$ (8,557,405)	\$ (7,295,426)	\$ (7,114,850)	\$ (8,337,689)	\$ (8,868,484)	\$ (9,102,072)	\$ (9,036,332)	\$ (8,394,942)
Business-type activities	4,067,972	(1,111,264)	164,380	(158,937)	(2,230,072)	798,743	1,401,092	1,107,523	4,447,444	3,401,526
Total primary government net (expense) / revenue	\$ (3,884,847)	\$ (8,506,918)	\$ (8,393,025)	\$ (7,454,363)	\$ (9,344,922)	\$ (7,538,946)	\$ (7,467,392)	\$ (7,994,549)	\$ (4,588,888)	\$ (4,993,416)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2017	2018
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,763,362	\$ 2,474,112	\$ 2,493,115	\$ 2,557,786	\$ 2,822,718	\$ 3,088,573	\$ 3,344,853	\$ 3,395,079	\$ 3,690,806	\$ 3,889,211
Local sales and use taxes	688,327	811,566	878,531	952,497	931,067	898,669	998,571	1,110,071	1,164,728	1,136,133
Meals taxes	689,856	679,083	775,398	788,948	1,229,495	1,384,194	1,607,222	1,786,932	1,910,552	2,047,316
Utility license taxes	201,503	204,768	208,945	201,784	209,182	218,543	222,625	220,033	220,180	222,488
Business licenses	534,537	633,268	549,271	621,289	709,692	666,178	677,503	765,795	765,581	791,317
Other local taxes	673,677	553,191	584,435	627,090	625,807	662,091	680,848	684,497	701,910	738,355
Unrestricted grants and contributions	204,253	372,869	386,923	368,625	369,061	392,714	391,107	385,727	381,086	362,408
Unrestricted revenues from use of money and property	98,761	55,765	69,615	50,350	44,400	41,890	40,442	39,846	49,464	97,313
Miscellaneous	1,900,565	2,103,213	2,130,196	70,166	80,487	88,120	112,530	89,326	210,938	173,981
Gain (loss) on sale of capital asset	-	-	-	-	923,762	-	(9,735)	-	-	(14,987)
Transfers	1,220,232	1,220,232	1,115,904	1,115,904	1,115,904	1,115,904	1,050,904	1,013,241	1,157,162	-
<b>Total governmental activities</b>	<b>\$ 8,975,073</b>	<b>\$ 9,108,067</b>	<b>\$ 9,192,333</b>	<b>\$ 7,354,439</b>	<b>\$ 9,061,575</b>	<b>\$ 8,556,876</b>	<b>\$ 9,116,870</b>	<b>\$ 9,490,547</b>	<b>\$ 10,252,407</b>	<b>\$ 9,443,535</b>
Business-type activities:										
Miscellaneous	\$ 133,621	\$ 161,020	\$ 154,736	\$ 176,481	\$ 169,673	\$ 167,616	\$ 174,807	\$ 213,285	\$ 582,346	\$ 525,701
Gain (loss) on sale of capital asset	-	-	-	-	-	-	35,000	-	-	-
Unrestricted revenues from use of money and property	320,633	92,566	57,927	18,870	5,318	2,244	1,030	667	20,429	38,860
Transfers	(1,220,232)	(1,220,232)	(1,115,904)	(1,115,904)	(1,115,904)	(1,115,904)	(1,050,904)	(1,013,241)	(1,157,162)	-
<b>Total business-type activities</b>	<b>\$ (765,978)</b>	<b>\$ (966,646)</b>	<b>\$ (903,241)</b>	<b>\$ (920,553)</b>	<b>\$ (940,913)</b>	<b>\$ (946,044)</b>	<b>\$ (840,067)</b>	<b>\$ (799,289)</b>	<b>\$ (554,387)</b>	<b>\$ 564,561</b>
<b>Total primary government</b>	<b>\$ 8,209,095</b>	<b>\$ 8,141,421</b>	<b>\$ 8,289,092</b>	<b>\$ 6,433,886</b>	<b>\$ 8,120,662</b>	<b>\$ 7,610,832</b>	<b>\$ 8,276,803</b>	<b>\$ 8,691,258</b>	<b>\$ 9,698,020</b>	<b>\$ 10,008,096</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 1,022,254	\$ 1,712,413	\$ 634,928	\$ 59,013	\$ 1,946,725	\$ 219,187	\$ 248,386	\$ 388,475	\$ 1,216,075	\$ 1,048,593
Business-type activities	3,301,994	(2,077,910)	(738,861)	(1,079,490)	(3,170,985)	(147,301)	561,025	308,234	3,893,057	3,966,087
<b>Total primary government</b>	<b>\$ 4,324,248</b>	<b>\$ (365,497)</b>	<b>\$ (103,933)</b>	<b>\$ (1,020,477)</b>	<b>\$ (1,224,260)</b>	<b>\$ 71,886</b>	<b>\$ 809,411</b>	<b>\$ 696,709</b>	<b>\$ 5,109,132</b>	<b>\$ 5,014,680</b>

