



Town of Leesburg, Virginia Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2017

Leesburg

the hometown of the 21st century



TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2017

Prepared by the
Department of Finance

**TOWN OF LEESBURG, VIRGINIA
FINANCIAL REPORT**

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INTRODUCTORY SECTION

November 30, 2017

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, 2017. 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, 2017.

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);
- Uniform financial reporting standards for counties, cities, and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA); and
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

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 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. Leesburg's Old and Historic District was established by local ordinance in 1963, was placed on the National Registry of Historic Places in 1970, and is often cited as one of the best preserved and most picturesque downtowns in Virginia. In the 2011 and 2013 versions of Money magazine's annual "Best Places to Live" editions, the Town of Leesburg was listed among the top 25 small cities nationally. More recently, in October 2016, Leesburg was ranked as the best small city in Virginia, and the 18th in the nation, by WalletHub.

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 (including 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 year from 3.3% to 3.0%. 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.

The economic recovery has remained in the fifth phase of the business cycle, mature growth, much longer than anticipated and continues moving along unfettered. Residential property values have stabilized and have increased slightly; revenues from consumer spending are beginning to trend upward; investment earnings are small, but improving; 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 2017 budget answered these questions by adhering to a long-range financial sustainability plan that balanced services, capital investments, and debt service funding with taxpayer affordability.

The fiscal year 2017 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. As a result of the adherence to that philosophy, the Town has achieved its long-term goal of reaching 20% unassigned fund balance ahead of schedule with this CAFR. This fiscal discipline was rewarded in April 2016 with Triple A ratings from Moody's, Fitch and Standard & Poor's credit rating agencies.

Financial Condition

The Town Government continues to be in very sound financial condition as demonstrated by 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 employee productivity and operational efficiency to maintain or reduce costs in the face of increased service demands.
- Accelerate the application of technology as financially feasible to improve access to Town services and to 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 (FDIC) 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) and Liquidity Pool. The Town's investments set aside to fund the future costs of retired employee health insurance, known as Other Post-Employment Benefits or OPEB, are governed by separate state statutes and a separate Town policy that allows for the investment of long-term assets in high quality bonds and equities. At June 30, 2016, the Town's OPEB assets were being transitioned from the VACo/VML OPEB Pooled Trust to a Town Council authorized independent trust where the assets are held by US Bank as trustee and managed by PFM, Inc. with the expectation that the assets will generate higher returns with lower fees. At June 30, 2016, about \$625 thousand were at US Bank, Inc. with the approximately \$6.8 million remaining assets at the VACo/VML OPEB Pooled Trust until the assets were transferred entirely to the US Bank, Inc. on October 31, 2016.

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, combined 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 Uniform Guidance, 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 Brown, Edwards and Company, 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, 2016. 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 30-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 2017.

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 Lisa Stillman, Controller; Willis Felegie, Accounting Manager; Carrie Curry, Staff Accountant; Alexandra Lepp, Accounting Associate III; Lisa Haley, Deputy Director of Finance and Administrative services; Jason Cournoyer, Budget Officer; and Cole Fazenbaker, Management Analyst, 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,

A handwritten signature in blue ink, appearing to read "KJ Dentler", with a horizontal line extending to the right from the top of the signature.

Kaj Dentler
Town Manager

A handwritten signature in black ink that reads "Clark G. Case".

Clark G. Case
Director of Finance and Administrative Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

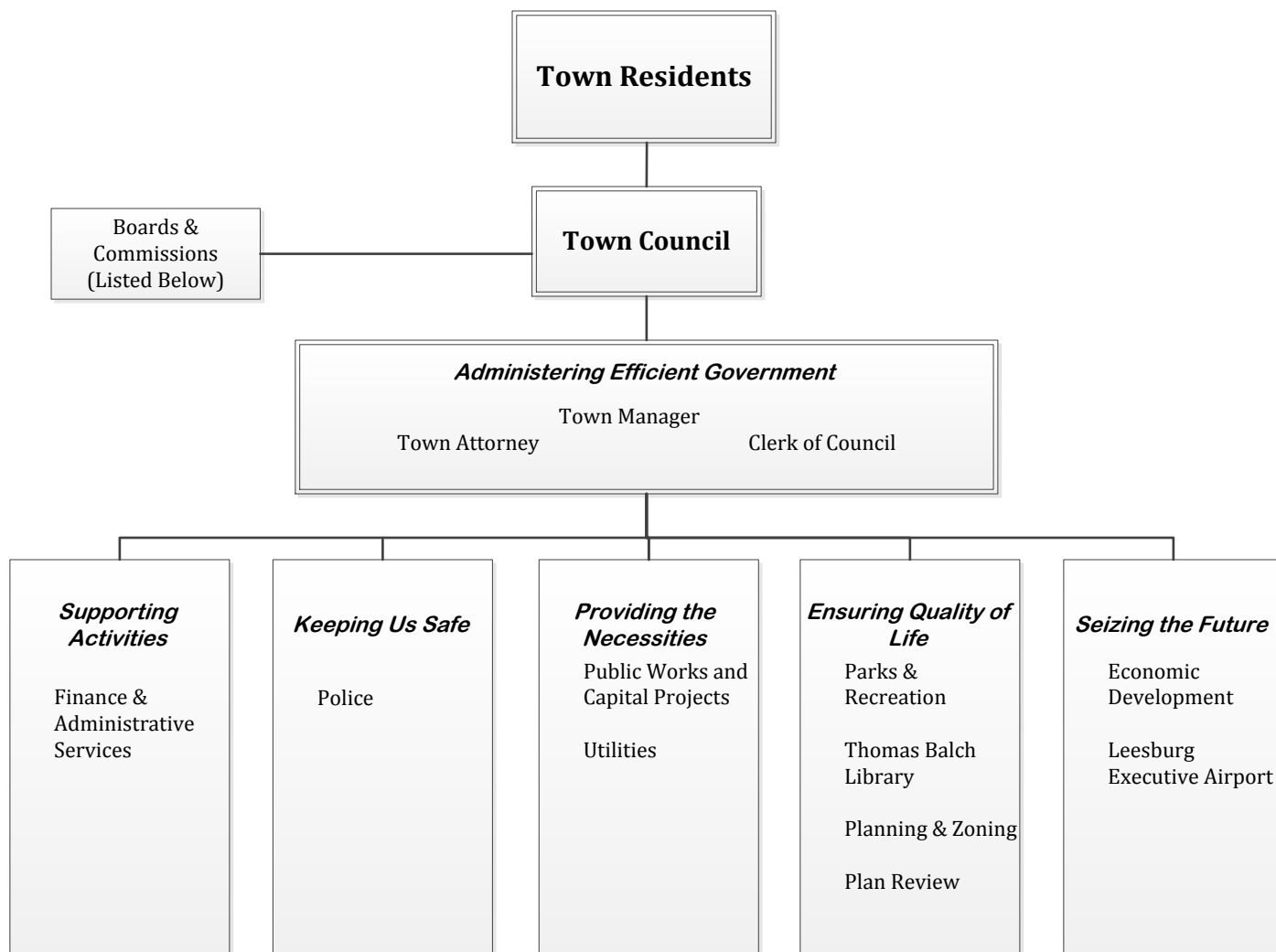
Presented to

**Town of Leesburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



- | | | | |
|--|---------------------------------|--|---------------------------|
| Airport Commission | Board of Architectural Review | Board of Zoning Appeals | Commission on Public Arts |
| Environmental Advisory Commission | Economic Development Commission | Information Technology Commission | Library Commission |
| Parks & Recreation Advisory Commission | Planning Commission | Standing Residential Traffic Committee | Tree Commission |
| Utility Rate Advisory Committee | Diversity Commission | | |

TOWN OF LEESBURG, VIRGINIA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Kelly Burk, Mayor
Suzanne Fox, Vice Mayor
Thomas Dunn, II
Fernando "Marty" Martinez
David Butler
Hugh Forsythe
Ron Campbell
Kenneth Reid

TOWN OFFICIALS

Kaj Dentler, Town Manager
Keith Markel, Deputy Town Manager
Barbara Notar, Town Attorney
Eileen Boeing, Clerk of Council
Gregory C. Brown, Police Chief
Renee LaFollette, Director of Public Works
Tom Brandon, 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, Information Technology Manager
Mark Hauer, Human Resources Manager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of Town Council
Town of 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 aggregate remaining fund information of the Town of Leesburg, Virginia (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 aggregate remaining fund information of the Town, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2017, the Town adopted new accounting guidance, *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information for the year ended June 30, 2017 has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters (Continued)

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

Report on Summarized Comparative Information

The financial statements of the Town as of June 30, 2016, were audited by other auditors whose report dated November 23, 2016 expressed an unmodified opinion on those statements. The 2016 financial information, included in the Other Supplementary Information Section, is provided for comparative purposes only.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2017

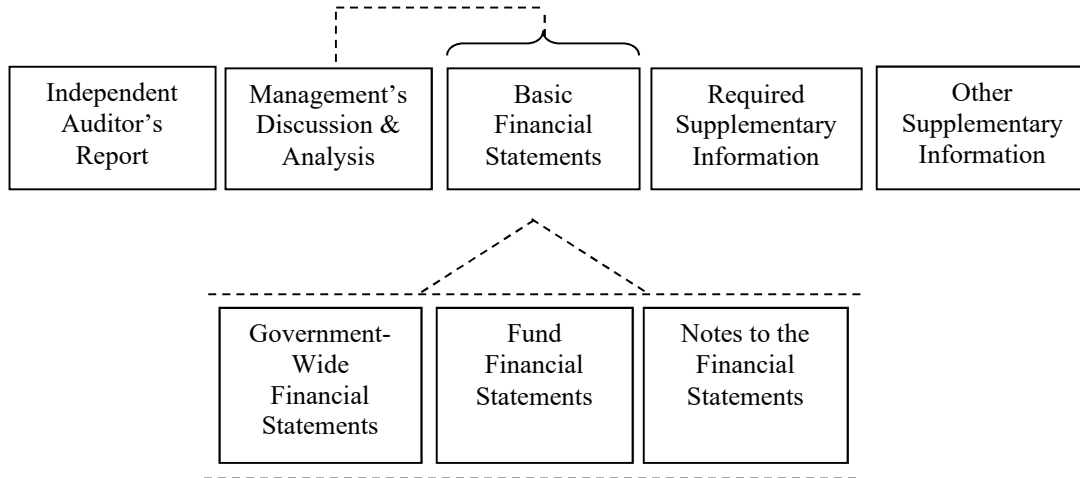
**TOWN OF LEESBURG
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2017**

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, 2017. 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*.

COMPONENTS OF THE FINANCIAL SECTION



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, 2017. 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 in the Utilities fund and self-insurance costs in the Internal-service Fund. 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 and one non-major governmental fund, the Special Revenue 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. The Special Revenue Fund is used to account for revenue from the Northern Virginia Transportation Authority (NVTA) which is transferred to fund NVTA projects in the Capital Projects Fund.

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 2017 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.

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 government-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 (OPEB) 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 2017

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 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 \$448.2 million at June 30, 2017 of which \$309.5 million is attributable to the Town’s governmental activities and \$138.7 million to business type activities (Exhibit 1). The government-wide total net position that is unrestricted is \$35.0 million, of which \$12.6 million is unrestricted for governmental activities and \$22.4 million is unrestricted for business-type activities. The Statement of Activities (Exhibit 2) presents all the factors attributed to the \$36.2 million or 8.8 percent increase in the Town’s net position from \$412.0 million in fiscal year 2016 as restated (Note 13) to \$448.2 million in fiscal year 2017. This increase of \$36.2 million is due to an increase of \$21.7 million in governmental activities and an increase of \$14.5 million in business-type activities.

Total fund balance of the Town’s Governmental Funds is \$41.5 million at June 30, 2017 of which \$28.1 million is attributable to the Town’s General Fund and \$13.4 million is attributable to the Town’s Capital Projects Fund (Exhibit 3). The Governmental Funds total fund balance that is unassigned is \$2.7 million. This amount is comprised of the General Fund’s unassigned fund balance of \$12.3 million and the Capital Projects Fund’s unassigned deficit of \$9.6 million. The Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) presents all the factors attributed to the \$2.2 million or 5.6 percent increase in the total fund balance from \$39.4 million in fiscal year 2016 as restated (Note 13) to \$41.6 million in fiscal year 2017. This increase of \$2.2 million is due to an increase of \$2.4 million in the fund balance of the General Fund and a decrease of \$.2 million in the fund balance of the Capital Projects Fund due to Encumbrances of \$10.5 million for contracts that have been recorded in the Capital Projects Fund that have not been liquidated and as such, no revenue has been recognized for those expenditures at June 30, 2017.

The total net position of the Town's Enterprise Funds is \$140.4 million of which \$138.6 million is attributable to the Town's Utilities Fund and \$1.8 million is attributable to the Town's Internal Service Fund at June 30, 2017 (Exhibit 8). The Utilities Fund's unrestricted net position is \$22.3 million and the Internal Service Fund's unrestricted net position is \$0.0 million. The Statement of Revenue, Expenses and Changes in Net Position (Exhibit 9) presents all the factors attributed to the Utilities Fund's \$14.5 million or 11.7 percent increase from \$124.1 million as restated (Note 13) in fiscal year 2016 to \$138.6 million in fiscal year 2017 and the change in net position of \$0.3 million or 22.4 percent increase from \$1.5 million in 2016 as restated (Note 13) to \$1.8 million in 2017 for the Internal Service Fund.

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, 2017 and 2016.

Table 1
Summary Statement of Net Position
Comparison as of June 30, 2017 and 2016 (\$ in Thousands)

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2017	2016	2017	2016	2017	2016
Assets and Deferred Outflows of Resources						
Current and Other Assets	\$ 63,301	\$ 59,216	\$ 27,308	\$ 22,875	\$ 90,609	\$ 82,091
Capital Assets, net	345,518	331,145	181,694	172,014	527,212	503,159
Total Assets	408,819	390,361	209,002	194,889	617,821	585,250
Deferred Outflows of Resources	6,474	3,610	3,610	2,827	10,084	6,437
Total Assets and Deferred Outflow of Resources	415,293	393,971	212,612	197,716	627,905	591,687
Liabilities and Deferred Inflows of Resources						
Current Liabilities	17,533	19,180	5,803	2,944	23,336	22,124
Long-term Liabilities	78,058	78,954	68,091	70,152	146,149	149,106
Total Liabilities	95,591	98,134	73,894	73,096	169,485	171,230
Deferred Inflows of Resources	10,188	7,973	62	478	10,250	8,451
Total Liabilities and Deferred Inflows of Resources	105,779	106,107	73,956	73,574	179,735	179,681
Net Position						
Net Investment in Capital Assets	283,018	260,418	116,402	106,515	399,420	366,933
Restricted	13,861	15,074	-	-	13,861	15,074
Unrestricted	12,635	12,372	22,254	17,627	34,889	29,999
Total Net Position	\$ 309,514	\$ 287,864	\$ 138,656	\$ 124,142	\$ 448,170	\$ 412,006

Total net position for the Town's governmental activities increased approximately \$21.6 million or 7.5 percent, to \$309.5 million. This increase is comprised primarily of a \$22.6 million increase in net investment in capital assets and a \$0.3 million increase in unrestricted net assets offset by a \$1.2 million decrease in restricted net position. In comparison, net position for business-type activities increased approximately \$14.5 million to \$138.6 million. This increase is comprised primarily of an increase in net investment in capital assets of \$9.9 million which is a result of addition of capital assets in excess of depreciation and amortization as well as debt service activity (see Note 6 and Note 7).

Statement of Activities

Table 2 summarizes and compares the Statement of Activities (Exhibit 2) for the Town for the fiscal years ended June 30, 2017 and 2016.

