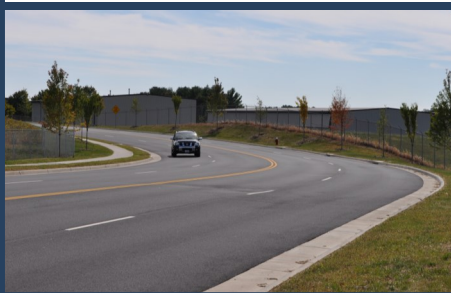




FY 2015 Comprehensive Annual Financial Report for the Town of Leesburg Virginia

Leesburg

the hometown of the 21st century



THE TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

Prepared by the
Department of Finance and Administrative Services

TOWN OF LEESBURG, VIRGINIA

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INTRODUCTORY SECTION

November 23, 2015

Honorable Mayor, Members of Town Council, and
Residents of the Town of Leesburg:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Town of Leesburg (the Town) for the fiscal year ended June 30, 2015. This report is designed to present fairly the financial position of governmental activities, business-type activities, and each major fund of the Town in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions. The CAFR includes all disclosures necessary to enable the reader to gain an understanding of the financial affairs of the Town. The management's discussion and analysis (MD&A) section of the CAFR summarizes the Town's financial position, and activities for the fiscal year ended June 30, 2015.

The Department of Finance and Administrative Services has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States of America (GAAP) which are uniform minimum standards and guidelines for financial accounting and reporting;
- Governmental accounting and financial reporting statements, interpretations, and technical bulletins issued by the Governmental Accounting Standards Board (GASB); and
- Uniform financial reporting standards for counties, cities, and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

Responsibility for the accuracy of the data and the completeness and fairness of the information presented in the CAFR including disclosures rests with Town management. To the best of our knowledge and belief, the enclosed financial statements, schedules, and tables are complete and accurate in all material respects.

Profile of the Town

The Town is located in the Virginia Piedmont between the foothills of the Blue Ridge Mountains and the Potomac River, 35 miles northwest of Washington, D.C. The Town covers approximately 12 square miles, with elevations ranging from 275 feet to 425 feet above sea level.

Established in 1758, Leesburg is the seat of government for Loudoun County. The Town's rich history spans three centuries. Originally, a settlement called George Town in honor of the reigning monarch of Great Britain; the Town was renamed to honor the influential Lee family of Virginia.

During the War of 1812, the Town served as the temporary capital of the United States when valuable papers of the federal government including the Declaration of Independence and the Constitution were brought to the Town for safekeeping. President James Monroe resided just south of town at Oak Hill where he announced the Monroe Doctrine in 1823. The Town was the site of the Civil War Battle of Ball's Bluff fought on the banks of the Potomac River. The 1861 battle claimed the life of Col. Edward Baker, a close friend of President Lincoln, and spawned a congressional committee to investigate the conduct of the war. The battlefield is marked by one of America's smallest national cemeteries.

In the 20th century, the Town was the home of World War II General, and later U. S. Secretary of State, George C. Marshall, architect of the famous Marshall Plan that re-built Europe after the war. Radio and television personality, Arthur Godfrey, who donated land for the Town's first airport, also called Leesburg home.

Today, the Town continues to serve as the center of government and commerce for Loudoun County. The Old and Historic District was placed on the National Registry of Historic Places in 1970 and cited as one of the best preserved and most picturesque downtowns in Virginia. In the April 2008 edition of Fortune Small Business Magazine, the Town of Leesburg was listed as "100 Best Places to Live and Launch". In the September 2011 and September 2013 editions of Money magazine, the Town of Leesburg was listed as one of the "Best Places to Live in America" and "Best Places to Live 2013," respectively.

Overview of Town Government

The Town has operated under the council-manager form of government since 1962. The Town Council is the governing body of the Town and is empowered by the Town Charter to make Town policy. Six of the seven Town Council members are elected at-large for four-year overlapping terms and the Mayor, also a member of Council, is elected for a two-year term.

The Council appoints the Town Manager who is the chief executive officer of the Town. The Town Manager serves at the pleasure of Council, carries out its policies, directs business procedures, and has the power of appointment and removal of all Town employees except for the Town Council appointed Town Attorney. Duties and responsibilities of the Town Manager include preparation, submission, and administration of the operating and capital budgets, advising Council on the affairs of the Town, enforcement of the Town Charter and laws of the Town, and direction and supervision of all departments.

The Town Council in its legislative role as the governing body adopts ordinances and resolutions and establishes the general policies of the Town. The Council also sets tax rates and adopts the operating and capital budgets.

The operating departments of the Town include the town manager's office, finance and administrative services (includes human resources and information technology); police; public works and capital projects; planning and zoning; plan review; economic development, town attorney, town clerk, parks and recreation; utilities; Balch Library; and airport operations. Each department has a director or manager who reports to the Town Manager or Deputy Town Manager.

Local Economy Condition and Outlook

The Town's economy has recovered from the economic downturn and the fiscal state of the Town remains strong. The Town embraces the future with confidence based on a proven financial track record. The Town's successes are shared accomplishments combining skill, experience, and dedication from elected officials, appointed officials, employees, and citizens. Faced with changing resources, especially in federal spending, taxation, and state assistance, the Town must continue to plan and manage its funding sources carefully.

Falling within the Washington, D.C. metropolitan area, the Town's economic and demographic conditions reflect the prevailing conditions of the region. The unemployment rate for the Town has decreased over the last two years from 4.5% to 3.9%. The Town continues to be well below the Virginia and national rates of unemployment. This can be attributed in large part to Leesburg's location in Northern Virginia and its close proximity to Washington, D.C. and the federal government.

Looking realistically to the future, it is evident the economic recovery appears modest at best. Residential property values have stabilized and have increased slightly; revenues from consumer spending are beginning to trend upward; investment earnings are almost nonexistent; and federal and state revenues have declined and are uncertain. In planning for a future based on this new economic reality, the Town needs to be able to tell residents, the business community, and the workforce the following: 1) how it is going to operate in the future; 2) what services will be provided and at what levels; and 3) what type of organization it will be. The fiscal year 2015 budget answered these questions by adhering to a long-range sustainability plan that balanced services, capital investments, and debt service funding with taxpayer affordability.

The fiscal year 2015 budget was adopted based on the Town Council's established strategic goal to achieve long-term budget sustainability in addition to its established strategic focus areas of:

- Economic Development and Downtown Improvements
- Operational Efficiency and Fiscal Management
- Community Safety/Quality of Life
- Land Development Process Improvements
- Capital Infrastructure
- Legislative Initiatives

The importance of long-term budget sustainability was evident in light of the effects of the severe recession on our residents and its ripple impacts on the federal, state, and local governments. The Town of Leesburg under the Council's direction has worked its way through the past few years with strategic reductions in costs, increased staff efficiency, and deferral of certain costs while providing Town employees with modest pay increases. During this time, the Council has provided the policy leadership that has allowed the Town to maintain most services with limited service level impacts and stabilized real estate tax bills while maintaining a healthy financial position in accordance with our fiscal policies. This fiscal discipline was rewarded in April 2015 with triple A ratings from Moody's, Fitch and Standard & Poor's rating agencies.

Financial Condition

The Town government continues to be in very sound financial condition as reflected in the financial statements and schedules included in this CAFR. Within the context of a fiscally prudent budget, the Town has maintained the level of services provided to residents and taxpayers, achieved many programmatic goals, and enhanced the quality of life of the residents of the Town.

The need to keep stable real estate tax rates continued to exert pressure on maintaining services at existing levels, and maintaining capital promises made to the residents. Keeping existing programs funded and addressing the continuing demands of the community also put a strain on the budgeting process. In an effort to meet these demands, management has developed the following initiatives for the next two years:

- Successfully carry out the Council's policies on long-term budget stability.
- Set and achieve high standards for customer service for all departments.
- Continued focus on productivity and efficiency to maintain or reduce costs in the face of increased service demands.
- Accelerate the application of technology to improve access to Town services and improve communication with all residents.
- Continued emphasis on an organizational culture that focuses on improving the quality of life for our residents and businesses.

The Town's investment policy is limited by the Virginia Security for Public Deposits Act in utilizing depositories that have been qualified for investments by the Commonwealth of Virginia. Accordingly, deposits were either insured by federal depository insurance or highly collateralized. Funds are invested in cash and cash equivalents with maturities planned to coincide with cash needs. Idle funds available for longer periods of time are invested in the State-maintained Local Government Investment Pool, the State Non-Arbitrage Pool, Certificate of Deposit Account Registry Service (CDARS), and the VACo/VML Virginia Investment Pool (intermediate-term, high quality bonds).

Budgetary Accounting and Internal Controls

The Town's budget is prepared on the basis of funds, which are fiscal and accounting entities with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. The funds are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions, and limitations.

The types of funds maintained by the Town include governmental funds (General Fund and Capital Projects Fund), a fiduciary fund (Other Post Employment Trust Fund), an internal service fund (Health Care Self-insurance Fund), and a proprietary fund (Utilities Fund). All funds are subject to appropriation by the Town Council. The Town maintains budgetary controls designed to monitor compliance with expenditure limitations contained in annual budget appropriations approved by the Town Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by department within the General Fund. The Town Manager has authority to amend or transfer appropriations between departments. The Town also maintains an

encumbrance recording system as one technique for accomplishing budgetary control. Open encumbrances for the General Fund are reported as assigned in the fund balance at the end of the year. The Capital Projects Fund balance is committed for scheduled projects and has been reported as committed in the fund balance at the end of the fiscal year.

Town management is responsible for establishing and maintaining internal controls designed to ensure the assets of the Town are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute, assurance these objectives are met. The Department of Finance and Administrative Services is always reviewing and assessing the soundness and adequacy of the Town's financial systems and internal controls to ensure the strongest possible structure has been established and maintained.

Other Information

Independent Audit. Section 2-161 of the *Town Code* requires an annual audit of the financial affairs of the Town by a qualified and competent certified public accountant. Further, 15.2-2511 of the *Code of Virginia* requires an annual audit be performed by independent certified public accountants. Audits must be performed in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. In addition, the auditor must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The Town Council has selected the accounting firm of PBMares, LLP to perform these audit services. The accounting firm's reports are presented in the financial section and the compliance section of this report.

Certificate of Achievement for Excellence. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Town a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The GFOA awards a certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that association and various authoritative bodies.

To earn a Certificate of Achievement, a CAFR must be clear, thorough, and understandable. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues the 28-year tradition of conforming to the Certificate of Achievement Program requirements and standards. We are submitting this CAFR to GFOA to determine its eligibility for another certificate for fiscal year 2015.

Acknowledgements. This report was prepared by the professional staff of the Department of Finance and Administrative Services. The staff's hard work, dedication and continuing efforts to improve the quality of this report directly benefit all who read and use it. Special recognition goes to Gladys Gomez, interim controller; Michelle Draper, accounting manager; Carrie Curry, staff accountant; Willis Felegie, accounting associate III; Lisa Haley, deputy director of finance and administrative services; and Jason Cournoyer, budget officer; for their technical expertise, teamwork, review, and dedicated service in the preparation of this CAFR.

This CAFR reflects the commitment of the Town Council, and administration to the residents and taxpayers of Leesburg and the financial community to provide information in conformance with the highest standards of financial accountability.

Sincerely,



Kaj Dentler
Town Manager



Clark G. Case
Director of Finance and Administrative Services



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Town of Leesburg
Virginia

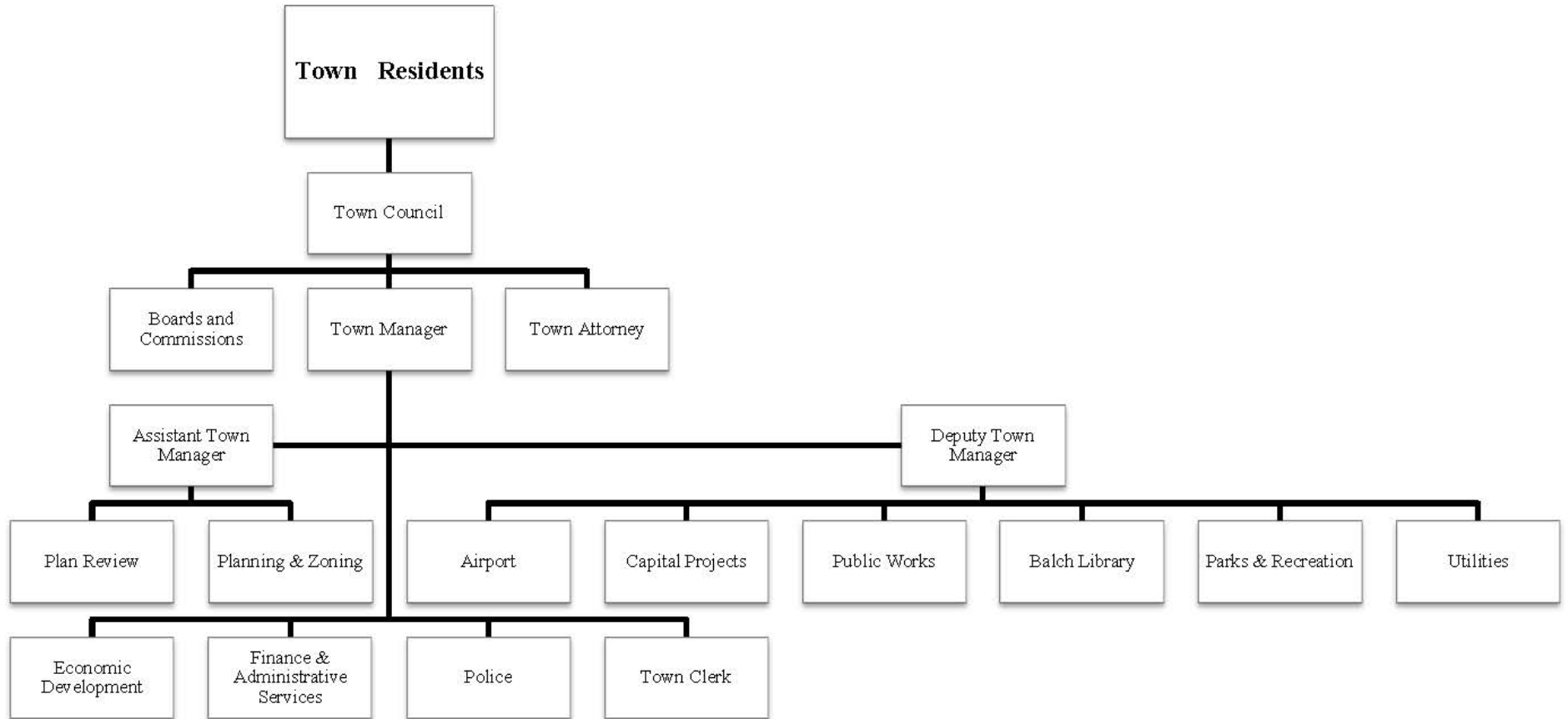
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

TOWN OF LEESBURG, VIRGINIA

ORGANIZATIONAL CHART



TOWN OF LEESBURG, VIRGINIA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Kristen C. Umstatt, Mayor
David S. Butler, Vice Mayor
Kelly Burk
Thomas Dunn, II
Katie Sheldon Hammler
Fernando "Marty" Martinez
Suzanne Fox

TOWN OFFICIALS

Kaj Dentler, Town Manager
Keith Markel, Deputy Town Manager
Scott Parker, Assistant Town Manager
Barbara Notar, Town Attorney
Lee Ann Green, Clerk of Council
Joseph R. Price, Police Chief
Thomas A. Mason, Director of Public Works
Renee LaFollette, Director of the Office of Capital Projects
Amy Wyks, Director of Utilities
Rich Williams, Director of Parks and Recreation
Susan Berry-Hill, Director of Planning and Zoning
William Ackman, Director of Plan Review
Scott Coffman, Airport Manager
Marantha Edwards, Director of Economic Development
Alexandra Gressitt, Director of Balch Library
Clark Case, Director of Finance and Administrative Services
Annie Carlson, Acting Human Resources Manager
John Callahan, Interim Information Technology Manager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council
Town of Leesburg, Virginia
Leesburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Leesburg, Virginia (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 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, each major fund, and the remaining fund information of the Town, as of June 30, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the Town restated net position to record the net position liability and related components in accordance with the implementation of GASB Statement No. 68.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 13-25 and 83-85, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules listed in the table of contents as supplemental schedules, introductory section, statistical section, and Schedule of Expenditures of Federal Awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections, as listed in the table of contents, 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 23, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBMares, LLP

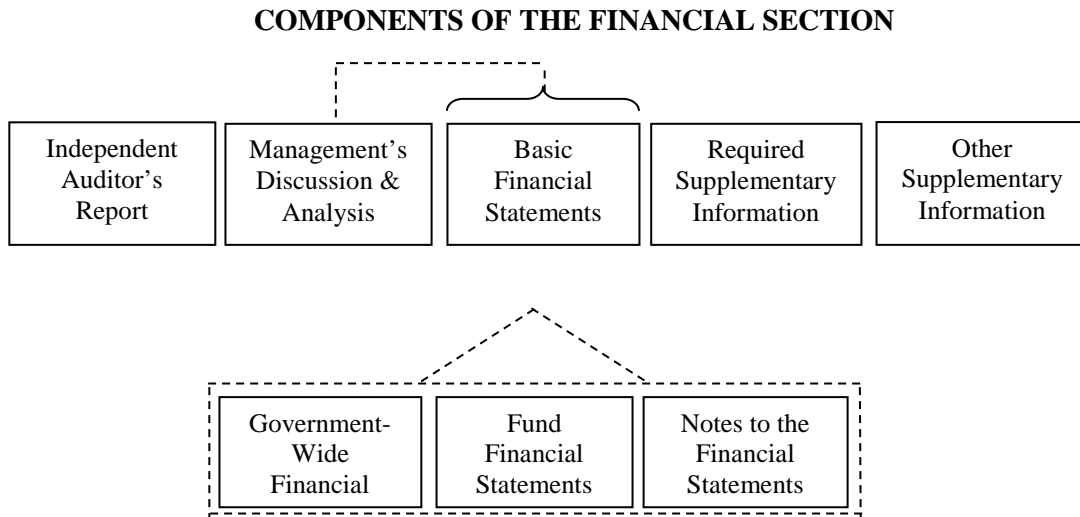
Harrisonburg, Virginia
November 23, 2015

**TOWN OF LEESBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

The Town of Leesburg, Virginia (Town) presents the following management's discussion and analysis (MD&A) as an overview of the Town's financial position and activities for the fiscal year ended June 30, 2015. We encourage readers to read this discussion and analysis and the letter of transmittal from the Town Manager and the Director of Finance and Administrative Services in conjunction with the Town's basic financial statements and related notes, which are also contained in this Comprehensive Annual Financial Report (CAFR).

USING THE FINANCIAL SECTION OF THIS CAFR

This CAFR consists of four sections: introductory, financial, statistical, and compliance. As the following chart shows, the financial section of this report has four components –*management's discussion and analysis* (this section), *basic financial statements*, *required supplementary information* and *other supplementary information*.



The Town's financial statements present two perspectives of the Town's finances, one for the Town as a whole (government-wide) and the second based on the fund financial statements. The government-wide financial statements provide information on an accrual basis and focus on both long-term and short-term information concerning the Town's overall financial condition. The fund financial statements provide information on a current financial resource basis only and focus on the individual parts of Town government, reporting the Town's current operations in more detail than in the government-wide statements. Both perspectives (government-wide and individual funds) allow the user to address relevant financial questions, broaden the basis of comparison (year to year or government to government) and enhance the Town's accountability.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Town as a whole using accounting methods similar to private-sector companies. Specifically, the Statement of Net Position (Exhibit 1) and the Statement of Activities (Exhibit 2), report information about the Town's assets, liabilities, deferred outflows and inflows of resources, and activities using the accrual basis of accounting. Revenues are recorded and presented in these financial statements in the year in which they are earned, and expenses are recognized in the period in which they were incurred, regardless of when cash is received or paid.

The Town's Net Position represents the residual amount of cumulative assets, deferred outflows of resources over present liabilities and deferred inflows of resources as of the fiscal year ended June 30, 2015. The revenues and expenses for the current fiscal year are the principal factors affecting the change in the Town's net position, as shown in Exhibit 2. The Town's net position is one way to measure the Town's financial health, as increases or decreases in net position are one indicator of whether its financial position is improving or declining. Further analysis can be achieved by comparing the changes in the revenue, expenses, assets and liabilities in the prior year CAFR's Statement of Activities and Statement of Net Position. Other financial reports as well as nonfinancial factors need to be considered, such as changes in the Town's property tax base, the condition of the Town's infrastructure, the Town's overall budget and capital improvement program in order to assess the overall financial health of the Town.

The Statement of Net Position and the Statement of Activities include the following:

Governmental activities: Most of the Town's basic services are reported in the General Fund including general government; public safety; community development; parks and recreation; library; airport, and public works. Combined with capital improvement projects, accounted for in the Capital Projects Fund, these two funds comprise the governmental activities. These types of activities are financed primarily by property taxes, other local taxes, charges for services, and federal and state grants.

Business-type activities: The Town charges fees to users to cover all, or a significant portion, of the costs for water and sewer services. As such these services are reported as a business-type activity in the CAFR posting results of activities as a self-supporting operation.

FUND FINANCIAL STATEMENTS

The fund financial statements provide additional information about the Town's most significant funds within the government, as compared to the Government wide financial statements that focus on the Town as a whole. The basis of accounting and the required presentation of related financial statements in the CAFR are based upon each type of fund.

The Town has three types of funds:

Governmental Funds – The Town has two major governmental funds, the General Fund and the Capital Projects Fund. Accounting for the basic governmental services, the General Fund is the largest of the governmental funds and functions as the main operating fund of the Town. The Capital Projects Fund accounts for the daily operations of the Department of Capital Projects including the design, architecture and construction of major capital projects and helps provide control over the resources that have been segregated for those projects.

These funds are accounted for under the current financial resource basis of accounting which focuses on (1) how cash and other financial assets can readily be converted to cash flow and (2) how the balances remaining at year-end are available for expenditures. Consequently, the governmental fund statements provide a detailed short-term view that assists the reader in understanding the financial resources available to be spent in the near future to finance the Town's operations.

The Balance Sheet (Exhibit 3) and the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) do not encompass the long-term focus. Additional information is presented in the form of reconciliations (Exhibits 4 and 6) to help explain the difference between these individual governmental fund statements and the government-wide statements. These reconciliations present information related to noncurrent assets such as capital assets and noncurrent liabilities such as bonds payable, compensated absences, other postemployment benefits and deferred outflows/inflows of resources and the changes in these balances.

Proprietary Funds – The Town has two proprietary funds for the fiscal year ended 2015 comprised of one enterprise fund and one internal service fund. Both the enterprise fund and the internal service fund operate in a manner similar to private business enterprises, where costs are recovered primarily through user charges or fees. However, the funds are distinguished by the type of user – external versus internal. Whereas an enterprise fund is used to account for any activity for which a fee is charged to external users for goods or services, an internal service fund is used to account for the provision of goods or services by one department to another department. In fiscal year 2015, the Town established a Self-Insurance Fund for all payments of insurance for both employees and retirees.

Proprietary fund financial statements provide both short-term and long-term financial information in the Statement of Net Position (Exhibit 8), the Statements of Revenues, Expenses and Changes in Net Position (Exhibit 9) along with the Statement of Cash Flows (Exhibit 10). The financial statements are prepared under the accrual basis of accounting. Because these proprietary fund statements are prepared on the same basis of accounting as the governmental-wide statements, no additional information is needed for reconciliation to the government-wide statements. Instead, the totals of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position from Exhibits 8 and 9 are presented in the business type column on the Statement of Net Position (Exhibit 1), and the proprietary fund revenues and expenditures are similarly summarized in the Statement of Activities (Exhibit 2).

Fiduciary Fund – The Other Postemployment Benefits Trust Fund is the Town’s fiduciary fund. The fund accumulates resources to cover health and life insurance costs for retired employees. All of the economic resources associated with the operations of the fund are presented in the Statement of Net Position (Exhibit 11) and the Statement of Changes in Net Position (Exhibit 12). Unlike the proprietary funds, fiduciary funds are not required to report a statement of cash flows.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015

The Town’s fiscal policy provides a framework for measuring the impact of services against fiscal guidelines established by the Town Council and Town Manager. These guidelines are designed to promote the fiscal well-being of the Town through the management objectives to maximize efficiencies in accounting, financial reporting, safeguarding assets, budgeting revenues and expenses, risk management and planning for the use of debt, cash and reserve funds in order to link long-term financial planning goals with day-to-day operations. Fiscal policy thereby serves as a tool to increase the Town’s ability to shield itself from fiscal crises and to enhance short- and long-term credit availability while helping to achieve and maintain the highest credit and bond ratings possible.