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

Fiscal Year	Property Taxes	Local Sales and Use Tax	Utility License Taxes	Meals Taxes	Business Licenses	Other Local Taxes	Total
2018	\$ 3,889,211	\$ 1,136,133	\$ 222,488	\$ 2,047,316	\$ 791,317	\$ 738,355	\$ 8,824,820
2017	3,690,806	1,164,728	220,180	1,910,552	765,581	701,910	8,453,757
2016	3,395,079	1,110,071	220,033	1,786,932	765,795	684,497	7,962,407
2015	3,344,853	998,571	222,625	1,607,222	677,503	680,848	7,531,622
2014	3,088,573	898,669	218,543	1,384,194	666,178	662,091	6,918,248
2013	2,822,718	931,067	209,182	1,229,495	709,692	625,807	6,527,961
2012	2,557,786	952,497	201,784	788,948	621,289	627,090	5,749,394
2011	2,493,115	878,531	208,945	775,398	549,271	584,435	5,489,695
2010	2,474,112	811,566	204,768	679,083	633,268	553,191	5,355,988
2009	2,763,362	688,327	201,503	689,856	534,537	673,677	5,551,262

TOWN OF PURCELLVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental funds:			
Nonspendable:			
Prepaid items	\$ 48,897	\$ 51,782	\$ 52,722
Restricted for:			
State highway maintenance	\$ 170,807	\$ 94,890	\$ 120,260
Loudoun County settlement funds	1,394,619	2,840,945	3,314,618
Loudoun County - transportation and sidewalk projects	-	-	-
Fireman's field	-	-	-
Hirst pond	-	-	-
Proffers	-	-	-
USDA bond covenant	-	-	-
Unspent bond proceeds	1,157,112	627,311	2,876,577
Total restricted fund balance	\$ 2,722,538	\$ 3,563,146	\$ 6,311,455
Committed for:			
Street bonds	\$ 28,733	\$ 28,733	\$ 10,328
Capital expense	-	-	-
Total committed fund balance	\$ 28,733	\$ 28,733	\$ 10,328
Assigned for:			
Capital projects	\$ -	\$ -	\$ -
Unassigned	\$ 3,719,677	\$ 4,363,277	\$ 4,368,340
Total governmental funds	\$ 6,519,845	\$ 8,006,938	\$ 10,742,845