Table 2
Summary of Statement of Activities
Comparison for the years ended June 30, 2017 and 2016 (\$ in Thousands)

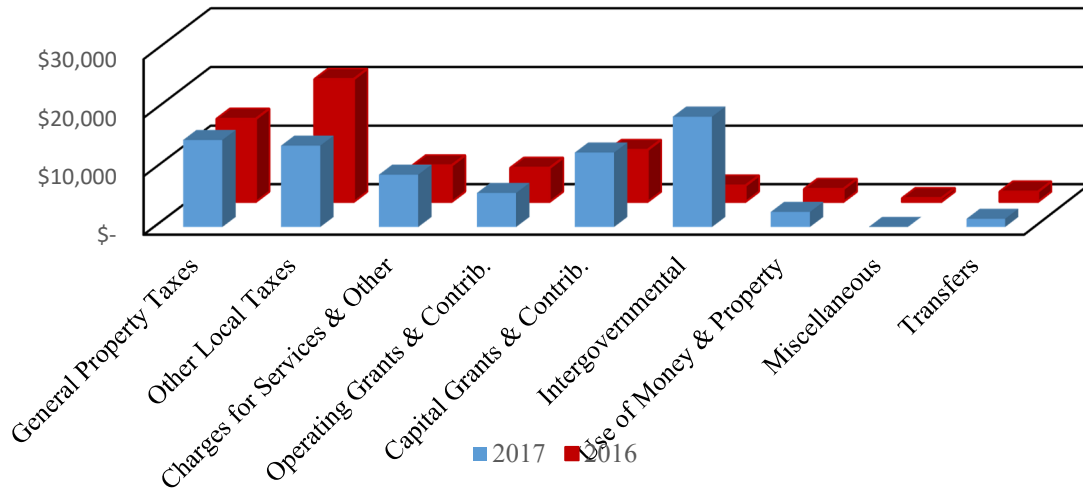
	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2017	2016	2017	2016	2017	2016
REVENUES						
General Revenues:						
Property Taxes	\$ 14,811	\$ 14,185	\$ -	\$ -	\$ 14,811	\$ 14,185
Other Local Taxes	21,458	20,958	-	-	21,458	20,958
Other	14,039	11,824	589	661	14,628	12,485
Program Revenues:						
Charges for Services	8,972	6,211	22,387	18,639	31,359	24,850
Operating Grants and Contributions	5,834	5,794	-	1,598	5,834	7,392
Capital Grants and Contributions	12,756	8,861	12,128	572	24,884	9,433
Total Revenues	77,870	67,833	35,104	21,470	112,974	89,303
EXPENSES						
Legislative	258	253	-	-	258	253
Executive	2,162	2,502	-	-	2,162	2,502
Legal	764	730	-	-	764	730
Planning and Zoning	1,650	1,634	-	-	1,650	1,634
Plan Review	1,329	1,346	-	-	1,329	1,346
Finance	4,907	4,623	-	-	4,907	4,623
Public Safety	12,749	13,092	-	-	12,749	13,092
Parks and Recreation	7,323	8,475	-	-	7,323	8,475
Balch Library	670	667	-	-	670	667
Public Works	20,916	17,881	-	-	20,916	17,881
Airport	1,949	1,888	-	-	1,949	1,888
Interest	2,966	3,079	-	-	2,966	3,079
Water and Sewer	-	-	19,169	18,754	19,169	18,754
Total Expenses	57,643	56,170	19,169	18,754	76,812	74,924
Change in Net Position before transfers	20,227	11,663	15,935	2,716	36,162	14,379
Transfers in (out)	1,422	1,724	(1,422)	(1,724)	-	-
Increase (Decrease) in Net Position	21,649	13,387	14,513	992	36,162	14,379
Net Position, Beginning of Year	287,864	274,477	124,142	123,150	412,006	397,627
Net Position, End of Year	\$ 309,513	\$ 287,864	\$ 138,655	\$ 124,142	\$ 448,168	\$ 412,006

Governmental Activities

As shown in Table 2 above, total revenue for the Town's governmental activities was \$77.9 million for fiscal year 2017 compared to \$67.8 million for fiscal year 2016. In addition to this revenue, there were net transfers of \$1.4 million to the Governmental Activities in 2017. Table 2 also indicates total expenses for governmental activities for fiscal year 2017 were \$57.6 million, compared to \$56.2 million in fiscal year 2016.

Chart 1 below shows the sources of all governmental revenue for fiscal years 2017 and 2016:

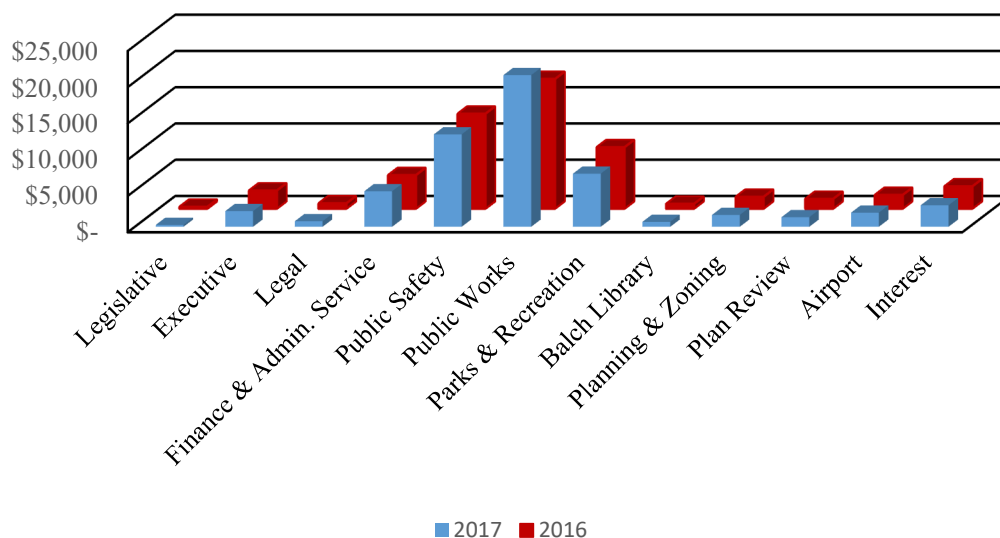
Chart 1
Governmental Activities – Revenues by Source
Comparison for the years ended June 30, 2017 and 2016 (\$ in Thousands)



Taxes constitute the largest source of Town revenue totaling approximately \$28.8 million, with general property taxes of \$14.9 million in 2017 and \$14.2 in 2016 (Table 2). Other local taxes, \$13.9 million in 2017 and \$20.9 million in 2016, are generated through business and occupational licenses and consumption based taxes such as taxes on meals, sales and use, cigarettes and utilities. The decrease in Other local taxes of \$7.0 million is due to a reclassification of Sales & Use taxes to Intergovernmental Revenues.

Chart 2 below illustrates total expenses by function.

Chart 2
Governmental Activities – Expenses by Function
Comparison for the years ended June 30, 2017 and 2016 (\$ in Thousands)



Public Works was the Town's largest function with the Town's cost of service totaling \$20.9 million or 36.3 percent of total expenses. The increase of \$3.0 million in Public Works is largely due to a variety of infrastructure and road projects that were undertaken in fiscal 2017. Public safety expenses, which total \$12.7 million, or 22.1 percent, represent the second largest expense category for governmental activities. Expenses increased by \$1.5 million or 2.6 percent.

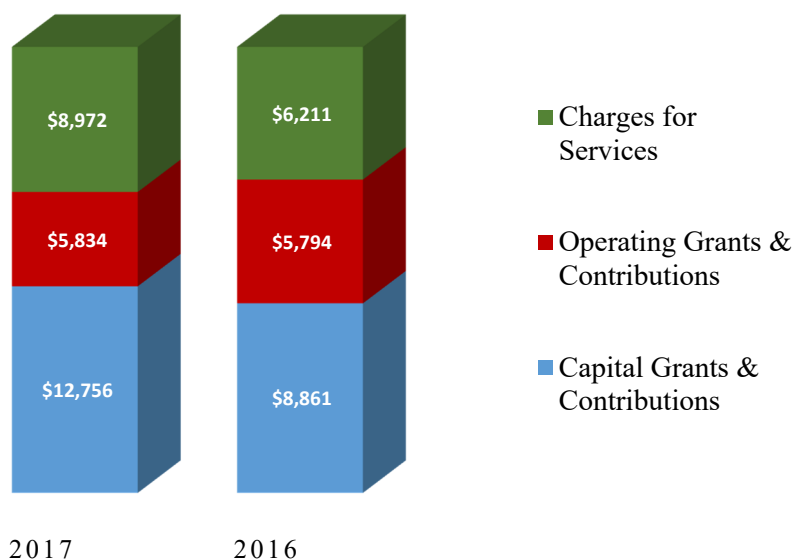
Table 3 below illustrates general revenue, primarily in the form of taxes, charges for services and state aid, is essential to providing support for the services offered by the Town. These governmental activities generate revenue that assists in offsetting the cost of these services. Table 3 presents 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 \$27.6 million in 2017, the net cost of governmental activities was \$30.1 million, compared to total costs of \$57.6 million.

Table 3
Net Cost of Governmental Activities
Comparison for the years ended June 30, 2017 and 2016 (\$ in Thousands)

Function:	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Legislative	\$ 258	\$ 253	\$ (61)	\$ 253
Executive	2,162	2,502	2,126	2,243
Legal	764	730	764	730
Planning & Zoning	1,650	1,634	(285)	1,121
Plan Review	1,329	1,346	48	1,346
Finance & Admin. Services	4,907	4,623	4,907	4,623
Public Safety	12,749	13,092	11,134	11,088
Parks & Recreation	7,323	8,475	2,379	3,483
Balch Library	670	667	685	658
Public Works	20,916	17,881	3,551	5,210
Airport	1,949	1,888	1,867	1,470
Interest	2,966	3,079	2,966	3,079
Totals	\$ 57,643	\$ 56,170	\$ 30,081	\$ 35,304

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 increased by \$2.8 million, program revenue for Operating Grants and Contributions increased \$0.04 million and Capital Grants and Contributions increased \$3.9 million primarily due to increased activity for public works projects that are funded by grants and other contributions.

Chart 3
Governmental Activities – Program Revenue
Comparison for the years ended June 30, 2017 and 2016 (\$ in Thousands)



Business-type Activities

Table 2 summarizes the business-type activities for 2017 and indicates the Utilities Fund Government-wide Net Position increased by \$14.5 million after the \$1.4 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 2017 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 costs associated with providing the service. Exhibit 8 presents the Statement of Net Position for the Utilities Fund and the Internal Service Fund. In fiscal year 2017, the Utilities Fund's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources were \$209.0 million, \$3.6 million, \$73.9 million and \$0.06 million, respectively. Total Net Position for fiscal year 2017 was \$138.6 million of which \$22.3 million is unrestricted. In fiscal year 2017, the Internal Service Fund's total assets and liabilities were \$2.6 million and \$.8 million, respectively. Total net position for fiscal year 2017 was \$1.8 million all of which was restricted.

98.8 percent of Utilities 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 2017 was \$19.9 million compared to \$19.0 million for fiscal year 2016.

Total operating expenses increased \$0.4 million to \$19.2 million. When combined with the \$0.8 million increase in operating revenue the Utilities Fund recognized operating income of \$3.3 million for fiscal year 2017. Non-operating revenues and expenses resulted in a net increase of \$.5 million. The \$14.5 million change in net position is primarily due to increased user rates as well as developer contributions and an increase in interest revenue.

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 major governmental funds, the General Fund and the Capital Projects Fund with fund balances of \$28.1 million and \$13.5 million, respectively, for a total of \$41.6 million for fiscal year 2017 (Exhibit 3). An increase in fund balances of \$2.2 million from \$39.3 million in 2016 was primarily due to \$0.7 million of excess expenditures over revenue and excess of other financing sources over uses of \$2.9 million primarily from transfers in from other funds as well as refinancing of outstanding debt 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, 2017 and 2016.

Table 4
Governmental Fund Balances
Comparison for the years ended June 30, 2017 and 2016 (\$ in Thousands)

	2017	2016	Change
Non-Spendable			
Lease deposit	\$ 161	\$ 160	\$ 1
Prepaid Expenses	141	58	83
Restricted			
Balch Library	901	742	159
Parks and Recreation	51	51	-
Police	72	71	1
Bond Proceeds	4,646	6,486	(1,840)
Proffers	5,065	3,540	1,525
Gas Tax	2,770	2,569	201
Parking-in-lieu	248	162	86
Esummons	108	-	108
Committed			
Capital Projects - Road	8,934	3,524	5,410
Capital Projects - Storm Drainage	354	463	(109)
Capital Projects - General Governmental	1,058	307	751
Capital Projects - Airport	24	294	(270)
Capital Projects - Parks and Recreation	188	456	(268)
Assigned			
Debt Service Reserve	9,897	8,547	1,350
Capital Asset Reserve	1,610	1,834	(224)
Designated for Future Years	2,638	2,559	79
Unassigned	2,706	7,541	(4,835)
Total Fund Balances	41,572	39,364	2,208

The General Fund is the main operating fund of the Town; its fund balance increased \$2.4 million to \$28.1 million for fiscal year 2017 (Exhibit 5). Of this total, unassigned fund balance was \$12.3 million (Exhibit 3) or 22.6 percent of total General Fund expenditures of \$54.4 million for fiscal year 2017. In comparison, at the end of fiscal year 2016, the unassigned fund balance was \$11.5 million, equal to 22.2 percent of total General Fund expenditures. The assigned fund balance for debt service reserve was increased \$1.3 million, capital asset replacement fund decreased \$0.2 million, and money designated for future years increased \$0.1 million.

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, 2017, the Capital Projects fund balance was \$13.4 million (Exhibit 3) compared to \$7.6 million in 2016. 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. Unassigned Fund Balance for fiscal year 2016 was a deficit of \$4.0 million and unassigned fund balance for fiscal year 2017 is a deficit of \$9.6 million for a net change of \$6.5 million primarily due to contract commitments on capital projects in excess of recognized revenues.

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, 2017 (\$ in Thousands)

	Fiscal Year 2017		
	Original Budget	Amended Budget	Actual
Revenues:			
Taxes	\$ 29,364	\$ 29,364	\$ 30,129
Intergovernmental	13,762	14,767	16,125
Other	7,725	7,799	8,219
Total Revenues	50,851	51,930	54,473
Expenditures:			
Expenditures	55,840	61,554	54,464
Deficiency of Revenue under Expenditures	(4,989)	(9,624)	9
Other Financing Sources:			
Transfers, net	2,399	3,105	2,402
Use of Fund Balance	2,440	6,656	-
Proffer Revenue	150	225	-
Total Revenues	4,989	9,986	2,402
Change in Fund Balance	\$ -	\$ 362	\$ 2,411

Overall, General Fund revenues exceeded budget by \$2.5 million. Revenues collected exceeded budget projections for other local taxes, miscellaneous use of money and property, permits fees and licenses, and intergovernmental revenue by approximately \$0.3 million, \$0.2 million, \$0.4 million, and \$1.4 million, respectively (Exhibit 7). General Fund expenditures were under the amended budget by approximately \$7.1 million. Fund balance for the General Fund increased by \$2.4 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 \$5.7 million for fiscal year 2017 (Exhibit 7). This increase is a result of supplemental appropriations throughout the year including uncompleted contractual services carried forward from fiscal year 2016. The most significant supplemental appropriation approved by Town Council was to increase expenditures \$0.9 million for a grant from VDOT for primary road improvements. The budget for any fiscal year 2016 and 2017 uncompleted contractual services and projects will be carried forward to fiscal year 2018.

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, 2017 and 2016.

Table 6
Capital Assets
Comparison as of June 30, 2017 and 2016 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2017	2016	Change	2017	2016	Change
Land	\$ 61,231	\$ 59,004	\$ 2,227	\$ 1,577	\$ 1,577	\$ -
Buildings and improvement	86,069	84,770	1,299	-	-	-
Water and sewer plant	-	-	-	115,933	115,923	10
Water and sewer lines	-	-	-	139,018	123,462	15,556
Equipment and software	11,027	10,340	687	2,610	1,399	1,211
Vehicles	5,229	5,327	(98)	2,422	2,679	(257)
Infrastructure and street	267,115	255,475	11,640	-	-	-
Hangars	6,057	6,057	-	-	-	-
Terminals	6,678	6,678	-	-	-	-
Runway	16,570	16,570	-	-	-	-
Construction in progress	16,229	8,636	7,593	124	2,067	(1,943)
Total Capital Assets	476,205	452,857	23,348	261,684	247,107	14,577
Accumulated depreciation and amortization	(130,686)	(121,822)	(8,864)	(79,991)	(75,114)	(4,877)
Total Capital Assets, Net	\$ 345,519	\$ 331,035	\$ 14,484	\$ 181,693	\$ 171,993	\$ 9,700

The Town’s Governmental Activities Capital Assets (net of accumulated depreciation and amortization) as of June 30, 2017 and 2016 amounted to approximately \$345.5 million and \$331.0 million, respectively. The net increase in capital assets (including additions, retirements, depreciation and amortization) was \$14.4 million for governmental activities. The additional increase is attributed to \$7.6 million increase in construction in progress as well as \$8.0 million in developer contributions for infrastructure (see Note 6).