Total net position of the Town on a government-wide basis is \$397.6 million at June 30, 2015 of which \$274.5 million is attributable to the Town’s governmental activities and \$123.1 million to business type activities (Exhibit 1). The government-wide total net position that is unrestricted is \$26.7 million of which \$9.8 million is unrestricted for governmental activities and \$17.0 million is unrestricted for business-type activities. The Statement of Activities (Exhibit 2) presents all the factors attributed to the \$2.4 million or 0.6 percent increase in the Town’s net position (as restated) from \$395.2 million in fiscal year 2014 to \$397.6 million in fiscal year 2015. This increase of \$2.4 million is due to an increase of \$3.5 million in governmental activities and a decrease of \$1.1 million in business-type activities.

Total fund balance of the Town’s Governmental Funds is \$33.7 million at June 30, 2015 of which \$22.8 million is attributable to the Town’s General Fund and \$11.0 million is attributable to the Town’s Capital Projects Fund (Exhibit 3). The Governmental Funds total fund balance that is unassigned is \$8.5 million. This amount is comprised of the General Fund’s unassigned fund balance of \$10.3 million and the Capital Projects Fund’s unassigned deficit of \$1.8 million. The Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) presents all the factors attributed to the \$18.0 million or 114 percent increase in the total fund balance from \$15.8 million in fiscal year 2014 to \$33.7 million in fiscal year 2015. This increase of \$18.0 million is due to an increase of \$1.9 million in the fund balance of the General Fund and an increase of \$16.0 million in the fund balance of the Capital Projects Fund due to issuance of debt to fund future capital projects.

Total net position of the Town's Enterprise Fund is \$122.9 million and the Town's Internal Service Fund is \$1.4 million at June 30, 2015 (Exhibit 8). The Enterprise Fund's unrestricted net position is \$16.8 million and the Internal Service Fund's unrestricted net position is \$1.4 million. The Statement of Revenue, Expenses and Changes in Net Position (Exhibit 9) presents all the factors attributed to the Enterprise Fund's \$1.3 million or 1.0 percent decrease from \$124.2 million to \$122.9 million in fiscal year 2015. This financial statement now includes the change in net position of \$1.4 million for the Internal Service Fund established in fiscal year 2015. The net position of the Internal Service Fund is allocated 85 percent on a government-wide basis to Governmental Activities and 15 percent to Business-type Activities.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

Table 1 below summarizes and compares the Statement of Net Position (Exhibit 1) for the Town as of June 30, 2015 and 2014.

Table 1
Summary Statement of Net Position
Comparison as of June 30, 2015 and 2014 (\$ in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
<u>Assets and Deferred Outflows of Resources</u>						
Current and Other Assets	\$ 56,257	\$ 38,025	\$ 22,710	\$ 19,830	\$ 78,967	\$ 57,855
Capital Assets, net	326,385	324,593	173,933	177,517	500,318	502,110
Deferred Outflows of Resources	3,850	2,112	3,023	406	6,873	2,518
Assets and Deferred Outflows of Resources	386,492	364,730	199,666	197,753	586,158	562,483
<u>Liabilities and Deferred Inflows of Resources</u>						
Current Liabilities	19,944	20,385	5,028	4,794	24,972	25,179
Long-term Liabilities	82,758	56,161	70,619	65,921	153,377	122,082
Deferred Inflows of Resources	9,313	5,871	869	-	10,182	5,871
Liabilities and Deferred Inflows of Resources	112,015	82,417	76,516	70,715	188,531	153,132
<u>Net Position</u>						
Net Investment in Capital Assets	253,108	269,471	106,180	111,153	359,288	380,624
Restricted	11,602	1,367	-	-	11,602	1,367
Unrestricted	9,767	11,475	16,970	15,885	26,737	27,360
Total Net Position	\$ 274,477	\$ 282,313	\$ 123,150	\$ 127,038	\$ 397,627	\$ 409,351

Total net position for the Town's governmental activities decreased approximately \$7.8 million or 2.7 percent, to \$274.5 million. This decrease is comprised primarily of a \$16.4 million decrease in net investment in capital assets and a \$1.7 million decrease to unrestricted net assets offset by a \$10.2 million increase in restricted net position. In comparison, net position for business-type activities decreased approximately \$3.9 million to \$123.2 million. This decrease is comprised primarily of a decrease in net investment in capital assets as a result of depreciation and amortization of \$5.0 million (see Note 6).

Due to the implementation of GASB Statement No. 68, fiscal year 2015 beginning net position has been restated from the amounts previously reported of \$282,312,961 and \$127,037,789 to \$270,985,008 and \$124,205,801, for governmental activities and business-type activities, respectively. Refer to Note 15 of this report and Exhibit 2.

Statement of Activities

Table 2 summarizes and compares the Statement of Activities (Exhibit 2) for the Town for the fiscal years ended June 30, 2015 and 2014.

Table 2
Summary of Statement of Activities
Comparison for the years ended June 30, 2015 and 2014 (\$ in Thousands)

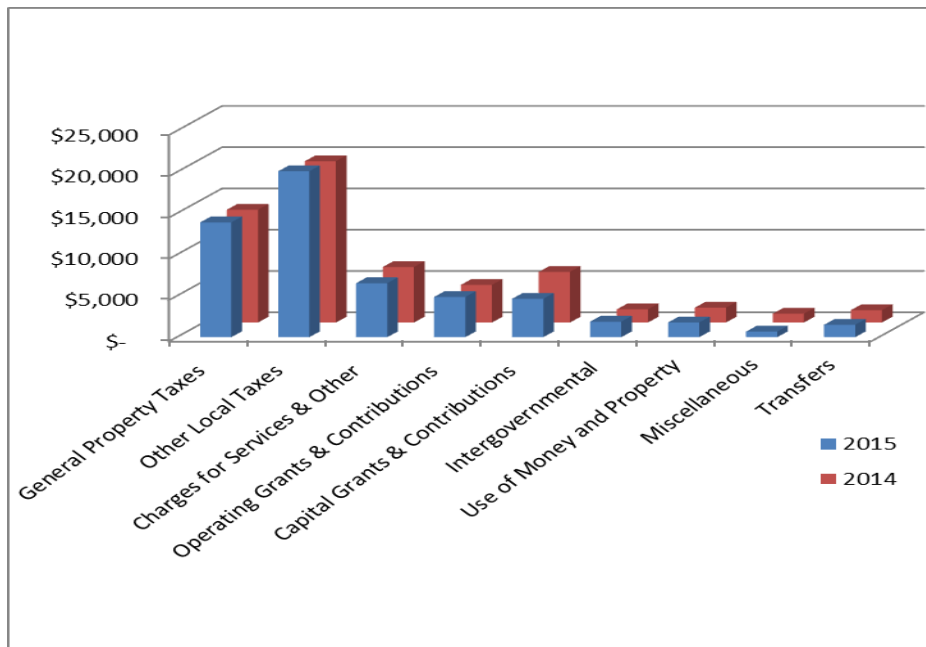
	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
REVENUES						
General Revenues:						
Property Taxes	\$ 13,908	\$ 13,665	\$ -	\$ -	\$ 13,908	\$ 13,665
Other Local Taxes	20,097	19,794	-	-	20,097	19,794
Other	4,343	4,205	612	743	4,955	4,948
Program Revenues:						
Charges for Services	6,543	6,727	16,842	15,620	23,385	22,347
Operating Grants and Contributions	4,875	4,556	1,593	410	6,468	4,966
Capital Grants and Contributions	4,654	6,136	322	2,038	4,976	8,174
Total Revenues	54,420	55,083	19,369	18,811	73,789	73,894
EXPENSES						
Legislative	359	1,648	-	-	359	1,648
Executive	2,073	5,102	-	-	2,073	5,102
Legal	813	428	-	-	813	428
Planning and zoning	1,555	1,544	-	-	1,555	1,544
Plan Review	1,251	1,332	-	-	1,251	1,332
Finance	4,428	2,122	-	-	4,428	2,122
Public Safety	13,237	12,761	-	-	13,237	12,761
Parks and Recreation	8,084	8,545	-	-	8,084	8,545
Balch Library	635	639	-	-	635	639
Public Works	15,310	13,281	-	-	15,310	13,281
Airport	1,737	1,784	-	-	1,737	1,784
Interest	2,948	2,575	-	-	2,948	2,575
Water and Sewer	-	-	18,923	19,421	18,923	19,421
Total Expenses	52,430	51,761	18,923	19,421	71,353	71,182
Change in Net Position before transfers	1,990	3,322	446	(610)	2,436	2,712
Transfers in (out)	1,502	1,493	(1,502)	(1,493)	-	-
Increase (Decrease) in Net Position	3,492	4,815	(1,056)	(2,103)	2,436	2,712
Net Position Beginning of Year, as restated	270,985	277,498	124,206	129,141	395,191	406,639
Net Position End of Year	\$ 274,477	\$ 282,313	\$ 123,150	\$ 127,038	\$ 397,627	\$ 409,351

Governmental Activities

As shown in Table 2 above, total revenue for the Town's governmental activities was \$54.4 million for fiscal year 2015 compared to \$55.1 million for fiscal year 2014. In addition to this revenue, there were transfers of \$1.5 million to the General Fund in 2015. Table 2 also indicates total expenses for governmental activities for fiscal year 2015 were \$52.4 million, compared to \$51.8 million in fiscal year 2014.

Chart 1 below shows the sources of all governmental revenue for fiscal years 2015 and 2014:

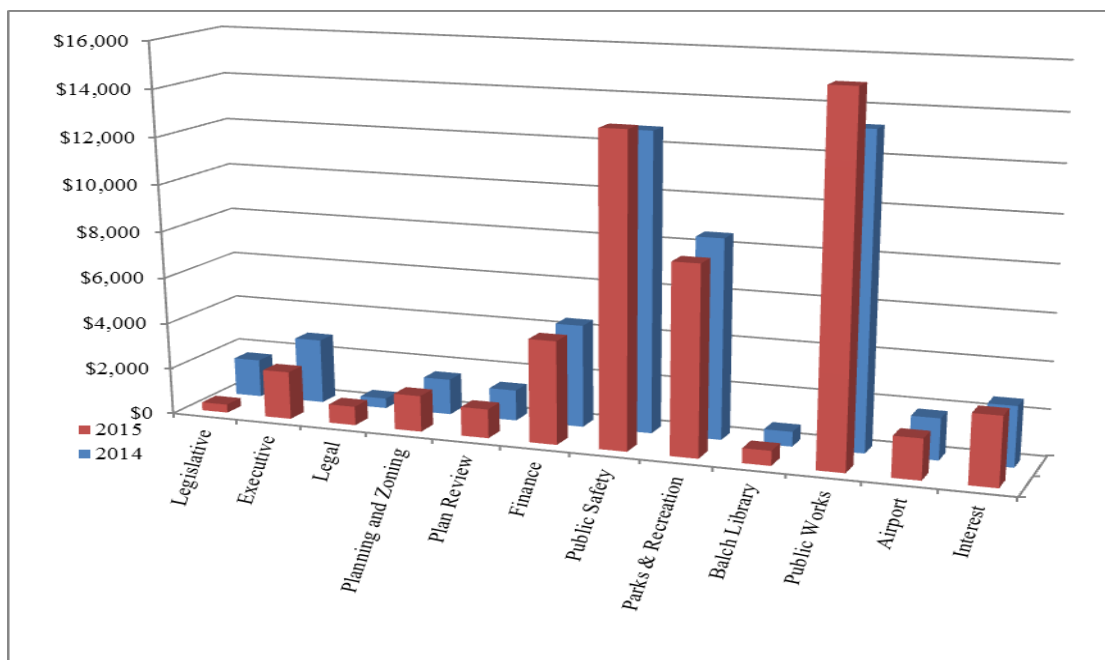
Chart 1
Governmental Activities – Revenues by Source
Comparison for the years ended June 30, 2015 and 2014 (\$ in Thousands)



Taxes constitute the largest source of Town revenue totaling approximately \$34.0 million, with general property taxes of \$13.9 million in 2015 and \$13.7 in 2014 (Table 2). Other local taxes, \$20.1 million in 2015 and \$19.8 million in 2014, are generated through business and occupational licenses and consumption based taxes such as taxes on meals, sales and use, cigarettes and utilities.

Chart 2 below illustrates total expenses by function.

Chart 2
Governmental Activities – Expenses by Function
Comparison for the years ended June 30, 2015 and 2014 (\$ in Thousands)



Public Works continues to be the Town's largest function with the Town's cost of service totaling \$15.3 million or 29.2 percent of total expenses. Public safety expenses, which total \$13.2 million, or 25.2 percent, represent the second largest expense category for governmental activities. Expenses increased by \$0.7 million or 1.3 percent.

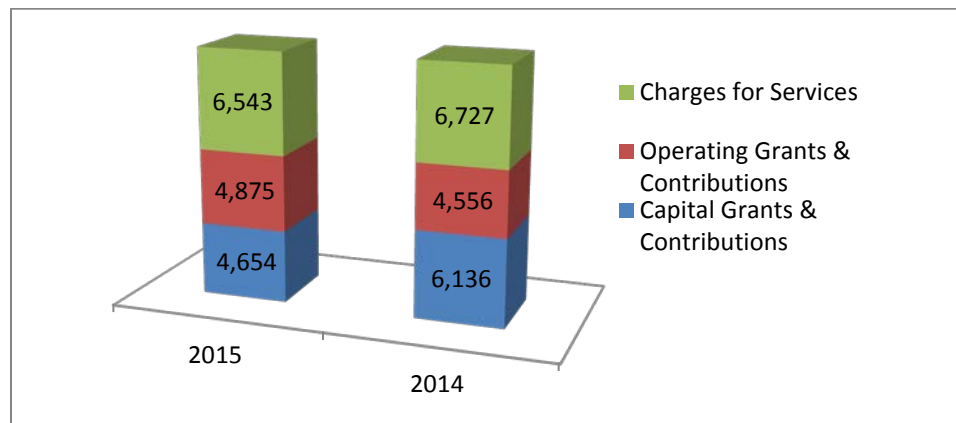
Table 3 below illustrates general revenue, primarily in the form of taxes, charges for services and state aid, is essential to providing support for the services offered by the Town. These governmental activities generate revenue that assists in offsetting the cost of these services. Table 3 presents the total cost of services and the net costs after fees generated by the activities and allowances for program-specific governmental aid as an integral part of the Town's governmental activities. The Town generates charges for services primarily from fees for parks and recreation memberships and classes, public safety fees, zoning fees and permits. The Town obtains grants and contributions primarily for public safety, airport, and public works. After recognizing the total revenue from these fees, grants, and contributions of \$16.1 million in 2015, the net cost of governmental activities was \$36.4 million, compared to total costs of \$52.4 million.

Table 3
Net Cost of Governmental Activities
Comparison for the years ended June 30, 2015 and 2014 (\$ in Thousands)

Function:	Total Cost of Services		Net Cost of Services	
	FY 2015	FY 2014	FY 2015	FY 2014
Legislative	\$ 359	\$ 1,648	\$ 359	\$ 1,648
Executive	2,073	5,102	1,817	4,964
Legal	813	428	813	428
Planning and Zoning	1,555	1,544	906	838
Plan Review	1,251	1,332	1,251	1,332
Finance	4,428	2,122	4,428	2,122
Public Safety	13,237	12,761	11,636	11,026
Parks and Recreation	8,084	8,545	3,164	3,626
Balch Library	635	639	622	626
Public Works	15,310	13,281	8,223	4,389
Airport	1,737	1,784	191	768
Interest	2,948	2,575	2,948	2,575
Totals	\$ 52,430	\$ 51,761	\$ 36,358	\$ 34,342

Chart 3 below shows a comparison of program revenue and the three main components: charges for services, operating grants and contributions and capital grants and contributions. Revenue from charges for services decreased by \$184,000, program revenue for operating grants and contributions increased \$319,000 and capital grants and contributions decreased \$1.5 million primarily due to reduced developer contributions associated with public works.

Chart 3
Governmental Activities – Program Revenue
Comparison for the years ended June 30, 2015 and 2014 (\$ in Thousands)



Business-type Activities

Table 2 summarizes the business-type activities for 2015 and indicates the Utilities Fund government-wide net position decreased by \$1.1 million after the \$1.5 million transfer to the General Fund. The Statement of Revenue, Expenses and Changes in Net Position (Exhibit 9) details operating and non-operating income and expense factors, as well as capital grants, contributions and transfers for fiscal year 2015 for both the Utilities Fund and the Internal Service Fund.

Business-type activities are generally intended to be self-supporting as fees are established to recover the cost associated with providing the service. Exhibit 8 presents the Statement of Net Position for the Utilities Fund and the Internal Service Fund which was established in fiscal year 2015. In fiscal year 2015, the Utilities Fund's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources were \$196.3 million, \$3.0 million, \$75.6 million and \$0.9 million, respectively. Total net position for fiscal year 2015 was \$122.9 million of which \$16.8 million is unrestricted. In fiscal year 2015, the Internal Service Fund's total assets and liabilities were \$2.0 million and \$0.6 million, respectively. Total net position for fiscal year 2015 was \$1.4 million which was all unrestricted.

Ninety-seven percent of utility fees were generated by charges for services including water and sewer fixed charges and usage fees, penalties, service charges, and other user fees. Operating revenue for the Utilities Fund for fiscal year 2015 was \$16.4 million compared to \$16.2 million for fiscal year 2014.

Total operating expenses decreased \$0.9 million to \$15.6 million. When combined with the \$0.2 million increase in operating revenue the Utilities Fund recognized operating income of \$0.8 million for fiscal year 2015. Non-operating revenues and expenses resulted in a net decrease of \$0.9 million. The \$1.3 million change in net position is primarily due to reduced contributions from Loudon county and reduced installation and connection fees along with a transfer of \$1.5 million to the General Fund.

FINANCIAL ANALYSIS OF THE TOWN'S GOVERNMENTAL FUNDS

The Town uses fund accounting on a current financial resources basis for its governmental funds in compliance with GASB standards. The focus of the Town's governmental funds is to provide information on five financial elements: near-term assets and liabilities, current inflows and outflows, and fund balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

The Town has two governmental funds, the General Fund and the Capital Projects Fund with fund balances of \$22.8 million and \$11 million, respectively, for a total of \$33.7 million for fiscal year 2015 (Exhibit 3). An increase in fund balances of \$17.9 million from \$15.8 million in 2014 was due to \$4.6 million of excess expenditures over revenue and excess of other financing sources over uses of \$22.6 million primarily from new debt issuance as detailed in Exhibit 5. Fund balances are required by GASB to be classified as non-spendable, restricted, committed, assigned, and unassigned for better management of the governmental funds current resources.

Table 4 is an excerpt from the Balance Sheet (Exhibit 3) and illustrates the components of the Town's governmental fund balances as of June 30, 2015 and 2014.

Table 4
Governmental Fund Balances
Comparison for the years ended June 30, 2015 and 2014 (\$ in Thousands)

	FY 2015	FY 2014	Change
Non-Spendable			
Lease deposit	\$ 157	\$ 155	\$ 2
Prepaid expenses	2	-	2
Restricted			
Balch Library	746	741	5
Parks and Recreation	51	51	-
Police	189	182	7
Bond proceeds	10,616	393	10,223
Committed			
Capital projects - Road	1,920	6,424	(4,504)
Capital projects - Storm Drainage	139	225	(86)
Capital projects - General Government	57	280	(223)
Capital projects - Airport	-	349	(349)
Capital projects - Parks and Recreation	5	413	(408)
Capital projects - Administration	10	59	(49)
Assigned			
Debt Service Reserve	7,575	5,734	1,841
Capital Asset Reserve	2,592	1,667	925
Designated for Future Years	1,183	1,347	(164)
Unassigned	8,506	(2,241)	10,747
Total Fund Balances	\$ 33,748	\$ 15,779	\$ 17,969

The General Fund is the main operating fund of the Town, and its fund balance increased \$1.9 million to \$22.8 million for fiscal year 2015 (Exhibit 5). Of this total, unassigned fund balance was \$10.3 million (Exhibit 3) or 20.8 percent of total General Fund expenditures of \$49.5 million for fiscal year 2015. In comparison, at the end of fiscal year 2014, the unassigned fund balance was \$11.0 million, equal to 22.6 percent of total General Fund expenditures.

The Capital Projects Fund accounts for financial resources to be used for the acquisition and/or construction of Town infrastructure including facilities, streets, curbs, sidewalks, and other capital projects. As of June 30, 2015, the Capital Projects fund balance was \$11.0 million (Exhibit 3) compared to a deficit of \$5.1 million in 2014. Fund balances are used in conjunction with a variety of revenues to begin, continue and complete projects included in the six-year capital improvements program.

The assigned fund balance for debt service reserve increased \$1.8 million, capital asset replacement fund increased \$925 thousand, and money designated for future years decreased \$164 thousand. Unassigned fund balance for fiscal year 2014 was a deficit of \$2.2 million and the unassigned fund balance for fiscal year 2015 is \$8.5 million for a net increase of \$10.7 million primarily due to bond proceeds in support of capital projects. There were minimal changes in the restricted fund balances for the library, parks and recreation, police departments, and the non-spendable fund balance.

BUDGETARY HIGHLIGHTS

General Fund

Table 5 provides a comparison of original budget, final amended budget, and actual revenues and expenditures of the General Fund.

Table 5
Condensed Budgetary Comparison
Year ended June 30, 2015 (\$ in Thousands)

	Fiscal Year 2015		
	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 31,413	\$ 31,413	\$ 31,508
Intergovernmental	8,314	8,495	8,591
Other	8,515	8,697	9,041
Total Revenues	48,242	48,605	49,140
Expenditures:			
Expenditures	50,631	52,094	49,514
Deficiency of Revenue under Expenditures	(2,389)	(3,489)	(374)
Other Financing Sources:			
Transfers, net	2,542	2,542	2,320
Change in fund balance	\$ 153	\$ (947)	\$ 1,946

Overall, General Fund revenues exceeded budget by \$535,000. Revenues collected exceeded budget projections for planning and zoning permits, other local taxes and intergovernmental revenue by approximately \$461,000, \$479,000 and \$96,000, respectively (Exhibit 7). General Fund expenditures were under the amended budget by approximately \$2.6 million. Fund balance for the General Fund increased by \$1.9 million.

Once the original budget is adopted by the Town Council, the operating budget can be amended in one of two ways: First, the Town Manager has the authority to reallocate money within a fund. Second, the Town Council must authorize any changes to a fund's overall appropriation once it has been approved. During the year, budget amendments could be classified in the following key categories:

- Amendments for operating and capital projects that were incomplete in the prior fiscal year, and subsequently re-appropriated in the new fiscal year.
- Amendments for supplemental appropriation for new projects, and/or change orders for prior approved projects.
- Amendments for transfers and adjustments to support revised priorities.

The original budgeted expenditures increased by \$1.46 million for the fiscal year 2015 (Exhibit 7). This increase is a result of supplemental appropriations throughout the year including uncompleted contractual services carried forward from fiscal year 2014. The most significant supplemental appropriation approved by Town Council was to increase expenditures \$100,000 for the replenishment of the Town's salt storage facility. The budget for any fiscal year 2014 and 2015 uncompleted contractual services and projects will be carried forward to fiscal year 2016.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Table 6 provides information on the changes in the capital assets of the governmental activities and the business-type activities as of June 30, 2015 and 2014.

Table 6
Capital Assets
Comparison as of June 30, 2015 and 2014 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	FY 2015	FY 2014	Change	FY 2015	FY 2014	Change
Land	\$ 58,452	\$ 54,390	\$ 4,062	\$ 1,577	\$ 1,577	\$ -
Buildings and improvement	78,797	77,063	1,734	-	-	-
Water and sewer plant	-	-	-	115,887	115,856	31
Water and sewer lines	-	-	-	121,863	115,228	6,635
Equipment and software	9,699	9,551	148	1,318	1,213	105
Vehicles	5,474	5,180	294	2,739	2,676	63
Infrastructure & street	248,227	234,063	14,164	-	-	-
Hangars	6,057	6,057	-	-	-	-
Terminals	6,678	6,678	-	-	-	-
Runway	16,570	15,688	882	-	-	-
Construction in progress	9,289	19,788	(10,499)	594	5,952	(5,358)
Total Capital Assets	439,243	428,458	10,785	243,978	242,502	1,476
Accumulated depreciation and amortization	(112,858)	(103,865)	(8,993)	(70,045)	(64,985)	(5,060)
Total Capital Assets, Net	\$ 326,385	\$ 324,593	\$ 1,792	\$ 173,933	\$ 177,517	(3,584)

The Town's governmental activities capital assets (net of accumulated depreciation and amortization) as of June 30, 2015 and 2014 amounted to approximately \$326.4 million and \$324.6 million, respectively. The net increase in capital assets (including additions, retirements, depreciation and amortization) was \$1.8 million for governmental activities. The additional increase is attributed to \$14.1 million increase in infrastructure and streets (see Note 6) due to the result of \$9.5 million in projects completed and transferred from construction in progress, as well as \$4.6 million in direct expenditures, developer contributions of streets, sidewalks, gutters, and storm drainage.