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

Table 4

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 52,902	\$ 48,661	\$ 63,487	\$ 61,630	\$ -	\$ 1,256	\$ 20,198
\$ 66,503	\$ 397,701	\$ 35,051	\$ 131,454	\$ 58,377	\$ 260,205	\$ 364,998
2,193,686	1,730,952	945,882	550,734	221,800	230,344	195,001
-	-	611,809	214,830	214,830	214,830	1,051,189
-	357,961	399,984	92,515	53,486	17,959	-
-	-	-	-	-	-	90,376
-	-	-	-	-	667,536	892,180
-	59,913	-	-	-	-	-
57,669	237,332	42,636	-	-	-	-
\$ <u>2,317,858</u>	\$ <u>2,783,859</u>	\$ <u>2,035,362</u>	\$ <u>989,533</u>	\$ <u>548,493</u>	\$ <u>1,390,874</u>	\$ <u>2,593,744</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,000	768,892	691,135	590,155	479,261	525,440	556,741
\$ <u>10,000</u>	\$ <u>768,892</u>	\$ <u>691,135</u>	\$ <u>590,155</u>	\$ <u>479,261</u>	\$ <u>525,440</u>	\$ <u>556,741</u>
\$ -	\$ -	\$ 21,654	\$ -	\$ 220,199	\$ 183,142	\$ 443,537
\$ <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>6,685,555</u>	\$ <u>5,176,351</u>
\$ <u><u>5,808,336</u></u>	\$ <u><u>7,485,945</u></u>	\$ <u><u>7,020,671</u></u>	\$ <u><u>6,672,484</u></u>	\$ <u><u>6,924,380</u></u>	\$ <u><u>8,786,267</u></u>	\$ <u><u>8,790,571</u></u>

TOWN OF PURCELLVILLE, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2009	2010	2011	2012
<b>Revenues</b>				
General property taxes	\$ 2,728,737	\$ 2,487,151	\$ 2,526,829	\$ 2,526,297
Other local taxes	2,787,900	2,881,876	2,996,580	3,191,608
Permits, privilege fees and regulatory licenses	192,209	103,501	118,070	81,782
Fines and forfeitures	66,087	65,268	80,287	73,046
Revenue from use of money and property	98,761	55,765	69,615	50,350
Miscellaneous	1,900,565	2,103,213	2,106,173	70,166
Intergovernmental:				
Local government	150,000	165,000	-	-
Commonwealth	956,767	1,282,739	1,380,629	1,498,138
Federal	9,794	129,176	209,437	1,690,041
<b>Total revenues</b>	<b>\$ 8,890,820</b>	<b>\$ 9,273,689</b>	<b>\$ 9,487,620</b>	<b>\$ 9,181,428</b>
<b>Expenditures</b>				
General government administration	\$ 2,342,444	\$ 2,109,213	\$ 2,348,933	\$ 2,366,088
Public safety	1,566,094	1,606,485	1,626,498	1,788,562
Public works	2,812,620	2,724,992	2,821,523	2,769,287
Parks, recreation and cultural	27,794	33,063	26,800	80,475
Community development	517,069	486,933	412,050	420,361
Capital outlay	2,626,704	7,966,091	5,885,407	6,468,774
Debt service				
Principal	265,970	448,699	496,895	672,460
Interest and other fiscal charges	169,385	318,906	570,022	665,834
Bond issue costs	-	88,274	143,973	-
<b>Total expenditures</b>	<b>\$ 10,328,080</b>	<b>\$ 15,782,656</b>	<b>\$ 14,332,101</b>	<b>\$ 15,231,841</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (1,437,260)</b>	<b>\$ (6,508,967)</b>	<b>\$ (4,844,481)</b>	<b>\$ (6,050,413)</b>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 2,263,960	\$ 5,223,555	\$ 8,071,938	\$ 5,838,232
Transfers out	(1,043,728)	(4,003,323)	(6,956,034)	(4,722,328)
Refunding bonds issued (including bond premiums)	-	-	4,241,000	-
Issuance of debt	1,454,523	6,775,828	6,366,117	-
Proceeds from sale of property	-	-	-	-
Payments to refunded bond escrow agent	-	-	(4,142,633)	-
<b>Total other financing sources (uses)</b>	<b>\$ 2,674,755</b>	<b>\$ 7,996,060</b>	<b>\$ 7,580,388</b>	<b>\$ 1,115,904</b>
<b>Net change in fund balances</b>	<b>\$ 1,237,495</b>	<b>\$ 1,487,093</b>	<b>\$ 2,735,907</b>	<b>\$ (4,934,509)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.94%</b>	<b>10.98%</b>	<b>13.90%</b>	<b>14.63%</b>