The Business-type Activities Capital Assets (net of accumulated depreciation and amortization) as of June 30, 2017 amounted to approximately \$181.7 million for the Utilities Fund compared to \$171.9 million in 2016. The increase is predominantly due to capital asset additions including \$10.0 million in developer contributions being more than depreciation expense.

The Town’s Fiscal Year 2016 – 2021 Capital Improvement Program (CIP), approved by Town Council, represents the six-year, \$106.5 million program of public improvements for the Town. This plan includes \$93.2 million in governmental activity projects including \$73.3 million in streets and highways improvements, \$4.9 million in general government improvements, such as downtown improvements and lighting, \$4.8 million in storm drainage improvements, \$8.5 million in airport improvements, \$1.7 million in parks improvements, and \$13.3 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 10.0 percent of total assessed real property within the Town, which was \$6.7 billion in fiscal year 2017 and \$6.6 billion in 2016. The Town’s total long-term obligations of \$69.0 million as of June 30, 2017 and \$70.6 million as of June 30, 2016, 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, 2017 and 2016 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2017	2016	Change	2017	2016	Change
General Obligation Bonds	\$ 60,942	\$ 68,115	\$ (7,173)	\$ 58,469	\$ 58,955	\$ (486)
Revenue Bonds	-	-	-	2,559	3,234	(675)
Totals	\$ 60,942	\$ 68,115	\$ (7,173)	\$ 61,028	\$ 62,189	\$ (1,161)

Outstanding long-term debt for governmental activities as of June 30, 2017 is \$60.9 million indicating a decrease of \$7.1 million from fiscal year 2016. Outstanding long-term debt for business activities decreased from \$62.2 million as of June 30, 2016 to \$61.0 million as of June 30, 2017 (see Note 7).

In making debt decisions, the Town adheres to the following as part of its Council Approved Fiscal Policy:

- 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 2017, this percentage was 14.4 percent.
 - Bonded debt (General Obligation Debt) of the Town will not exceed 2.5 percent of the total assessed value of taxable property in the Town. For fiscal year 2017, this percentage was 1.69 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 3.00 percent average unemployment rate for the Town of Leesburg according to the U.S. Census Bureau Annual Population Estimates, is reduced from the 3.3 percent level in 2016. 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 52,607. 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 \$75,100, as estimated by the Loudoun County Department of Management and Budget. 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 2017 by 1.0 FTE positions to a total of 416.2. Workforce numbers by department for the last ten years are provided in the statistical section of this report at Table 19.

Fiscal Year 2018 Budget and Rates

- For fiscal year 2018, the adopted budget for the General Fund is \$57.1 million, an increase of \$2.3 million or 4.2 percent, over fiscal year 2017. Revenues are comprised primarily of general taxes at 54.6 percent, intergovernmental assistance at 22.3 percent, charges for services at 9.2 percent, other miscellaneous revenue at 5.9 percent and donations and transfers at 7.9 percent.
- In fiscal year 2018, the Town continues to prioritize its services. In the General Fund, public safety accounts for \$13.7 million or 24.1 percent of the budgeted expenditures. The public works department accounts for \$14.3 million or 25.1 percent of budgeted expenditures.
- Tax rate for real property for tax year 2017 is 18.4¢ per \$100 of assessed value. 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.

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BASIC FINANCIAL STATEMENTS

TOWN OF LEESBURG, VIRGINIA

Exhibit 1

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents (Note 2)	\$ 37,690,282	\$ 22,008,894	\$ 59,699,176
Cash with fiscal agent (Note 2)	3,495,495	-	3,495,495
Receivables, net: (Note 3)			
Property taxes	7,270,556	-	7,270,556
Utility Taxes	165,215	-	165,215
Local Taxes	1,672,314	-	1,672,314
Trade and other accounts	524,506	3,601,536	4,126,042
Accrued interest	51,505	29,028	80,533
Due from other governments (Note 4)	6,162,227	-	6,162,227
Inventories	-	784,836	784,836
Prepaid items and deposit	302,316	12,719	315,035
Restricted Cash (Note 2)	5,817,538	839,445	6,656,983
Other postemployment benefits (Note 9)	148,778	31,833	180,611
Capital assets: (Note 5)			
Land	61,230,978	1,577,329	62,808,307
Construction in progress	16,229,214	124,363	16,353,577
Buildings and improvements	86,069,242	-	86,069,242
Water and sewer plant	-	115,932,473	115,932,473
Water and sewer lines	-	139,018,109	139,018,109
Furniture, equipment, and software	7,395,594	2,610,294	10,005,888
Computer equipment and software	3,630,849	-	3,630,849
Vehicles	5,229,016	2,421,734	7,650,750
Infrastructure	76,224,162	-	76,224,162
Streets	190,891,230	-	190,891,230
Hangars	6,057,289	-	6,057,289
Runway	16,569,753	-	16,569,753
Terminals	6,677,993	-	6,677,993
Less: accumulated depreciation and amortization	(130,686,543)	(79,991,264)	(210,677,807)
Total assets	408,819,509	209,001,329	617,820,838
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to Pension Plan (Note 10)	3,983,132	1,058,807	5,041,939
Deferred loss on refunding of debt	2,490,858	2,551,295	5,042,153
Total deferred outflows of resources	6,473,990	3,610,102	10,084,092

(Continued)

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Totals
LIABILITIES			
Accounts payable	\$ 2,732,419	\$ 599,201	\$ 3,331,620
Due to other governments	24,066	-	24,066
Accrued payroll and other expenses	1,120,876	267,521	1,388,397
Accrued liabilities - other	23,171	-	23,171
Accrued interest	1,074,827	1,093,006	2,167,833
Retainage payable	70,503	161,978	232,481
Performance bonds	1,123,999	9,000	1,132,999
Reserve for proffers	3,045,679	-	3,045,679
Unearned revenue (Note 3)	224,061	-	224,061
Customer deposits	72,279	1,056,330	1,128,609
Insurance and benefit claims	828,589	-	828,589
Noncurrent liabilities:			
Due within one year: (Note 6)			
Compensated absences	1,815,284	486,133	2,301,417
Bonds payable	5,377,001	2,129,587	7,506,588
Due in more than one year: (Notes 6 and 10)			
Compensated absences	399,172	156,974	556,146
Bonds payable	62,863,267	64,001,117	126,864,384
Net pension liability	14,796,173	3,933,160	18,729,333
Total liabilities	95,591,366	73,894,007	169,485,373
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan (Note 10)	231,903	61,645	293,548
Deferred gain on refunding of debt	40,503	-	40,503
Grants (Note 3)	3,495,495	-	3,495,495
Property taxes (Note 3)	6,420,372	-	6,420,372
Total deferred inflows of resources	10,188,273	61,645	10,249,918
NET POSITION			
Net investment in capital assets	283,018,215	116,239,800	399,258,015
Restricted	13,860,762	-	13,860,762
Unrestricted	12,634,883	22,415,979	35,050,862
Total net position	\$ 309,513,860	\$ 138,655,779	\$ 448,169,639

TOWN OF LEESBURG, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Legislative	\$ 258,238	\$ 319,340	\$ -	\$ -	\$ 61,102		\$ 61,102
Executive	2,162,353	-	-	36,298	(2,126,055)		(2,126,055)
Legal	764,127	-	-	-	(764,127)		(764,127)
Parks and recreation	7,323,433	4,938,988	5,000	-	(2,379,445)		(2,379,445)
Finance and administrative services	4,906,502	-	-	-	(4,906,502)		(4,906,502)
Balch Library	670,011	-	-	-	(670,011)		(670,011)
Planning and zoning	1,649,401	1,919,609	-	-	270,208		270,208
Public works	20,915,538	115,470	4,529,490	12,719,606	(3,550,972)		(3,550,972)
Public safety	12,749,163	398,197	1,216,964	-	(11,134,002)		(11,134,002)
Plan review	1,329,164	1,280,528	-	-	(48,636)		(48,636)
Airport	1,949,301	-	82,780	-	(1,866,521)		(1,866,521)
Interest	2,966,378	-	-	-	(2,966,378)		(2,966,378)
Total governmental activities	57,643,609	8,972,132	5,834,234	12,755,904	(30,081,339)		(30,081,339)
Business-type activities:							
Utilities	19,168,447	22,387,305	-	12,128,538		15,347,396	15,347,396
Total business-type activities	19,168,447	22,387,305	-	12,128,538		15,347,396	15,347,396
Total government	\$ 76,812,056	\$ 31,359,437	\$ 5,834,234	\$ 24,884,442	(30,081,339)	15,347,396	(14,733,943)
General Revenues:							
Taxes:							
General property taxes, including penalties					14,811,321	-	14,811,321
Other local taxes:							
Communication sales and use					7,426,112	-	7,426,112
Meals					5,275,413	-	5,275,413
Business and occupational licenses					3,482,857	-	3,482,857
Utility					1,521,738	-	1,521,738
Cigarette					872,841	-	872,841
Other local taxes					2,879,141	-	2,879,141
Intergovernmental, non-categorical aid					11,200,431	-	11,200,431
Use of money and property					2,581,923	350,671	2,932,594
Miscellaneous					257,235	237,681	494,916
Transfers					1,422,107	(1,422,107)	-
Total general revenues and transfers, net					51,731,119	(833,755)	50,897,364
Change in net position					21,649,780	14,513,641	36,163,421
Net position, beginning as restated (Note 13)					287,864,080	124,142,138	412,006,218
Net position, ending					\$ 309,513,860	\$ 138,655,779	\$ 448,169,639

TOWN OF LEESBURG, VIRGINIA

Exhibit 3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 26,168,858	\$ 9,078,043	\$ -	\$ 35,246,901
Cash and investments with fiscal agent	-	-	3,495,495	3,495,495
Receivables (net of allowance for doubtful accounts):				
Property taxes, including penalties	7,270,556	-	-	7,270,556
Utility taxes	165,215	-	-	165,215
Local taxes	1,672,314	-	-	1,672,314
Accounts	325,382	25,000	-	350,382
Accrued interest	35,579	15,926	-	51,505
Due from other governments	2,333,126	3,829,101	-	6,162,227
Lease Deposit	161,055	-	-	161,055
Prepaid items	141,261	-	-	141,261
Restricted cash	1,171,459	4,646,079	-	5,817,538
Total assets	\$ 39,444,805	\$ 17,594,149	\$ 3,495,495	\$ 60,534,449
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,681,000	\$ 1,041,485	\$ -	\$ 2,722,485
Due to other governments	24,066	-	-	24,066
Retainage payable	20,451	50,052	-	70,503
Accrued payroll	1,120,431	445	-	1,120,876
Accrued liabilities - other	23,171	-	-	23,171
Customer deposits	72,279	-	-	72,279
Performance bonds	1,123,999	-	-	1,123,999
Reserve for proffers	-	3,045,679	-	3,045,679
Unearned revenue	224,061	-	-	224,061
Total liabilities	4,289,458	4,137,661	-	8,427,119
Deferred inflows of resources:				
Grants	-	-	3,495,495	3,495,495
Property taxes	7,039,512	-	-	7,039,512
Total deferred inflows of resources	7,039,512	-	3,495,495	10,535,007
Fund Balances:				
Nonspendable:				
Lease deposit	161,055	-	-	161,055
Prepaid costs	141,261	-	-	141,261
Restricted:				
Balch Library	900,979	-	-	900,979
Parks and recreation (Symmington)	50,521	-	-	50,521
Police	72,191	-	-	72,191
Bond Proceeds	-	4,646,079	-	4,646,079
Proffers	-	5,064,520	-	5,064,520
Gas tax	-	2,770,306	-	2,770,306
Parking in lieu	247,850	-	-	247,850
Esummons	108,316	-	-	108,316
Committed:				
Capital Projects - general government	-	1,058,244	-	1,058,244
Capital Projects - parks and recreation	-	187,951	-	187,951
Capital Projects - streets and highways	-	8,933,662	-	8,933,662
Capital Projects - storm drainage	-	353,702	-	353,702
Capital Projects - airport	-	23,561	-	23,561
Assigned:				
Debt service reserve	9,897,490	-	-	9,897,490
Capital asset reserve	1,609,619	-	-	1,609,619
Expenditures designated for future years	2,638,197	-	-	2,638,197
Unassigned:				
	12,288,356	(9,581,537)	-	2,706,819
Total fund balances	28,115,835	13,456,488	-	41,572,323
Total liabilities, deferred inflows of resources, and fund balances	\$ 39,444,805	\$ 17,594,149	\$ 3,495,495	\$ 60,534,449

TOWN OF LEESBURG, VIRGINIA

Exhibit 4

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total Fund Balances - Governmental Funds	\$	41,572,323
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.</p>		
Governmental capital assets	476,205,320	
Less: accumulated depreciation and amortization	(130,686,543)	
Net capital assets		345,518,777
<p>Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.</p>		
		619,140
<p>Deferred outflows of resources related to pensions 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.</p>		
		3,983,132
<p>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.</p>		
Deferred loss on refunding of debt		2,490,858
Deferred gain on refunding of debt		(40,503)
<p>Internal service funds are used by management to charge the costs of services 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.</p>		
		1,778,982
<p>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.</p>		
Bonds payable	(68,240,268)	
Compensated absences	(2,214,456)	
Other postemployment benefits	148,778	
Interest payable	(1,074,827)	
Net pension liability	(14,796,173)	
		(86,176,946)
<p>Deferred inflows of resources related to pensions 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.</p>		
		(231,903)
Net position of governmental activities	\$	309,513,860

TOWN OF LEESBURG, VIRGINIA

Exhibit 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 14,816,811	\$ -	\$ -	\$ 14,816,811
Other local taxes	14,031,990	-	-	14,031,990
Permits, fees, and licenses	1,280,528	-	-	1,280,528
Fines and forfeitures	378,181	-	-	378,181
Use of money and property	2,224,138	350,533	-	2,574,671
Charges for services	5,075,406	-	-	5,075,406
Contributions and proffers	290,320	1,970,480	-	2,260,800
Miscellaneous	250,028	7,207	-	257,235
Intergovernmental	16,125,460	7,346,032	1,447,893	24,919,385
Total revenues	54,472,862	9,674,252	1,447,893	65,595,007
Expenditures:				
Current:				
Legislative	247,809	-	-	247,809
Executive	1,887,672	-	-	1,887,672
Legal	761,453	-	-	761,453
Finance and administrative services	4,795,874	-	-	4,795,874
Public safety	12,467,978	-	-	12,467,978
Public works	14,391,996	-	-	14,391,996
Parks and recreation	7,640,573	-	-	7,640,573
Balch Library	490,644	-	-	490,644
Planning and zoning	1,650,178	-	-	1,650,178
Plan review	1,333,740	-	-	1,333,740
Airport	771,312	-	-	771,312
Capital projects	-	10,341,003	-	10,341,003
Debt service:				
Principal	5,020,000	-	-	5,020,000
Interest and fiscal charges	3,004,766	-	-	3,004,766
Debt issuance costs	-	226,075	-	226,075
Total expenditures	54,463,995	10,567,078	-	65,031,073
Excess (deficiency) of revenues over expenditures	8,867	(892,826)	1,447,893	563,934
Other financing sources (uses):				
Bond issuance	-	13,029,935	-	13,029,935
Premium on bonds	-	1,410,812	-	1,410,812
Payments to escrow for refunding	-	(14,218,960)	-	(14,218,960)
Transfers in	3,059,596	2,105,138	-	5,164,734
Transfers out	(657,245)	(1,637,489)	(1,447,893)	(3,742,627)
Total other financing sources (uses), net	2,402,351	689,436	(1,447,893)	1,643,894
Net change in fund balances	2,411,218	(203,390)	-	2,207,828
Fund balances, beginning as restated (Note 13)	25,704,617	13,659,878	-	39,364,495
Fund balances, ending	\$ 28,115,835	\$ 13,456,488	\$ -	\$ 41,572,323