The business-type activities capital assets (net of accumulated depreciation and amortization) as of June 30, 2015 amounted to approximately \$173.9 million for the Utilities Fund compared to \$177.5 million in 2014. The decrease is predominantly due to the depreciation and amortization of the existing capital assets.

The Town's Fiscal Year 2014 – 2019 Capital Improvement Program (CIP), approved by Town Council, represents the six-year, \$93.6 million program of public improvements for the Town. This plan includes \$84.1 million in governmental activity projects including \$70.9 million in streets and highways improvements, \$6.3 million in general government improvements, such as downtown improvements and lighting, \$3.4 million in storm drainage improvements, \$2.5 million in airport improvements, \$1.0 million in parks improvements, and \$9.5 million in water and sewer improvements. Additional information pertaining to the Town's capital assets can be found in Note 6 of the notes to the financial statements.

Long-term Debt

The Town's current bond ratings are as follows:

- Moody's Investors Services, Inc. Aaa
- Standard and Poor's AAA
- Fitch Credit Rating Services AAA

The Town's legal limit for outstanding general obligation debt is 1.5 percent of total assessed real property within the Town, which was \$6.6 billion in fiscal year 2015 and \$6.5 billion in 2014. The Town's total long-term obligations of \$145.9 million as of June 30, 2015 and \$124.0 million as of June 30, 2014, are well within the limits set by the Constitution of the Commonwealth of Virginia. Revenue bonds are not included in calculating the legal limit.

Table 7 summarizes the Town's outstanding long-term bonded debt.

Table 7
Outstanding Long-Term Bonded Debt
Comparison as of June 30, 2015 and 2014 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	FY 2015	FY 2014	Change	FY 2015	FY 2014	Change
General Obligation Bonds	\$ 70,620	\$ 55,090	\$ 15,530	\$ 61,375	\$ 61,305	\$ 70
Revenue Bonds	-	-	-	3,887	4,205	(318)
Totals	\$ 70,620	\$ 55,090	\$ 15,530	\$ 65,262	\$ 65,510	\$ (248)

Outstanding long-term debt for governmental activities as of June 30, 2015 is \$70.6 million indicating an increase of \$15.5 million from fiscal year 2014. Outstanding long-term debt for business activities decreased from \$65.5 million as of June 30, 2014 to \$65.2 million as of June 30, 2015. The increase in the governmental activities long-term debt is attributed to additional debt incurred of approximately \$17.8 million as the result of the refunding of the 2005 and 2006 bonds (see Note 7) net of principal retirement. The decrease for business-type activities attributed to an increase in long-term debt of \$875 thousand as the result of the refunding of the 2005 and 2006 bonds net of principal retirement.

In making debt decisions, the Town uses the following practices:

- The Town will not fund current operations from the proceeds of borrowed funds and will confine long-term borrowing and capital leases to capital improvement projects, or equipment that cannot be financed from current financial resources.
- The goal of the Town is to finance at least 25 percent of the cost of capital improvements (in excess of proffers) from non-debt resources.
- The Town will, when financing capital improvements or other projects or equipment by issuing bonds or entering capital leases, repay the debt within a period not to exceed the expected useful life of the project or equipment. Debt related to equipment ancillary to a construction project may be amortized over a period less than that of the primary project.
- The Town is cognizant of its higher than average debt burden and will continue to offset its impact through rapid payback. An average payback of at least 60 percent in ten years will be maintained, except for projects with a known revenue stream.
- The Town will annually calculate target debt ratios. The Town's debt capacity will be maintained within the following primary goals:
 - Debt service expenditures as a percentage of general fund expenditures will not exceed 15 percent. For fiscal year 2015, this percentage was 9.1 percent.

- Bonded debt (General Obligation Debt) of the Town will not exceed 1.5 percent of the total assessed value of taxable property in the Town. For fiscal year 2015, this percentage was 0.6 percent.
- The Town will follow a policy of full disclosure in every annual financial report and financing official statement/offering document.
- The Town will maintain good communications about its financial condition with bond holders and credit rating institutions.

Additional information relative to the Town's long-term debt can be found in Note 7 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The 3.90 percent average unemployment rate for the County of Loudoun, in which the Town of Leesburg resides, is reduced from the 4.5 percent level in 2014. This compares favorably to the State's rate of 4.9 percent and the national rate of 6.1 percent.
- The Town's population was estimated to be 44,247. Population estimates for the last ten years are provided in the statistical section of this report at Table 17.
- Per capita personal income is not kept on a Town basis. However, the County of Loudoun's per capita personal income was \$63,171, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Loudoun County is considered one of the wealthiest counties in the nation.
- The Town government's full-time equivalency (FTE) employment increased in fiscal year 2015 by 2.0 FTE positions to a total of 412.2. Workforce numbers by department for the last ten years are provided in the statistical section of this report at Table 19.

Fiscal Year 2016 Budget and Rates

- For fiscal year 2016, the adopted budget for the General Fund is \$51.9 million, an increase of \$2.0 million or 3.8 percent, over fiscal year 2015. Revenues are comprised primarily of general taxes at 27.2 percent, other local taxes at 28.7 percent, charges for services at 9.8 percent, donations and transfers at 13.1 percent, intergovernmental assistance at 20.3 percent.
- In fiscal year 2016, the Town continues to prioritize its services. Public safety accounts for \$13.8 million or 26.6 percent of the budgeted expenditures. The public works department is a close second, accounting for \$12.6 million or 24.3 percent of budgeted expenditures.
- Tax rate for real property remains at the tax year 2015 rate of \$0.183 per \$100 of assessed value for tax year 2016. The personal property tax rate remained unchanged at \$1.00 per \$100 of assessed value. Detail on the tax rates is provided in Table 10 of the statistical section of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide our elected officials, residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Director of Finance and Administrative Services, 25 West Market Street, Leesburg, Virginia 20176, telephone (703) 771-2720, or visit the Town's website at www.leesburgva.gov.

BASIC FINANCIAL STATEMENTS

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 32,726,933	\$ 19,561,437	\$ 52,288,370
Receivables, net:			
Property taxes, including penalties	6,717,834	-	6,717,834
Utility taxes	133,103	-	133,103
Local taxes	1,865,573	-	1,865,573
Trade and other accounts	315,032	2,998,507	3,313,539
Accrued interest	3,853	4,215	8,068
Inventory	-	147,840	147,840
Prepaid items and deposit	159,370	-	159,370
Due from other governments	2,309,604	-	2,309,604
Due from other funds	1,310	(1,310)	-
Restricted cash	12,024,050	-	12,024,050
Capital assets:			
Land	58,452,292	1,577,329	60,029,621
Construction in progress	9,288,789	593,722	9,882,511
Buildings and improvements	78,797,338	-	78,797,338
Water and sewer plant	-	115,887,423	115,887,423
Water and sewer lines	-	121,862,793	121,862,793
Furniture, equipment and software	6,636,010	1,318,366	7,954,376
Computer equipment and software	3,063,098	-	3,063,098
Vehicles	5,473,997	2,738,342	8,212,339
Infrastructure	71,335,381	-	71,335,381
Streets	176,891,691	-	176,891,691
Hangars	6,057,289	-	6,057,289
Runway	16,569,695	-	16,569,695
Terminals	6,677,993	-	6,677,993
Less: accumulated depreciation and amortization	(112,857,838)	(70,045,018)	(182,902,856)
Total assets	382,642,397	196,643,646	579,286,043
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	1,558,151	397,932	1,956,083
Deferred loss on refunding of debt	2,291,992	2,624,664	4,916,656
Total deferred outflows of resources	3,850,143	3,022,596	6,872,739

	Governmental Activities	Business-type Activities	Totals
LIABILITIES			
Accounts payable	\$ 2,258,194	\$ 464,189	\$ 2,722,383
Due to other governments	30,741	-	30,741
Accrued payroll	1,113,659	246,855	1,360,514
Other accrued liabilities	18,584	-	18,584
Accrued interest	1,073,460	586,126	1,659,586
Retainage payable	127,938	25,000	152,938
Customer deposits	75,635	934,019	1,009,654
Performance bonds	1,254,054	9,000	1,263,054
Reserve for proffers	5,301,309	-	5,301,309
Unearned revenue	3,992,240	6,895	3,999,135
Insurance and benefit claims	438,436	77,371	515,807
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,755,298	446,324	2,201,622
Bonds payable	2,505,000	2,232,687	4,737,687
Due in more than one year:			
Other postemployment benefits	186,458	95,186	281,644
Compensated absences	451,221	114,817	566,038
Bonds payable	73,064,648	68,145,093	141,209,741
Net pension obligation	9,055,552	2,263,888	11,319,440
Total liabilities	102,702,427	75,647,450	178,349,877
DEFERRED INFLOWS OF RESOURCES			
Pension plan	3,475,509	868,877	4,344,386
Unavailable revenue	5,837,743	-	5,837,743
Total deferred inflows of resources	9,313,252	868,877	10,182,129
NET POSITION			
Net investment in capital assets	253,108,079	106,179,841	359,287,920
Restricted			
Balch Library	746,426	-	746,426
Parks and recreation (Symmington)	50,521	-	50,521
Police	188,825	-	188,825
Bond proceeds	10,615,526	-	10,615,526
Unrestricted	9,767,484	16,970,074	26,737,558
Total net position	\$ 274,476,861	\$ 123,149,915	\$ 397,626,776

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
Legislative	\$ 358,882	\$ -	\$ -	\$ -	\$ (358,882)	\$ -	\$ (358,882)
Executive	2,072,643	-	255,441	-	(1,817,202)	-	(1,817,202)
Legal	812,884	-	-	-	(812,884)	-	(812,884)
Finance and administrative services	4,427,627	-	-	-	(4,427,627)	-	(4,427,627)
Public safety	13,236,510	582,487	1,018,162	-	(11,635,861)	-	(11,635,861)
Public works	15,310,127	390,712	3,462,282	3,234,028	(8,223,105)	-	(8,223,105)
Parks and recreation	8,084,695	4,921,047	-	-	(3,163,648)	-	(3,163,648)
Balch Library	635,782	-	13,500	-	(622,282)	-	(622,282)
Planning and zoning	1,554,970	649,181	-	-	(905,789)	-	(905,789)
Plan review	1,251,101	-	-	-	(1,251,101)	-	(1,251,101)
Airport	1,737,100	-	125,775	1,420,215	(191,110)	-	(191,110)
Interest	2,948,021	-	-	-	(2,948,021)	-	(2,948,021)
Total governmental activities	52,430,342	6,543,427	4,875,160	4,654,243	(36,357,512)	-	(36,357,512)
Business-type activities:							
Utilities	18,923,084	16,841,860	1,592,787	321,724	-	(166,713)	(166,713)
Total business-type activities	18,923,084	16,841,860	1,592,787	321,724	-	(166,713)	(166,713)
Total government	\$ 71,353,426	\$ 23,385,287	\$ 6,467,947	\$ 4,975,967	(36,357,512)	(166,713)	(36,524,225)
General Revenues:							
Taxes:							
General property taxes, including penalties					13,907,905	-	13,907,905
Other local taxes:							
Communication sales and use					6,767,712	-	6,767,712
Meals					5,021,455	-	5,021,455
Business and occupational licenses					3,326,739	-	3,326,739
Utility					1,559,559	-	1,559,559
Cigarette					934,508	-	934,508
Other					2,486,346	-	2,486,346
Intergovernmental, non-categorical aid					1,881,123	-	1,881,123
Use of money and property					1,785,866	66,363	1,852,229
Miscellaneous					676,490	546,126	1,222,616
Transfers					1,501,662	(1,501,662)	-
Total general revenues and transfers, net					39,849,365	(889,173)	38,960,192
Change in net position					3,491,853	(1,055,886)	2,435,967
Net position, beginning, as restated					270,985,008	124,205,801	395,190,809
Net position, ending					\$ 274,476,861	\$ 123,149,915	\$ 397,626,776

See Notes to Financial Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents, and temporary cash investments	\$ 22,233,945	\$ 8,764,336	\$ 30,998,281
Receivables, net			
Property taxes, including penalties	6,717,834	-	6,717,834
Utility taxes	133,103	-	133,103
Local taxes	1,865,573	-	1,865,573
Accounts	262,242	50,143	312,385
Accrued interest	3,853	-	3,853
Due from other governments	1,354,001	955,603	2,309,604
Due from other funds	1,310	-	1,310
Deposit	157,470	-	157,470
Prepaid expenses	1,900	-	1,900
Restricted cash	1,022,325	11,001,725	12,024,050
Total assets	\$ 33,753,556	\$ 20,771,807	\$ 54,525,363
LIABILITIES			
Accounts payable	\$ 1,391,766	\$ 803,604	\$ 2,195,370
Due to other governments	30,741	-	30,741
Retainage payable	7,035	120,903	127,938
Accrued payroll	1,089,794	23,865	1,113,659
Other accrued liabilities	18,584	-	18,584
Customer deposits	75,635	-	75,635
Performance bonds	1,254,054	-	1,254,054
Reserve for proffers	-	5,301,309	5,301,309
Unearned revenues	437,300	3,554,940	3,992,240
Total liabilities	4,304,909	9,804,621	14,109,530
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	6,667,498	-	6,667,498
Total deferred inflows of resources	6,667,498	-	6,667,498
FUND BALANCES			
Nonspendable			
Lease deposit	157,470	-	157,470
Prepaid expenses	1,900	-	1,900
Restricted			
Balch Library	746,426	-	746,426
Parks and recreation (Symmington)	50,521	-	50,521
Police	188,825	-	188,825
Bond proceeds	-	10,615,526	10,615,526
Committed			
Capital projects - streets and highways	-	1,920,149	1,920,149
Capital projects - storm drainage	-	138,932	138,932
Capital projects - general government	-	57,220	57,220
Capital projects - parks and recreation	-	4,644	4,644
Capital projects - administration	-	10,450	10,450
Assigned			
Debt service reserve	7,574,656	-	7,574,656
Capital asset reserve	2,592,340	-	2,592,340
Expenditures designated for future years	1,182,944	-	1,182,944
Unassigned	10,286,067	(1,779,735)	8,506,332
Total fund balances	22,781,149	10,967,186	33,748,335
Total liabilities, deferred inflows of resources and fund balances	\$ 33,753,556	\$ 20,771,807	\$ 54,525,363

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015**

Total fund balances - governmental funds	\$ 33,748,335
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Governmental capital assets	\$ 439,243,573
Less: accumulated depreciation and amortization	<u>(112,857,838)</u>
Net capital assets	326,385,735
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.	
	829,755
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.	
	1,558,151
For debt refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources:	
Deferred loss on refunding of debt	2,291,992
Internal service funds are used by management to charge the costs of goods provided to other departments or funds. The assets and liabilities of the internal service funds are included in the governmental activities of the Statement of Net Position.	
	1,230,039
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds payable	(75,569,648)
Compensated absences	(2,206,519)
Other postemployment benefits	(186,458)
Interest payable	(1,073,460)
Pension liability	<u>(9,055,552)</u>
	(88,091,637)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds until then.	
	<u>(3,475,509)</u>
Net position of governmental activities	<u>\$ 274,476,861</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 13,568,504	\$ -	\$ 13,568,504
Other local taxes	17,939,057	-	17,939,057
Permits, fees and licenses	1,027,582	5,184	1,032,766
Fines and forfeitures	530,509	-	530,509
Use of money and property	1,505,164	280,702	1,785,866
Charges for services	4,980,152	-	4,980,152
Contributions and proffers	322,341	996,317	1,318,658
Miscellaneous	675,833	657	676,490
Intergovernmental	8,591,204	3,657,926	12,249,130
Total revenues	49,140,346	4,940,786	54,081,132
Expenditures:			
Current:			
Legislative	395,084	-	395,084
Executive	1,919,530	-	1,919,530
Legal	854,433	-	854,433
Finance and administrative services	4,459,503	-	4,459,503
Public safety	13,488,315	-	13,488,315
Public works	11,332,942	-	11,332,942
Parks and recreation	8,060,847	-	8,060,847
Balch Library	459,214	-	459,214
Planning and zoning	1,591,679	-	1,591,679
Plan review	1,314,564	-	1,314,564
Airport	660,000	-	660,000
Capital projects	-	8,317,589	8,317,589
Debt service:			-
Principal	2,300,000	-	2,300,000
Interest and fiscal charges	2,678,082	852,108	3,530,190
Total expenditures	49,514,193	9,169,697	58,683,890
Revenues under expenditures	(373,847)	(4,228,911)	(4,602,758)
Other Financing Sources (Uses):			
Proceeds from issuance of debt	-	17,830,000	17,830,000
Proceeds from refunding of debt	-	9,710,000	9,710,000
Premium from issuance of debt	-	3,239,954	3,239,954
Payments to refunded bond escrow agent	-	(9,710,000)	(9,710,000)
Transfers in	2,319,710	30,320	2,350,030
Transfers out	-	(848,368)	(848,368)
Other financing sources, net	2,319,710	20,251,906	22,571,616
Net change in fund balances	1,945,863	16,022,995	17,968,858
Fund Balances, beginning	20,835,286	(5,055,809)	15,779,477
Fund Balances, ending	\$ 22,781,149	\$ 10,967,186	\$ 33,748,335

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	17,968,858
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Expenditure for capital assets	\$	11,091,705
Less: depreciation and amortization expense		<u>(9,207,256)</u>
Excess of capital outlay over depreciation and amortization		1,884,449
The net effect of various miscellaneous transactions involving capital assets. (i.e. donations, disposals and transfers)		(91,526)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		339,401
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal on long-term debt consumes the current financial resources of governmental funds. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt issued or incurred:		
Bonds payable		(27,540,000)
Premiums on bonds payable		(3,239,954)
Principal repayments:		
General obligation debt		2,300,000
Payment to refunded bond escrow agent		<u>9,710,000</u>
		(18,769,954)
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.		
Deferred outflows of resources		1,558,151
Accrued interest		(32,458)
Compensated absences		37,569
Other post employment benefits		(44,195)
Amortization of premiums		435,046
Amortization of deferred losses		179,581
Pension expense		<u>(1,203,108)</u>
		930,586
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues		5,406,378
Total expenses		<u>(4,176,339)</u>
		1,230,039
Change in net position of governmental activities	\$	<u><u>3,491,853</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 13,953,252	\$ 13,953,252	\$ 13,568,504	\$ (384,748)
Other local taxes	17,460,218	17,460,218	17,939,057	478,839
Permits, fees and licenses	566,700	566,700	1,027,582	460,882
Fines and forfeitures	544,411	667,281	530,509	(136,772)
Use of money and property	1,454,852	1,454,852	1,505,164	50,312
Charges for services	4,950,515	4,960,250	4,980,152	19,902
Contributions	300,000	310,265	322,341	12,076
Miscellaneous	697,166	737,066	675,833	(61,233)
Intergovernmental	8,314,809	8,495,431	8,591,204	95,773
Total revenues	48,241,923	48,605,315	49,140,346	535,031
Expenditures:				
Current:				
Legislative	285,891	409,299	395,084	(14,215)
Executive	1,901,192	1,998,184	1,919,530	(78,654)
Legal	891,267	866,354	854,433	(11,921)
Finance and administrative services	4,156,611	4,617,959	4,459,503	(158,456)
Public safety	14,284,055	14,126,006	13,488,315	(637,691)
Public works	12,129,011	12,706,334	11,332,942	(1,373,392)
Parks and recreation	8,103,087	8,384,519	8,060,847	(323,672)
Balch Library	457,002	461,382	459,214	(2,168)
Planning and zoning	1,586,025	1,602,302	1,591,679	(10,623)
Plan review	1,368,247	1,432,931	1,314,564	(118,367)
Airport	705,890	726,238	660,000	(66,238)
Debt service:				
Principal	2,205,534	2,205,534	2,300,000	94,466
Interest and fiscal charges	2,557,199	2,557,199	2,678,082	120,883
Total expenditures	50,631,011	52,094,241	49,514,193	(2,580,048)
Revenues under expenditures	(2,389,088)	(3,488,926)	(373,847)	3,115,079
Other Financing Sources:				
Transfers in	2,542,063	2,542,063	2,319,710	(222,353)
Other financing sources	2,542,063	2,542,063	2,319,710	(222,353)
Net change in fund balance	152,975	(946,863)	1,945,863	2,892,726
Fund Balance, beginning	(152,975)	946,863	20,835,286	19,888,423
Fund Balance, ending	\$ -	\$ -	\$ 22,781,149	\$ 22,781,149

**STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015**

	Business-type Activities - Enterprise Fund Utilities	Internal Service Self Insurance Fund
ASSETS		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 19,256,381	\$ -
Investments	-	2,033,708
Accounts receivables, net	2,998,040	3,114
Inventory	147,840	-
Accrued interest	4,215	-
Total current assets	<u>22,406,476</u>	<u>2,036,822</u>
Noncurrent Assets:		
Capital assets:		
Land	1,577,329	-
Water and sewer plant	115,887,423	-
Water and sewer lines	121,862,793	-
Furniture, equipment and software	1,318,366	-
Vehicles	2,738,342	-
Construction in progress	593,722	-
Less: accumulated depreciation and amortization	(70,045,018)	-
Total noncurrent assets	<u>173,932,957</u>	<u>-</u>
Total assets	<u>196,339,433</u>	<u>2,036,822</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	397,932	-
Deferred Charges of Refunding	2,624,664	-
Total deferred outflows of resources	<u>3,022,596</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>199,362,029</u>	<u>2,036,822</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	453,103	73,910
Unearned revenue	6,895	-
Accrued payroll	246,855	-
Accrued interest	586,126	-
Compensated absences	446,324	-
Retainage payable	25,000	-
Due to other funds	1,310	-
Bonds payable	2,232,687	-
Performance bonds payable	9,000	-
Customer deposits and contingent charges	934,019	-
Insurance and benefit claims	-	515,807
Total current liabilities	<u>4,941,319</u>	<u>589,717</u>
Noncurrent Liabilities:		
Compensated absences	114,817	-
Other postemployment benefits	95,186	-
Net pension obligation	2,263,888	-
Bonds payable, net	68,145,093	-
Total noncurrent liabilities	<u>70,618,984</u>	<u>-</u>
Total liabilities	<u>75,560,303</u>	<u>589,717</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	868,877	-
Total liabilities and deferred inflows of resources	<u>76,429,180</u>	<u>589,717</u>
NET POSITION		
Net investment in capital assets	106,179,841	-
Unrestricted	16,753,008	1,447,105
Total net position	<u>\$ 122,932,849</u>	<u>\$ 1,447,105</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	Business-type Activities - Enterprise Fund Utilities	Internal Service Self Insurance Fund
Operating Revenues:		
Charges for services	\$ 15,887,793	\$ 6,360,445
Other	546,126	-
Total operating revenues	16,433,919	6,360,445
Operating Expenses:		
Personnel service	7,124,324	-
Contractual services	653,080	-
Depreciation and amortization	5,249,928	-
Materials and supplies	1,231,643	-
Continuous charges	1,167,525	-
Claims and settlements	164	-
Capital outlay	192,993	-
Risk financing and benefit payments	-	4,913,340
Total operating expenses	15,619,657	4,913,340
Operating income	814,262	1,447,105
Nonoperating Revenues (Expenses):		
Contributions from Loudoun County	11,131	-
Interest on investments	66,363	-
Installation and connection charges	1,581,656	-
Interest and fiscal charges	(2,566,426)	-
Total nonoperating expenses, net	(907,276)	-
Income (loss) before contributions and transfers	(93,014)	1,447,105
Contributions and Transfers		
Developer donated assets	321,724	-
Transfers out	(1,501,662)	-
Total contributions and transfers, net	(1,179,938)	-
Change in net position	(1,272,952)	1,447,105
Net Position, beginning, as restated	124,205,801	-
Net Position, ending	\$ 122,932,849	\$ 1,447,105

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015

	Business-type Activities - <u>Enterprise Fund</u> Utilities	Internal Service Self Insurance Fund
Cash Flows From Operating Activities:		
Receipts from customers	\$ 16,357,311	\$ -
Receipts from interfund services provided	-	6,357,331
Claims and benefits paid	-	(4,397,533)
Payments to suppliers for goods and services	(3,344,010)	73,910
Payments to employees for services	(7,389,063)	-
Other receipts	555,126	-
	<u>6,179,364</u>	<u>2,033,708</u>
Cash Flows From Noncapital and Related Financing Activities:		
Advance from other funds	1,310	-
Transfers out	(1,501,662)	-
	<u>(1,500,352)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Installation and connection charges	1,581,656	-
Acquisition and construction of capital assets	(1,344,214)	-
Interest and fiscal charges	(2,837,250)	-
Principal paid on bonds	(1,122,948)	-
Proceeds and premiums from debt issuance	2,049,166	-
	<u>(1,673,590)</u>	<u>-</u>
Cash Flows From Investing Activities:		
Purchase of investments, net	-	(2,033,708)
Interest on investments	66,306	-
	<u>66,306</u>	<u>(2,033,708)</u>
	<u>66,306</u>	<u>(2,033,708)</u>
	<u>3,071,728</u>	<u>-</u>
Cash and Cash Equivalents		
Beginning	<u>16,184,653</u>	<u>-</u>
Ending	<u>\$ 19,256,381</u>	<u>\$ -</u>

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2015**

	Business-type Activities - <u>Enterprise Fund</u> Utilities	Governmental Activities- <u>Internal Service Fund</u>
Reconciliation of Operating Income to Net Cash Provided By		
Operating Activities:		
Operating income	\$ 814,262	\$ 1,447,105
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,249,928	-
Pension expense	300,777	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	451,406	(3,114)
Inventory	43,252	-
Increase (decrease) in:		
Accounts payable	(141,857)	-
Performance bond payable	9,000	-
Accrued liabilities	(97,533)	73,910
Unearned revenue	6,895	-
Insurance and benefit claims	-	515,807
Other post employment benefits	18,396	-
Deferred outflows - pension plan	(397,932)	-
Compensated absences	(88,447)	-
Customer deposits and contingent charges	11,217	-
Net cash provided by operating activities	\$ 6,179,364	\$ 2,033,708
Supplemental Disclosure of Noncash Capital and Related Financing Activities:		
Developer donated capital improvements	\$ 321,724	\$ -
Capital assets acquired through incurrence of accounts and retainage payable	163,351	-
Repayment of debt via refunding	43,360,000	-
Preimiums acquired via debt refunding	4,427,186	-

**STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2015**

	OPEB Trust Fund
<hr/>	
ASSETS	
Investments held in trust	\$ 8,842,370
Total assets	<u>8,842,370</u>
NET POSITION	
Held in trust for other postemployment benefits (OPEB)	<u><u>\$ 8,842,370</u></u>

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2015

	OPEB Trust Fund
<hr/>	
Additions:	
Contributions	\$ 453,000
	<hr/>
Total contributions	453,000
	<hr/>
Investment Income:	
From investment activities:	
Realized gain on sale of investments	1,872
Interest and dividends earned on investments	2
Net increase in fair value of investments	183,970
	<hr/>
Total income from investment activities	185,844
	<hr/>
Deductions:	
Administrative fees	10,272
	<hr/>
Total deductions	10,272
	<hr/>
Change in net position	628,572
	<hr/>
Net Position, beginning	8,213,798
	<hr/>
Net Position, ending	\$ 8,842,370
	<hr/> <hr/>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Leesburg, Virginia (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Leesburg, Virginia is located in the County of Loudoun, Virginia and was incorporated in 1758 under the provisions of the Constitution and general statutes of the Commonwealth of Virginia.