Table 5

	2013	2014	2015	2016	2017	2018
\$	2,850,968	\$ 3,095,888	\$ 3,239,133	\$ 3,472,962	\$ 3,648,248	\$ 3,874,778
	3,705,243	3,829,675	4,186,769	4,567,328	4,762,951	4,935,609
	102,822	217,668	161,370	142,774	157,629	126,521
	84,156	64,947	57,326	42,844	61,696	58,302
	44,400	41,890	40,442	39,846	49,464	104,593
	80,487	88,119	112,530	89,327	210,938	166,701
	687,739	1,102,228	253,365	223,147	773,558	1,393,377
	3,361,171	1,830,329	1,623,099	1,415,501	1,331,322	1,414,125
	34,404	111,888	68,292	837,634	415,637	22,785
\$	<u>10,951,390</u>	<u>\$ 10,382,632</u>	<u>\$ 9,742,326</u>	<u>\$ 10,831,363</u>	<u>\$ 11,411,443</u>	<u>\$ 12,096,791</u>
\$	2,390,979	\$ 2,515,213	\$ 2,471,121	\$ 2,611,773	\$ 2,679,550	\$ 3,205,477
	1,838,119	1,906,858	1,968,590	2,068,546	2,103,905	2,243,805
	2,747,417	3,285,281	2,729,601	3,387,426	3,014,297	2,045,628
	153,330	183,440	227,434	169,803	174,316	289,565
	426,093	420,836	431,276	495,504	537,634	477,634
	4,723,932	2,190,996	2,046,356	1,323,834	652,204	373,089
	3,440,182	8,517,384	756,531	833,543	864,121	3,154,872
	769,333	596,339	725,508	702,279	680,691	706,928
	-	165,517	-	-	-	20,312
\$	<u>16,489,385</u>	<u>\$ 19,781,864</u>	<u>\$ 11,356,417</u>	<u>\$ 11,592,708</u>	<u>\$ 10,706,718</u>	<u>\$ 12,517,310</u>
\$	<u>(5,537,995)</u>	<u>\$ (9,399,232)</u>	<u>\$ (1,614,091)</u>	<u>\$ (761,345)</u>	<u>\$ 704,725</u>	<u>\$ (420,519)</u>
\$	1,115,904	\$ 1,579,416	\$ 1,259,361	\$ 1,174,741	\$ 1,337,162	\$ 2,284,248
	-	(463,512)	(208,457)	(161,500)	(180,000)	(2,284,248)
	-	12,473,453	-	-	-	700,000
	4,840,000	-	215,000	-	-	-
	1,259,700	-	-	-	-	-
	-	(4,655,399)	-	-	-	(275,177)
\$	<u>7,215,604</u>	<u>\$ 8,933,958</u>	<u>\$ 1,265,904</u>	<u>\$ 1,013,241</u>	<u>\$ 1,157,162</u>	<u>\$ 424,823</u>
\$	<u>1,677,609</u>	<u>\$ (465,274)</u>	<u>\$ (348,187)</u>	<u>\$ 251,896</u>	<u>\$ 1,861,887</u>	<u>\$ 4,304</u>
	33.99%	51.92%	15.94%	15.09%	15.50%	31.97%

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
2018	\$ 3,874,778	\$ 1,136,133	\$ 222,488	\$ 167,457	\$ 2,047,316	\$ 791,317	\$ 570,898	\$ 8,810,387
2017	3,648,248	1,164,728	220,180	154,425	1,910,552	765,581	547,485	8,411,199
2016	3,472,962	1,110,071	220,033	146,961	1,786,932	765,795	537,536	8,040,290
2015	3,239,133	998,571	222,625	145,791	1,607,222	677,503	535,057	7,425,902
2014	3,095,888	898,669	218,543	153,981	1,384,194	666,178	508,110	6,925,563
2013	2,850,968	931,067	209,182	149,973	1,229,495	709,692	475,834	6,556,211
2012	2,526,297	952,497	201,784	154,275	788,948	621,289	472,815	5,717,905
2011	2,526,829	878,531	208,945	136,777	775,398	549,271	447,658	5,523,409
2010	2,487,151	811,566	204,768	127,915	679,083	633,268	425,276	5,369,027
2009	2,728,737	688,327	201,503	126,268	689,856	534,537	547,409	5,516,637