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

Net change in fund balances - total governmental funds	\$	2,207,828
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		12,242,299
Less depreciation and amortization expense		<u>(9,676,692)</u>
Excess of capital outlay over depreciation and amortization		2,565,607
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.		
Loss on disposal of capital assets		(19,269)
Donated capital assets		<u>11,936,835</u>
		11,917,566
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		(5,490)
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.		
Principal repayments:		
General obligation debt and notes payable		5,020,000
Payments to escrow for refunding		14,218,960
Bonds proceeds		(13,029,935)
Premium on issuance of debt		(1,410,812)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		1,547,330
Pension expense		(2,064,953)
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.		
Accrued interest		234,992
Compensated absences		53,980
Other post employment benefits		39,580
Amortization of premiums		1,027,912
Amortization of bond refundings		<u>(998,445)</u>
		358,019
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		4,776,148
Total expenses		<u>(4,450,488)</u>
		<u>325,660</u>
Change in net position of governmental activities	\$	<u>21,649,780</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
General property taxes	\$ 14,842,241	\$ 14,842,241	\$ 14,816,811	\$ (25,430)
Other local taxes	13,629,928	13,629,928	14,031,990	402,062
Permits, fees, and licenses	891,660	891,660	1,280,528	388,868
Fines and forfeitures	476,700	478,300	378,181	(100,119)
Use of money and property	1,950,566	2,006,266	2,224,138	217,872
Charges for services	5,207,056	5,207,056	5,075,406	(131,650)
Contributions	18,500	29,700	290,320	260,620
Miscellaneous	73,000	78,000	250,028	172,028
Intergovernmental	13,761,636	14,767,151	16,125,460	1,358,309
Total revenues	50,851,287	51,930,302	54,472,862	2,542,560
Expenditures:				
Current:				
Legislative	271,963	267,763	247,809	19,954
Executive	1,873,543	1,933,282	1,887,672	45,610
Legal	706,569	765,156	761,453	3,703
Finance and administrative services	4,852,042	5,229,306	4,795,874	433,432
Public safety	14,310,688	14,114,593	12,467,978	1,646,615
Public works	13,742,663	16,794,917	14,391,996	2,402,921
Parks and recreation	7,909,587	8,104,153	7,640,573	463,580
Balch Library	487,904	509,667	490,644	19,023
Planning and zoning	1,664,351	1,802,379	1,650,178	152,201
Plan review	1,351,619	1,397,062	1,333,740	63,322
Airport	768,220	835,572	771,312	64,260
Debt service:				
Principal	5,020,000	5,020,000	5,020,000	-
Interest and fiscal charges	3,009,173	3,009,173	3,004,766	4,407
Total expenditures	55,968,322	59,783,022	54,463,995	5,319,027
Excess (deficiency) of revenues over expenditures	(5,117,035)	(7,852,720)	8,867	7,861,587
Other financing sources (uses):				
Transfer in	3,091,735	3,139,633	3,059,596	(80,037)
Transfers out	(692,800)	(2,042,784)	(657,245)	1,385,539
Use of Fund Balance	2,568,100	6,893,273	-	(6,893,273)
Proffer Revenue	150,000	225,000	-	(225,000)
Total other financing sources (uses), net	5,117,035	8,215,122	2,402,351	(5,812,771)
Net change in fund balance	\$ -	\$ 362,402	\$ 2,411,218	\$ 2,048,816

TOWN OF LEESBURG, VIRGINIA

Exhibit 8

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017**

	Business-Type Activities - Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,008,894	\$ 2,443,381
Receivables (net of allowance for doubtful accounts):		
Trade and other accounts	3,601,536	174,124
Prepaid expenses	12,719	-
Inventories	784,836	-
Accrued interest	29,028	-
Cash and cash equivalents, restated	839,445	-
Total current assets	27,276,458	2,617,505
Noncurrent Assets:		
Other postemployment benefits	31,833	-
Capital assets:		
Land	1,577,329	-
Water and sewer plant	115,932,473	-
Water and sewer lines	139,018,109	-
Furniture, equipment, and software	2,610,294	-
Vehicles	2,421,734	-
Construction in progress	124,363	-
Less: accumulated depreciation and amortization	(79,991,264)	-
Total noncurrent assets	181,724,871	-
Total assets	209,001,329	2,617,505
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	1,058,807	-
Deferred loss on refunding	2,551,295	-
Total deferred outflows of resources	3,610,102	-
Total assets and deferred outflows of resources	212,611,431	2,617,505

TOWN OF LEESBURG, VIRGINIA

Exhibit 8

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2017

	Business-Type Activities - Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 599,201	\$ 9,934
Accrued expenses	267,521	-
Accrued interest	1,093,006	-
Compensated absences	486,133	-
Retainage payable	161,978	-
Bonds payable	2,129,587	-
Performance bonds payable	9,000	-
Customer deposits and contingent charges	1,056,330	-
Insurance and benefit claims	-	828,589
Total current liabilities	5,802,756	838,523
Noncurrent Liabilities:		
Compensated absences	156,974	-
Net pension liability	3,933,160	-
Bonds payable, net	64,001,117	-
Total noncurrent liabilities	68,091,251	-
Total liabilities	73,894,007	838,523
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related pension plan	61,645	-
Total liabilities and deferred inflows of resources	73,955,652	-
NET POSITION		
Net investment in capital assets	116,239,800	-
Unrestricted	22,415,979	1,778,982
Total net position	\$ 138,655,779	\$ 1,778,982

TOWN OF LEESBURG, VIRGINIA

Exhibit 9

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Business-type Activities - Enterprise Fund	Governmental Activities
	Utilities	Internal Service Self Insurance Fund
Operating revenues:		
Charges for services	\$ 19,631,920	\$ 4,005,396
Other	237,681	763,500
Total Operating Revenues	19,869,601	4,768,896
Operating expenses:		
Personnel service	7,328,099	-
Contractual services	716,084	-
Depreciation and amortization	5,485,291	-
Materials and supplies	1,779,128	-
Continuous charges	1,253,285	-
Risk financing and benefit payments	-	4,450,488
Total Operating Expenses	16,561,887	4,450,488
Operating income	3,307,714	318,408
Nonoperating revenues (expenses):		
Interest on investments	350,671	7,252
Installation and connection charges	2,755,385	-
Interest and fiscal charges	(2,606,560)	-
Total Nonoperating revenues (expenses), net	499,496	7,252
Income before contributions and transfers	3,807,210	325,660
Transfers:		
Transfers out	(1,422,107)	-
Transfers	(1,422,107)	-
Capital Contributions:		
Developer donated assets	12,128,538	-
Change in Net Position	14,513,641	325,660
Total net position, beginning - as restated (Note 13)	124,142,138	1,453,322
Total net position, ending	<u>\$ 138,655,779</u>	<u>\$ 1,778,982</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit 10
Page 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-type Activities - Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
Operating Activities:		
Receipts from customers	\$ 19,745,559	\$ -
Receipts from interfund services provided	-	4,603,387
Claims and benefits paid	-	(5,284,562)
Payments to suppliers for goods and services	(4,106,289)	-
Payments to employees for services	(6,809,401)	-
Net cash provided by (used in) operating activities	8,829,869	(681,175)
Noncapital and Related Financing Activities:		
Payments (advance) from other funds	1,097	136,442
Transfers out	(1,422,107)	-
Net cash provided by (used in) noncapital and related financing activities	(1,421,010)	136,442
Capital and Related Financing Activities:		
Installation and connection charges	2,755,385	-
Acquisition and construction of capital assets	(2,987,126)	-
Payment to escrow agent for debt refunding	(3,840,000)	-
Principal paid on bonds	(1,930,730)	-
Proceeds from bond refunding	4,486,481	-
Interest and fiscal charges	(3,309,920)	-
Net cash used in capital and related financing activities	(4,825,910)	-
Investing Activities:		
Interest income	352,208	7,252
Net cash provided by investing activities	352,208	7,252
Net increase in cash and cash equivalents	2,935,157	(537,481)
Cash and cash equivalents		
Beginning	19,913,182	2,980,862
Ending	\$ 22,848,339	\$ 2,443,381
Reconciliation to Exhibit 8		
Cash and cash equivalents	\$ 22,008,894	\$ 2,443,381
Cash and cash equivalents, restricted	839,445	-
	\$ 22,848,339	\$ 2,443,381

TOWN OF LEESBURG, VIRGINIA

Exhibit 10

Page 2

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

Year Ended June 30, 2017

	Business-type Activites- Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$ 3,307,714	\$ 318,408
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,485,291	-
Pension expense, net of contributions	132,784	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(197,775)	(165,508)
Prepaid expenses	(12,719)	-
Inventories	(158,758)	-
Increase (decrease) in:		
Accounts payable	163,078	(931,762)
Accrued liabilities	47,386	-
Insurance and benefit claims	73,734	97,687
Other postemployment benefits	(10,866)	-
Net cash provided by (used in) operating activities	\$ 8,829,869	\$ (681,175)
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Developer donated capital improvements	\$ 12,128,538	\$ -

TOWN OF LEESBURG, VIRGINIA

Exhibit 11

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2017**

	OPEB Trust Fund
	<u>2017</u>
ASSETS	
Cash and cash equivalents	\$ 22,719
Mutual funds-equity	6,825,345
Mutual funds-fixed income	<u>3,970,157</u>
Total assets	<u>10,818,221</u>
NET POSITION	
Net position restricted for other postemployment benefits (OPEB)	<u><u>\$ 10,818,221</u></u>

TOWN OF LEESBURG, VIRGINIA

Exhibit 12

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2017**

	OPEB Trust Fund
	2017
<hr/>	
Additions:	
Employer contributions	\$ 675,446
Total contributions	675,446
Investment income:	
Realized gain on sale of investments	2,056,352
Interest and dividends earned on investments	171,319
Net decrease in fair value of investments	(1,121,042)
Total additions, net	1,782,075
Deductions:	
Administrative fees	32,007
Benefit payments	350,446
Total deductions	382,453
Change in net position	1,399,622
Net position, beginning	9,418,599
Net position, ending	\$ 10,818,221

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). Significant accounting policies of the Town are described below.

A. Reporting Entity

The Town 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.

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 proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town’s proprietary funds are 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, deferred outflows of resources, 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.

Nonmajor Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. The Town reports the NVTA Fund as a nonmajor governmental fund.

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, net position, 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting (Continued)

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.

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 funds 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 a) charges to customers or applicants for goods, services, or privileges provided, b) operating grants and contributions, and c) 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, 2017, General Fund supplemental appropriations totaling \$3,154,121 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 two local government investment pools. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment 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 the average balance during the month.

2. Restricted Cash

Restricted cash was \$5,817,538 for governmental activities and \$839,445 for business-type activities at June 30, 2017 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 for certain investments. Investments in the Virginia Investment Pool are reported at fair value using the Town's net asset value per share in the pool.

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; the applicable property is subject to 10% penalty and interest assessed 30 days therefrom.

5. 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, 2017, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$3.4 million.

6. 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 (Continued)

7. 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.

8. 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 acquisition 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
Streets	50
Terminals	10 – 50
Furniture and equipment	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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

9. Unearned Revenue

Unearned revenue in the governmental funds represents resources that have been received but not yet earned.

10. Inter-fund Transactions

Transactions among Town funds that 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.

11. 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.

12. 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)

13. 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 Statement of Net Position. The actual amounts of bond premiums are presented in the schedule in Note 6, Long-Term Debt.

14. Performance Bonds

The General Fund and Utility Fund each report a 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.

15. Reserve for Proffers

The Capital Projects Fund reports a liability for proffers of approximately \$3 million for proffers related to schools and fire and rescue. 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 for schools and fire and rescue. All other proffers are recognized as revenue when received.

16. 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 four types of items that qualify for reporting in this category. The first item is the deferred loss on refunding 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 2017 Virginia Retirement System (VRS) contributions. The third consists of differences between expected and actual experience for economic or demographic factors in the total pension liability measurements. The fourth consists of the net difference between projected and actual earnings on pension plan investments.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

16. 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 four 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 and third items represent tax collections or governmental grants received before the period on which they are eligible for use. The fourth item is the difference between expected and actual experience related to the VRS' plan.

17. 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.

18. Fund Balances

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.

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. Use of these funds are approved by Town Council resolution.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

18. Fund Balances (Continued)

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 and Capital Projects 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 \$2.6 million have been classified as assigned under fund balance. Capital Projects Fund encumbrances totaling approximately \$10.6 million have been classified as committed under fund balance.

19. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The caption “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 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.

20. Use of Estimates

The preparation of financial statements in accordance 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

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

Investments: 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), and the VML/VACO Investment Pool.

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.

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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

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.

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 carrying 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 in accordance with GASB 79. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

10. *Independent U.S. Bank – OPEB Trust*

The Independent U.S. Bank – OPEB Trust included the OPEB Trust plan totaling \$10,818,221. The Trust is used to for funding the Other Postemployment Benefit (OPEB). Additional details concerning this Trust are discussed further in Note 9.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

11. 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.

12. 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.

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 \$6,103,906 with the VML/VACo Investment Pool. The pool has been rated AAAM by Standard & Poor’s as of June 30, 2017.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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, 2017, 24% 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	\$ 7,005,660	\$ 7,005,660
Certificates of deposit (CDARS)	16,759,000	16,759,000
SNAP	5,485,523	5,485,523
U.S. Bank OPEB Trust	10,818,221	10,818,221
VML/VACo Investment Pool	14,256,337	14,256,337

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2017:

- CDARS in the amount of \$16,759,000 are valued using quoted market prices (Level 2 inputs).
- Money markets and mutual funds in the amount of \$10,818,221 are valued using quoted market prices (Level 1 inputs).

Investments	\$ 54,324,741
Deposits	<u>26,345,134</u>
Total Deposits and Investments	<u>\$ 80,669,875</u>
Reconciliation of deposits and investments	
Exhibit 1:	
Cash and cash equivalents	\$ 59,699,176
Cash with fiscal agent	3,495,495
Cash and cash equivalents, restricted	<u>6,656,983</u>
Total Exhibit 1 Deposits and Investments	<u>69,851,654</u>
Exhibit 11	
Investment	<u>10,818,221</u>
Total Exhibit 11 Deposits and Investments	<u>10,818,221</u>
Total Exhibits Deposits and Investments	<u>\$ 80,669,875</u>

Restricted cash and cash equivalents consists of unexpended debt proceeds and grant funds received in advance for capital projects.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Internal Service Fund	Utilities Fund	Totals
Property taxes, including penalties	\$ 7,520,556	\$ -	\$ -	\$ -	\$ 7,520,556
Utility taxes	165,215	-	-	-	165,215
Local taxes	1,672,314	-	-	-	1,672,314
Accounts	378,352	25,000	174,124	3,676,536	4,254,012
Gross receivables	9,736,437	25,000	174,124	3,676,536	13,612,097
Less allowance for uncollectable accounts	302,970	-	-	75,000	377,970
Net receivables	\$ 9,433,467	\$ 25,000	\$ 174,124	\$ 3,601,536	\$ 13,234,127

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 governmental funds were as follows:

	Unavailable	Unearned
Second half real estate billed in advance	\$ 6,420,372	\$ 6,420,372
Delinquent property taxes receivable	619,140	-
Prepaid property taxes	-	125,891
Lease revenue	-	10,420
Special revenue	-	3,495,495
Other	-	87,750
	\$ 7,039,512	\$ 10,139,928

The Special Revenue Fund reported unearned revenue of \$3,495,495 in connection with funding from NVTAs for various projects the Town has ongoing.