The Town is an incorporated municipal government governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and any potential component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose its will on the component unit, or (b) the possibility the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above, all potential component units were evaluated for inclusion in the reporting entity and it was determined there are no component units requiring inclusion in the Town's reporting.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information on all of the activities of the Town. 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 support. Eliminations have been made to minimize the double-counting of internal activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

Fund Financial Statements

Separate financial statements are provided for governmental funds and the Town's sole proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town's sole proprietary fund is reported separately in the fund financial statements.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting

The accounts of the Town are organized on the basis of funds which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures or expenses, as appropriate. The various funds of the Town are included in the financial statements as follows:

1. Governmental Funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the Town's major governmental funds:

General Fund – The General Fund is the general operating fund of the Town. All general tax revenues and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many important activities of the Town, including operation of the Town's general service departments, street and highway maintenance, public safety, parks and recreation, library, and airport are accounted for in this fund.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets, unless financed through proprietary funds.

2. Proprietary Fund types are used to account for activities which are similar to those often found in the private sector. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, equities, revenues, expenses and transfers related to the Town's business activities are accounted for through a single proprietary fund. The measurement focus is on income determination, financial position, and cash flows.

Enterprise Fund – Enterprise funds are used to finance and account for the acquisition, operation and maintenance of the Town's facilities and services, which are supported primarily by user charges. The following comprises the Town's major enterprise fund:

Utilities Fund – This fund is used to account for the operation and maintenance of the Town's water system and sanitary sewer system.

The Town reports the following internal service fund:

Self Insurance Fund – This fund accounts for the costs associated with providing health insurance benefits to employees of the Town and with managing claims thereto.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Fund – Fiduciary funds (trust and agency funds) account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The Town's sole fiduciary fund is the Other Postemployment Benefits (OPEB) Trust Fund which accounts for activities of the Town's other postemployment benefits. This fund accumulates resources for health insurance for retired employees.

D. Measurement Focus and Basis of Accounting

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 the 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified* accrual basis of accounting. 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 Town considers revenues to be available if they are collected within 75 days of the end of the current fiscal period except for property taxes which are recognized as revenue if they have been collected within 45 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues to fund the program.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are generally recorded as revenue when received because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received, but investment earnings are recorded as earned, since they are measurable and available.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 fund are charges to customers for commodities and services. Operating expenses for enterprise funds include the cost of commodities and services, administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Budgetary Data

Budgets are adopted and maintained on the modified accrual basis adjusted for encumbrances. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end to the extent they have not been expended or lawfully encumbered. Project-length financial plans are adopted for the Capital Projects Fund. Budgets for enterprise funds serve as a spending guide for the Town and do not constitute legally binding limitations.

Each year all departments of the government submit requests for appropriation to the Town Manager so a budget may be prepared. The budget is prepared by fund, department, activity, and expenditure and includes information on the past, current year estimates, and requested appropriations for the next fiscal year.

Before April 1, the proposed budget is presented to the Town's Council for review. The Town Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town Manager or the revenue estimates must be changed by an affirmative vote of a majority of the Town Council.

Expenditures may not legally exceed budgeted appropriations at the department level. The Town Manager has authority to amend or transfer appropriations within the department level. During the year ended June 30, 2015, General Fund supplemental appropriations totaling \$1,463,230 were authorized by Town Council.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

1. Cash and Cash Equivalents

The Town considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash of individual funds are combined to form a pool of cash and investments. The pool consists primarily of government obligations and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances.

2. Restricted Cash

Restricted cash was \$12,024,050 for governmental activities at June 30, 2015 and is comprised of unspent debt proceeds, proffer reserves, performance bonds, police forfeitures, and funds to be used for Balch Library.

3. Investments

Investments are stated at fair value based on quoted market prices.

4. Property Taxes

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia (County), for all property of record as of January 1. The Town bills and collects its property taxes based on the assessed values provided by the County. Real estate taxes are levied annually on January 1 and are due in semi-annual installments on June 5 and December 5. Personal property taxes are levied annually on January 1 and are due May 5.

Collections of real estate and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

5. Prepaid Items

Certain payments to vendors reflect 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 LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

6. Inventory

Inventories are stated at cost using the first-in, first-out method. Inventories of business-type activities are recorded as expenditures when consumed rather than when purchased.

7. Capital Assets

Capital assets, which include property and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements or the appropriate enterprise fund within the proprietary statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 or more for infrastructure) 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 estimated fair market value at the date of donation. In implementing GASB 34, the Town identified and included infrastructure assets obtained prior to June 30, 1980.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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.

Capital assets of the government are depreciated and amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 – 50
Infrastructure	50
Hangars and runways	10 – 50
Vehicles	5 – 12
Furniture, equipment and software	5 – 25
Computer equipment and software	5 – 10
Water and sewer plant	10 – 100
Water and sewer lines	10 – 100

The Town's Balch Library contains reference material and library books that are not capitalized. Many of these items are irreplaceable and are only available for educational and research purposes to be completed at the library.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

8. Unearned Revenue

Unearned revenue in the governmental funds represents amounts due, which are measurable but not available.

9. Inter-fund Transactions

Transactions among Town funds would be treated as revenues and expenditures or expenses if they involved organizations external to the Town government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

10. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation, compensatory and sick pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation and compensatory pay is accrued when earned in government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation and compensatory leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

11. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

12. Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bond discounts, net of amortization, are presented as reductions to the face amount of bonds payable on the accompanying Statement of Net Position. Bond premiums, net of amortization, are presented as an increase to the face amount of bonds payable on the accompanying Statements of Net Position. The actual amounts of bond premiums are presented in the schedule in Note 7, Long-Term Debt.

13. Performance Bonds

The General Fund and Utility Fund reports approximately \$1.3 million and \$.09 million, respectively, in liability for performance bonds. The Town requires contractors or developers to provide the Town with a performance bond (safety bond) in order to guarantee that the value of the work will not be lost in the case of an event that permits the contractor/developer from completing the project. Upon completion of the work and satisfactory inspection, the performance bond is refunded to the contractor/developer.

14. Reserve for Proffers

The Capital Projects Fund reports a liability for proffers of approximately \$5.3 million. The Commonwealth of Virginia grants localities the ability to seek voluntary proffers from developers to offset costs for infrastructure and public services generated by development through the rezoning process. The Town's most common proffered cash contributions are those to offset future capital costs associated with schools, fire and rescue, parks and recreation, specific transportation improvements, and/or general transportation improvements. Revenue from proffers is recognized by the Town as proffer projects are completed.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expenditure) until then. The Town has two types of items that qualify for reporting in this category. The first item is the deferred loss on refunding reported in the government-wide Statement of Net Position which arises under the full accrual basis of accounting. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the employer's fiscal year 2015 Virginia Retirement System contributions and is reported in the government-wide Statement of Net Position.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

15. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. The first item, which arises under the modified accrual basis of accounting, is unavailable revenues from property taxes. Accordingly, the item, unavailable revenue – property taxes, is reported only in the Governmental Funds' Balance Sheet. The second item, the net difference between projected and actual earnings on the Virginia Retirement System's plan investments, is reported in the government-wide Statement of Net Position.

16. 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 Town's retirement plans and the additions to/deductions from the Town's retirement plans net fiduciary positions have been determined on the same basis as they were reported by the 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.

17. Fund Equity

In the fund financial statements, governmental funds report classifications of fund balance as follows:

Nonspendable fund balance – amounts not in a spendable form or are required to be maintained intact (such as prepaid items, inventory, and the principal of a permanent fund that is legally or contractually required to be maintained intact).

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

17. Fund Equity (Continued)

Committed fund balance – amounts constrained to specific purposes by the Town Council. To be reported as committed, amounts cannot be used for any other purpose unless the Town Council adopts an ordinance to add, remove or change the constraint.

Assigned fund balance – amounts constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Amounts can be assigned by the Town Manager or Director of Finance and Administrative Services. Use of these funds are approved by Town Council resolution.

Unassigned fund balance – residual balance of the General Fund which has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Town will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General Fund encumbrances totaling approximately \$1.2 million have been classified as assigned under fund balance. Capital Projects Fund encumbrances totaling approximately \$2.1 million have been classified as committed under fund balance.

18. Net Position

Net position represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The caption net position “net investment in capital assets” consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets also includes an adjustment for deferred outflows or inflows related to gains or losses associated with debt issuances or refundings. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

19. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Deposits): This is the risk, in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the Virginia Security for Public Deposits Act. At year-end, none of the Town's deposits are exposed to custodial credit risk.

Investment Policy:

Investments: The Town's investment policy targets the following objectives, in order of priority: legality, safety, liquidity and yield. The Director of Finance and Administrative Services for the Town is responsible for administering its investments and ensuring compliance with the Town's policies and statutory requirements.

In accordance with the laws of the Commonwealth and Town policy, investments authorized to be held by the Town are:

1. *Treasury Securities*

Bonds, notes and bills issued by the United States Treasury maturing within five years of the date of purchase, or certificates representing ownership of treasury bond principal or coupons payable within five years.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

2. *Agency Securities*

Fixed rate obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation, maturing within five years of the date of purchase.

3. *Prime Commercial Paper*

Commercial paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's and A-1 or higher by Standard & Poor's, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's.

4. *Certificates of Deposit*

Certificates of deposit maturing within one year and issued by domestic banks rated P-1 by Moody's and A-1 by Standard & Poor's.

5. *Bankers' Acceptances*

Bankers' acceptances maturing within 180 days rated P-1 or higher by Moody's and A-1 or higher by Standard & Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA or higher by Moody's and Standard & Poor's.

6. *Commonwealth of Virginia and Virginia Local Government Obligations*

General obligations, insured obligations or revenue bonds secured by debt service reserve funds not subject to annual appropriation rated AA or higher by Moody's or Standard & Poor's.

7. *Repurchase Agreements*

Repurchase agreements collateralized by securities approved for investment herein, provided that the counterparty is rated A or better by Moody's and Standard & Poor's and the collateral is held by an independent third-party.

8. *Open-End Investment Funds*

Open-end investment funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided they invest only in securities approved for investment herein.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

9. *Virginia Local Government Investment Pool (LGIP)*

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s.

10. *Virginia State Non-Arbitrage Program (SNAP)*

Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing (“Virginia governments”) in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an “AAAm” rating by Standard & Poor’s. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less and seeks to maintain a constant net value (NAV) per share of \$1.00. The Commonwealth of Virginia’s Treasury Board has contracted with PFM Asset Management, LLC, Wells Fargo, N.A., U.S. Bank, N.A., and the Bank of New York Mellon Corporation to provide professional services and regulating oversight to the SNAP Program.

11. *Federally Insured Certificates of Deposit (CDARS)*

Federally insured certificates of deposit issued through the Certificates of Deposit Account Registry Service (CDARS) by financial institutions located in the United States, provided that:

- a. The funds are initially invested by the Town through a financial institution that is participating in CDARS and that is located and doing business in Virginia.
- b. The financial institution in Virginia receives reciprocal deposits from customers of other financial institutions in an amount equal to the funds initially invested by the Town; and
- c. Each such certificate of deposit is issued in an amount that is eligible for full FDIC insurance coverage for up to a maximum total of \$50 million in qualified investments held.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

12. Virginia Municipal League and Virginia Association of Counties (VML/VACo) – OPEB Trust Fund

Investments in VML/VACo are used for funding Other Postemployment Benefits (OPEB). The VML/VACo Trust is the only pooled OPEB trust offered in Virginia. Trust participants receive professional investment management on par with the services provided by major pension funds. Investment decisions are made by the Board of Trustees. At year end, the Town has \$8,842,370 invested with the VML/VACo OPEB Trust. The trust has not been assigned a rating as of June 30, 2015.

13. Virginia Municipal League and Virginia Association of Counties (VML/VACo) – Investment Pool

VML/VACo's pooled investment program is used by local governments to invest assets they expect to hold longer than one year. Participants are invested in high-quality corporate and government securities with an average duration of one to two years. At year end, the Town has \$6,007,139 with the VML/VACo Investment Pool. The pool has not been assigned a rating as of June 30, 2015.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2015, 63.53% of the Town's investments were invested in "AAAm" rated Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings. The Town does not have a policy that addresses investment credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from increasing interest rates and to comply with the laws of the Commonwealth, the Town's policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase.

	Fair Value	Less Than 1 Year
LGIP	\$ 5,603,679	\$ 5,603,679
Certificates of deposit	11,700,000	11,700,000
SNAP	14,758,588	14,758,588
VML/VACo OPEB Trust	8,842,370	8,842,320
VML/VACo Investment Pool	6,007,139	6,007,139

Note 3. Estimated Unbilled Revenue

Utilities Fund revenues are estimated at year-end for unbilled services rendered. The amounts are determined by estimating services rendered based on past services provided. At June 30, 2015, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$2.9 million.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables at June 30, 2015 for the Town’s individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Utilities Fund	Totals
Property taxes, including penalties	\$ 6,967,834	\$ -	\$ -	\$ 6,967,834
Utility taxes	133,103	-	-	133,103
Local taxes	1,865,573	-	-	1,865,573
Accounts	319,962	50,143	3,073,040	3,443,145
Gross receivables	9,286,472	50,143	3,073,040	2,409,655
Less allowance for uncollectible accounts	307,720	-	75,000	382,720
Net receivables	\$ 8,978,752	\$ 50,143	\$ 2,998,040	\$ 12,026,935

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the General Fund and Capital Projects Fund were as follows:

	Unavailable	Unearned
Second half real estate billed in advance	\$ 5,837,743	\$ -
Delinquent property taxes receivable	829,755	-
Prepaid property taxes	-	152,260
Lease revenue	-	39,096
Capital projects	-	3,554,940
Other	-	245,944
	\$ 6,667,498	\$ 3,992,240

The Capital Projects Fund reported unearned revenue of \$3,554,940 in connection with contributions received in advance from Virginia Department of Transportation and Loudoun County for the County’s share of capital projects undertaken by the Town.

The Town leases a portion of the Town’s property at the airport to the federal government for the FAA/Automated Flight Services Station. In 2004, the FAA advanced the Town approximately \$236,000 to assist with capital improvements of the facilities. The advance is being amortized over the remaining lease through April 2018, in which the Town is recognizing approximately \$18,300 in income annually.

The General Fund reported unearned revenue of \$162,000 for fees collected in advance as part of the rezoning development of the downtown corridor. The funds are being held in escrow and are to be used to offset future costs associated with the construction of parking facilities

The General Fund reported unearned revenue of \$83,944 associated with the Virginia Stormwater Management Program (“VSMP”) permits for which the Department of Environmental Quality (“DEQ”) has already provided the Town funding to cover the cost associated with the permit review and inspections for VSMP.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Due From Other Governments

At June 30, 2015, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:

Local sales tax	\$	859,320
Other taxes and grants		25,905
Car rental tax		26,098
Communication sales and use		354,110
		<u>1,265,433</u>

Federal Government:

Department of Justice		<u>6,911</u>
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Northern Virginia Cigarette Tax Board		<u>81,657</u>
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Total General Fund	\$	<u>1,354,001</u>
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Capital Projects Fund:

Commonwealth of Virginia:

Virginia Department of Transportation	\$	728,032
Department of Aviation		<u>31,363</u>

Federal government:

Department of Aviation		<u>196,208</u>
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Total Capital Projects Fund	\$	<u>955,603</u>
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TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 54,389,967	\$ 396,955	\$ -	\$ 3,665,370	\$ 58,452,292
Construction in progress	19,787,511	4,646,792	(89,178)	(15,056,336)	9,288,789
Total capital assets, not being depreciated or amortized	74,177,478	5,043,747	(89,178)	(11,390,966)	67,741,081
Capital assets, being depreciated or amortized:					
Buildings and improvements	77,063,485	620,331	-	1,113,522	78,797,338
Furniture, equipment and software	6,557,957	78,053	-	-	6,636,010
Computer equipment and software	2,992,874	70,224	-	-	3,063,098
Vehicles	5,180,041	510,852	(216,896)	-	5,473,997
Infrastructure	70,644,017	691,364	-	-	71,335,381
Streets	163,419,095	3,963,801	-	9,508,795	176,891,691
Hangers	6,057,289	-	-	-	6,057,289
Runways	15,687,713	113,333	-	768,649	16,569,695
Terminals	6,677,993	-	-	-	6,677,993
Total capital assets being depreciated or amortized	354,280,464	6,047,958	(216,896)	11,390,966	371,502,492
Less accumulated depreciation and amortization for:					
Buildings and improvements	(24,526,754)	(2,310,599)	-	-	(26,837,353)
Furniture, equipment and software	(4,452,656)	(460,355)	-	-	(4,913,011)
Computer equipment and software	(2,327,618)	(314,690)	-	-	(2,642,308)
Vehicles	(3,210,901)	(393,028)	214,548	-	(3,389,381)
Infrastructure	(19,259,516)	(1,434,450)	-	-	(20,693,966)
Streets	(34,392,433)	(3,449,273)	-	-	(37,841,706)
Hangers	(1,906,392)	(181,404)	-	-	(2,087,796)
Runway	(11,507,235)	(515,631)	-	-	(12,022,866)
Terminals	(2,281,625)	(147,826)	-	-	(2,429,451)
Total accumulated depreciation and amortization	(103,865,130)	(9,207,256)	214,548	-	(112,857,838)
Total capital assets being depreciated or amortized, net	250,415,334	(3,159,298)	(2,348)	11,390,966	258,644,654
Governmental activities capital assets, net	\$ 324,592,812	\$ 1,884,449	\$ (91,526)	\$ -	\$ 326,385,735

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:

Legislative	\$ 22,018
Executive	274,414
Finance and administrative services	167,917
Public safety	632,235
Parks and recreation	860,896
Balch Library	188,343
Public works	5,909,422
Airport	1,152,011
Total depreciation and amortization expense - governmental activities	<u><u>\$ 9,207,256</u></u>

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 1,577,329	\$ -	\$ -	\$ -	\$ 1,577,329
Construction in progress	5,951,455	564,192	-	(5,921,925)	593,722
Total capital assets, not being depreciated or amortized	<u>7,528,784</u>	<u>564,192</u>	<u>-</u>	<u>(5,921,925)</u>	<u>2,171,051</u>
Capital assets, being depreciated or amortized:					
Water and sewer plant	115,855,797	31,626	-	-	115,887,423
Water and sewer lines	115,228,364	712,504	-	5,921,925	121,862,793
Furniture, equipment and software	1,212,905	105,461	-	-	1,318,366
Vehicles	2,676,433	252,155	(190,246)	-	2,738,342
Total capital assets being depreciated or amortized	<u>234,973,499</u>	<u>1,101,746</u>	<u>(190,246)</u>	<u>5,921,925</u>	<u>241,806,924</u>
Less accumulated depreciation and amortization for:					
Water and sewer plant	(29,277,187)	(2,324,746)	-	-	(31,601,933)
Water and sewer lines	(,32,699,477)	(2,753,524)	-	-	(35,453,001)
Furniture, equipment and software	(1,104,761)	(52,138)	-	-	(1,156,899)
Vehicles	(1,903,911)	(119,520)	190,246	-	(1,833,185)
Total accumulated depreciation and amortization	<u>(64,985,336)</u>	<u>(5,249,928)</u>	<u>190,246</u>	<u>-</u>	<u>(70,045,018)</u>
Total capital assets being depreciated and amortized, net	<u>169,988,163</u>	<u>(4,148,182)</u>	<u>-</u>	<u>5,921,925</u>	<u>171,761,906</u>
Business-type activities capital assets, net	<u>\$ 177,516,947</u>	<u>\$ (3,583,990)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 173,932,957</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary fund if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Outstanding long-term debt at June 30, 2015 includes the following bond issues:

General Obligation Bonds:

\$20,035,000, 2006 General Obligation Refunding Bond Series B, due in annual installments of \$1,470,000 to \$2,295,000 through September 2020, plus interest at 5.00%	\$ 9,175,000
\$55,660,000, 2006 "Double Barrel" General Obligation Public Utility Bonds, due in annual installments of \$745,000 to \$840,000 through July 2016, plus interest at 4.00%	1,585,000
\$21,695,000, 2009 Build America Bonds (BABS) Taxable, due in annual installments of \$210,000 to \$1,300,000 through February 2039, plus interest at 4.00% to 6.31%	17,620,000
\$6,320,000 2009 Build America Bonds (BABS) Tax-Exempt Refunding, due in annual installments of \$900,000 to \$935,000 through February 2017, plus interest at 3.50% to 4.00%	1,835,000
\$26,990,000 2011 Series A General Obligation Tax-Exempt, due in annual installments of \$185,000 to \$4,040,000 through January 2041, plus interest at 2.50% to 5.00%	26,560,000
\$3,880,000 2011 Series B General Obligation Taxable, due in annual installments of \$695,000 to \$1,250,000, beginning January 2017 through January 2020, plus interest at 2.585% to 3.721%	3,880,000
\$24,800,000 2014 General Obligation and Refunding Bonds, due in annual installments of \$85,000 to \$2,140,000 through January 2044, plus interest at 2.00% to 5.00%	24,365,000
\$46,975,000 2015 General Obligation and Refunding Bonds, due in annual installments of \$360,000 to \$3,765,000 through January 2037, plus interest at 2.00% to 5.00%	46,975,000

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Revenue Bonds:

\$11,000,000, VRA 1999 Utility System Revenue Bonds, due in semi-annual installments of \$391,534 through January 2021, including interest at 3.50%	\$ 3,886,950
Plus unamortized premiums, net	<u>10,065,478</u>
Total bonded debt	<u>\$ 145,947,428</u>

The Town also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service.

The Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond covenants collateralizes the bonds. The covenants provide the revenue of the system to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be retained in a surplus account. The covenants also contain certain provisions, which require the Town to maintain revenues, as defined in the covenants, of at least 1.25 times the annual debt service requirements. For fiscal year 2015, all revenue bond covenants were met.

The Double Barrel Bonds are secured by the Town's general obligation pledge as well as a pledge of utility revenues.