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
2018	1,325,967,550	79,726,603	21,440,870	1,427,135,023	1,427,135,023	100.00%
2017	1,252,549,625	70,990,468	21,708,974	1,345,249,067	1,345,249,067	100.00%
2016	1,202,445,320	63,071,081	21,747,771	1,287,264,172	1,287,264,172	100.00%
2015	1,140,041,935	65,961,448	21,628,009	1,227,631,392	1,227,631,392	100.00%
2014	1,064,663,675	64,959,370	20,976,414	1,150,599,459	1,150,599,459	100.00%
2013	1,010,965,950	63,685,657	20,575,695	1,095,227,302	1,095,227,302	100.00%
2012	976,555,250	61,387,349	17,270,331	1,055,212,930	1,055,212,930	100.00%
2011	960,616,700	62,755,192	12,415,217	1,035,787,109	1,035,787,109	100.00%
2010	961,287,250	56,657,467	12,470,666	1,030,415,383	1,030,415,383	100.00%
2009	1,048,886,350 *	108,172,940	12,226,592	1,169,285,882	1,169,285,882	100.00%

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
2018	.22/.22	.035/.03	1.05	0.01	0.55	N/A	1.085	4.20	2.75
2017	.22/.22	.035/.035	1.05	0.01	0.55	N/A	1.125	4.20	2.75
2016	.22/.22	.035/.035	1.05	0.01	0.55	N/A	1.145	4.20	2.75
2015	.21/.22	.035/.035	1.05	0.01	0.55	N/A	1.135	4.20	2.75
2014	.225/.21	.035/.035	1.05	0.01	0.55	N/A	1.155	4.20	2.75
2013	.225/.225	NA/.035	1.05	0.01	0.55	N/A	1.205	4.20	2.75
2012	.23/.225	N/A	1.05	0.01	0.55	N/A	1.24	4.20	2.75
2011	.23/.23	N/A	1.05	0.01	0.55	N/A	1.29	4.20	2.75
2010	.225/.23	N/A	1.05	0.01	0.55	N/A	1.30	4.20	2.75
2009	.19/.225	N/A	1.05	0.01	0.55	N/A	1.245	4.20	2.75

(1) Per \$100 of assessed value

Source: Town Finance Department and Treasurer of Loudoun County

Principal Real Property Taxpayers  
Current Year and 9 Years Ago

Taxpayer	Type Business	Fiscal Year 2018		Fiscal Year 2009	
		2018 Assessed Valuation	% of Total Assessed Valuation	2009 Assessed Valuation	% of Total Assessed Valuation
NSHE Fool Hollow Lake LLC	Shopping Ctr (105 Purcellville Gateway)	\$ 35,459,330	2.60%	\$ 4,669,600	0.48%
Main St. Station LLC	Shopping Center (1000 E Main St)	24,436,740	1.79%	13,419,300	1.38%
S R B Enterprises LLC	Shopping Center (711 E Main St)	12,017,890	0.88%	4,623,800	0.48%
Purcellville Shopping Center LLC	Shopping Center (609 E Main St)	10,670,330	0.78%	10,984,600	1.13%
Valley Medical Center LLC	Medical Center (205 Hirst Road)	8,739,530	0.64%	4,964,100	0.51%
Purcellville Development LLC	Shopping Center (1231 Wolf Rock Rd)	6,997,750	0.51%	279,100	0.03%
Maple Avenue Apartments LP	Apartments (610-650 Dominion TE)	5,317,360	0.39%	5,949,500	0.61%
Main Street Associates LP	Apartments (123 16th St)	4,992,930	0.37%	5,683,800	0.59%
LRG-125 Hirst Road LLC	Office Building (125 Hirst Road)	4,217,110	0.31%	2,802,800	0.29%
Purcellville Plaza LLC	201 N Maple Ave	4,119,260	0.30%	5,962,500	0.61%
		<u>\$ 116,968,230</u>	<u>8.58%</u>	<u>\$ 59,339,100</u>	<u>6.12%</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
2018	\$ 3,309,611	\$ 579,342	\$ 3,888,953	\$ 3,689,674	94.88%	\$ N/A	\$ 3,689,674	94.88%
2017	3,191,567	489,048	3,680,615	3,528,421	95.86%	118,732	3,647,153	99.09%
2016	3,006,627	427,528	3,434,155	3,320,031	96.68%	107,156	3,427,186	99.80%
2015	2,833,250	438,636	3,271,886	3,099,061	94.72%	163,198	3,262,259	99.71%
2014	2,684,760	431,752	3,116,512	3,021,519	96.95%	91,280	3,112,799	99.88%
2013	2,448,170	422,435	2,870,605	2,746,752	95.69%	119,832	2,866,584	99.86%
2012	2,214,116	395,634	2,609,750	2,523,249	96.69%	80,920	2,604,169	99.79%
2011	2,208,797	383,180	2,591,977	2,494,927	96.26%	93,266	2,588,193	99.85%
2010	2,192,212	319,036	2,511,248	2,436,375	97.02%	71,372	2,507,747	99.86%
2009	2,183,022	633,639 *	2,816,661	2,725,048	96.75%	84,417	2,809,465	99.74%