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 \$83,945 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 4. Due From Other Governments

At June 30, 2017, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:	
Fire program	\$ 138,294
Other taxes and grants	6,235
VDEMA	121,822
Virginia Department of Transportation	559,339
Communication sales and use	335,698
	<hr/>
	1,161,388
	<hr/>
Federal Government:	
Department of Justice	4,189
	<hr/>
Local Government:	
Local sales tax	895,759
Other taxes and grants	271,790
	<hr/>
Total General Fund	2,333,126
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Capital Projects Fund:

Commonwealth of Virginia:	
Virginia Department of Transportation	2,883,406
Virginia Department of Environmental Quality	237,329
	<hr/>
Federal Government:	
Department of Transportation	347,307
Department of Aviation	20,299
Northern Virginia Transportation Authority	340,760
	<hr/>
Total Capital Projects Fund	3,829,101
	<hr/>
Total Governmental Activities	\$ 6,162,227
	<hr/>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decrease	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 59,003,787	\$ 2,227,191	\$ -	\$ -	\$ 61,230,978
Construction in progress	8,635,892	11,145,142	-	(3,551,820)	16,229,214
Total capital assets, not being depreciated or amortized	67,639,679	13,372,333	-	(3,551,820)	77,460,192
Capital assets, being depreciated or amortized:					
Buildings and improvements	84,769,641	1,169,743	-	129,858	86,069,242
Furniture and equipment	6,888,200	437,024	(45,705)	116,075	7,395,594
Computer equipment and software	3,452,147	178,702	-	-	3,630,849
Vehicles	5,327,267	687,314	(785,565)	-	5,229,016
Infrastructure	72,592,724	3,631,438	-	-	76,224,162
Streets	182,882,771	4,702,572	-	3,305,887	190,891,230
Hangars	6,057,289	-	-	-	6,057,289
Runways	16,569,753	-	-	-	16,569,753
Terminals	6,677,993	-	-	-	6,677,993
Total capital assets being depreciated or amortized	385,217,785	10,806,793	(831,270)	3,551,820	398,745,128
Less accumulated depreciation and amortization for:					
Buildings and improvements	(29,212,321)	(2,455,534)	-	-	(31,667,855)
Furniture and equipment	(5,312,401)	(435,744)	45,076	-	(5,703,069)
Computer equipment and software	(2,874,361)	(212,998)	-	-	(3,087,359)
Vehicles	(3,441,403)	(443,292)	766,925	-	(3,117,770)
Infrastructure	(22,150,515)	(1,510,337)	-	-	(23,660,852)
Streets	(41,427,556)	(3,756,190)	-	-	(45,183,746)
Hangars	(2,269,197)	(181,404)	-	-	(2,450,601)
Runway	(12,556,821)	(533,367)	-	-	(13,090,188)
Terminals	(2,577,277)	(147,826)	-	-	(2,725,103)
Total accumulated depreciation and amortization	(121,821,852)	(9,676,692)	812,001	-	(130,686,543)
Total capital assets being depreciated or amortized, net	263,395,933	1,130,101	(19,269)	-	268,058,585
Governmental activities capital assets, net	\$ 331,035,612	\$ 14,502,434	\$ (19,269)	\$ -	\$ 345,518,777

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

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

Governmental activities:

Legislative	\$ 12,821
Executive	274,414
Finance and administrative services	209,013
Public safety	452,018
Parks and recreation	888,354
Balch Library	173,968
Public works	6,451,962
Airport	1,214,142
Total depreciation and amortization expense - governmental activities	\$ 9,676,692

	Beginning Balance	Increases	Decrease	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 1,577,329	\$ -	\$ -	\$ -	\$ 1,577,329
Construction in progress	2,066,670	30,469	-	(1,972,776)	124,363
Total capital assets, not being depreciated or amortized	3,643,999	30,469	-	(1,972,776)	1,701,692
Capital assets, being depreciated or amortized:					
Water and sewer plant	115,922,748	9,725	-	-	115,932,473
Water and sewer lines	123,461,779	13,581,834	-	1,974,496	139,018,109
Furniture, equipment and software	1,399,143	1,252,912	(41,763)	-	2,610,294
Vehicles	2,679,349	308,712	(566,327)	-	2,421,734
Total capital assets being depreciated or amortized	243,463,019	15,153,184	(608,090)	1,974,496	259,982,610
Less accumulated depreciation and amortization for:					
Water and sewer plant	(33,928,333)	(2,325,689)	-	-	(36,254,022)
Water and sewer lines	(38,226,574)	(2,902,714)	-	-	(41,129,288)
Furniture, equipment and software	(1,211,728)	(108,027)	41,763	(1)	(1,277,993)
Vehicles	(1,747,427)	(148,861)	566,327	-	(1,329,961)
Total accumulated depreciation and amortization	(75,114,062)	(5,485,291)	608,090	(1)	(79,991,264)
Total capital assets being depreciated and amortized, net	168,348,957	9,667,893	-	1,974,937	179,991,346
Business-type activities capital assets, net	\$ 171,992,956	\$ 9,698,362	\$ -	\$ 2,161	\$ 181,693,038

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2017 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%	\$ 2,295,000
\$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%	15,970,000
\$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%	14,480,000
\$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%	3,045,000
\$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%	23,285,000
\$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%	45,820,000
\$11,185,000 2016 VRA Refunding Bonds, due in annual installments of \$180,000 to \$1,085,000 through November 2040, plus interest at 2.710% to 5.125%	11,185,000
\$5,614,301 2017 Series A General Obligation Bonds, due in annual installment of \$142,001 to \$1,965,427 through September 2020, plus interest at 1.140%	5,614,301

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%	2,558,534
Plus unamortized premiums, net	10,118,137

Total bonded debt	<u><u>\$ 134,370,972</u></u>
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TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

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 2017, 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	\$ 2,558,534	\$ -	\$ 2,558,534
2006 General obligation, Series B	-	2,295,000	2,295,000
2009 BABS, taxable	4,390,000	11,580,000	15,970,000
2011 Series A General obligation	6,490,000	7,990,000	14,480,000
2011 Series B General obligation	-	3,045,000	3,045,000
2014 General obligation & refunding	10,960,000	12,325,000	23,285,000
2015 General obligation & refunding	32,860,000	12,960,000	45,820,000
2016 VRA refunding	3,769,366	7,415,634	11,185,000
2017 Series A General obligation	-	5,614,301	5,614,301
Total bonds payable	61,027,900	63,224,935	124,252,835
Plus:			
Unamortized premiums	5,102,804	5,015,333	10,118,137
	\$ 66,130,704	\$ 68,240,268	\$ 134,370,972

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

The following is a summary of long-term liability activity of the Town for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 68,115,000	\$13,029,935	\$ (17,920,000)	\$ 63,224,935	\$ 5,377,001
Unamortized premiums	4,632,433	1,410,812	(1,027,912)	5,015,333	-
Compensated absences	2,268,436	1,805,554	(1,859,534)	2,214,456	1,815,284
Governmental activities long-term activities	\$ 75,015,869	\$ 16,246,301	\$ (20,807,447)	\$ 70,454,724	\$ 7,192,285

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

Years Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2018	\$ 5,377,001	\$ 2,549,150	\$ 7,926,151
2019	5,475,427	2,388,386	7,863,813
2020	5,525,129	2,241,809	7,766,938
2021	5,556,744	2,092,321	7,649,065
2022	5,374,664	1,901,106	7,275,770
2023-2027	20,666,188	5,810,947	26,477,135
2028-2032	12,084,782	1,737,319	13,822,101
2033-2037	3,165,000	196,319	3,361,319
	\$ 63,224,935	\$ 18,917,357	\$ 82,142,292

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 63,029,264	\$3,769,366	\$ (5,770,730)	\$ 61,027,900	\$ 2,129,587
Unamortized premiums	4,887,401	717,115	(501,712)	5,102,804	-
Compensated absences	589,469	499,225	(445,587)	643,107	486,133
Business-type activities long-term liabilities	\$ 68,506,134	\$4,985,706	\$ (6,718,029)	\$ 66,773,811	\$ 2,615,720

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

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

Years Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2018	\$ 2,129,587	\$ 2,501,296	\$ 4,630,883
2019	2,164,287	2,433,151	4,597,438
2020	2,284,859	2,361,901	4,646,760
2021	2,799,800	2,284,289	5,084,098
2022	3,625,336	2,148,386	5,773,722
2023-2027	17,608,812	8,069,103	25,677,915
2028-2032	14,875,218	4,485,710	19,360,928
2033-2037	13,315,000	1,936,970	15,251,970
2038-2042	2,000,000	234,916	2,234,916
2043-2044	225,000	12,325	2,234,916
	<u>\$ 61,027,900</u>	<u>\$ 26,468,048</u>	<u>\$ 87,495,946</u>

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$651 million, which is computed based upon 10% of the assessed value on real estate subject to taxation.

Note 7. Interfund Transfers

	Transfer In:		
	General	Capital Projects	Total
Transfer Out:			
General	\$ -	\$ 657,245	\$ 657,245
General Projects	1,637,489	-	1,637,489
Non-Major	-	1,447,893	1,447,893
Utility	1,422,107	-	1,422,107
Total	<u>\$ 3,059,596</u>	<u>\$ 2,105,138</u>	<u>\$ 5,164,734</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 General Fund to the Capital Projects Fund is for project costs recorded by the capital projects.

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.

The transfer from the Special Revenue Fund was to reimburse the Capital Projects Fund for project costs recorded for the NVT A funded projects.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. 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.

Construction Commitments:

At June 30, 2017, the Town was contractually obligated for \$3 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, federal and state funding.

Litigation:

Various claims and lawsuits are pending against the Town. It is the opinion of management, after consulting with legal counsel, that the potential loss, if any on all claims and lawsuits will not materially affect the Town's financial position due to adequate insurance coverage.

Note 9. Other Postemployment Benefits

Plan Description: The Town participates in the Retiree Healthcare and Life Insurance Benefit Programs which is a single employer benefit plan. Employees hired after April 2016 are no longer eligible for Retiree Healthcare and Life Insurance Benefit Programs. 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.

Plan Membership

Active	309
Retired/Beneficiaries	64
Spouse	14
	<hr/>
Total Participants	387
	<hr/> <hr/>

Net OPEB Liability

The components of the net OPEB liability of the Plan at June 30, 2017, were as follows:

Total OPEB liability	\$ 21,960,402
Plan fiduciary net position	<u>10,818,221</u>
Plan's net OPEB liability	<u>\$ 11,142,181</u>
Plan fiduciary net position as a percentage of the total OPEB liability	49.3%

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

Trust Fund Investments

Investment decisions for the fund's assets are made by the Town's investment advisor, in accordance with the established and approved investment objectives, risk tolerance and asset allocation policies set forth in the Town's Trust Authority or by the OPEB Trust Finance Board. The Town established a Finance Board to oversee the plan administration. The advisor monitors the investment to ensure adherence to the adopted policies and guidelines in light of the market and economic conditions, and generally prevailing prudent investment practices. In addition, the advisor reviews, monitors, and evaluates the performance of the investments and its investment agents for the generally accepted evaluation and measurement of such performance. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciations and, secondarily, principal protection.

Concentrations. There are no investments in any one organization that represent 5 percent or more of the OPEB Trust's fiduciary net position. The investments are in various mixed mutual funds.

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 2.03 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The following is the asset allocation as of June 30, 2017:

<u>Asset Class (Strategy)</u>	<u>Allocation Portfolio</u>
Cash and Equivalents	\$ 22,706
Mutual Funds-Equity	6,825,345
Mutual Funds-Fixed Income	3,970,157
Accrued Income	13
	<u>\$ 10,818,221</u>

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 laws. 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

Annual OPEB cost and Net OPEB Obligation (NOO): The Town had an actuarial valuation of postemployment benefits performed as of June 30, 2017. The phase-in of full funding cost for OPEB benefits is \$622,000 and the annual benefit cost is \$625,000. The percentage of the annual OPEB cost contributed is 108.00%.

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, 2017, the Town has recorded an asset of \$180,611 on the Statement of Net Position.

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 asset at June 30, 2017:

	Governmental Activities	Business-type Activites	Totals
ARC	\$ 488,155	\$ 133,845	\$ 622,000
Interest on net OPEB obligation	15,696	4,304	20,000
Adjustment to ARC	(13,342)	(3,658)	(17,000)
Annual OPEB cost	490,509	134,491	625,000
Contributions made	(530,089)	(145,357)	(675,446)
Increase in net OPEB asset	(39,580)	(10,866)	(50,446)
Net OPEB assets, beginning of year	(109,198)	(20,967)	(130,165)
Net OPEB asset, end of year	<u>\$ (148,778)</u>	<u>\$ (31,833)</u>	<u>\$ (180,611)</u>

Trend Information

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2017	\$ 625,000	108.07%	\$ (180,611)
June 30, 2016	625,000	165.89%	(130,165)
June 30, 2015	1,230,612	94.91%	281,644

Funding Status and Funding Process: As of June 30, 2017, the most recent actuarial valuation date, the plan was partially funded. The actuarial value of the assets was \$10,818,221 resulting in an unfunded actuarial accrued liability (UAAL) of \$11,142,181.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

Funding Status and Funding Process (Continued)

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.

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, 2013	\$ 5,774,112	\$ 14,571,800	\$ 8,797,688	40%	\$ 23,779,800	37.00%
July 1, 2015	8,842,370	14,488,000	5,646,000	61%	22,738,317	24.83%
June 30, 2017	10,818,221	21,960,402	11,142,181	49%	20,250,454	55.02%

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 2017 actuarial valuation determined the OPEB liability based on the entry age normal cost method. The actuarial assumptions include a discount rate of 6.16%, salary increases comprised of a wage inflation component of 2.75% and an ultimate healthcare and dental trend rate of 4.25%. The unfunded liability is amortized over a period of 30 years as a level percentage of payroll on an open basis.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability using the discount rate of 6.16% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.16%) or one percentage point higher (7.16%) than the current rate:

	1.00% Decrease 5.16%	Current Discount Rate 6.16%	1.00% Increase 7.16%
Net OPEB Liability	<u>\$ 14,603,831</u>	<u>\$ 11,142,181</u>	<u>\$ 8,343,429</u>
Fiduciary net position as a percentage of total net OPEB liability	43%	49%	56%

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends: The following presents the net OPEB liability using the healthcare cost trends rate of 4.25% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.25%) or one percentage point higher (4.25%) than the current rate:

	Decrease 3.25%	Discount Rate 4.25%	Increase 5.25%
Net OPEB Liability	<u>\$ 8,084,932</u>	<u>\$ 11,142,181</u>	<u>\$ 14,976,898</u>
Fiduciary net position as a percentage of total net OPEB liability	57%	49%	42%

Note 10. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Town, (the “Political Subdivision”) 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 10. Defined Benefit Pension Plan (Continued)

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 as follows:

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.

- **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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.
- **Retirement Contributions** – Employees contribute 5.00% 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 5.00% member contribution but all employees will be paying the full 5.00% 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.
- **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.
- **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. Members are always 100% vested in the contributions that they make.
- **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. 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.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **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. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **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. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **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. 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.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - 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 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **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.

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.

- **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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.
- **Retirement Contributions** – Employees contribute 5.00% 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 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **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. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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. 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.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes 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.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. 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.
- **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.