The allocation of debt to business-type and governmental activities net of premiums is as follows:

Description	Business- Type Activities	Governmental Activities	Totals
Bonded Long-term Debt:			
1999 VRA utility revenue	\$ 3,886,950	\$ -	\$ 3,886,950
2006 General obligation, Series B	-	9,175,000	9,175,000
2006 General obligation, Public Utility	1,585,000	-	1,585,000
2009 BABS, taxable	4,645,000	12,975,000	17,620,000
2009 BABS, tax-exempt	-	1,835,000	1,835,000
2011 Series A General obligation	10,930,000	15,630,000	26,560,000
2011 Series B General obligation	-	3,880,000	3,880,000
2014 General obligation & refunding	11,000,000	13,365,000	24,365,000
2015 General obligation & refunding	33,215,000	13,760,000	46,975,000
Total bonds payable	<u>65,261,950</u>	<u>70,620,000</u>	<u>135,881,950</u>
Plus:			
Unamortized premiums	5,115,830	4,949,648	10,065,478
	<u>\$ 70,377,780</u>	<u>\$ 75,569,648</u>	<u>\$ 145,947,428</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

The following is a summary of long-term liability activity of the Town for the year ended June 30, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 55,090,000	\$ 27,540,000	\$ (12,010,000)	\$ 70,620,000	\$ 2,505,000
Unamortized premiums	2,144,740	3,239,954	(435,046)	4,949,648	-
Compensated absences	2,244,088	1,634,134	(1,671,703)	2,206,519	1,755,298
Governmental activities long-term activities	\$ 59,478,828	\$ 32,414,088	\$ (14,116,749)	\$ 77,776,167	\$ 4,260,298

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

Year Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2016	\$ 2,505,000	\$ 2,997,383	\$ 5,502,383
2017	5,020,000	3,009,174	8,029,174
2018	5,235,000	2,794,324	8,029,324
2019	5,385,000	2,581,985	7,966,985
2020	5,505,000	2,365,111	7,870,111
2021-2025	24,695,000	8,263,565	32,958,565
2026-2030	15,890,000	3,183,920	19,073,920
2031-2035	6,385,000	558,439	6,943,439
	\$ 70,620,000	\$ 25,753,901	\$ 96,373,901

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 65,509,897	\$ 44,235,000	\$ (44,482,947)	\$ 65,261,950	\$ 2,232,687
Unamortized premiums	1,259,875	4,427,186	(571,231)	5,115,830	-
Compensated absences	649,588	339,866	(428,313)	561,141	446,324
Business-type activities long-term liabilities	\$ 67,419,360	\$ 49,002,052	\$ (45,482,491)	\$ 70,938,921	\$ 2,774,010

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2016	\$ 2,232,687	\$ 2,315,620	\$ 4,548,307
2017	2,030,730	2,568,376	4,599,106
2018	2,129,587	2,512,278	4,641,865
2019	2,164,287	2,444,134	4,608,421
2020	2,284,860	2,372,884	4,657,744
2021-2025	17,009,800	9,907,776	26,917,576
2026-2030	16,170,000	5,867,100	22,037,100
2031-2035	14,440,000	3,594,634	18,034,634
2036-2040	6,670,000	766,838	7,436,838
2041-2044	710,000	53,876	763,876
	<u>\$ 65,261,950</u>	<u>\$ 31,889,131</u>	<u>\$ 97,151,080</u>

Advanced Refunding

The Town refunded its 2005 general obligation bond and portions of the 2006 Public Utility Bonds. The refunding increased the Town's total debt service over the next 30 years by approximately \$15.5 million and resulted in an economic gain of \$22,109.

As a result of the refunding noted above, the Town placed proceeds totaling approximately \$14.8 million in escrow to repay the refunded debt.

The Town refunded its 2006B general obligation bond and portions of the 2006 Public Utility Bonds. The refunding increased the Town's total debt service over the next 22 years by approximately \$5.9 million and resulted in an economic gain of \$4,980,514.

As a result of the refunding noted above, the Town placed proceeds totaling approximately \$41.6 million in escrow to repay the refunded debt.

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$664.3 million, which is computed based upon 10% of the assessed value on real estate subject to taxation less applicable bonded debt.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Transfers

	General	Capital Projects	Total Transferred Out
Transfer from fund:			
Governmental activities:			
Capital Projects	\$ 848,368	\$ -	\$ 848,368
Business-type activities:			
Utilities	1,471,342	30,320	1,501,662
Total transferred in	<u>\$ 2,319,710</u>	<u>\$ 30,320</u>	<u>\$ 2,350,030</u>

The transfer from the Utilities Fund to the General Fund is for general administrative services performed by the general government.

The transfer from the Utilities Fund to the Capital Projects Fund is for project administrative services performed by the capital projects office.

The transfer from the Capital Projects Fund to the General Fund is to reimburse the General Fund for general administrative services performed by the general government.

Note 9. Commitments and Contingent Liabilities

Federal and State-Assisted Programs

The Town has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes any required refunds will be immaterial. Based on past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

At June 30, 2015, the Town was contractually obligated for \$2.1 million to complete various construction projects within the Town. The funds for these improvements are expected to come from fund balance reserves, the issuance of debt, and state funding.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits

Plan Description: The Town participates in the Retiree Healthcare and Life Insurance Benefit Programs which is a single employer benefit plan. Other postemployment benefits provided by the Town include Medicare health care benefits to retired employees and their dependents provided they satisfy one of the following requirements:

- General and Utilities Employees: Age 65 with 5 or more years of service and retired under the Virginia Retirement System
- Police Officers and Firefighters: Age 60 with 5 or more years of Creditable Service, is no longer in service as a Police Officer or Firefighter and retired under the Virginia Retirement System
- Medically disabled and totally and permanently unable to work

The Town also provides healthcare benefits to the survivors of deceased employees and retired members.

Funding Policy: The Town establishes employer contribution rates for plan participants and determines how the Town's contribution will be funded as part of the budgetary process each year. Employees retiring under the state retirement system with a minimum of 10 years of Town service shall be eligible for supplemental Medicare insurance, in compliance with all state and federal law. Employees who retire with 20 or more years; at least 15 years but less than 20 years; and at least 10 years but less than 15 years of service will pay 10%, 50% and 75%, respectively, of the monthly health insurance premiums and supplemental Medicare insurance. Retired employees participating in the plan shall pay all additional premiums for spouse or dependent coverage requested. Employees retiring prior to December 31, 2002, with 20 or more years of service have 100% of their monthly health insurance premiums and supplemental Medicare insurance paid by the Town. For employees hired after June 30, 2008, the health insurance costs are capped. This will require the Town to pay for increased premium costs for eligible retirees for the next 20 years. However, after that, new retirees will be responsible for all increases in premiums, shifting the cost of the premiums from the Town to the retiree.

The Town will pay between 25% and 90% of the premium for retirees based on years of service.

Annual OPEB cost and Net OPEB Obligation (NOO): In 2015, the Town had an actuarial valuation of post employment benefits performed as of July 1, 2013. The annual cost of the OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The phase-in of full funding cost for OPEB benefits is \$1,227,300 and the annual benefit cost is \$1,230,612 for 2015. The percentage of the annual OPEB cost contributed is 94.91%.

GASB Statement No. 45 does not require pre-funding of the OPEB liability. The Town has elected not to pre-fund all of the OPEB liability at this time. The Town anticipates continuing to fully fund the annual required contribution. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not pre-funded. At June 30, 2015, the Town has recorded a liability of \$281,644 on the Statement of Net Position for the governmental and business-type activities.

The Town received a NOO calculation for the year ended June 30, 2015. The revisions are reflected in the calculation shown in the following table.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

The Town is not required to contribute the ARC of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows a calculation of the net OPEB obligation at June 30, 2015:

	Governmental Activities	Business-type Activities	Totals
ARC	\$ 859,711	\$ 367,589	\$ 1,227,300
Interest on net OPEB obligation	10,741	4,593	15,334
Adjustment to ARC	(8,421)	(3,601)	(12,022)
Annual OPEB cost	862,031	368,581	1,230,612
Contributions made	(817,836)	(350,185)	(1,168,021)
Increase in net OPEB obligation	44,195	18,396	62,591
Net OPEB obligation, beginning of year	142,263	76,790	219,053
Net OPEB obligation, end of year	\$ 186,458	\$ 95,186	\$ 281,644

Trend Information

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 1,230,612	94.91%	\$ 281,644
June 30, 2014	1,188,798	155.27%	219,053
June 30, 2013	1,749,303	101.52%	1,464,172

Funding Status and Funding Process: As of July 1, 2013, the most recent actuarial valuation date, the plan was partially funded. The actuarial value of the assets was \$5,774,112 resulting in an unfunded actuarial accrued liability (UAAL) of \$8,797,688.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

The following table shows the funding progress for the Town.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2009	\$ 213,704	\$ 12,996,203	\$ 12,782,499	2%	\$ 20,939,368	61.05%
July 1, 2011	2,371,258	14,428,500	12,057,242	16%	22,735,100	53.03%
July 1, 2013	5,774,112	14,571,800	8,797,688	40%	23,779,800	37.00%

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

The 2013 actuarial valuation determined the OPEB liability based on the entry age normal cost method. The actuarial assumptions include a discount rate of 7.0%, salary increases comprised of a wage inflation component of 3.0% and an ultimate healthcare and dental trend rate of 4.8%. The unfunded liability is amortized over a period of 30 years as a level percentage of payroll on an open basis.

Note 11. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none">• Political subdivision employees.*• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.
<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none">• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.
<p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>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>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</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>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>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>	

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		<p>Vesting (Continued) <u>Defined Contribution Component (Continued)</u></p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 1/2.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Service Retirement Multiplier 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>Service Retirement Multiplier 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>Service Retirement Multiplier <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that 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>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p>
<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2.</p>
<p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p>
<p>Earliest Unreduced Retirement Eligibility 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>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p>
		<p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Earliest Reduced Retirement Eligibility 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>Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component Same as Plan 2.</p> <p>Defined Contribution Component Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>106</u>
Inactive members:	
Vested	75
Non-vested	84
Active elsewhere in VRS	<u>89</u>
Total inactive members	248
Active members	<u>326</u>
Total covered employees	<u><u>680</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2015 was 8.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,956,083 and \$1,897,869 for the years ended June 30, 2015 and 2014, respectively.

B. Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality Rates:	14% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town’s retirement plan was based on an actuarial valuation as of June 30, 2013, 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 as of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality Rates:	60% of deaths are assumed to be service related.
– Pre-retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
– Post-retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
– Post-disablement:	RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

B. Net Pension Liability (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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued),

B. Net Pension Liability (Continued)

Discount Rate

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

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2013	\$ 77,281,617	\$ 61,223,807	\$ 16,057,810
Changes for the Year:			
Service cost	2,694,218	-	2,694,218
Interest	5,339,294	-	5,339,294
Contributions – employer	-	1,897,869	(1,897,869)
Contributions – employee	-	1,173,237	(1,173,237)
Net investment income	-	9,751,444	(9,751,444)
Benefit payments, including refunds of employee contributions	(2,011,985)	(2,011,985)	-
Administrative expense	-	(51,182)	51,182
Other changes	-	514	(514)
Net changes	6,021,527	10,759,897	(4,738,370)
Balances at June 30, 2014	\$ 83,303,144	\$ 71,983,704	\$ 11,319,440

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the Town, using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net pension liability	\$ 23,724,742	\$ 11,319,440	\$ 1,111,240

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

For the year ended June 30, 2015, the Town recognized pension expense of \$1,503,885. The Town also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,344,386
Employer contributions subsequent to the measurement date	1,956,083	-
Total	<u>\$ 1,956,083</u>	<u>\$ 4,344,386</u>

\$1,956,083 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

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

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 1,086,096
2017	1,086,096
2018	1,086,096
2019	1,086,098
	\$ 4,344,386

Note 12. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. Settled claims from these risks did not exceed coverage in the three most recent fiscal years.

Health Insurance

Town employees, retirees and employee dependents are eligible for medical benefits from a health insurance internal-service fund. Funding is provided by charges to Town departments, employees, and retirees. The program is supplemented by stop loss protection, which limits the Town’s annual liability.

Based on the requirements of GASB Statement No. 10, the Town records an estimated liability for indemnity healthcare claims. The following represents the change in the fund’s claims liability for 2015.

Fiscal Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
June 30, 2015	\$ -	\$ 5,429,147	\$ 4,913,340	\$ 515,807

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Operating Leases

The Town leases various owned airport properties under non-cancelable operating leases. The leases provide for annual rental increases and pass-through of certain maintenance costs. The Town was contracted at June 30, 2015 with six significant leases expiring at various dates; one in April 2018, two in June 2019, one in September 2023, one in December 2025, and one in May 2046.

Year Ending June 30,	Rental Income
2016	\$ 218,450
2017	224,699
2018	213,009
2019	144,148
2020	65,499
2021-2025	297,797
2026-2030	170,684
2031-2035	159,260
2036-2040	159,260
2041-2045	159,260
2046	29,198
	\$ 1,841,264

The Town leases office space for the Town’s business incubator under a 60 month agreement which commenced on October 1, 2011 and expires September 30, 2015. The lease provides for 3% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. Rent expense is reported under the Economic Development Operations Department of the Town.

As of June 30, 2015, the minimum long-term lease commitment is shown below:

Year Ending June 30,	Rental Expense
2016	\$ 56,253

The town is currently in the process of renegotiating the current lease.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements

At June 30, 2015, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, will improve measurement and application by state and local governments for fair value. Statement No. 72 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will improve accounting and financial reporting by state and local governments for pensions. It will also improve the comparability of pension-related information. Statement No. 73 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will improve financial reporting by state and local governments for OPEB. It also provides information for changes in OPEB liabilities from year to year. Statement No. 74 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will improve financial reporting for state and local governments by providing greater reporting guidance to provide less variation in financial reporting. Statement No. 76 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires a state or local government to disclose information about tax abatement. Statement No. 77 will be effective for fiscal years beginning after December 15, 2015.

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

Note 15. Restatement

The following table shows the change to the beginning net position from the amounts previously reported:

	Governmental Activities	Business-type Activities	Totals
Beginning net position, as reported	\$ 282,312,961	\$ 127,037,789	\$ 409,350,750
Change in accounting principle for the implementation of GASB Statement No. 68 – to record the VRS net pension liability and related components	(11,327,953)	(2,831,988)	(14,159,941)
Beginning net position, as restated	\$ 270,985,008	\$ 124,205,801	\$ 395,190,809

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM

	As of June 30, 2014
Total Pension Liability	
Service cost	\$ 2,694,218
Interest	5,339,294
Benefit payments, including refunds of employee contributions	(2,011,985)
Net change in total pension liability	<u>6,021,527</u>
Total pension liability - beginning	77,281,617
Total pension liability - ending (a)	<u>\$ 83,303,144</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,897,869
Contributions - employee	1,173,237
Net investment income	9,751,444
Benefit payments, including refunds of employee contributions	(2,011,985)
Administrative expense	(51,182)
Other	514
Net change in plan fiduciary net position	<u>10,759,897</u>
Plan fiduciary net position - beginning	61,223,807
Plan fiduciary net position - ending (b)	<u>\$ 71,983,704</u>
The Town's net pension liability - ending (a) - (b)	<u>\$ 11,319,440</u>
Plan fiduciary net position as a percentage of the total pension liability	86.41%
Covered-employee payroll	\$ 23,700,725
The Town's net pension liability as a percentage of covered-employee payroll	47.76%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- (2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013.

<p>LEOS:</p> <p>a. Update mortality table</p> <p>b. Adjustments to rates of service retirement for females</p> <p>c. Increase in rates of withdrawal</p> <p>d. Decrease in male and female rates of disability</p>	<p>NON-LEOS:</p> <p>a. Update mortality table</p> <p>b. Decrease in rates of service retirement</p> <p>c. Decrease in rates of disability retirement</p> <p>d. Reduce rates of salary increases by 0.25% per year</p>
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- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 1,897,869
Contributions in relation to the CRC	<u>1,897,869</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Employer's covered-employee payroll	\$ 23,700,725
Contributions as a percentage of covered-employee payroll	8.01%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2013	\$ 5,774,112	\$ 14,571,800	\$ 8,797,688	40.0%	\$ 23,779,800	37.00%
July 1, 2011	2,371,258	14,428,500	12,057,242	16.0%	22,735,100	53.03%
July 1, 2009	213,704	12,996,203	12,782,499	2.0%	20,939,368	61.05%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 1,227,300	95.17%
2014	1,171,800	157.50%
2013	1,749,303	103.09%

SUPPLEMENTAL SCHEDULES

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2015
(With Comparative Totals for 2014)**

	2015	2014
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 22,233,945	\$ 20,488,295
Receivables, net:		
Property taxes, including penalties	6,717,834	6,411,240
Utility taxes	133,103	132,781
Local taxes	1,865,573	1,617,984
Accounts	262,242	252,505
Accrued interest	3,853	14,480
Due from other governments	1,354,001	1,315,334
Due from other funds	1,310	-
Lease deposit	157,470	155,411
Prepaid expenses	1,900	-
Restricted cash	1,022,325	1,010,311
	<u>\$ 33,753,556</u>	<u>\$ 31,398,341</u>
LIABILITIES		
Accounts payable	\$ 1,391,766	\$ 789,584
Due to other governments	30,741	42,213
Retainage payable	7,035	-
Accrued payroll	1,089,794	1,167,992
Other accrued liabilities	18,584	146,884
Customer deposits	75,635	146,054
Performance bonds	1,254,054	1,730,997
Unearned revenues	437,300	177,579
	<u>4,304,909</u>	<u>4,201,303</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	<u>6,667,498</u>	<u>6,361,752</u>
	<u>6,667,498</u>	<u>6,361,752</u>
FUND BALANCE		
Nonspendable		
Lease deposit	157,470	155,411
Prepaid expenses	1,900	-
Restricted		
Balch Library	746,426	741,309
Parks and recreation (Symmington)	50,521	50,521
Police	188,825	181,969
Assigned		
Debt service reserve	7,574,656	5,733,535
Capital asset reserve	2,592,340	1,667,234
Expenditures designated for future years	1,182,944	1,346,947
Unassigned	<u>10,286,067</u>	<u>10,958,360</u>
	<u>22,781,149</u>	<u>20,835,286</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 33,753,556</u>	<u>\$ 31,398,341</u>

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes:				
Current	\$ 11,665,333	\$ 11,665,333	\$ 11,586,921	\$ (78,412)
Delinquent	-	-	(74,605)	(74,605)
Personal property taxes:				
Current	1,862,937	1,862,937	1,869,799	6,862
Delinquent	-	-	(80,139)	(80,139)
Public service corporation taxes	214,982	214,982	204,978	(10,004)
Penalties and interest	210,000	210,000	61,550	(148,450)
Total general property taxes	13,953,252	13,953,252	13,568,504	(384,748)
Other local taxes:				
Utility	1,758,515	1,758,515	1,559,559	(198,956)
Daily rental	7,175	7,175	5,564	(1,611)
Meals	4,695,048	4,695,048	5,021,455	326,407
Bank franchise	744,156	744,156	912,666	168,510
Telecommunication	139,400	139,400	81,616	(57,784)
Cigarette	1,047,206	1,047,206	934,508	(112,698)
Sales and use	4,511,496	4,511,496	4,610,450	98,954
Business and occupational licenses	3,132,589	3,132,589	3,326,739	194,150
Motor vehicle licenses	753,280	753,280	843,185	89,905
Transient occupancy	671,353	671,353	643,315	(28,038)
Total other local taxes	17,460,218	17,460,218	17,939,057	478,839
Permits, fees and licenses:				
Zoning, subdivision and development fees	268,000	268,000	759,138	491,138
Permits	298,700	298,700	268,444	(30,256)
Total permits, fees and licenses	566,700	566,700	1,027,582	460,882
Fines and forfeitures:				
Police forfeiture	14,710	137,580	10,005	(127,575)
Traffic fines	452,797	452,797	384,834	(67,963)
Parking fines	76,904	76,904	135,670	58,766
Total fines and forfeitures	544,411	667,281	530,509	(136,772)
Use of money and property:				
Use of Town land	-	-	464	464
Interest	47,600	47,600	63,456	15,856
Parking meters	56,000	56,000	75,104	19,104
Sales of surplus property	75,000	75,000	67,828	(7,172)
Parking facility revenues	104,452	104,452	120,837	16,385
Rentals and fees	1,171,800	1,171,800	1,177,475	5,675
Total use of money and property	1,454,852	1,454,852	1,505,164	50,312

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenue from local sources: (Continued)				
Charges for services:				
Publications	\$ 2,200	\$ 2,200	\$ 1,168	\$ (1,032)
Fingerprinting	4,389	4,389	6,698	2,309
Extradition	15,056	15,056	2,950	(12,106)
Special events	-	-	48,289	48,289
Parks and recreation user fees	4,928,870	4,938,605	4,921,047	(17,558)
Total charges for services	4,950,515	4,960,250	4,980,152	19,902
Contributions	300,000	310,265	322,341	12,076
Miscellaneous	697,166	737,066	675,833	(61,233)
Total revenues from local sources	39,927,114	40,109,884	40,549,142	439,258
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rental car tax	126,178	126,178	149,294	23,116
Cable TV franchise	243,654	243,654	262,888	19,234
Personal property tax relief	1,468,941	1,468,941	1,468,941	-
Communication sales and use	2,213,949	2,213,949	2,157,262	(56,687)
Total non-categorical aid	4,052,722	4,052,722	4,038,385	(14,337)
Categorical aid:				
VA Commission for the Arts	5,000	5,000	5,000	-
State fire programs funds	121,544	121,544	135,014	13,470
Law enforcement assistance	850,020	850,020	829,288	(20,732)
Highway maintenance	3,143,623	3,143,623	3,243,420	99,797
Department of Aviation	100,000	100,000	67,375	(32,625)
Department of Rail and Public Transportation	-	-	218,862	218,862
Internet crimes	-	-	5,605	5,605
Miscellaneous grants	22,300	202,922	-	(202,922)
Total categorical aid	4,242,487	4,423,109	4,504,564	81,455
Total revenue from the Commonwealth	8,295,209	8,475,831	8,542,949	67,118
Revenue from the federal government:				
Categorical aid:				
Bulletproof Vest Grant	-	-	34,698	34,698
Gang Officer	19,600	19,600	12,735	(6,865)
Byrne Formula Grant	-	-	822	822
Total categorical aid	19,600	19,600	48,255	28,655
Total revenue from the federal government	19,600	19,600	48,255	28,655
Total intergovernmental	8,314,809	8,495,431	8,591,204	95,773
Total revenues	48,241,923	48,605,315	49,140,346	535,031

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Other financing sources:				
Transfers in	\$ 2,542,063	\$ 2,542,063	\$ 2,319,710	\$ (222,353)
Total other financing sources	2,542,063	2,542,063	2,319,710	(222,353)
Total General Fund revenues and other financing sources	\$ 50,783,986	\$ 51,147,378	\$ 51,460,056	\$ 312,678