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 (2)
	General Obligation Bonds	Other Notes/ Bonds	General Obligation Bonds	Capital Leases			
2018	\$ 14,657,946	\$ 765,000	\$ 40,921,224	206,671	\$ 56,550,841	7.65%	\$ 5,788
2017	17,374,221	850,000	42,595,476	254,291	61,073,988	8.55%	6,251
2016	18,251,388	935,000	43,033,090	300,393	62,519,871	9.25%	6,588
2015	19,094,249	1,020,000	43,475,334	345,026	63,934,609	9.90%	6,934
2014	19,642,757	1,105,000	44,173,657	-	64,921,414	10.76%	7,269
2013	19,929,554	1,190,000	43,194,735	-	64,314,289	11.18%	7,439
2012	18,444,736	1,275,000	44,146,465	-	63,866,201	11.22%	7,655
2011	19,032,196	1,360,000	45,216,445	-	65,608,641	12.30%	8,125
2010	12,953,021	1,445,000	47,287,639	-	61,685,660	12.68%	7,983
2009	6,483,776	1,530,000	40,873,842	-	48,887,618	10.42%	6,405

## 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.

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

TOWN OF PURCELLVILLE, VIRGINIA

Legal Debt Margin Information  
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 111,097,731	\$ 103,391,108	\$ 103,343,018	\$ 99,381,070
Total net debt applicable to limit	<u>48,887,618</u>	<u>61,685,660</u>	<u>65,608,641</u>	<u>63,866,201</u>
Legal debt margin	<u>\$ 62,210,113</u>	<u>\$ 41,705,448</u>	<u>\$ 37,734,377</u>	<u>\$ 35,514,869</u>
Total net debt applicable to the limit as a percentage of debt limit	44.00%	59.66%	63.49%	59.66%

Table 12

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 102,790,304	\$ 108,560,416	\$ 116,163,432	\$ 122,419,309	\$ 127,425,860	\$ 134,740,842
<u>64,314,289</u>	<u>64,921,414</u>	<u>63,934,609</u>	<u>62,519,871</u>	<u>61,073,988</u>	<u>56,550,841</u>
<u>\$ 38,476,015</u>	<u>\$ 43,639,002</u>	<u>\$ 52,228,823</u>	<u>\$ 59,899,438</u>	<u>\$ 66,351,872</u>	<u>\$ 78,190,001</u>
63.49%	64.26%	55.04%	51.07%	47.93%	41.97%

## Legal Debt Margin Calculation for Fiscal Year 2018

Total assessed value of real estate	\$ 1,347,408,420
Debt limit (10% of total assessed value)	134,740,842
Net debt applicable to limit	<u>56,550,841</u>
Legal debt margin	<u>\$ 78,190,001</u>

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2018

<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	\$ 1,574,668,301	1.46%	\$ 22,981,951
Town of Purcellville, direct debt (2)			\$ 15,422,946
Total direct and overlapping debt			\$ 38,404,897