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service –**
 - **Defined Benefit Component** – 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.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
 - **Defined Benefit Component** – 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.
 - **Defined Contributions Component** – 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. Members are always 100% vested in the contributions that they make. 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. 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. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – 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.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Normal Retirement Age –**
 - **Defined Benefit Component –** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component –** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component –** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component –** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **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. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component –** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement –**
 - **Defined Benefit Component –** Same as Plan 2.
 - **Defined Contribution Component –** Not Applicable.
 - **Eligibility –** Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates –** Same as Plan 1 and 2.
- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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.
- **Purchase of Prior Service –**
 - **Defined Benefit Component –** Same as Plan 1, with the following exceptions:
 - 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.
 - **Defined Contribution Component –** Not Applicable.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 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>132</u>
Inactive members:	
Vested inactive members	82
Non-vested inactive members	72
Inactive members active elsewhere in VRS	<u>93</u>
Total inactive members	247
Active members	<u>318</u>
Total covered employees	<u><u>697</u></u>

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2017 was 10.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,972,392 and \$1,869,204 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates: General employees – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 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:

General Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

* 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 10. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	\$ 88,629,520	\$ 75,705,680	\$ 12,923,840
Changes for the year:			
Service cost	2,707,578	-	2,707,578
Interest	6,094,951	-	6,094,951
Differences between expected and actual experience	1,329,813	-	1,329,813
Contributions – employer	-	1,918,622	(1,918,622)
Contributions – employee	-	1,126,655	(1,126,655)
Net investment income	-	1,328,647	(1,328,647)
Benefit payments, including refunds of employee contributions	(3,117,573)	(3,117,573)	-
Administrative expenses	-	(46,512)	46,512
Other changes	-	(563)	563
Net changes	7,014,769	1,209,276	5,805,493
Balances at June 30, 2016	\$ 95,644,289	\$ 76,914,956	\$ 18,729,333

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	\$ 32,462,977	\$ 18,729,333	\$ 7,394,005

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$2,672,217. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,020,554	\$ 293,548
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,048,993	-
Employer contributions subsequent to the measurement date	1,972,392	-
Total	\$ 5,041,939	\$ 293,548

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

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

The \$1,972,392 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Increase to Pension Expense</u>
2018	\$ 244,488
2019	244,486
2020	1,400,935
2021	886,090
2022	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2017, approximately \$33,298 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

Note 11. 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; Line of Duty Act; 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management (Continued)

Health Insurance (Continued)

The Town records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2017.

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
June 30, 2015	\$ -	\$ 5,429,147	\$ 4,913,340	\$ 515,807
June 30, 2016	515,807	6,872,673	6,657,578	730,902
June 30, 2017	730,902	4,450,488	4,352,801	828,589

Note 12. 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, 2017 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.

<u>Years Ending June 30,</u>	<u>Rental Income</u>
2018	\$ 213,009
2019	144,148
2020	65,499
2021	65,499
2022	65,499
2023-2027	241,926
2028-2032	159,260
2033-2037	159,260
2038-2042	159,260
2043-2046	124,754
	<u>\$ 1,398,114</u>

The Town leases office space for the Town's business incubator under a 60-month agreement which was renewed on March 11, 2016. The lease extension commenced on October 1, 2016 and expires September 30, 2021. Rent expense is reported under the Economic Development Operations Department of the Town.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Operating Leases

As of June 30, 2017, the minimum long-term lease commitment is shown below:

Years Ending June 30,	Rental Expense
2017	\$ 243,167
2018	324,223
2019	324,223
2020	324,223
2021	324,223
2022	81,056
	<u>\$ 1,621,115</u>

Note 13. Prior Period Restatement

The following is a summary of the restatement to fund balance/net position:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Governmental Activities</u>	<u>Utility Fund</u>
Fund Balance/Net position, June 30, 2016, as previously stated	\$ 25,542,617	\$ 7,550,495	\$ 281,592,697	\$ 123,608,139
Recognition of various fees previously reported as deferred or unearned now included in restricted net position or fund balance.	162,000	6,109,383	6,271,383	-
Unrecorded inventory	-	-	-	533,999
Fund Balance/Net position, June 30, 2016, as restated	<u>\$ 25,704,617</u>	<u>\$ 13,659,878</u>	<u>\$ 287,864,080</u>	<u>\$ 124,142,138</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements

At June 30, 2017, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 13

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2017**

	Plan Year
	2017
Total OPEB Liability	
Service cost	\$ 349,000
Interest	648,747
Benefit payments, including refunds of employee contributions	(350,446)
Net change in total OPEB liability	647,301
Total OPEB liability (beginning)	21,313,101
Total OPEB liability (ending)	\$ 21,960,402
 Plan Fiduciary Net Position	
Contributions - employer	\$ 675,446
Net investment income	1,106,629
Benefit payments	(350,446)
Administrative expenses	(32,007)
Net change in plan fiduciary net position	1,399,622
Plan fiduciary net position - beginning	9,418,599
Plan fiduciary net position - ending	\$ 10,818,221
 Net OPEB liability - ending	\$ 11,142,181
 Plan fiduciary net position as a percentage of total OPEB liability	49.26%
 Covered employee payroll	\$ 20,250,454
 Net OPEB liability as a percentage of covered employee payroll	55.02%

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

TOWN OF LEESBURG, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

EXHIBIT 14

Schedule of Funding Progress - Other Postemployment Benefits

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2017	\$ 10,818,221	\$ 21,960,402	\$ 11,142,181	49.26%	\$ 20,250,454	55.02%
July 1, 2015	8,842,370	14,488,000	5,645,630	61.03%	22,738,317	24.83%
July 1, 2013	5,774,112	14,571,800	8,797,688	39.63%	23,779,800	37.00%

Schedule of Employer Contributions - Other Postemployment Benefits

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a Percentage Of Covered Payroll
2017	\$ 625,000	\$ 675,446	\$ (50,446)	\$ 20,250,454	3.34%
2016	625,000	1,036,809	(411,809)	22,738,317	4.56%
2015	1,227,300	1,168,020	59,280	22,738,317	5.14%

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 15

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

Schedule of Investment Returns-OPEB Trust Fund

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.00%

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 16

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 Year Ended June 30, 2017

	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 2,707,578	\$ 2,756,117	\$ 2,694,218
Interest	6,094,951	5,739,077	5,339,294
Benefit payments, including refunds of employee contributions	(3,117,573)	(2,632,670)	(2,011,985)
Difference between actual and expected experience	1,329,813	(536,148)	-
Net change in total pension liability	7,014,769	5,326,376	6,021,527
Total pension liability (beginning)	88,629,520	83,303,144	77,281,617
Total pension liability (ending)	<u>\$ 95,644,289</u>	<u>\$ 88,629,520</u>	<u>\$ 83,303,144</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,918,622	\$ 1,945,907	\$ 1,897,869
Contributions - employee	1,126,655	1,146,789	1,173,237
Net investment income	1,328,647	3,306,840	9,751,444
Benefit payments, including refunds of employee contributions	(3,117,573)	(2,632,670)	(2,011,985)
Administrative expenses	(46,512)	(44,184)	(51,182)
Other	(563)	(706)	514
Net change in plan fiduciary net position	1,209,276	3,721,976	10,759,897
Plan fiduciary net position - beginning	75,705,680	71,983,704	61,223,807
Plan fiduciary net position - ending	<u>\$ 76,914,956</u>	<u>\$ 75,705,680</u>	<u>\$ 71,983,704</u>
Net pension liability - ending	<u>\$ 18,729,333</u>	<u>\$ 12,923,840</u>	<u>\$ 11,319,440</u>
Plan fiduciary net position as a percentage of total pension liability	<u>80.42%</u>	<u>85.42%</u>	<u>86.41%</u>
Covered payroll	<u>\$ 22,378,363</u>	<u>\$ 23,700,725</u>	<u>\$ 23,045,393</u>
Net pension liability as a percentage of covered payroll	<u>83.69%</u>	<u>54.53%</u>	<u>47.76%</u>

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

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

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 17

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 June 30, 2017

Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2017	\$ 1,972,392	\$ 1,972,392	\$ -	\$ 22,666,448	8.70 %
2016	1,945,907	1,945,907	-	22,378,363	8.70
2015	1,897,869	1,897,869	-	23,045,393	8.24

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

OTHER SUPPLEMENTARY INFORMATION SECTION

TOWN OF LEESBURG, VIRGINIA

Exhibit A-1

**GENERAL FUND
BALANCE SHEET**

June 30, 2017

(With Comparative Amounts for 2016)

	2017	2016
ASSETS		
Cash, cash equivalents and temporary cash investments	\$ 26,168,858	\$ 23,782,357
Receivables (net of allowance for doubtful accounts):		
Property taxes, including penalties	7,270,556	7,057,145
Utility taxes	165,215	214,928
Local taxes	1,672,314	1,794,285
Accounts	325,382	327,672
Accrued interest	35,579	53,829
Due from other governments	2,333,126	1,397,978
Lease deposit	161,055	159,569
Prepaid items	141,261	58,232
Restricted cash	1,171,459	1,039,538
	\$ 39,444,805	\$ 35,885,533
LIABILITIES		
Liabilities:		
Accounts payable	\$ 1,681,000	\$ 746,891
Due to other governments	24,066	207
Retainage payable	20,451	7,124
Accrued payroll	1,120,431	1,260,219
Accrued liabilities - other	23,171	18,522
Customer deposits	72,279	80,449
Performance bonds	1,123,999	1,038,677
Unearned revenues	224,061	228,664
	4,289,458	3,380,753
DEFERRED INFLOWS OF RESOURCES		
Property taxes	7,039,512	6,800,163
FUND BALANCE		
Fund Balances:		
Nonspendable:		
Lease deposit	161,055	159,569
Prepaid items	141,261	58,232
Restricted:		
Balch Library	900,979	741,883
Parks and recreation (Symmington)	50,521	50,521
Police	72,191	70,766
Parking in Lieu	247,850	162,000
Esummons	108,316	-
Assigned:		
Debt service reserve	9,897,490	8,547,156
Capital asset reserve	1,609,619	1,834,074
Expenditures designated for future years	2,638,197	2,559,167
Unassigned:	12,288,356	11,521,249
	28,115,835	25,704,617
Total fund balances	28,115,835	25,704,617
Total liabilities, deferred inflows of resources, and fund balances	\$ 39,444,805	\$ 35,885,533

TOWN OF LEESBURG, VIRGINIA

Exhibit A-2

Page 1

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCIAL SOURCES - BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes:				
Current	\$ 12,467,241	\$ 12,467,241	\$ 12,504,302	\$ 37,061
Personal property taxes:				
Current	1,950,000	1,950,000	2,035,344	85,344
Delinquent	-	-	(80,365)	(80,365)
Public service corporation taxes	215,000	215,000	220,569	5,569
Penalties and interest	210,000	210,000	136,961	(73,039)
Total general property taxes	14,842,241	14,842,241	14,816,811	(25,430)
Other local taxes:				
Utility	1,652,000	1,652,000	1,521,738	(130,262)
Daily rental	146,575	146,575	205,137	58,562
Meals	5,010,000	5,010,000	5,275,413	265,413
Bank franchise	900,000	900,000	985,261	85,261
Cigarette	1,000,000	1,000,000	872,841	(127,159)
Business and occupational licenses	3,400,000	3,400,000	3,482,857	82,857
Motor vehicle licenses	835,000	835,000	897,488	62,488
Transient occupancy	686,353	686,353	791,255	104,902
Total other local taxes	13,629,928	13,629,928	14,031,990	402,062
Permits, fees, and licenses:				
Zoning, subdivision, and development fees	821,000	821,000	1,239,456	418,456
Permits	39,000	39,000	16,497	(22,503)
Other	31,660	31,660	24,575	(7,085)
Total permits, fees, and licenses	891,660	891,660	1,280,528	388,868
Fines and forfeitures:				
Police forfeiture	26,700	26,700	7,678	(19,022)
Traffic fines	350,000	350,000	253,490	(96,510)
Parking fines	100,000	101,600	117,013	15,413
Total fines and forfeitures	476,700	478,300	378,181	(100,119)
Use of money and property:				
Interest	47,600	47,600	119,055	71,455
Parking meters	72,000	105,650	129,698	24,048
Sales of surplus property	75,000	75,000	113,484	38,484
Parking facility revenues	123,000	145,050	152,667	7,617
Insurance recoveries	110,000	110,000	198,190	88,190
Rentals and fees	1,412,366	1,412,366	1,398,041	(14,325)
Building rental	60,000	60,000	64,429	4,429
Other	50,600	50,600	48,574	(2,026)
Total use of money and property	1,950,566	2,006,266	2,224,138	217,872

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-2
Page 2

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCIAL SOURCES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources: (Continued)				
Charges for services:				
Publications	500	500	932	432
Fingerprinting	4,400	4,400	4,698	298
Extradition	15,056	15,056	15,318	262
Special events	161,500	161,500	115,470	(46,030)
Parks and recreation user fees	5,025,600	5,025,600	4,938,988	(86,612)
Total charges for services	5,207,056	5,207,056	5,075,406	(131,650)
Contributions	18,500	29,700	290,320	260,620
Miscellaneous	73,000	78,000	250,028	172,028
Total revenues from local sources	37,089,651	37,163,151	38,347,402	1,184,251
Intergovernmental:				
Revenue from local sources:				
Local aid:				
Loudoun County	955,240	964,062	942,506	(21,556)
Total local aid	955,240	964,062	942,506	(21,556)
Revenue from the Commonwealth:				
Non-categorical:				
Motor vehicles carrier tax	-	-	951	951
Rental car tax	126,178	126,178	178,411	52,233
Mobile home titling tax	-	-	210	210
Cable TV franchise	265,000	265,000	274,095	9,095
Personal property tax relief	1,468,941	1,468,941	1,468,941	-
Communication sales and use	6,865,000	6,865,000	7,426,112	561,112
Total non-categorical aid	8,725,119	8,725,119	9,348,720	623,601
Categorical:				
VA Commission for the Arts	5,000	5,000	5,000	-
State fire programs funds	125,000	125,000	138,294	13,294
Law enforcement assistance	850,020	850,020	855,988	5,968
Highway maintenance	2,922,657	3,919,350	4,519,870	600,520
Department of Aviation	100,000	100,000	82,780	(17,220)
Department of Rail and Public Transportation	-	-	9,620	9,620
Total categorical aid	4,002,677	4,999,370	5,611,552	612,182
Total revenue from the Commonwealth	12,727,796	13,724,489	14,960,272	1,235,783
(Continued)				

TOWN OF LEESBURG, VIRGINIA

Exhibit A-2
Page 3

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCIAL SOURCES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Disaster Grants	20,000	20,000	190,744	170,744
Gang Officer	19,600	19,600	14,410	(5,190)
Safe Streets Task Force	39,000	39,000	13,355	(25,645)
Byrne Formula Grant	-	-	4,173	4,173
Total categorical aid	78,600	78,600	222,682	144,082
Total revenue from the federal government	78,600	78,600	222,682	144,082
Total intergovernmental	13,761,636	14,767,151	16,125,460	1,358,309
Total revenues	50,851,287	51,930,302	54,472,862	2,542,560
Other financing sources:				
Transfers in	3,091,735	3,139,633	3,059,596	(80,037)
Use of Fund Balance	2,568,100	6,893,273	-	(6,893,273)
Proffer Revenue	150,000	225,000	-	(225,000)
Total other financing sources	5,809,835	10,257,906	3,059,596	(7,198,310)
Total General Fund revenues and other financing sources	\$ 56,661,122	\$ 62,188,208	\$ 57,532,458	\$ (4,655,750)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3
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GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Town council:				
Personnel services	132,199	132,199	130,228	1,971
Contractual services	127,450	123,250	112,216	11,034
Materials and supplies	5,600	6,800	5,365	1,435
Continuous charges	6,714	5,514	-	5,514
Total town council	271,963	267,763	247,809	19,954
Total legislative	271,963	267,763	247,809	19,954
Executive:				
Town manager:				
Personnel services	723,283	774,446	772,124	2,322
Contractual services	46,613	76,842	61,754	15,088
Materials and supplies	8,075	7,842	7,124	718
Transfer payments	60,000	4,710	-	4,710
Continuous charges	12,000	4,275	4,275	-
Capital outlay	1,200	6,149	6,148	1
Total town manager	851,171	874,264	851,425	22,839
Public arts commission:				
Personnel services	9,204	9,204	7,728	1,476
Contractual services	1,850	1,440	150	1,290
Materials and supplies	150	560	-	560
Contributions	-	10,000	10,000	-
Total public arts commission	11,204	21,204	17,878	3,326
Economic development operations:				
Personnel services	235,767	242,916	242,278	638
Contractual services	74,305	63,746	57,547	6,199
Materials and supplies	14,900	12,961	12,960	1
Continuous charges	325,200	347,697	346,802	895
Grants and contributions	100,150	100,150	100,150	-
Total economic development operations	750,322	767,470	759,737	7,733
Economic development commission:				
Personnel services	9,204	9,204	5,953	3,251
Contractual services	1,200	221	-	221
Total economic development commission	10,404	9,425	5,953	3,472
Diversity commission:				
Personnel services	9,204	9,204	7,981	1,223
Total diversity commission	9,204	9,204	7,981	1,223
Public Information:				
Personnel services	196,178	206,934	206,542	392
Contractual services	45,060	44,781	38,156	6,625
Total public information	241,238	251,715	244,698	7,017
Total executive	1,873,543	1,933,282	1,887,672	45,610