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Legislative:				
Town council:				
Personnel services	\$ 133,091	\$ 134,271	\$ 134,270	\$ (1)
Contractual services	130,650	111,550	101,394	(10,156)
Materials and supplies	5,600	5,600	2,477	(3,123)
Transfer payments	10,000	147,205	147,205	-
Continuous charges	6,550	9,153	9,153	-
Capital Outlay	-	1,520	585	(935)
Total town council	285,891	409,299	395,084	(14,215)
Total legislative	285,891	409,299	395,084	(14,215)
Executive:				
Town manager:				
Personnel services	983,444	1,077,819	1,077,393	(426)
Contractual services	89,873	159,916	122,624	(37,292)
Materials and supplies	10,575	7,327	7,326	(1)
Continuous charges	9,900	10,648	10,018	(630)
Capital outlay	-	1,000	999	(1)
Total town manager	1,118,792	1,256,710	1,218,360	(38,350)
Public arts commission:				
Personnel services	6,782	8,044	8,044	-
Contractual services	1,850	908	100	(808)
Materials and supplies	150	429	429	-
Capital outlay	-	19,000	5,000	(14,000)
Total public arts commission	8,782	28,381	13,573	(14,808)
Economic development operations:				
Personnel services	237,761	214,038	204,449	(9,589)
Contractual services	107,534	67,140	61,976	(5,164)
Materials and supplies	17,400	12,301	9,725	(2,576)
Continuous charges	314,191	322,882	320,983	(1,899)
Capital outlay	3,600	3,600	-	(3,600)
Grants and contributions	85,150	85,150	85,104	(46)
Total economic development operations	765,636	705,111	682,237	(22,874)
Economic development commission:				
Personnel services	6,782	6,782	5,360	(1,422)
Contractual services	1,200	1,200	-	(1,200)
Total economic development commission	7,982	7,982	5,360	(2,622)
Total executive	1,901,192	1,998,184	1,919,530	(78,654)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Legal:				
Town attorney:				
Personnel services	\$ 717,230	\$ 630,653	\$ 626,382	\$ (4,271)
Contractual services	38,500	95,110	89,014	(6,096)
Materials and supplies	5,300	3,607	3,103	(504)
Continuous charges	1,000	4,900	3,807	(1,093)
Capital outlay	-	908	908	-
Total town attorney	762,030	735,178	723,214	(11,964)
Clerk of council:				
Personnel services	116,037	116,237	116,151	(86)
Contractual services	12,000	13,028	13,019	(9)
Materials and supplies	1,200	1,872	2,010	138
Continuous charges	-	39	39	-
Total clerk of council	129,237	131,176	131,219	43
Total legal	891,267	866,354	854,433	(11,921)
Finance and administrative services:				
Finance:				
Personnel services	1,684,583	1,801,693	1,800,037	(1,656)
Contractual services	304,493	375,398	342,230	(33,168)
Materials and supplies	24,900	21,118	19,107	(2,011)
Continuous charges	15,642	19,289	17,052	(2,237)
Capital outlay	-	29,756	29,750	(6)
Total finance	2,029,618	2,247,254	2,208,176	(39,078)
Human resources:				
Personnel services	680,431	686,825	686,512	(313)
Contractual services	93,315	105,465	66,798	(38,667)
Materials and supplies	4,622	5,994	4,890	(1,104)
Continuous charges	2,600	5,166	3,164	(2,002)
Capital outlay	-	3,583	3,232	(351)
Total human resources	780,968	807,033	764,596	(42,437)
Information technology operations:				
Personnel services	646,357	623,150	622,753	(397)
Contractual services	523,948	655,310	599,296	(56,014)
Materials and supplies	11,400	4,447	4,218	(229)
Continuous charges	21,000	24,430	23,299	(1,131)
Capital outlay	134,538	247,553	230,799	(16,754)
Total information technology operations	1,337,243	1,554,890	1,480,365	(74,525)
Information technology commission:				
Personnel services	6,782	6,782	6,366	(416)
Contractual services	1,900	1,900	-	(1,900)
Materials and supplies	100	100	-	(100)
Total information technology commission	8,782	8,782	6,366	(2,416)
Total finance and administrative services	4,156,611	4,617,959	4,459,503	(158,456)
Public Safety:				
Administrative support:				
Personnel services	1,200,722	1,272,045	1,271,526	(519)
Contractual services	479,120	466,465	386,880	(79,585)
Materials and supplies	315,990	339,751	79,707	(260,044)
Continuous charges	213,810	207,435	177,471	(29,964)
Capital outlay	235,500	395,128	357,919	(37,209)
Total administrative support	2,445,142	2,680,824	2,273,503	(407,321)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety: (Continued)				
Patrol operations:				
Personnel services	\$ 6,035,062	\$ 5,651,571	\$ 5,543,915	\$ (107,656)
Salary savings	87,000	-	-	-
Contractual services	23,723	19,596	18,811	(785)
Materials and supplies	112,950	121,092	90,736	(30,356)
Capital outlay	20,000	20,000	(116)	(20,116)
Total patrol operations	6,278,735	5,812,259	5,653,346	(158,913)
Criminal investigations:				
Personnel services	1,434,230	1,492,484	1,491,966	(518)
Contractual services	23,230	32,288	32,288	-
Materials and supplies	15,000	14,084	14,083	(1.00)
Continuous charges	38,000	32,948	18,262	(14,686)
Capital outlay	-	660	660	-
Total criminal investigations	1,510,460	1,572,464	1,557,259	(15,205)
Community services:				
Personnel services	1,613,478	1,634,714	1,634,167	(547)
Contractual services	7,280	4,009	3,492	(517)
Materials and supplies	29,050	25,546	16,919	(8,627)
Continuous charges	4,200	4,200	43,404	39,204
Capital outlay	19,000	19,529	18,089	(1,440)
Total community services	1,673,008	1,687,998	1,716,071	28,073
Information services:				
Personnel services	1,527,426	1,520,600	1,457,282	(63,318)
Contractual services	188,292	191,726	174,027	(17,699)
Materials and supplies	8,650	6,905	5,023	(1,882)
Continuous charges	4,292	4,292	4,291	(1)
Capital outlay	-	793	793	-
Total information services	1,728,660	1,724,316	1,641,416	(82,900)
Citizens' support team:				
Materials and supplies	1,545	1,530	105	(1,425)
Continuous charges	1,600	1,710	1,710	-
Total citizens' support team	3,145	3,240	1,815	(1,425)
Fire and rescue:				
Transfer payments	644,905	644,905	644,905	-
Total fire and rescue	644,905	644,905	644,905	-
Total public safety	14,284,055	14,126,006	13,488,315	(637,691)
Public Works:				
Public works administration:				
Personnel services	567,122	579,352	579,105	(247)
Contractual services	4,930	9,615	5,328	(4,287)
Materials and supplies	2,100	2,250	2,087	(163)
Continuous charges	19,650	19,418	18,755	(663)
Public works administration	593,802	610,635	605,275	(5,360)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Public Works: (Continued)				
Engineering and inspections:				
Personnel services	\$ 536,181	\$ 549,771	\$ 549,550	\$ (221)
Contractual services	42,270	83,722	61,477	(22,245)
Materials and supplies	4,935	5,005	5,003	(2)
Capital outlay	-	3,826	3,826	-
Total engineering and inspections	583,386	642,324	619,856	(22,468)
Streets and grounds maintenance:				
Personnel services	2,339,981	2,370,994	2,370,173	(821)
Contractual services	1,071,630	1,190,041	606,498	(583,543)
Materials and supplies	199,785	414,968	365,394	(49,574)
Continuous charges	117,040	117,121	112,840	(4,281)
Capital outlay	326,500	389,284	375,880	(13,404)
Total streets and grounds maintenance	4,054,936	4,482,408	3,830,785	(651,623)
Building maintenance:				
Personnel services	411,456	420,556	420,388	(168)
Contractual services	417,220	343,329	278,429	(64,900)
Materials and supplies	53,100	106,288	97,464	(8,824)
Continuous charges	154,054	163,960	133,697	(30,263)
Capital outlay	309,500	470,466	173,642	(296,824)
Total building maintenance	1,345,330	1,504,599	1,103,620	(400,979)
Fleet maintenance:				
Personnel services	703,204	743,679	743,411	(268)
Contractual services	46,030	47,345	46,234	(1,111)
Materials and supplies	218,610	228,213	227,162	(1,051)
Claims and settlements	10,000	27,368	21,418	(5,950)
Continuous charges	595,000	463,832	315,338	(148,494)
Capital outlay	-	63,355	38,227	(25,128)
Total fleet maintenance	1,572,844	1,573,792	1,391,790	(182,002)
Refuse collection and recycling:				
Contractual services	2,521,376	2,524,146	2,524,141	(5)
Materials and supplies	9,000	18,100	18,030	(70)
Total refuse collection and recycling	2,530,376	2,542,246	2,542,171	(75)
Traffic Management:				
Personnel services	353,180	291,880	291,557	(323)
Contractual services	65,900	61,117	53,612	(7,505)
Materials and supplies	29,300	38,185	14,513	(23,672)
Continuous charges	567,601	567,201	536,319	(30,882)
Capital outlay	76,000	75,699	68,362	(7,337)
Total traffic management	1,091,981	1,034,082	964,363	(69,719)
Regional transportation:				
Grants and contributions	356,356	316,248	275,082	(41,166)
Total regional transportation	356,356	316,248	275,082	(41,166)
Total public works	12,129,011	12,706,334	11,332,942	(1,373,392)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Parks and Recreation:				
Outdoor pool:				
Personnel services	\$ 321,887	\$ 316,625	\$ 307,605	\$ (9,020)
Contractual services	20,435	35,035	33,538	(1,497)
Materials and supplies	35,480	40,884	31,660	(9,224)
Capital outlay	-	19,580	16,534	(3,046)
Continuous charges	25,000	25,000	18,638	(6,362)
Total outdoor pool	402,802	437,124	407,975	(29,149)
Parks and recreation administration:				
Personnel services	634,862	634,862	629,262	(5,600)
Contractual services	86,400	109,097	56,905	(52,192)
Materials and supplies	3,000	3,000	1,829	(1,171)
Continuous charges	25,150	25,250	24,352	(898)
Capital outlay	26,201	36,100	36,059	(41)
Total parks and recreation administration	775,613	808,309	748,407	(59,902)
Parks:				
Personnel services	803,131	814,344	813,960	(384)
Contractual services	62,625	66,460	45,454	(21,006)
Materials and supplies	119,820	126,044	123,333	(2,711)
Continuous charges	194,160	185,114	175,615	(9,499)
Capital outlay	24,000	231,903	228,408	(3,495)
Total parks	1,203,736	1,423,865	1,386,770	(37,095)
Recreation programs administration:				
Personnel services	216,891	216,891	205,635	(11,256)
Contractual services	89,965	84,965	80,582	(4,383)
Materials and supplies	1,000	-	-	-
Total recreation programs administration	307,856	301,856	286,217	(15,639)
Ida Lee recreation center:				
Personnel services	1,236,171	1,230,245	1,229,906	(339)
Contractual services	331,371	231,656	202,229	(29,427)
Materials and supplies	64,018	60,211	62,813	2,602
Continuous charges	268,176	273,102	269,081	(4,021)
Capital outlay	145,000	212,980	212,890	(90)
Total Ida Lee recreation center	2,044,736	2,008,194	1,976,919	(31,275)
Fitness programs:				
Personnel services	455,460	471,197	471,166	(31)
Contractual services	30,900	35,989	35,147	(842)
Materials and supplies	6,600	6,600	5,988	(612)
Capital outlay	100,000	100,000	99,942	(58)
Total fitness programs	592,960	613,786	612,243	(1,543)
Community outreach:				
Personnel services	162,219	114,014	109,442	(4,572)
Contractual services	14,930	14,563	11,108	(3,455)
Materials and supplies	5,500	4,552	4,159	(393)
Total community outreach	182,649	133,129	124,709	(8,420)
Aquatics:				
Personnel services	1,105,435	1,105,435	1,105,015	(420)
Contractual services	8,095	16,789	16,887	98
Materials and supplies	47,930	42,457	41,763	(694)
Capital outlay	-	12,498	-	(12,498)
Total aquatics	1,161,460	1,177,179	1,163,665	(13,514)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Parks and Recreation: (Continued)				
Sport programs:				
Personnel services	\$ 177,549	\$ 178,777	\$ 178,743	\$ (34)
Contractual services	350	350	185	(165)
Materials and supplies	25,800	25,800	25,584	(216)
Total sport programs	203,699	204,927	204,512	(415)
Recreation classes:				
Personnel services	119,510	119,510	98,699	(20,811)
Contractual services	8,625	6,650	3,926	(2,724)
Materials and supplies	3,325	3,325	1,745	(1,580)
Total recreation classes	131,460	129,485	104,370	(25,115)
Special events:				
Personnel services	85,547	85,547	65,522	(20,025)
Contractual services	186,949	222,747	194,319	(28,428)
Materials and supplies	48,239	51,282	49,792	(1,490)
Total special events	320,735	359,576	309,633	(49,943)
Tennis court complex:				
Personnel services	422,158	431,285	431,211	(74)
Contractual services	17,700	12,916	11,785	(1,131)
Materials and supplies	19,800	26,259	27,084	825
Continuous charges	58,760	59,060	54,874	(4,186)
Total tennis court complex	518,418	529,520	524,954	(4,566)
Camp programs:				
Personnel services	93,687	93,687	78,955	(14,732)
Contractual services	15,200	15,644	15,230	(414)
Materials and supplies	7,500	7,200	2,591	(4,609)
Total camp programs	116,387	116,531	96,776	(19,755)
Preschool childcare programs:				
Personnel services	116,542	116,542	91,830	(24,712)
Contractual services	1,900	1,900	1,242	(658)
Materials and supplies	3,570	3,570	1,677	(1,893)
Total preschool childcare programs	122,012	122,012	94,749	(27,263)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Parks and Recreation: (Continued)				
Parks and recreation commission:				
Personnel services	\$ 6,782	\$ 7,244	\$ 7,244	\$ -
Total parks and recreation commission	6,782	7,244	7,244	-
Tree commission:				
Personnel services	6,782	8,566	8,566	-
Contractual services	5,000	3,216	3,138	(78)
Total tree commission	11,782	11,782	11,704	(78)
Total parks and recreation	8,103,087	8,384,519	8,060,847	(323,672)
Balch Library:				
Library operations:				
Personnel services	344,093	350,263	369,785	19,522
Contractual services	36,510	38,910	29,306	(9,604)
Materials and supplies	43,390	38,500	29,612	(8,888)
Continuous charges	23,802	23,802	22,053	(1,749)
Capital outlay	-	700	375	(325)
Total library operations	447,795	452,175	451,131	(1,044)
Library advisory commission:				
Personnel services	6,782	7,313	7,313	-
Contractual services	2,075	1,544	616	(928)
Materials and supplies	350	350	154	(196)
Total library advisory commission	9,207	9,207	8,083	(1,124)
Total Balch Library	457,002	461,382	459,214	(2,168)
Planning and Zoning:				
Planning and zoning operations:				
Personnel services	1,479,871	1,500,496	1,499,842	(654)
Contractual services	20,770	9,490	13,659	4,169
Materials and supplies	8,605	14,635	8,971	(5,664)
Continuous charges	325	525	419	(106)
Total planning and zoning operations	1,509,571	1,525,146	1,522,891	(2,255)
Planning commission:				
Personnel services	27,289	27,289	27,112	(177)
Contractual services	3,000	3,886	3,702	(184)
Materials and supplies	250	66	66	-
Total planning commission	30,539	31,241	30,880	(361)
Board of zoning appeals:				
Personnel services	4,844	4,844	861	(3,983)
Contractual services	500	500	-	(500)
Total board of zoning appeals	5,344	5,344	861	(4,483)

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Planning and Zoning: (Continued)				
Board of architectural review:				
Personnel services	\$ 27,289	\$ 27,448	\$ 27,448	\$ -
Contractual services	2,000	1,841	-	(1,841)
Materials and supplies	500	500	-	(500)
Total board of architectural review	29,789	29,789	27,448	(2,341)
Environmental advisory commission:				
Personnel services	6,782	6,782	6,666	(116)
Contractual services	3,500	3,500	2,933	(567)
Materials and supplies	500	500	-	(500)
Total environmental advisory commission	10,782	10,782	9,599	(1,183)
Total planning and zoning	1,586,025	1,602,302	1,591,679	(10,623)
Plan Review:				
Personnel services	1,305,673	1,295,673	1,262,063	(33,610)
Contractual services	55,189	130,993	48,885	(82,108)
Materials and supplies	7,385	6,265	3,616	(2,649)
Total plan review	1,368,247	1,432,931	1,314,564	(118,367)
Airport:				
Personnel services	303,437	307,437	307,378	(59)
Contractual services	260,575	286,810	244,849	(41,961)
Materials and supplies	22,900	21,053	16,481	(4,572)
Continuous charges	112,196	107,791	88,180	(19,611)
Total airport	699,108	723,091	656,888	(66,203)
Airport Commission:				
Personnel services	6,782	3,147	3,112	(35)
Total airport commission	6,782	3,147	3,112	(35)
Total airport	705,890	726,238	660,000	(66,238)
Debt Service:				
Principal	2,205,534	2,205,534	2,300,000	94,466
Interest and fiscal charges	2,557,199	2,557,199	2,678,082	120,883
Total debt service	4,762,733	4,762,733	4,978,082	215,349
Total expenditures	50,631,011	52,094,241	49,514,193	(2,568,084)
Total General Fund expenditures	\$ 50,631,011	\$ 52,094,241	\$ 49,514,193	\$ (2,568,084)

UTILITIES FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 19,256,381	\$ 16,184,653
Accounts receivable, net	2,998,040	3,449,446
Inventory	147,840	191,092
Accrued interest	4,215	4,440
Total current assets	<u>22,406,476</u>	<u>19,829,631</u>
Noncurrent Assets:		
Capital assets:		
Land	1,577,329	1,577,329
Water and sewer plant	115,887,423	115,855,797
Water and sewer lines	121,862,793	115,228,364
Furniture, equipment and software	1,318,366	1,212,905
Vehicles	2,738,342	2,676,433
Construction in progress	593,722	5,951,455
Less: accumulated depreciation and amortization	(70,045,018)	(64,985,336)
Total noncurrent assets	<u>173,932,957</u>	<u>177,516,947</u>
Total assets	<u>196,339,433</u>	<u>197,346,578</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Plan	397,932	-
Deferred Charges of Refunding	2,624,664	406,197
Total deferred outflows of resources	<u>3,022,596</u>	<u>406,197</u>
Total assets and deferred outflows of resources	<u>199,362,029</u>	<u>197,752,775</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	453,103	440,167
Unearned revenue	6,895	-
Accrued payroll	246,855	344,388
Accrued interest	586,126	1,411,103
Compensated absences	446,324	471,974
Retainage payable	25,000	100,376
Due to other funds	1,310	-
Bonds payable	2,232,687	1,102,948
Performance bonds payable	9,000	-
Customer deposits and contingent charges	934,019	922,802
Total current liabilities	<u>4,941,319</u>	<u>4,793,758</u>
Noncurrent Liabilities:		
Compensated absences	114,817	177,614
Other postemployment benefits	95,186	76,790
Net pension obligation	2,263,888	-
Bonds payable, net	68,145,093	65,666,824
Total noncurrent liabilities	<u>70,618,984</u>	<u>65,921,228</u>
Total liabilities	<u>75,560,303</u>	<u>70,714,986</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Plan	868,877	-
Total liabilities and deferred inflows of resources	<u>76,429,180</u>	<u>70,714,986</u>
NET POSITION		
Net investment in capital assets	106,179,841	111,153,372
Unrestricted	16,753,008	15,884,417
Total net position	<u>\$ 122,932,849</u>	<u>\$ 127,037,789</u>

UTILITIES FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2015

(With Comparative Totals for 2014)

	2015	2014
Operating Revenues:		
Charges for services	\$ 15,887,793	\$ 15,620,127
Other	546,126	548,717
Total operating revenues	16,433,919	16,168,844
Operating Expenses:		
Personnel services	7,124,324	7,334,039
Contractual services	653,080	736,878
Depreciation and amortization	5,249,928	5,110,051
Materials and supplies	1,231,643	1,276,826
Continuous charges	1,167,525	1,235,343
Claims and settlements	164	-
Capital outlay	192,993	802,403
Total operating expenses	15,619,657	16,495,540
Operating income (loss)	814,262	(326,696)
Nonoperating Revenues (Expenses):		
Contributions from Loudoun County	11,131	409,765
Gain on sale of assets	-	146,252
Interest on investments	66,363	48,022
Interest and fiscal charges	(2,566,426)	(2,925,663)
Installation and connection charges	1,581,656	1,766,647
Total nonoperating expenses, net	(907,276)	(554,977)
Loss before contributions and transfers	(93,014)	(881,673)
Contributions and Transfers:		
Developer donated assets	321,724	271,759
Transfers out	(1,501,662)	(1,492,850)
Total contributions and transfers, net	(1,179,938)	(1,221,091)
Change in net position	(1,272,952)	(2,102,764)
Net Position, beginning, as restated	124,205,801	129,140,553
Net Position, ending	\$ 122,932,849	\$ 127,037,789

UTILITIES FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash Flows From Operating Activities:		
Receipts from customers	\$ 16,357,311	\$ 15,609,107
Payments to suppliers for goods and services	(3,344,010)	(3,958,964)
Payments to employees for services	(7,389,063)	(7,394,410)
Other receipts	555,126	548,717
Net cash provided by operating activities	6,179,364	4,804,450
Cash Flows From Noncapital and Related Financing Activities:		
Advance from other funds	1,310	-
Transfers out	(1,501,662)	(1,492,850)
Net cash used in noncapital and related financing activities	(1,500,352)	(1,492,850)
Cash Flows From Capital and Related Financing Activities:		
Installation and connection charges	1,581,656	1,766,647
Acquisition and construction of capital assets	(1,344,214)	(1,130,450)
Proceeds from the sale of capital assets	-	155,279
Interest and fiscal charges	(2,837,250)	(2,605,731)
Principal paid on bonds	(1,122,948)	(789,593)
Proceeds from debt issuance	2,049,166	-
Net cash used in capital and related financing activities	(1,673,590)	(2,603,848)
Cash Flows From Investing Activities:		
Interest on investments	66,306	43,582
Cash provided by investing activities	66,306	43,582
Net increase in cash and cash equivalents	3,071,728	751,334
Cash and Cash Equivalents:		
Beginning	16,184,653	15,433,319
Ending	<u>\$ 19,256,381</u>	<u>\$ 16,184,653</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ 814,262	\$ (326,696)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,249,928	5,110,051
Pension expense	300,777	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	451,406	(83,710)
Prepays	-	2,967
Inventory	43,252	114,530
Increase (decrease) in:		
Accounts payable	(141,857)	(22,044)
Performance bond payable	9,000	-
Accrued liabilities	(97,533)	147,514
Unearned revenue	6,895	-
Other postemployment benefits	18,396	(271,923)
Deferred outflows - pension plan	(397,932)	-
Compensated absences	(88,447)	61,071
Customer deposits and contingent charges	11,217	72,690
Net cash provided by operating activities	\$ 6,179,364	\$ 4,804,450
Supplemental Disclosure of Noncash Capital and Related Financing Activities:		
Developer donated capital improvements	\$ 321,724	\$ 271,759
Capital assets acquired through incurrence of accounts and retainage payable	163,351	8,558
Repayment of debt via refunding	43,360,000	-
Preimiums acquired via debt refunding	4,427,186	-

STATISTICAL SECTION

TOWN OF LEESBURG, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	7 - 12
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	13 - 16
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.	17 - 18
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	19 - 21

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

TOWN OF LEESBURG, VIRGINIA

Table 1

NET POSITION/ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 130,206,071	\$ 136,614,229	\$ 149,797,357	\$ 162,651,222	\$ 219,771,450	\$ 223,911,574	\$ 262,169,923	\$ 260,710,155	\$ 269,470,483	\$ 253,108,079
Restricted	54,245	9,905,713	53,499	32,228	32,228	5,852,078	827,452	4,756,210	1,366,923	11,601,298
Unrestricted	32,303,535	26,195,217	35,468,057	21,508,860	17,659,597	10,977,713	11,180,851	12,031,291	11,475,555	9,767,484
Total governmental activities net assets	\$ 162,563,851	\$ 172,715,159	\$ 185,318,913	\$ 184,192,310	\$ 237,463,275	\$ 240,741,365	\$ 274,178,226			
Total governmental activities net position								\$ 277,497,656	\$ 282,312,961	\$ 274,476,861
Business-type activities:										
Net investment in capital assets	\$ 126,737,856	\$ 134,115,046	\$ 133,010,793	\$ 136,681,741	\$ 144,847,942	\$ 145,743,065	\$ 111,237,616	\$ 113,816,486	\$ 111,153,372	\$ 106,179,841
Unrestricted	21,919,538	15,350,403	17,058,242	16,968,255	10,072,951	9,668,200	17,410,647	15,324,067	15,884,417	16,970,074
Total business-type activities net assets	\$ 148,657,394	\$ 149,465,449	\$ 150,069,035	\$ 153,649,996	\$ 154,920,893	\$ 155,411,265	\$ 128,648,263			
Total business-type activities net position								\$ 129,140,553	\$ 127,037,789	\$ 123,149,915
Primary government:										
Net investment in capital assets	\$ 256,943,927	\$ 270,729,275	\$ 270,729,275	\$ 277,106,871	\$ 364,619,392	\$ 369,654,639	\$ 373,407,539	\$ 374,526,641	\$ 380,623,855	\$ 359,287,920
Restricted	54,245	9,905,713	9,905,713	53,499	32,228	5,852,078	827,452	4,756,210	1,366,923	11,601,298
Unrestricted	54,223,073	41,545,620	41,545,620	52,526,299	27,732,548	20,645,913	28,591,498	27,355,358	27,359,972	26,737,558
Total primary government net assets	\$ 311,221,245	\$ 322,180,608	\$ 322,180,608	\$ 329,686,669	\$ 392,384,168	\$ 396,152,630	\$ 402,826,489			
Total primary government net position								\$ 406,638,209	\$ 409,350,750	\$ 397,626,776

Note:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'