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), (2)	Ratio of Net Bonded Debt to Assessed Value (3)	Net Bonded Debt per Capita (4)
2018	\$ 56,550,841	3.96%	\$ 5,788
2017	61,073,988	4.54%	6,251
2016	62,519,871	4.86%	6,588
2015	63,934,609	5.21%	6,934
2014	64,921,414	5.64%	7,269
2013	64,314,289	5.87%	7,439
2012	63,866,201	6.05%	7,655
2011	65,608,641	6.33%	8,125
2010	61,685,660	5.99%	7,983
2009	48,887,618	4.18%	6,405

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

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

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

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

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)
2018	N/A	75,700	33.4	2,904	2.7
2017	9,771	73,100	33.2	2,842	3.2
2016	9,490	71,218	33.7	3,037	3.4
2015	9,221	70,046	33.6	2,563	3.8
2014	8,931	67,577	33.6	2,603	4.5
2013	8,645	66,517	33.5	2,488	4.7
2012	8,343	68,208	33.4	2,330	4.8
2011	8,075	66,042	33.5	2,297	5.0
2010	7,727	62,979	33.6	2,105	5.2
2009	7,632	61,471	33.8	2,105	5.0

## Sources:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.  
2011-2017: US Bureau of Census Population Estimates; 2018 update not yet available.
- (2) 2009-2016: Bureau of Economic Analysis, US Department of Commerce, November 16, 2017.  
2017-2018: Loudoun County Department of Management and Budget estimates.
- (3) 2010: US Bureau of Census, 2010 Decennial Census.  
2009, 2011-2017: Loudoun County Department of Planning and Zoning. 2018 is County estimate.
- (4) 2009: Loudoun School Census (triennial), Loudoun County Public Schools;  
2010-2017: Weldon Cooper Center for Public Service; 2018 Loudoun County estimate.  
School-Age Population Estimates for July 1 of the year indicated.  
2018 is Department of Management and Budget estimate.
- (5) Local Area Unemployment Statistics, Virginia Employment Commission, Month of June each year.  
Values for 2010-2017 are revised.

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

Principal Employers  
Current Year and 9 Years Ago

Employer	Fiscal Year 2018		Fiscal Year 2009	
	Employees	Rank	Employees	Rank
Loudoun County Schools	618	1	485	1
Wholesale Screening Solutions	185	2	n/a	n/a
Harris Teeter	170	3	n/a	n/a
Blue Ridge Veterinary Assoc., Inc.	119	4	70	10
Giant	112	5	145	2
Chick-fil-A (Payne Leadership Dev. Group)	100	6	n/a	n/a
Home School Legal Defense	100	7	70	9
Magnolia's at the Mill	88	8	71	8
Town of Purcellville	85	9	75	7
Shop & Save (previously Bloom/Food Lion)	65	10	81	6

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

Source: Town Business License Renewal  
Loudoun County Public Schools

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	7.50	7.75	7.50	8.50	8.50	8.50	9.00	10.00	9.50	10.20
Finance Administration	7.50	7.50	7.50	7.50	7.50	7.50	7.50	8.00	8.60	8.60
Public Safety/Police	14.00	15.00	15.00	15.00	15.00	16.00	17.00	16.00	17.00	18.00
Public Works	8.00	8.00	8.00	8.00	8.00	8.00	7.00	6.75	6.00	9.00
General Maintenance	10.00	10.00	9.00	9.00	9.00	9.00	9.00	9.60	10.60	10.60
Planning & Zoning	4.75	4.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks & Recreation				1.00	1.00	1.00	1.00	1.00	1.20	1.20
Water Treatment	9.00	9.00	9.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00
Wastewater Treatment	9.00	9.00	9.00	9.00	9.00	9.00	9.50	9.00	9.00	9.00
Totals	<u>69.75</u>	<u>70.25</u>	<u>68.00</u>	<u>70.00</u>	<u>70.00</u>	<u>71.00</u>	<u>73.00</u>	<u>73.35</u>	<u>74.90</u>	<u>79.60</u>