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3
Page 2

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Town attorney:				
Personnel services	528,037	534,423	534,364	59
Contractual services	37,400	63,223	61,840	1,383
Materials and supplies	2,400	3,000	2,509	491
Continuous charges	1,300	300	103	197
Capital outlay	1,000	1,580	1,580	-
Total town attorney	570,137	602,526	600,396	2,130
Clerk of council:				
Personnel services	122,602	142,738	142,677	61
Contractual services	12,230	17,860	16,348	1,512
Materials and supplies	1,600	2,032	2,032	-
Total clerk of council	136,432	162,630	161,057	1,573
Total Legal	706,569	765,156	761,453	3,703
Finance and administrative services:				
Finance:				
Personnel services	2,174,256	2,175,914	2,109,853	66,061
Contractual services	399,798	407,349	319,884	87,465
Materials and supplies	20,000	27,718	26,778	940
Continuous charges	52,101	58,846	58,683	163
Capital outlay	-	23,041	23,041	-
Total finance	2,646,155	2,692,868	2,538,239	154,629
Human Resources:				
Personnel services	433,226	443,959	443,038	921
Contractual services	97,335	123,095	115,164	7,931
Materials and supplies	4,622	4,622	1,642	2,980
Continuous charges	2,600	3,170	3,168	2
Total human resources	537,783	574,846	563,012	11,834
Information technology operations:				
Personnel services	772,274	772,274	715,467	56,807
Contractual services	608,155	702,414	581,124	121,290
Materials and supplies	11,500	9,955	8,911	1,044
Continuous charges	25,000	57,689	54,197	3,492
Capital outlay	241,971	410,056	329,259	80,797
Total information technology operations	1,658,900	1,952,388	1,688,958	263,430
Information technology commission:				
Personnel services	9,204	9,204	5,665	3,539
Total information technology commission	9,204	9,204	5,665	3,539
Total finance and administrative services	4,852,042	5,229,306	4,795,874	433,432

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3
Page 3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Administrative support:				
Personnel services	1,266,529	1,298,279	1,294,511	3,768
Contractual services	492,597	570,714	479,082	91,632
Materials and supplies	94,390	142,849	122,770	20,079
Continuous charges	244,065	194,653	171,949	22,704
Capital outlay	283,000	377,062	327,801	49,261
Total administrative support	2,380,581	2,583,557	2,396,113	187,444
Patrol operations:				
Personnel services	5,892,219	5,427,311	4,775,207	652,104
Contractual services	32,608	32,827	9,132	23,695
Materials and supplies	128,600	184,008	128,605	55,403
Capital outlay	200,000	176,255	113,930	62,325
Total patrol operations	6,253,427	5,820,401	5,026,874	793,527
Criminal investigations:				
Personnel services	1,499,078	1,499,078	1,188,590	310,488
Contractual services	51,443	45,962	41,267	4,695
Materials and supplies	15,000	8,546	5,639	2,907
Continuous charges	38,008	26,858	25,920	938
Capital outlay	-	16,700	13,788	2,912
Total criminal investigations	1,603,529	1,597,144	1,275,204	321,940
Community services:				
Personnel services	1,694,497	1,694,497	1,475,802	218,695
Contractual services	7,475	7,525	1,304	6,221
Materials and supplies	31,250	24,181	18,127	6,054
Continuous charges	4,200	44,059	43,904	155
Total community services	1,737,422	1,770,262	1,539,137	231,125
Information services:				
Personnel services	1,477,875	1,477,875	1,390,425	87,450
Contractual services	194,912	194,580	174,748	19,832
Materials and supplies	10,150	10,652	6,538	4,114
Continuous charges	4,292	4,121	4,121	-
Capital outlay	-	7,500	6,429	1,071
Total information services	1,687,229	1,694,728	1,582,261	112,467
Citizens' support team:				
Materials and supplies	1,395	743	631	112
Continuous charges	2,200	2,853	2,853	-
Total citizens' support team	3,595	3,596	3,484	112
Fire and rescue:				
Transfer payments	644,905	644,905	644,905	-
Total fire and rescue	644,905	644,905	644,905	-
Total public safety	14,310,688	14,114,593	12,467,978	1,646,615

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3
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GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Public works administration:				
Personnel services	737,885	737,885	682,056	55,829
Contractual services	5,800	27,577	25,946	1,631
Materials and supplies	2,100	4,373	3,990	383
Continuous charges	24,258	21,500	15,853	5,647
Capital outlays	-	16,617	1,663	14,954
Total public works administration	770,043	807,952	729,508	78,444
Engineering and inspections:				
Personnel services	540,364	540,364	519,856	20,508
Contractual services	49,600	169,854	148,104	21,750
Materials and supplies	4,935	16,204	16,203	1
Capital outlay	228,500	241,255	236,145	5,110
Total engineering and inspections	823,399	967,677	920,308	47,369
Streets and grounds maintenance:				
Personnel services	2,477,269	2,479,869	2,377,683	102,186
Contractual services	982,860	2,895,997	1,838,429	1,057,568
Materials and supplies	199,800	211,649	185,805	25,844
Continuous charges	126,540	183,362	131,096	52,266
Capital outlay	73,785	77,660	74,307	3,353
Total streets and grounds maintenance	3,860,254	5,848,537	4,607,320	1,241,217
Building maintenance:				
Personnel services	427,907	427,907	391,071	36,836
Contractual services	417,220	622,699	507,217	115,482
Materials and supplies	63,100	80,438	71,016	9,422
Continuous charges	154,054	135,164	120,108	15,056
Capital outlay	485,000	686,561	538,796	147,765
Total building maintenance	1,547,281	1,952,769	1,628,208	324,561
Fleet maintenance:				
Personnel services	693,405	706,325	703,632	2,693
Contractual services	52,130	51,883	44,680	7,203
Materials and supplies	218,610	277,217	275,330	1,887
Continuous charges	595,000	299,369	205,654	93,715
Claims and settlements	20,000	20,000	14,298	5,702
Capital outlay	2,500	240,163	152,376	87,787
Total fleet maintenance	1,581,645	1,594,957	1,395,970	198,987
Refuse collection and recycling:				
Contractual services	2,774,376	2,918,612	2,899,753	18,859
Materials and supplies	13,500	22,322	22,318	4
Total refuse collection and recycling	2,787,876	2,940,934	2,922,071	18,863

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

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GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Works: (Continued)				
Traffic management:				
Personnel services	369,162	369,162	368,093	1,069
Contractual services	81,500	192,750	81,614	111,136
Materials and supplies	29,300	26,070	13,691	12,379
Continuous charges	592,601	674,885	624,031	50,854
Capital outlay	56,000	48,625	12,650	35,975
Total traffic management	1,128,563	1,311,492	1,100,079	211,413
Regional transportation:				
Grants and contributions	290,000	335,507	268,444	67,063
Total regional transportation	290,000	335,507	268,444	67,063
Capital projects management:				
Personnel services	708,027	716,632	714,848	1,784
Contractual services	231,775	307,458	99,278	208,180
Materials and supplies	9,400	9,400	5,052	4,348
Continuous charges	700	700	508	192
Capital outlay	3,700	902	402	500
Total capital projects management	953,602	1,035,092	820,088	215,004
Total public works	13,742,663	16,794,917	14,391,996	2,402,921
Parks and Recreation:				
Outdoor pool:				
Personnel services	321,809	77,247	70,427	6,820
Contractual services	23,935	23,935	23,661	274
Materials and supplies	38,680	38,680	31,523	7,157
Continuous charges	20,000	20,000	16,158	3,842
Total outdoor pool	404,424	159,862	141,769	18,093
Parks and recreation administration:				
Personnel services	544,718	544,718	540,530	4,188
Contractual services	84,400	97,780	66,192	31,588
Materials and supplies	2,500	36,820	8,124	28,696
Continuous charges	27,300	27,300	21,964	5,336
Total parks and recreation administration	658,918	706,618	636,810	69,808
Parks:				
Personnel services	822,160	825,838	821,717	4,121
Contractual services	61,925	57,925	56,288	1,637
Materials and supplies	121,820	153,502	152,483	1,019
Continuous charges	189,360	185,028	184,243	785
Capital outlay	321,600	441,998	314,332	127,666
Total parks	1,516,865	1,664,291	1,529,063	135,228
Recreation programs administration:				
Personnel services	187,626	195,324	194,249	1,075
Contractual services	87,965	83,104	79,359	3,745
Total recreation programs administration	275,591	278,428	273,608	4,820

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

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GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and Recreation: (continued)				
Ida Lee recreation center:				
Personnel services	1,182,099	1,144,184	1,057,821	86,363
Contractual services	291,871	296,313	289,344	6,969
Materials and supplies	69,518	68,018	57,790	10,228
Continuous charges	270,676	248,843	220,439	28,404
Capital outlay	-	130	129	1
Total Ida Lee recreation center	1,814,164	1,757,488	1,625,523	131,965
Fitness programs:				
Personnel services	470,275	483,275	483,247	28
Contractual services	35,050	35,050	31,362	3,688
Materials and supplies	8,950	8,950	7,552	1,398
Total fitness programs	514,275	527,275	522,161	5,114
Community outreach:				
Personnel services	112,896	112,896	109,395	3,501
Contractual services	14,430	13,823	11,217	2,606
Materials and supplies	6,000	7,750	6,492	1,258
Total community outreach	133,326	134,469	127,104	7,365
Aquatics:				
Personnel services	996,134	1,240,696	1,240,126	570
Contractual services	14,595	18,323	16,222	2,101
Materials and supplies	43,730	39,730	35,221	4,509
Total aquatics	1,054,459	1,298,749	1,291,569	7,180
Sports programs:				
Personnel services	207,671	188,821	179,269	9,552
Contractual services	350	350	159	191
Materials and supplies	25,800	30,300	30,143	157
Total sports programs	233,821	219,471	209,571	9,900
Recreation classes:				
Personnel services	132,824	156,158	155,580	578
Contractual services	4,625	3,625	3,302	323
Materials and supplies	3,325	3,575	3,431	144
Total recreation classes	140,774	163,358	162,313	1,045
Special events:				
Personnel services	113,938	113,938	112,657	1,281
Contractual services	247,949	182,376	146,430	35,946
Materials and supplies	43,239	72,464	72,439	25
Total special events	405,126	368,778	331,526	37,252

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

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GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and Recreation: (continued)				
Tennis court complex:				
Personnel services	404,244	453,542	452,749	793
Contractual services	28,800	37,196	37,161	35
Materials and supplies	20,200	27,106	25,922	1,184
Continuous charges	58,760	58,760	51,216	7,544
Total tennis court complex	512,004	576,604	567,048	9,556
Camp programs:				
Personnel services	83,643	83,643	66,476	17,167
Contractual services	27,200	28,952	28,360	592
Materials and supplies	7,500	8,250	8,212	38
Total camp programs	118,343	120,845	103,048	17,797
Preschool childcare programs:				
Personnel services	98,619	98,619	92,633	5,986
Contractual services	1,900	1,345	1,341	4
Materials and supplies	3,570	4,125	3,649	476
Total preschool childcare programs	104,089	104,089	97,623	6,466
Parks and recreation commission:				
Personnel services	9,204	9,204	7,328	1,876
Total parks and recreation commission	9,204	9,204	7,328	1,876
Tree commission:				
Personnel services	9,204	7,772	7,658	114
Contractual services	5,000	6,852	6,851	1
Total tree commission	14,204	14,624	14,509	115
Total parks and recreation	7,909,587	8,104,153	7,640,573	463,580
Balch Library:				
Library operations:				
Personnel services	375,070	391,398	390,584	814
Contractual services	35,666	47,565	39,080	8,485
Materials and supplies	44,511	35,211	31,440	3,771
Continuous charges	22,653	24,949	20,939	4,010
Capital outlay	-	540	540	-
Total library operations	477,900	499,663	482,583	17,080
Library advisory commission:				
Personnel services	9,204	9,204	7,651	1,553
Contractual services	450	450	420	30
Materials and supplies	350	350	(10)	360
Total library advisory commission	10,004	10,004	8,061	1,943
Total Balch Library	487,904	509,667	490,644	19,023

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

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GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning and zoning:				
Planning and zoning operations:				
Personnel services	1,555,135	1,555,135	1,534,690	20,445
Contractual services	24,400	152,179	31,807	120,372
Materials and supplies	8,325	7,162	7,061	101
Continuous charges	1,250	407	264	143
Capital outlay	-	10,572	8,816	1,756
Total planning and zoning operations	1,589,110	1,725,455	1,582,638	142,817
Planning commission				
Personnel services	27,289	27,449	27,449	-
Contractual services	-	-	1,000	(1,000)
Materials and supplies	1,500	1,550	50	1,500
Total planning commission	28,789	28,999	28,499	500
Board of zoning appeals:				
Personnel services	6,459	6,459	1,507	4,952
Total board of zoning appeals	6,459	6,459	1,507	4,952
Board of architectural review:				
Personnel services	27,289	27,289	26,480	809
Contractual services	-	1,473	826	647
Total board of achitectural review	27,289	28,762	27,306	1,456
Environmental advisory commission:				
Personnel services	9,204	9,204	8,075	1,129
Contractual services	3,500	3,500	2,153	1,347
Total environment advisory commission	12,704	12,704	10,228	2,476
Total planning and zoning	1,664,351	1,802,379	1,650,178	152,201
Plan review:				
Personnel services	1,210,045	1,245,046	1,241,217	3,829
Contractual services	134,189	145,722	87,310	58,412
Materials and supplies	7,385	6,294	5,213	1,081
Total plan review	1,351,619	1,397,062	1,333,740	63,322
Airport:				
Personnel services	314,345	320,732	319,321	1,411
Contractual services	271,975	310,587	256,845	53,742
Materials and supplies	22,900	33,918	33,879	39
Continuous charges	121,796	133,131	127,201	5,930
Capital outlay	28,000	28,000	27,514	486
Total airport	759,016	826,368	764,760	61,608
Airport commission:				
Personnel services	9,204	9,204	6,552	2,652
Total airport commission	9,204	9,204	6,552	2,652
Total airport	768,220	835,572	771,312	64,260

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3
Page 9

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES - BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service:				
Principal	5,020,000	5,020,000	5,020,000	-
Interest and fiscal charges	3,009,173	3,009,173	3,004,766	4,407
Total debt service	8,029,173	8,029,173	8,024,766	4,407
Total expenditures	55,968,322	59,783,022	54,463,995	5,319,027
Other financing uses:				
Transfers out	692,800	2,042,784	657,245	1,385,539
Total other financing uses	692,800	2,042,784	657,245	1,385,539
Total General Fund expenditures and other financing uses	\$ 56,661,122	\$ 61,825,806	\$ 55,121,240	\$ 6,704,566

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4

Page 1

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administering Efficient Government:				
Town council:				
Personnel services	\$ 132,199	\$ 132,199	\$ 130,228	\$ 1,971
Contractual services	127,450	123,250	112,216	11,034
Materials and supplies	5,600	6,800	5,365	1,435
Continuous charges	6,714	5,514	-	5,514
Total Town Council	271,963	267,763	247,809	19,954
Town manager:				
Personel services	723,283	774,446	772,124	2,322
Contractual services	46,613	76,842	61,754	15,088
Materials and supplies	8,075	7,842	7,124	718
Transfer payments	60,000	4,710	-	4,710
Continuous charges	12,000	4,275	4,275	-
Capital outlay	1,200	6,149	6,148	1
Total Town Manager	851,171	874,264	851,425	22,839
Town attorney:				
Personel services	528,037	534,423	534,364	59
Contractual services	37,400	63,223	61,840	1,383
Materials and supplies	2,400	3,000	2,509	491
Continuous charges	1,300	300	103	197
Capital outlay	1,000	1,580	1,580	-
Total Town Attorney	570,137	602,526	600,396	2,130
Clerk of council:				
Personnel services	122,602	142,738	142,677	61
Contractual services	12,230	17,860	16,348	1,512
Materials and supplies	1,600	2,032	2,032	-
Total Clerk of Council	136,432	162,630	161,057	1,573
Public Arts Commission:				
Personel services	9,204	9,204	7,728	1,476
Contractual services	1,850	1,440	150	1,290
Materials and supplies	150	560	-	560
Contributions	-	10,000	10,000	-
Total Public Arts Commission	11,204	21,204	17,878	3,326
Economic Development Commission:				
Personel services	9,204	9,204	5,953	3,251
Contractual services	1,200	221	-	221
Total Economic Development Commission	10,404	9,425	5,953	3,472
Diversity Commission:				
Personel services	9,204	9,204	7,981	1,223
Total Diversity Commission	9,204	9,204	7,981	1,223
Public Information:				
Personel services	196,178	206,934	206,542	392
Contractual services	45,060	44,781	38,156	6,625
Total Public Information	241,238	251,715	244,698	7,017