TOWN OF LEESBURG, VIRGINIA

Table 2
Page 1

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Legislative	\$ 1,164,044	\$ 1,136,512	\$ 1,106,290	\$ 1,047,565	\$ 1,108,873	\$ 1,929,726	\$ 2,242,274	\$ 2,063,474	\$ 1,647,737	\$ 358,882
Executive	4,372,185	3,351,521	5,148,154	5,056,434	5,214,847	4,193,418	3,709,476	3,536,663	5,101,778	2,072,643
Legal	385,981	390,433	388,672	375,101	423,836	405,086	416,116	556,900	428,396	812,884
Finance and administrative services	1,935,299	2,191,973	2,194,675	2,411,130	2,379,609	2,262,397	2,082,232	2,187,457	2,122,300	4,427,627
Public safety	8,102,218	8,772,457	9,297,712	10,344,403	11,040,678	11,365,062	11,701,344	12,564,971	12,760,923	13,236,510
Public works	12,182,219	15,129,697	11,515,670	14,366,433	15,021,938	15,522,536	15,319,444	17,834,560	13,281,259	15,310,127
Parks and recreation	5,639,649	6,139,620	7,418,433	7,885,338	7,875,032	8,002,606	7,721,607	7,905,724	8,545,134	8,084,695
Balch Library	561,907	643,858	628,177	705,512	641,171	627,711	596,845	586,263	638,586	635,782
Planning and zoning	1,992,843	3,351,224	2,525,842	1,699,231	1,773,789	1,914,347	1,395,917	1,498,275	1,544,011	1,554,970
Plan review	-	-	-	1,799,399	1,697,742	1,569,932	1,216,828	1,303,118	1,332,438	1,251,101
Airport	-	-	-	-	-	-	2,444	7,237,878	1,784,308	1,737,100
Interest	1,942,055	1,896,697	2,174,525	2,052,703	2,438,740	2,518,659	2,746,447	2,312,731	2,574,971	2,948,021
Total governmental activities	38,278,400	43,003,992	42,398,150	47,743,249	49,616,255	50,311,480	49,150,974	59,588,014	51,761,841	52,430,342
Business-type activities:										
Airport	1,439,677	1,542,397	1,564,363	1,698,660	1,709,784	1,803,947	1,660,120	-	-	-
Utilities	15,927,084	15,076,064	16,455,335	17,772,026	17,607,146	17,888,463	18,063,523	17,842,677	19,421,203	18,923,084
Total business-type activities	17,366,761	16,618,461	18,019,698	19,470,686	19,316,930	19,692,410	19,723,643	17,842,677	19,421,203	18,923,084
Total government	55,645,161	59,622,453	60,417,848	67,213,935	68,933,185	70,003,890	68,874,617	77,430,691	71,183,044	71,353,426
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	413,979	422,635	334,960	372,441	408,032	595,640	498,411	563,856	733,367	582,487
Public works	431,453	217,220	158,446	153,094	177,294	175,474	154,495	155,931	368,345	390,712
Parks and recreation	3,317,117	3,426,736	3,772,767	4,427,429	4,871,682	4,772,869	4,670,693	4,785,743	4,919,355	4,921,047
Planning and zoning	477,892	332,876	260,438	351,994	262,270	261,447	283,241	237,689	706,135	649,181
Operating grants and contributions:										
Executive	-	-	-	-	-	-	-	-	-	255,441
Public safety	1,291,841	1,253,886	1,282,416	1,107,204	1,167,353	1,084,691	988,734	1,030,390	1,002,002	1,018,162
Public works	2,117,122	2,201,552	2,478,332	2,502,346	2,633,224	3,052,260	2,987,613	3,046,021	3,442,583	3,462,282
Parks and recreation	-	-	-	99,425	-	-	-	1,843	-	-
Balch Library	-	-	-	15,500	5,000	372,994	5,500	5,000	12,379	13,500
Planning and zoning	-	28,661	13,411	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	135,711	99,197	125,775
Capital grants and contributions:										
Executive	-	-	-	-	-	-	-	-	137,400	-
Public works	16,289,090	8,944,313	1,443,698	-	58,817,099	6,783,738	9,163,209	9,498,970	5,081,809	-
Parks and recreation	-	-	-	-	5,000	71,625	8,000	-	-	3,234,028
Balch Library	-	-	-	-	250,000	-	-	-	-	-
Airport	-	-	-	-	-	-	-	3,957,230	916,850	1,420,215
Total governmental activities program revenue	24,338,494	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422	16,072,830

CHANGES IN NET POSITION/ASSETS (CONTINUED)
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Airport	\$ 913,391	\$ 866,255	\$ 977,572	\$ 920,322	\$ 716,920	\$ 1,092,572	\$ 1,182,366	\$ -	\$ -	\$ -
Utilities	10,016,939	11,624,143	12,435,190	12,701,071	13,517,737	14,792,146	15,053,935	15,225,178	15,620,127	16,841,860
Operating grants and contributions:										
Airport	-	-	-	-	504,350	27,615	65,443	-	-	-
Utilities	-	-	-	-	514,154	118,656	69,245	-	2,176,412	1,592,787
Capital grants and contributions:										
Airport	3,528,284	437,514	152,703	1,618,548	1,282,262	194,898	633,503	-	-	-
Utilities	5,910,107	3,683,638	5,472,516	9,325,270	5,899,418	6,239,546	4,066,836	4,417,288	271,759	321,724
Total business-type activities program revenues	20,368,721	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298	18,756,371
Total government program revenues	44,707,215	33,439,429	28,782,449	33,594,644	91,055,401	39,636,171	39,831,224	43,060,850	35,487,720	34,829,201
Net (expense) revenue:										
Governmental activities	(13,939,906)	(26,176,113)	(32,653,682)	(38,713,816)	19,004,305	(33,140,742)	(30,391,078)	(36,169,630)	(34,342,419)	(36,357,512)
Business-type activities	3,001,960	(6,911)	1,018,283	5,094,525	3,117,911	2,773,023	1,347,685	1,799,789	(1,352,905)	(166,713)
Total government net expense	(10,937,946)	(26,183,024)	(31,635,399)	(33,619,291)	22,122,216	(30,367,719)	(29,043,393)	(34,369,841)	(35,695,324)	(36,524,225)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	12,835,332	13,985,380	13,215,669	12,982,666	12,196,527	12,536,096	12,943,508	13,723,821	13,665,498	13,907,905
Communication sales and use	3,832,615	4,993,043	6,568,099	6,228,472	6,107,069	6,412,866	6,717,220	6,621,637	6,343,455	6,767,712
Meals	2,900,832	3,189,314	3,198,750	3,327,374	3,326,332	3,672,760	4,418,067	4,695,048	4,827,853	5,021,455
Business and occupational licenses	2,462,835	2,395,850	2,544,890	2,669,812	2,708,180	2,880,044	2,860,659	3,072,266	3,292,385	3,326,739
Utility	2,152,796	1,841,456	1,452,715	1,487,280	1,489,727	1,542,597	1,495,345	1,546,528	1,564,500	1,559,559
Cigarette	1,017,042	925,725	871,299	860,595	805,298	872,047	1,133,071	1,047,206	980,759	934,508
Other	2,465,589	2,377,995	2,106,535	2,187,760	2,429,978	2,459,485	2,565,675	2,558,425	2,785,727	2,486,346
Intergovernmental, other than grants	1,557,573	1,586,492	1,543,813	1,556,515	1,567,285	1,573,674	1,562,312	1,595,780	1,594,257	1,881,123
Use of money and property	1,651,024	2,670,151	2,261,267	1,156,355	440,731	686,183	514,491	1,768,730	1,796,693	1,785,866
Miscellaneous	566,905	540,478	3,783,391	2,904,824	993,681	1,086,819	901,963	1,608,459	813,747	676,490
Transfers	1,645,295	1,821,537	2,009,729	2,225,560	2,201,852	2,696,261	28,715,628	1,907,496	1,492,850	1,501,662
Total governmental activities	33,087,838	36,327,421	39,556,157	37,587,213	34,266,660	36,418,832	63,827,939	40,145,396	39,157,724	39,849,365

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes in net assets: (Continued)										
Business-type activities:										
Use of money and property	\$ 1,182,818	\$ 2,306,958	\$ 1,238,869	\$ 404,523	\$ 59,215	\$ 84,837	\$ 254,237	\$ 562,996	\$ 194,274	\$ 66,363
Miscellaneous	610,433	329,545	356,163	307,473	295,623	328,773	350,704	411,370	548,717	546,126
Transfers	(1,645,295)	(1,821,537)	(2,009,729)	(2,225,560)	(2,201,852)	(2,696,261)	(28,715,628)	(1,907,496)	(1,492,850)	(1,501,662)
Total business-type activities	147,956	814,966	(414,697)	(1,513,564)	(1,847,014)	(2,282,651)	(28,110,687)	(933,130)	(749,859)	(889,173)
Total primary government	33,235,794	37,142,387	39,141,460	36,073,649	32,419,646	34,136,181	35,717,252	39,212,266	38,407,865	38,960,192
Changes in net assets/net position:										
Governmental activities	19,147,932	10,151,308	6,902,475	(1,126,603)	53,270,965	3,278,090	33,436,861	3,975,766	4,815,305	3,491,853
Business-type activities	3,149,916	808,055	603,586	3,580,961	1,270,897	490,372	(26,763,002)	866,659	(2,102,764)	(1,055,886)
Total primary government	\$ 22,297,848	\$ 10,959,363	\$ 7,506,061	\$ 2,454,358	\$ 54,541,862	\$ 3,768,462	\$ 6,673,859	\$ 4,842,425	\$ 2,712,541	\$ 2,435,967

Notes:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (2) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position'.
- (3) On June 29 of fiscal year 2012, the Town elected to transfer the airport activity to the general government. Fiscal year 2013 was the first fiscal year in which the airport activity was fully accounted for by the general government.

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ 23,606	\$ -	\$ -	\$ -	\$ -	\$ -
Executive	-	-	-	-	-	-	-	-	137,400	255,441
Public safety	1,705,820	1,676,521	1,617,376	1,479,645	1,575,385	1,680,331	1,487,145	1,594,246	1,735,369	1,600,649
Public works	18,837,665	11,363,085	4,080,476	2,655,440	61,627,617	10,011,472	12,305,317	12,700,922	8,892,737	7,087,022
Parks and recreation	3,317,117	3,426,736	3,772,767	4,526,854	4,876,682	4,844,494	4,678,693	4,787,586	4,919,355	4,921,047
Balch Library	-	-	-	15,500	255,000	372,994	5,500	5,000	12,379	13,500
Planning and zoning	477,892	361,537	273,849	351,994	262,270	261,447	283,241	237,689	706,135	649,181
Airport	-	-	-	-	-	-	-	4,092,941	1,016,047	1,545,990
Total governmental activities	24,338,494	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422	16,072,830
Business-type activities:										
Airport	4,441,675	1,303,769	1,130,275	2,538,870	2,503,532	1,315,085	1,881,312	-	-	-
Utilities	15,927,046	15,307,781	17,907,706	22,026,341	19,931,309	21,150,348	19,190,016	19,642,466	18,068,298	18,756,371
Total business-type activities	20,368,721	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298	18,756,371
Total government	\$ 44,707,215	\$ 33,439,429	\$ 28,782,449	\$ 33,594,644	\$ 91,055,401	\$ 39,636,171	\$ 39,831,224	\$ 43,060,850	\$ 35,487,720	\$ 34,829,201

Note:

(1) On June 29 of fiscal year 2012, the Town elected to transfer the airport activity to the general government. Fiscal year 2013 was the first fiscal year in which the airport activity was fully accounted for by the general government.

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	June 30,				
	2006	2007	2008	2009	2010
General Fund:					
Reserved	\$ 2,037,545	\$ 1,591,499	\$ 2,232,532	\$ 2,129,964	\$ -
Unreserved	13,609,805	15,726,628	14,675,549	15,868,848	-
Nonspendable	-	-	-	-	3,756,141
Restricted	-	-	-	-	5,711,725
Committed	-	-	-	-	1,400,000
Assigned	-	-	-	-	2,059,742
Unassigned	-	-	-	-	8,529,064
Total general fund	\$ 15,647,350	\$ 17,318,127	\$ 16,908,081	\$ 17,998,812	\$ 21,456,672
All Other Governmental Funds:					
Unreserved, reported in:					
Capital projects fund	\$ 14,101,892	\$ 15,688,090	\$ 13,684,106	\$ 17,946	\$ 12,939,512
Special revenue funds	3,960,862	4,088,949	6,697,221	6,065,247	-
Total all other government funds	\$ 18,062,754	\$ 19,777,039	\$ 20,381,327	\$ 6,083,193	\$ 12,939,512

	June 30,				
	2011	2012	2013	2014	2015
General Fund:					
Nonspendable	\$ 3,365,873	\$ 151,402	\$ 153,473	\$ 155,411	\$ 159,370
Restricted	5,852,078	827,452	831,316	973,799	985,772
Committed	1,400,000	-	-	-	-
Assigned	2,717,261	6,774,757	7,144,209	8,747,716	11,349,940
Unassigned	9,103,329	9,395,933	10,041,113	10,958,360	10,286,067
Total general fund	\$ 22,438,541	\$ 17,149,544	\$ 18,170,111	\$ 20,835,286	\$ 22,781,149
All Other Governmental Funds:					
Restricted, reported in:					
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ 10,615,526
Committed, reported in:					
Capital projects fund	2,878,070	5,299,780	6,672,522	7,750,173	2,131,395
Assigned, reported in:					
Capital projects fund	-	945,427	-	-	-
Unassigned, reported in:					
Capital projects fund	-	-	(5,137,844)	(12,805,982)	(1,779,735)
Total all other government funds	\$ 2,878,070	\$ 6,245,207	\$ 1,534,678	\$ (5,055,809)	\$ 10,967,186

Note:

(1) In fiscal year 2011, The Town implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned or unassigned. Adoption of this pronouncement also resulted in special revenue funds now being accounted for as part of the Town's General Fund.

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,			
	2006	2007	2008	2009
Revenues:				
General property taxes	\$ 13,056,041	\$ 13,527,146	\$ 13,417,267	\$ 12,922,835
Other local taxes	14,831,709	15,723,383	16,742,288	16,761,293
Permits, fees and licenses	904,354	544,017	413,676	500,858
Fines and forfeitures	408,909	414,413	326,047	364,573
Use of money and property	1,651,024	2,670,151	2,261,267	1,156,355
Charges for services	3,327,178	3,441,037	3,786,888	4,439,527
Contributions and proffers	-	-	-	18,500
Miscellaneous	566,905	540,478	3,783,391	2,902,824
Intergovernmental	9,985,690	6,316,664	6,761,670	5,264,490
Total revenues	44,731,810	43,177,289	47,492,494	44,331,255
Expenditures:				
Legislative	1,160,599	1,136,512	1,106,290	1,039,363
Executive	4,047,661	3,037,734	3,406,632	3,543,409
Legal	379,431	387,754	400,430	364,257
Finance and administrative services	1,929,461	2,231,605	2,341,358	2,388,845
Public safety	7,920,259	8,810,930	9,623,503	10,186,786
Public works	9,889,450	10,862,879	11,367,908	11,377,958
Parks and recreation	5,174,870	5,881,329	6,557,497	7,065,803
Balch Library	389,536	469,278	488,190	517,850
Planning and zoning	1,929,431	2,430,327	2,393,972	1,541,570
Plan review	-	-	-	1,757,767
Airport	-	-	-	-
Capital projects	4,398,391	9,327,869	11,259,727	14,724,486
Debt service:				
Principal	2,675,299	2,969,395	3,224,456	3,207,919
Interest and fiscal charges	1,862,562	2,000,143	2,138,018	2,048,205
Total expenditures	41,756,950	49,545,755	54,307,981	59,764,218
Excess of revenues over (under) expenditures	2,974,860	(6,368,466)	(6,815,487)	(15,432,963)
Other financing sources (uses):				
Transfers in	2,208,225	3,359,800	3,660,720	2,887,982
Transfers out	(562,930)	(1,538,263)	(1,650,991)	(662,422)
Issuance of debt	-	17,850,025	5,000,000	-
Proceeds of refunding bonds	-	1,103,977	-	-
Proceeds to refunded bond escrow agent	-	(11,022,011)	-	-
Premium on issuance debt	-	-	-	-
Total other financing sources	1,645,295	9,753,528	7,009,729	2,225,560
Net changes in fund balances	\$ 4,620,155	\$ 3,385,062	\$ 194,242	\$ (13,207,403)
Debt service as a percentage of noncapital expenditures:				
Total debt service	\$ 4,537,861	\$ 4,969,538	\$ 5,362,474	\$ 5,256,124
Total expenditures	\$ 41,756,950	\$ 49,545,755	\$ 54,307,981	\$ 59,764,218
Less: capital outlay	(4,890,383)	(7,762,053)	(13,349,968)	(14,847,451)
Noncapital expenditures	\$ 36,866,567	\$ 41,783,702	\$ 40,958,013	\$ 44,916,767
Debt service as a percentage of noncapital expenditures	12.31%	11.89%	13.09%	11.70%

Table 5
Page 2

Fiscal Year June 30,					
2010	2011	2012	2013	2014	2015
\$ 12,363,461	\$ 12,503,998	\$ 12,854,369	\$ 13,606,085	\$ 13,814,622	\$ 13,568,504
16,866,584	15,585,903	16,981,945	17,327,161	17,618,402	17,939,057
437,125	432,971	435,554	391,407	1,073,586	1,032,766
402,164	576,328	482,049	544,411	718,350	530,509
440,731	686,183	514,491	1,768,730	1,796,693	1,785,866
4,879,989	4,796,131	4,689,237	4,807,401	4,935,266	4,980,152
2,139,318	1,853,390	342,739	594,544	1,646,901	1,318,658
993,681	1,086,819	901,963	1,608,459	813,747	676,490
9,170,344	8,715,734	12,354,864	17,460,860	12,815,853	12,249,130
47,693,397	46,237,457	49,557,211	58,109,058	55,233,420	54,081,132
1,103,242	919,953	960,836	949,680	1,645,525	395,084
3,395,350	3,431,910	3,127,240	3,345,634	4,065,619	1,919,530
411,839	401,794	412,454	517,214	470,940	854,433
2,360,863	2,252,013	2,073,242	2,196,207	1,985,483	4,459,503
11,140,380	10,883,307	11,262,769	12,551,566	12,507,687	13,488,315
11,456,058	11,385,261	11,590,650	11,851,505	11,494,248	11,332,942
7,418,434	7,321,436	6,916,341	7,462,632	7,833,710	8,060,847
457,606	449,682	454,610	440,057	457,866	459,214
1,720,029	1,938,591	1,382,400	1,489,006	1,562,694	1,591,679
1,679,684	1,566,111	1,248,341	1,295,785	1,384,016	1,314,564
-	-	2,444	706,939	688,604	660,000
8,458,203	11,072,955	9,673,741	15,175,508	12,144,131	8,317,589
3,156,627	3,187,341	8,184,465	3,026,278	1,799,341	2,300,000
2,256,417	2,523,094	2,544,404	2,698,505	2,611,718	3,530,190
55,014,732	57,333,448	59,833,937	63,706,516	60,651,582	58,683,890
(7,321,335)	(11,095,991)	(10,276,726)	(5,597,458)	(5,418,162)	(4,602,758)
2,730,718	3,687,699	2,648,127	2,489,417	2,292,323	2,350,030
(528,866)	(1,671,281)	(3,206,258)	(581,921)	(799,473)	(848,368)
22,540,000	-	8,253,567	-	-	17,830,000
-	-	10,251,077	-	-	9,710,000
(7,428,090)	-	(10,980,442)	-	-	(9,710,000)
321,752	-	1,388,795	-	-	3,239,954
17,635,514	2,016,418	8,354,866	1,907,496	1,492,850	22,571,616
\$ 10,314,179	\$ (9,079,573)	\$ (1,921,860)	\$ (3,689,962)	\$ (3,925,312)	\$ 17,968,858
\$ 5,413,044	\$ 5,710,435	\$ 10,728,869	\$ 5,724,783	\$ 4,411,059	\$ 5,830,190
\$ 55,014,732	\$ 57,333,448	\$ 59,833,937	\$ 63,706,516	\$ 60,651,582	\$ 58,683,890
(8,290,088)	(10,821,569)	(9,801,397)	(15,621,225)	(15,485,939)	(11,091,705)
\$ 46,724,644	\$ 46,511,879	\$ 50,032,540	\$ 48,085,291	\$ 45,165,643	\$ 47,592,185
11.58%	12.28%	21.44%	11.91%	9.77%	12.25%

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Note:

- (1) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities. (Exhibit 6)

FIVE-YEAR SUMMARY OF REVENUES, EXPENDITURES AND FUND BALANCE - GENERAL FUND
 (Unaudited)

	Fiscal Year June 30,				
	2011	2012	2013	2014	2015
Revenues					
General Property Taxes	\$ 12,503,998	\$ 12,854,369	\$ 13,606,085	\$ 13,814,622	\$ 13,568,504
Other Local Taxes	15,585,903	16,981,945	17,327,161	17,618,402	17,939,057
Permits, Fees and Licenses	432,971	435,554	391,407	1,073,586	1,027,582
Fines & Forfeitures	576,328	482,049	544,411	718,350	530,509
Use of Money and Property	347,553	330,208	1,445,303	1,518,555	1,505,164
Charges for Services	4,796,131	4,689,237	4,807,401	4,935,266	4,980,152
Contributions and Proffers	439,619	8,500	1,843	144,779	322,341
Miscellaneous	981,939	893,025	945,249	767,665	675,833
Intergovernmental	7,969,521	7,751,751	8,026,851	8,319,316	8,591,204
Transfer from other funds	3,609,021	2,564,883	2,455,864	2,262,085	2,319,710
Total Revenues	47,242,984	46,991,521	49,551,575	51,172,626	51,460,056
Expenditures					
Legislative	919,953	960,836	949,680	1,645,525	395,084
Executive	3,431,910	3,127,240	3,345,634	4,065,619	1,919,530
Legal	401,794	412,454	517,214	470,940	854,433
Finance and administrative services	2,252,013	2,073,242	2,196,207	1,985,483	4,459,503
Public Safety	10,883,307	11,262,769	12,551,566	12,507,687	13,488,315
Public Works	11,385,261	11,590,650	11,851,505	11,494,248	11,332,942
Parks and Recreation	7,321,436	6,916,341	7,462,632	7,833,710	8,060,847
Balch Library	449,682	454,610	440,057	457,866	459,214
Planning and Zoning	1,938,591	1,382,400	1,489,006	1,562,694	1,591,679
Plan Review	1,566,111	1,248,341	1,295,785	1,384,016	1,314,564
Airport	-	2,444	706,939	688,604	660,000
Debt Service					
Principal Retirement	3,187,341	8,184,465	3,026,278	1,799,341	2,300,000
Interest Payments & Other Fiscal Charges	2,523,094	2,319,700	2,698,505	2,611,718	2,678,082
Transfers to other funds	622	2,345,026	-	-	-
Total Expenditures	46,261,115	52,280,518	48,531,008	48,507,451	49,514,193
Net change in fund balances	981,869	(5,288,997)	1,020,567	2,665,175	1,945,863
Fund balance, beginning of year	21,456,672	22,438,541	17,149,544	18,170,111	20,835,286
Fund balance, end of year	\$ 22,438,541	\$ 17,149,544	\$ 18,170,111	\$ 20,835,286	\$ 22,781,149

Note: Fund Balance restated in 2011 to comply with new accounting standards for implementation of GASB Statement No. 54.

TOWN OF LEESBURG, VIRGINIA

Table 7

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property Including Interest and Penalty	Utility	Cable TV Franchise	Sales and Use	Communication Sales and Use	Bank Franchise	Cigarette	Meals	Transient Occupancy	Business and Occupational Licenses	Motor Vehicle Licenses	Other	Totals
2006	\$ 13,056,041	\$ 2,152,796	\$ 335,136	\$ 3,832,615	\$ -	\$ 527,109	\$ 1,017,042	\$ 2,900,832	\$ 678,470	\$ 2,462,835	\$ 751,405	\$ 173,469	\$ 27,887,750
2007	13,527,146	1,841,456	187,913	3,928,453	1,064,590	523,776	925,725	3,189,314	803,554	2,395,850	695,848	166,904	29,250,529
2008	13,417,267	1,452,715	42,071	4,085,457	2,482,642	464,023	871,299	3,198,750	681,540	2,544,890	754,651	164,250	30,159,555
2009	12,922,835	1,487,280	77,164	3,972,769	2,255,703	575,105	860,595	3,327,374	595,434	2,669,812	779,781	160,276	29,684,128
2010	12,363,461	1,489,727	104,425	3,841,961	2,265,108	763,421	805,298	3,326,332	567,223	2,708,180	781,127	213,782	29,230,045
2011	12,503,998	1,542,597	136,471	4,158,970	2,253,896	734,655	872,047	3,672,760	628,452	2,880,044	792,369	167,538	30,343,797
2012	12,854,369	1,495,345	155,894	4,509,128	2,208,092	791,656	1,133,071	4,418,067	661,939	2,860,659	812,863	143,323	32,044,406
2013	13,606,085	1,546,528	170,620	4,407,688	2,213,949	744,156	1,047,206	4,695,048	671,353	3,072,266	753,280	219,016	33,147,195
2014	13,814,622	1,564,500	252,006	4,167,178	2,176,277	875,046	980,759	4,827,853	689,778	3,292,385	806,461	162,436	33,609,301
2015	13,568,504	1,559,559	262,888	4,610,450	2,157,262	912,666	934,508	5,021,455	643,315	3,326,739	843,185	87,180	33,927,711
Change 2006-2015	3.93%	-27.56%	-21.56%	20.30%	-	73.15%	-8.12%	73.10%	-5.18%	35.08%	12.21%	-49.74%	21.66%

Note:

- (1) Effective January 1, 2007, Cable TV Franchise Tax and Consumer Utility Tax from telephone services are remitted to the VA Department of Taxation and then distributed to the Town on a monthly basis. On the Statement of Revenues, Expenditures and Changes in Fund Balances Exhibit (Exhibit 5), revenue received after January 1, 2007 for these revenue sources are recognized in "other." Beginning in fiscal year 2011, this tax is accounted for as state intergovernmental revenue on the Statement of Revenues, Expenditures, and Changes in Fund Balances Exhibit (Exhibit 5).