Source: IRS Form 941s

Operating Indicators by Function  
 Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Administration</b>										
Special Events	17	23	22	19	20	22	27	27	20	19
FOIA Requests Processed	75	157	227	161	115	105	137	135	85	116
<b>Finance</b>										
Utility Bills Processed	15,392	15,201	15,209	15,763	15,913	15,590	15,787	15,949	16,303	16,941
Tax Bills Processed	19,366	12,342	12,959	12,740	12,881	12,823	12,923	12,220	12,812	14,971
Accounts Payable Transactions	6,139	6,089	6,133	6,133	6,175	6,652	6,291	6,449	6,815	8,361
<b>Public Safety</b>										
Parking Violations	163	177	172	128	229	358	270	79	142	221
Traffic violations	1,356	1,671	1,692	1,021	1,457	1,152	834	624	1,038	915
Incident Reports	829	1,103	986	680	933	865	756	632	755	814
Warning Tickets*	0	0	0	0	0	0	0	524	588	1258
<b>Public Works</b>										
<b>Maintenance Dept.</b>										
Work Orders, number of	890	902	1,190	1,406	1,356	1,583	1,753	1,395	2,154	1,979
New Meters Installed	22	13	12	22	27	25	24	38	93	99
Miss Utility's Processed	830	899	783	1,186	905	1014	988	1,372	1,523	1,475
<b>Water Dept.</b>										
Total Gallons Treated (millions)	207	203	202	196	194	192	201	200	198	210
Samples in Compliance, % of	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Violations, number of	1	0	0	0	0	0	0	0	0	0
<b>Wastewater Dept.</b>										
Daily average of gallons treated	536,500	575,200	590,200	591,200	638,400	614,200	549,400	661,400	589,800	576,000
Complaints, number of	2	3	0	0	1	1	1	1	0	2
<b>Planning and Zoning</b>										
Occupancy Permits Issued	76	78	68	76	84	70	93	81	129	192
Zoning Permits Issued	179	183	179	268	140	214	202	259	306	386
Development Plans Processed	17	11	9	9	7	8	11	7	10	19

\*data for warning tickets first available for 2016

Source: Individual town departments.

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Administration</b>										
Administration Buildings	2	2	2	2	1	1	1	1	1	1
Bus Stops for Public Transportation	1	1	1	6	6	6	6	6	6	6
Public Parking Lots	2	2	2	4	4	4	4	4	4	4
Vehicles	2	2	1	1	1	1	1	1	1	1
<b>Parks and Recreation</b>										
Recreation Facilities - Buildings	2	2	2	2	2	2	2	2	2	2
Recreation Facilities - Fields, Parks, Trails	3	3	3	3	3	3	3	3	3	3
<b>Public safety</b>										
Radar Smart Trailers	3	3	3	1	-	-	-	-	-	-
Vehicles	11	10	10	11	11	12	12	12	13	12
<b>Public works</b>										
<u>Maintenance Dept.</u>										
Heavy Equipment (Backhoes, etc)	14	17	20	20	22	22	22	23	23	23
Maintenance Facility	1	2	2	2	2	2	2	2	2	2
Message Boards	3	3	3	3	3	3	3	3	3	3
Traffic Signals	2	2	2	2	2	2	2	2	2	2
Vehicles	18	18	21	21	20	20	20	20	20	18
<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	4	4	4	4	4	4	4	4
Vehicles	4	4	4	5	6	5	5	5	5	5
Water Reservoir(s)	1	1	1	1	1	1	1	1	1	4
Water Treatment Plant	1	1	1	1	1	1	1	1	1	1
Modular Bldg @ Plant	1	1	1	1	1	1	1	1	1	1
Wells/Well Houses	7	8	8	9	9	9	9	9	9	9
<u>Wastewater Dept.</u>										
Pump Stations	6	6	6	6	6	6	6	6	6	6
Vehicles	5	5	5	5	5	5	5	5	5	5
Wastewater Treatment Plant	1	1	1	1	1	1	1	1	1	1
<b>Planning and Zoning</b>										
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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Purcellville, Virginia, as of and for the year ended June 30, 2018, 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 19, 2018.

### 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 19, 2018