TOWN OF LEESBURG, VIRGINIA

Table 8

ASSESSED VALUE OF ALL TAXABLE PROPERTY

Last Ten Calendar Years

(Unaudited)

Tax Year Ending December 31,	Real Property ¹	Personal Property ²	Public Service Corporations ³		Total Assessed Valuation
			Real Property	Personal Property	
2006	\$ 6,865,170,550	\$ 409,145,346	\$ 92,228,313	\$ 2,094,340	\$ 7,368,638,549
2007	6,719,622,330	398,908,199	99,644,933	1,820,292	7,219,995,754
2008	6,516,331,363	399,053,977	104,417,085	1,885,520	7,021,687,945
2009	5,628,792,118	381,809,520	106,393,774	1,762,446	6,118,757,858
2010	5,557,189,300	425,625,374	108,083,816	1,613,618	6,092,512,108
2011	5,675,717,100	498,450,685	108,553,642	891,242	6,283,612,669
2012	5,802,517,900	528,113,712	105,809,512	737,446	6,437,178,570
2013	6,085,462,040	481,548,404	111,087,100	695,117	6,678,792,661
2014	6,438,888,020	447,867,148	108,441,453	653,035	6,995,849,656
2015	6,643,105,870	388,770,026	117,080,280	549,045	7,149,505,221

Source: Department of Finance and Administrative Services, Town of Leesburg

Notes:

- (1) Real property assessments are made by the Commissioner of the Revenue of Loudoun County for the concurrent use of the County and the Town. Real property assessed at 100% of it's fair market value.
- (2) Personal property is assessed at 100% of depreciated fair market value.
- (3) Public Service Corporations are assessed by the State Corporation Commission.

TOWN OF LEESBURG, VIRGINIA

Table 9

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY
Last Ten Tax Years
(Unaudited)**

Tax Year January 1,	Residential Property	Commercial Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value	Percent Change	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2006	\$ 5,795,382,450	\$ 1,069,788,100	\$ 92,228,313	\$ 573,376,500	\$ 7,530,775,363	\$ 6,957,398,863	31.6%	0.18	\$ 6,957,398,863	100%
2007	5,511,505,030	1,208,117,300	101,465,225	685,382,800	7,506,470,355	6,821,087,555	-2.0%	0.18	6,821,087,555	100%
2008	5,131,033,763	1,385,297,600	106,302,605	746,271,100	7,368,905,068	6,622,633,968	-2.9%	0.18	6,622,633,968	100%
2009	4,178,757,280	1,450,034,838	108,156,220	777,473,500	6,514,421,838	5,736,948,338	-13.4%	0.195	5,736,948,338	100%
2010	4,099,937,100	1,457,252,200	109,697,434	725,232,500	6,392,119,234	5,666,886,734	-1.2%	0.195	5,666,886,734	100%
2011	4,225,241,300	1,450,475,800	109,444,884	817,713,100	6,602,875,084	5,785,161,984	2.1%	0.195	5,785,161,984	100%
2012	4,344,339,200	1,458,178,700	106,547,458	811,703,300	6,720,768,658	5,909,065,358	2.1%	0.195	5,909,065,358	100%
2013	4,549,312,500	1,536,149,540	111,503,098	811,261,540	7,008,226,678	6,196,965,138	4.9%	0.192	6,196,965,138	100%
2014	4,896,036,280	1,542,851,740	108,441,453	848,001,120	7,395,330,593	6,547,329,473	5.7%	0.183	6,547,329,473	100%
2015	5,080,543,570	1,562,562,300	117,629,325	868,365,540	7,511,471,410	6,643,105,870	1.5%	0.183	6,643,105,870	100%

Notes:

- (1) Real and personal property tax assessments are made by the Loudoun County Assessor's Office and the Commissioner of the Revenue for the County of Loudoun, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.
- (2) The tax rate presented here is for real property only, as personal property assessments are not a major revenue source.

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Tax Years

(Unaudited)

Tax Year	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
2006	\$ 0.18	\$ 1.00	\$ 0.97	\$ 4.20	\$ 1.15	\$ 5.20
2007	0.18	1.00	0.96	4.20	1.14	5.20
2008	0.18	1.00	1.14	4.20	1.32	5.20
2009	0.195	1.00	1.245	4.20	1.44	5.20
2010	0.195	1.00	1.300	4.20	1.50	5.20
2011	0.195	1.00	1.285	4.20	1.48	5.20
2012	0.195	1.00	1.235	4.20	1.43	5.20
2013	0.192	1.00	1.205	4.20	1.40	5.20
2014	0.183	1.00	1.155	4.20	1.34	5.20
2015	0.183	1.00	1.135	4.20	1.32	5.20

Notes:

- (1) These rates are per \$100.00 of assessed value for real estate and personal property.
- (2) The Commonwealth of Virginia has no limitations on local tax rates.
- (3) Real property taxes are due in semi-annual installments by June 5 and December 5, and become delinquent thereafter.
- (4) No discounts are allowed for early payment.
- (5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real property and personal property taxes levied by the town and the county where they reside.
- (6) The assessed values of all real estate components are taxed at the same rate.

TOWN OF LEESBURG, VIRGINIA

Table 11

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Chelsea GSA Realty	\$ 183,284,330	1	2.76%	\$ 102,710,900	1	1.47%
Carlyle/Cypress Leesburg LLC	180,812,620	2	2.72%	-	-	-
Battlefield FE LP	59,485,530	3	0.90%	-	-	-
Federal Realty Investment Trust	59,023,730	4	0.89%	32,954,400	3	0.47%
Windsor at Fieldstone Ltd Partnership	43,490,410	5	0.65%	36,919,900	2	0.53%
Potomac Station (E&A) LLC	43,238,970	6	0.65%	23,808,700	9	0.34%
C H Realty III/Battlefield LLC	42,500,000	7	0.64%	-	-	-
Fund IX CB Leesburg LLC	38,688,510	8	0.58%	-	-	-
Toll Road Investors	32,145,700	9	0.48%	19,838,000	10	0.28%
NA Properties Inc	32,066,080	10	0.48%	-	-	-
Verizon	-	-	-	31,099,125	4	0.45%
Dominion	-	-	-	25,178,155	7	0.36%
Fort Evans Plaza Ltmd Partnership	-	-	-	24,652,600	8	0.35%
Edwards Ferry LP	-	-	-	28,194,800	5	0.40%
Rehau	-	-	-	26,273,900	6	0.38%
Total	<u>\$ 714,735,880</u>		<u>10.76%</u>	<u>\$ 351,630,480</u>		<u>5.03%</u>

REAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Calendar Years
(Unaudited)

Calendar Year	Taxes Levied for the Calendar Year	Collected Within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 12,057,479	\$ 11,869,671	98.44%	\$ 187,808	\$ 12,057,479	100.00%
2007	11,691,741	11,459,214	98.01%	232,527	11,691,741	100.00%
2008	11,290,166	11,149,611	98.76%	140,555	11,290,166	100.00%
2009	10,538,879	10,449,784	99.15%	89,095	10,538,879	100.00%
2010	10,675,514	10,310,140	96.58%	170,513	10,480,653	98.17%
2011	10,894,456	10,524,694	96.61%	191,882	10,716,576	98.37%
2012	11,191,318	10,801,017	96.51%	162,914	10,963,931	97.97%
2013	11,586,281	11,238,476	97.00%	112,046	11,350,522	97.97%
2014	11,798,872	11,521,989	97.65%	47,307	11,569,296	98.05%
2015	12,157,914 ⁽¹⁾	6,122,520	50.36%	-	6,122,520	50.36%

Note:

(1) The amounts for 2015 reflect only the first half of the collections. The second half is due December 5.

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Governmental	Business-Type		Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General	Percentage of Actual Taxable Value of Property	General
	Activities	Activities					Bonded		Bonded
	General	Revenue	General				Outstanding		Outstanding
	Obligation	Bonds	Obligation				General		Debt
	Bonds	Bonds	Bonds				Obligation		Per
							Bonds		Capita
2006	\$ 42,482,465	\$ 12,330,995	\$ 62,668,859	\$ 117,482,319	6.16%	\$ 3,217	\$ 105,151,324	1.51%	\$ 2,783
2007	47,462,800	11,959,468	61,995,928	121,418,196	5.88%	3,195	109,458,728	1.60%	2,880
2008	49,247,926	10,873,269	60,946,132	121,067,327	5.65%	3,148	109,295,096	1.65%	2,863
2009	46,049,215	9,406,325	59,794,989	115,250,529	5.34%	2,983	105,844,204	1.83%	2,758
2010	58,356,575	7,876,307	64,372,534	130,605,416	5.66%	3,065	122,729,109	2.17%	3,162
2011	55,175,219	6,282,575	62,995,669	124,453,463	4.91%	2,886	118,170,888	2.04%	2,740
2012	59,994,727	4,204,897	63,735,361	127,934,985	4.86%	2,956	123,730,088	2.09%	2,859
2013	56,946,559	4,204,897	63,074,316	124,225,772	4.77%	2,849	120,020,875	1.94%	2,753
2014	57,234,740	4,204,897	62,564,875	124,004,512	4.63%	2,819	119,799,615	1.83%	2,723
2015	70,620,000	3,886,950	61,375,000	135,881,950	4.86%	3,071	131,995,000	1.99%	2,983

Notes:

- (1) Details regarding the Town's outstanding debt may be found in the notes to the financial statements.
- (2) Population and personal income data can be found in Table 17.
- (3) See Table 9 for property value data.
- (4) The outstanding amounts of the bonds are presented inclusive of premiums and discounts.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Loudoun County, Virginia	\$ 1,148,829,158	9.97%	\$ 114,538,267
Town Direct Debt			<u>70,620,000</u>
Total direct and overlapping debt			<u><u>\$ 185,158,267</u></u>

Notes:

- (1) Overlapping debt is not bonded debt of the Town on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the Town are obligated to pay through direct tax levies and charges for services of these respective governmental entities. The debt of Loudoun County, Virginia is a direct general obligation debt of the County which provides facilities that benefit all County residents including those of incorporated towns.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed real 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 taxable assessed value.

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 698,592,661	\$ 682,108,756	\$ 662,263,397	\$ 573,694,834	\$ 566,688,673	\$ 578,516,198	\$ 590,906,536	\$ 619,696,514	\$ 654,732,947	\$ 664,310,587
Total net debt applicable to limit	42,482,465	47,462,800	48,843,551	45,635,632	58,871,267	55,683,926	59,915,619	56,946,559	57,234,740	70,620,000
Available legal debt margin	\$ 656,110,196	\$ 634,645,956	\$ 613,419,846	\$ 528,059,202	\$ 507,817,406	\$ 522,832,272	\$ 530,990,917	\$ 562,749,955	\$ 597,498,207	\$ 593,690,587
Total net debt applicable to the limit as a percentage of debt limit	6.08%	6.96%	7.38%	7.95%	10.39%	9.63%	10.14%	9.19%	8.74%	10.63%

Legal debt margin calculation for fiscal year 2015

Assessed value of real estate	\$ <u>6,643,105,870</u>
Debt limit (10% of assessed value)	\$ 664,310,587
Debt applicable to limit:	
Net direct debt outstanding	<u>70,620,000</u>
Available legal debt margin	\$ <u>593,690,587</u>

Summary of outstanding debt:

Gross bonded debt	\$ 135,881,950
Less: enterprise debt	<u>65,261,950</u>
General obligation debt:	\$ <u>70,620,000</u>

Note:

(1) Section 15.1-176 of 1950 *Code of Virginia*, as amended, limits to 10% the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the Town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from the debt margin calculation are bonds payable from enterprise funds issued under Article VII Section 10(a)(2) of the *Constitution of Virginia*.

BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Utilities Fund							Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
2006	\$ 14,807,353	\$ 8,972,607	\$ 5,834,746	\$ 1,757,438	\$ 2,321,601	\$ 4,079,039	1.43	
2007	16,001,587	9,148,988	6,852,599	936,674	2,960,168	3,896,842	1.76	
2008	16,308,332	10,395,918	5,912,414	1,960,097	2,900,936	4,861,033	1.22	
2009	20,036,243	10,604,076	9,432,167	2,507,721	2,795,787	5,303,508	1.78	
2010	15,878,286	10,278,205	5,600,081	2,665,601	2,751,430	5,417,031	1.03	
2011	16,434,880	10,140,178	6,294,702	2,606,022	2,851,913	5,457,935	1.15	
2012	17,110,830	10,282,888	6,827,942	2,050,000	2,705,326	4,755,326	1.44	
2013	17,231,686	10,218,722	7,012,964	715,000	3,216,795	3,931,795	1.78	
2014	17,983,513	11,385,489	6,598,024	789,593	2,961,708	3,751,301	1.76	
2015	18,081,938	10,369,729	7,712,209	2,300,000	2,111,102	4,411,102	1.75	

Notes:

- (1) Utility service charges include all revenues of the fund except gains on sales of capital assets, developer donated assets, capital grants, and transfers in.
- (2) Operating expenses are exclusive of depreciation and amortization, interest expense, losses on sales of capital assets, and transfers out.
- (3) In 2006, the Utilities Fund principal payments do not include outstanding principal paid for defeasance of debt of \$17.585 million. The fund does not include the principal payment of \$870,000 paid at June 30 that was due July 1, 2006. Interest does not include the deferred loss written off during the year.

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) Unemployment Rate
2006	40,447	\$ 1,906,433,500	\$ 47,134	2.30%
2007	41,188	2,064,970,632	50,135	2.00%
2008	41,366	2,144,636,370	51,845	2.80%
2009	41,796	2,159,839,206	51,676	4.60%
2010	42,616	2,309,361,040	54,190	5.30%
2011	43,123	2,536,106,753	58,811	5.00%
2012	43,275	2,631,163,275	60,801	4.80%
2013	43,604	2,604,423,316	59,729	4.70%
2014	43,996	2,679,972,344	60,914	4.50%
2015	44,247	2,795,127,237	63,171	3.90%

Notes:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.
2006-2009, 2011-2015: Loudoun County Department of Planning and Zoning April 27, 2015.
- (2) Per capita and personal Income information is not maintained for towns in Virginia. The amounts used here are for the County of Loudoun, Virginia, which the Town lies within. Information for per capita personal income is sourced from the Bureau of Economic Analysis' November 20, 2014 release for 2000 to 2013. 2014 and 2015 values are estimates from the Loudoun County Department of Management and Budget.
- (3) Unemployment rates are available for some towns in Virginia, including Leesburg. The information provided is sourced from the Bureau of Labor Statistics, Local Area Unemployment Statistics, October 19, 2015, month of June each year. Values of previous years have been revised.

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	2015			2006	
	Employees	Rank	Percentage of Total Employment	Employees	Rank
Loudoun County Government	2,500-5,000	1	12.7%	1,000-1,500	2
Loudoun County Public Schools	1,500-2,000	2	8.5%	1,500-2,000	1
Federal Aviation Administration	500-1,000	3	2.8%	500-1,000	3
Town of Leesburg	500-1,000	4	2.6%	250-500	4
Wegmans	250-500	5	2.1%	-	-
Mastec Services	250-500	6	2.0%	-	-
Target	250-500	7	1.5%	-	-
Commonwealth of Virginia	250-500	8	1.4%	-	-
K2M	250-500	9	1.3%	-	-
Costco	100-250	10	1.1%	250-500	5
Walmart	-	-	-	100-250	10
Giant Food	-	-	-	100-250	7
Southern Electric	-	-	-	250-500	6
Draper & Goldberg	-	-	-	100-250	8
Tuscarora Title	-	-	-	100-250	9

Sources: Town of Leesburg Economic Development Department

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Town Manager's Office	6.0	6.0	6.0	6.5	8.5	9.0	6.0	6.0	6.0	7.0
Town Attorney	1.5	2.0	2.0	2.6	3.0	3.0	3.0	3.0	3.0	5.0
Clerk of Council	2.0	2.0	2.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Finance	20.0	19.5	19.5	19.5	19.5	19.5	16.0	16.0	15.5	15.5
Human Resources	8.0	8.0	10.5	9.5	7.5	7.0	4.0	4.0	4.0	4.0
Information Technology	5.0	5.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0
Public Safety	92.0	93.0	95.0	96.0	98.0	101.0	101.0	101.0	101.0	103.0
Public Works	61.0	61.0	61.0	54.0	53.0	53.0	49.0	49.0	49.0	49.0
Capital Projects Management	7.0	9.0	9.0	10.0	11.0	10.0	10.6	10.6	9.4	6.0
Utilities	87.6	86.0	86.0	85.0	84.0	80.5	78.5	78.0	78.0	78.0
Parks, Recreation and Cultural	91.6	95.1	96.8	109.8	112.2	111.0	107.1	107.1	107.1	107.5
Balch Library	5.6	6.0	6.0	6.2	6.2	6.2	5.2	5.2	5.2	5.2
Planning & Zoning	23.0	23.0	23.0	16.0	16.0	16.0	11.0	11.0	12.0	12.0
Plan Review	-	-	-	13.0	14.0	12.0	9.0	9.0	9.0	9.0
Economic Development	3.0	3.0	3.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0
Airport	5.0	5.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0
Total	418.3	423.6	429.8	443.6	446.4	441.2	411.4	410.9	410.2	412.2

Source: Town of Leesburg Fiscal Year Budgets

Note:

(1) Plan review department established in fiscal year 2009. Employees were transferred from planning and zoning and public works.

TOWN OF LEESBURG, VIRGINIA

Table 20

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Calendar Years
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (1)
Police:										
Calls for service	56,682	54,438	56,786	54,235	45,236	50,832	47,864	49,764	51,028	40,321
Adult arrest	1,562	1,510	1,400	1,324	1,302	1,468	1,244	1,063	1,189	723
Juvenile arrest	342	289	155	220	286	319	237	121	165	106
Speeding citations only	1,660	1,433	1,525	1,570	1,636	1,662	1,736	1,764	1,260	1,290
Traffic citations	6,244	5,547	6,238	5,751	7,328	6,795	5,567	5,580	7,064	5,738
Administration:										
Applications processed (full and part-time)	1,745	2,262	2,106	1,983	1,244	1,712	1,879	1,276	2,528	2,507
Positions advertised (full and part-time)	50	44	49	9	16	42	70	56	109	99
New hires (full and part-time)	115	187	165	98	133	130	142	124	166	163
Reportable accidents	37	55	24	25	76	37	25	24	20	43
All town training sessions	22	20	45	27	34	20	47	38	29	27
Public service:										
Garbage collected (ton)	20,039	20,662	21,105	17,407	16,829	18,024	18,185	13,639	13,183	11,582
Recycle collected (ton)	7,956	6,460	7,096	7,580	8,396	9,776	10,355	7,766	5,226	4,515
Parks and recreation:										
Recreation program attendance	9,324	12,968	18,682	13,901	15,161	23,306	14,883	11,160	11,174	11,340
Aquatics program attendance	5,492	6,374	5,989	7,915	10,650	9,902	7,781	5,835	8,008	7,685
Utilities:										
New water connections	513	90	100	93	67	94	116	87	116	31
New wastewater connections	513	90	100	93	67	85	100	84	114	29
Average daily water consumption (mgd)	4.40	4.64	4.21	4.22	4.30	4.30	4.29	4.28	4.25	4.29
Average daily sewage treatment (mgd)	3.59	3.71	4.99	4.40	5.00	4.88	4.46	4.42	4.27	4.03
Airport:										
Number of hangers rented	51	50	40	41	41	57	57	57	57	57
Number of tiedowns rented	146	146	108	125	122	120	110	102	108	113
Number of incidents on airport property	2	-	3	-	-	1	1	-	2	-

Note:

(1) Through September 30.

Source: Various Town departments

TOWN OF LEESBURG, VIRGINIA

Table 21

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Primary (miles)	12	12	13	14	15	15	15	15	15	15
Secondary (miles)	83	89	90	91	91	91	92	92	92	92
Traffic signals	35	36	42	49	50	51	52	54	56	56
Number of street lights	1,970	2,070	2,179	2,479	2,614	2,654	2,700	2,791	2920	2993
Parks and recreation:										
Parks - number of acres*	361	361	361	361	361	361	361	361	361	370
Major parks - number of acres*	265	265	265	265	265	265	265	265	265	265
Neighborhood parks - number of acres	96	96	96	96	96	96	96	96	96	105
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	4	3	3	3	3	3	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	7	7	11	11	11	11	11	11	11	11
Swimming pools	1	2	2	3	3	3	3	3	3	3
Parks with playground equipment	5	6	6	5	5	5	5	5	6	6
Picnic shelters	5	6	6	4	4	4	4	4	5	5
Community centers	1	1	1	1	1	1	1	1	1	1
Balch Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	28,380	30,029	32,474	37,194	41,227	59,423	61,377	70,717	74,262	76,203
Water:										
Wells	1	1	1	1	1	1	1	1	1	1
Water lines (miles)	205	206	208	209	215	218	217	218	218	218
Fire hydrants	2,200	2,234	2,332	2,347	2,367	2,459	2,589	2,598	2,595	2,606
Storage capacity (mgd)	5	5	5	6.5	8	8	8	8	8	8
Number of customers	14,229	14,785	15,035	15,120	15,142	15,159	15,292	15,509	15,553	15,634
Sewers:										
Sanitary sewers (miles)	171	172	171	172	175	169	172	172	172	174
Storm sewers (miles)	115.0	120	127	129	131	134	134	137	137	144
Number of customers	14,229	14,953	15,139	15,155	15,039	15,178	15,347	15,391	15,453	15,579
Airport:										
Hangers	51	51	41	41	57	57	57	57	57	57
Tie-downs	146	146	116	131	133	122	120	120	120	120

Note:

* Includes 21 acres of leased property (Izaak Walton Park) the Town maintains and runs as a park.

Source: Various Town departments

COMPLIANCE SECTION

TOWN OF LEESBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE			
Pass-Through Payments:			
Virginia State Police			
Internet Crimes Against Children Task Force	Not provided	16.000	\$ 5,605
Pass-Through Payments:			
Town of Vienna, Virginia			
Gang-Free Schools and Communities-Community Based Gang Intervention	2010-DD-BX-0483	16.544	10,786
Direct Payments:			
Bulletproof Vest Partnership Program	N/A	16.607	9,432
Total Department of Justice			<u>25,823</u>
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Airport Improvement Program	3-51-0027-037-2013	20.106	452,216
Pass-Through Payments:			
Virginia Department of Transportation			
ARRA - Highway Planning and Construction	015-253-308	20.205	272,508
Highway Planning and Construction	015-253-308	20.205	5,246,259
Total Department of Transportation			<u>5,970,983</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass-Through Payments:			
Commonwealth of Virginia, Department of Emergency Services			
Disaster Grants - Public Assistance	Not provided	97.036	<u>25,266</u>
Total Federal Expenditures			<u>\$ 6,022,072</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the Town were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Note 2. Relationship to the Basic Financial Statements

For fiscal year 2015, the Town recognized amounts in the Schedule of Expenditures of Federal Awards (SEFA) associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$4,592,066 of prior year expenditures related to the Highway Planning and Construction Grant including ARRA (CFDA #20.205) was included in the SEFA. The Airport Improvement Grant expenditures were not included in the prior year SEFA due to the expenditures were not identified as federal pass through funds by the Virginia Department of Transportation. The expenditures had been incurred and reported in the Town's financial statements but were not reflected in the prior years SEFA. As a result of this omission, the Town included the expenditures in the current year SEFA.



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

To the Honorable Mayor and Members of Council
Town of Leesburg, Virginia
Leesburg, 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, each major fund, and the remaining fund information of the Town of Leesburg, Virginia (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) to determine the audit procedures 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 the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the Town’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 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 the Town'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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 23, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and Members of Council
Town of Leesburg, Virginia
Leesburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Leesburg, Virginia's (Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2015. The Town's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 23, 2015

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified _____ Yes No

Significant deficiencies identified that are not considered to be material weaknesses _____ Yes No

Noncompliance material to financial statements noted _____ Yes No

Federal awards:

Internal control over major programs:

Material weaknesses identified _____ Yes No

Significant deficiencies identified that are not considered to be material weaknesses _____ Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

20.205	Highway Planning and Construction (Including ARRA)
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Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes _____ No

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

TOWN OF LEESBURG, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

There were no audit findings reported in the prior year's single audit.