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4
Page 2

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administering Efficient Government (Continued):				
Information Technology Commission:				
Personnel services	9,204	9,204	5,665	3,539
Total Information Technology Commission	9,204	9,204	5,665	3,539
Parks and Recreation Commission:				
Personnel services	9,204	9,204	7,328	1,876
Total Parks and Recreation Commission	9,204	9,204	7,328	1,876
Tree Commission:				
Personnel services	9,204	7,772	7,658	114
Contractual services	5,000	6,852	6,851	1
Total Tree Commission	14,204	14,624	14,509	115
Library Advisory Commission:				
Personnel services	9,204	9,204	7,651	1,553
Contractual services	450	450	420	30
Materials and supplies	350	350	(10)	360
Total Library Advisory Commission	10,004	10,004	8,061	1,943
Planning Commission:				
Personnel services	27,289	27,449	27,449	-
Contractual services	-	-	1,000	(1,000)
Materials and supplies	1,500	1,550	50	1,500
Total Planning Commission	28,789	28,999	28,499	500
Board of Zoning Appeals:				
Personnel services	6,459	6,459	1,507	4,952
Total Board of Zoning Appeals	6,459	6,459	1,507	4,952
Board of Architectural Review:				
Personnel services	27,289	27,289	26,480	809
Contractual services	-	1,473	826	647
Total Board of Architectural Review	27,289	28,762	27,306	1,456
Environmental Advisory Commission:				
Personnel services	9,204	9,204	8,075	1,129
Contractual services	3,500	3,500	2,153	1,347
Total Environmental Advisory Commission	12,704	12,704	10,228	2,476
Airport Commission:				
Personnel services	9,204	9,204	6,552	2,652
Total Airport Commission	9,204	9,204	6,552	2,652
Total Administering Efficient Government	2,228,814	2,327,895	2,246,852	81,043

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4
Page 3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance:				
Personnel services	2,174,256	2,175,914	2,109,853	66,061
Contractual services	399,798	407,349	319,884	87,465
Materials and supplies	20,000	27,718	26,778	940
Continuous charges	52,101	58,846	58,683	163
Capital outlay	-	23,041	23,041	-
Total finance	2,646,155	2,692,868	2,538,239	154,629
Human Resources:				
Personnel services	433,226	443,959	443,038	921
Contractual services	97,335	123,095	115,164	7,931
Materials and supplies	4,622	4,622	1,642	2,980
Continuous charges	2,600	3,170	3,168	2
Capital outlay	-	-	-	-
Total human resources	537,783	574,846	563,012	11,834
Information Technology Operations:				
Personnel services	772,274	772,274	715,467	56,807
Contractual services	608,155	702,414	581,124	121,290
Materials and supplies	11,500	9,955	8,911	1,044
Continuous charges	25,000	57,689	54,197	3,492
Capital outlay	241,971	410,056	329,259	80,797
Total information technology operations	1,658,900	1,952,388	1,688,958	263,430
Total Supporting Activities	4,842,838	5,220,102	4,790,209	429,893
Keeping Us Safe:				
Administrative support:				
Personnel services	1,266,529	1,298,279	1,294,511	3,768
Contractual services	492,597	570,714	479,082	91,632
Materials and supplies	94,390	142,849	122,770	20,079
Continuous charges	244,065	194,653	171,949	22,704
Capital outlay	283,000	377,062	327,801	49,261
Total administrative support	2,380,581	2,583,557	2,396,113	187,444
Patrol operations:				
Personnel services	5,892,219	5,427,311	4,775,207	652,104
Contractual services	32,608	32,827	9,132	23,695
Materials and supplies	128,600	184,008	128,605	55,403
Capital outlay	200,000	176,255	113,930	62,325
Total patrol operations	6,253,427	5,820,401	5,026,874	793,527

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4
Page 4

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Keeping Us Safe (Continued):				
Criminal investigations:				
Personnel services	1,499,078	1,499,078	1,188,590	310,488
Contractual services	51,443	45,962	41,267	4,695
Materials and supplies	15,000	8,546	5,639	2,907
Continuous charges	38,008	26,858	25,920	938
Capital outlay	-	16,700	13,788	2,912
Total criminal investigations	1,603,529	1,597,144	1,275,204	321,940
Community services:				
Personnel services	1,694,497	1,694,497	1,475,802	218,695
Contractual services	7,475	7,525	1,304	6,221
Materials and supplies	31,250	24,181	18,127	6,054
Continuous charges	4,200	44,059	43,904	155
Capital outlay	-	-	-	-
Total community services	1,737,422	1,770,262	1,539,137	231,125
Information services:				
Personnel services	1,477,875	1,477,875	1,390,425	87,450
Contractual services	194,912	194,580	174,748	19,832
Materials and supplies	10,150	10,652	6,538	4,114
Continuous charges	4,292	4,121	4,121	-
Capital outlay	-	7,500	6,429	1,071
Total information services	1,687,229	1,694,728	1,582,261	112,467
Citizens' support team:				
Materials and supplies	1,395	743	631	112
Continuous charges	2,200	2,853	2,853	-
Total Citizens' Support Team	3,595	3,596	3,484	112
Fire and rescue:				
Transfer Payments	644,905	644,905	644,905	-
Total fire and rescue	644,905	644,905	644,905	-
Total Keeping Us Safe	14,310,688	14,114,593	12,467,978	1,646,615

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4

Page 5

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Providing the Necessities:				
Public works administration:	737,885	737,885	682,056	55,829
Personnel services	5,800	27,577	25,946	1,631
Contractual services	2,100	4,373	3,990	383
Materials and Supplies	24,258	21,500	15,853	5,647
Continuous charges	-	-	-	-
Capital outlays	-	16,617	1,663	14,954
 Total public works administration	770,043	807,952	729,508	78,444
Engineering and inspections:				
Personnel services	540,364	540,364	519,856	20,508
Contractual services	49,600	169,854	148,104	21,750
Materials and Supplies	4,935	16,204	16,203	1
Capital outlay	228,500	241,255	236,145	5,110
 Total engineering and inspections	823,399	967,677	920,308	47,369
Streets and grounds maintenance:				
Personnel services	2,477,269	2,479,869	2,377,683	102,186
Contractual services	982,860	2,895,997	1,838,429	1,057,568
Materials and supplies	199,800	211,649	185,805	25,844
Continuous charges	126,540	183,362	131,096	52,266
Capital outlay	73,785	77,660	74,307	3,353
 Total streets and grounds maintenance	3,860,254	5,848,537	4,607,320	1,241,217
Building maintenance:				
Personnel services	427,907	427,907	391,071	36,836
Contractual services	417,220	622,699	507,217	115,482
Claims and settlements	63,100	80,438	71,016	9,422
Materials and supplies	154,054	135,164	120,108	15,056
Continuous charges	485,000	686,561	538,796	147,765
Capital outlay	-	-	-	-
 Total building maintenance	1,547,281	1,952,769	1,628,208	324,561
Fleet maintenance:				
Personnel services	693,405	706,325	703,632	2,693
Contractual services	52,130	51,883	44,680	7,203
Claims and settlements	218,610	277,217	275,330	1,887
Materials and supplies	595,000	299,369	205,654	93,715
Continuous charges	20,000	20,000	14,298	5,702
Capital outlay	2,500	240,163	152,376	87,787
 Total fleet maintenance	1,581,645	1,594,957	1,395,970	198,987
Refuse collection and recycling:				
Contractual services	2,774,376	2,918,612	2,899,753	18,859
Materials and supplies	13,500	22,322	22,318	4
 Total refuse collection and recycling	2,787,876	2,940,934	2,922,071	18,863

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4

Page 6

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Providing the Necessities (Continued):				
Traffic management:				
Personnel services	369,162	369,162	368,093	1,069
Contractual services	81,500	192,750	81,614	111,136
Materials and supplies	29,300	26,070	13,691	12,379
Continuous charges	592,601	674,885	624,031	50,854
Capital outlay	56,000	48,625	12,650	35,975
Total traffic management	1,128,563	1,311,492	1,100,079	211,413
Regional transportation:				
Grants and contributions	290,000	335,507	268,444	67,063
Total regional transportation	290,000	335,507	268,444	67,063
Capital projects management:				
Personnel services	708,027	716,632	714,848	1,784
Contractual services	231,775	307,458	99,278	208,180
Materials and supplies	9,400	9,400	5,052	4,348
Continuous charges	700	700	508	192
Capital outlay	3,700	902	402	500
Total capital projects management	953,602	1,035,092	820,088	215,004
Total Providing the Necessities	13,742,663	16,794,917	14,391,996	2,402,921
Ensuring Quality of Life:				
Outdoor pool:				
Personnel services	321,809	77,247	70,427	6,820
Contractual services	23,935	23,935	23,661	274
Materials and supplies	38,680	38,680	31,523	7,157
Continuous charges	20,000	20,000	16,158	3,842
Total outdoor pool	404,424	159,862	141,769	18,093
Parks and recreation administration:				
Personnel services	544,718	544,718	540,530	4,188
Contractual services	84,400	97,780	66,192	31,588
Materials and supplies	2,500	36,820	8,124	28,696
Continuous charges	27,300	27,300	21,964	5,336
Total parks and recreation administration	658,918	706,618	636,810	69,808
Parks:				
Personnel services	822,160	825,838	821,717	4,121
Contractual services	61,925	57,925	56,288	1,637
Materials and supplies	121,820	153,502	152,483	1,019
Continuous charges	189,360	185,028	184,243	785
Capital outlay	321,600	441,998	314,332	127,666
Total parks	1,516,865	1,664,291	1,529,063	135,228
Recreation programs administration:				
Personnel services	187,626	195,324	194,249	1,075
Contractual services	87,965	83,104	79,359	3,745
Total recreation programs administration	275,591	278,428	273,608	4,820

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4

Page 7

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Ensuring Quality of Life (Continued):				
Ida Lee recreation center:				
Personnel services	1,182,099	1,144,184	1,057,821	86,363
Contractual services	291,871	296,313	289,344	6,969
Materials and supplies	69,518	68,018	57,790	10,228
Capital outlay	270,676	248,843	220,439	28,404
Continuous charges	-	130	129	1
Total Ida Lee recreation center	1,814,164	1,757,488	1,625,523	131,965
Fitness programs:				
Personnel services	470,275	483,275	483,247	28
Contractual services	35,050	35,050	31,362	3,688
Materials and supplies	8,950	8,950	7,552	1,398
Total fitness programs	514,275	527,275	522,161	5,114
Community outreach:				
Personnel services	112,896	112,896	109,395	3,501
Contractual services	14,430	13,823	11,217	2,606
Materials and supplies	6,000	7,750	6,492	1,258
Total community outreach	133,326	134,469	127,104	7,365
Aquatics:				
Personnel services	996,134	1,240,696	1,240,126	570
Contractual services	14,595	18,323	16,222	2,101
Materials and supplies	43,730	39,730	35,221	4,509
Total aquatics	1,054,459	1,298,749	1,291,569	7,180
Sport programs:				
Personnel services	207,671	188,821	179,269	9,552
Contractual services	350	350	159	191
Materials and supplies	25,800	30,300	30,143	157
Total sport programs	233,821	219,471	209,571	9,900
Recreation classes:				
Personnel services	132,824	156,158	155,580	578
Contractual services	4,625	3,625	3,302	323
Materials and supplies	3,325	3,575	3,431	144
Total recreation classes	140,774	163,358	162,313	1,045
Special events:				
Personnel services	113,938	113,938	112,657	1,281
Contractual services	247,949	182,376	146,430	35,946
Materials and supplies	43,239	72,464	72,439	25
Total special events	405,126	368,778	331,526	37,252
Tennis court complex:				
Personnel services	404,244	453,542	452,749	793
Contractual services	28,800	37,196	37,161	35
Materials and supplies	20,200	27,106	25,922	1,184
Continuous charges	58,760	58,760	51,216	7,544
Total tennis court complex	512,004	576,604	567,048	9,556

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4
Page 8

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Ensuring Quality of Life (Continued):				
Camp programs:				
Personnel services	83,643	83,643	66,476	17,167
Contractual services	27,200	28,952	28,360	592
Materials and supplies	7,500	8,250	8,212	38
Total camp programs	118,343	120,845	103,048	17,797
Preschool childcare programs:				
Personnel services	98,619	98,619	92,633	5,986
Contractual services	1,900	1,345	1,341	4
Materials and supplies	3,570	4,125	3,649	476
Total preschool childcare programs	104,089	104,089	97,623	6,466
Balch Library:				
Library operations:				
Personnel services	375,070	391,398	390,584	814
Contractual services	35,666	47,565	39,080	8,485
Materials and supplies	44,511	35,211	31,440	3,771
Capital outlay	22,653	24,949	20,939	4,010
Continuous charges	-	540	540	-
Total library operations	477,900	499,663	482,583	17,080
Planning and zoning:				
Planning and zoning operations:				
Personnel services	1,555,135	1,555,135	1,534,690	20,445
Contractual services	24,400	152,179	31,807	120,372
Materials and supplies	8,325	7,162	7,061	101
Capital outlay	1,250	407	264	143
Continuous charges	-	10,572	8,816	1,756
Total planning and zoning operations	1,589,110	1,725,455	1,582,638	142,817
Plan review:				
Personnel services	1,210,045	1,245,046	1,241,217	3,829
Contractual services	134,189	145,722	87,310	58,412
Materials and supplies	7,385	6,294	5,213	1,081
Total plan review	1,351,619	1,397,062	1,333,740	63,322
Total Ensuring Quality of Life	11,304,808	11,702,505	11,017,697	684,808

(Continued)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4
Page 9

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Seizing the Future:				
Airport:				
Personnel services	314,345	320,732	319,321	1,411
Contractual services	271,975	310,587	256,845	53,742
Materials and supplies	22,900	33,918	33,879	39
Capital outlay	28,000	28,000	127,201	(99,201)
Continuous charges	121,796	133,131	27,514	105,617
Total airport	759,016	826,368	764,760	61,608
Economic development operations:				
Personnel services	235,767	242,916	242,278	638
Contractual services	74,305	63,746	57,547	6,199
Materials and supplies	14,900	12,961	12,960	1
Continuous charges	325,200	347,697	346,802	895
Grants and contributions	100,150	100,150	100,150	-
Total economic development operations	750,322	767,470	759,737	7,733
Total Seizing the Future	1,509,338	1,593,838	1,524,497	69,341
Debt Service:				
Principal	5,020,000	5,020,000	5,020,000	-
Interest and fiscal charges	3,009,173	3,009,173	3,004,766	4,407
Total debt service	8,029,173	8,029,173	8,024,766	4,407
Total expenditures	55,968,322	59,783,022	54,463,995	5,319,027
Other Financing Uses:				
Transfers out	692,800	2,042,784	657,245	1,385,539
Total Other Financing Uses	692,800	2,042,784	657,245	1,385,539
Total General Fund expenditures and other financing uses	\$ 56,661,122	\$ 61,825,806	\$ 55,121,240	\$ 6,704,566

TOWN OF LEESBURG, VIRGINIA

Exhibit B-1

STATEMENT OF NET POSITION
UTILITIES FUND

June 30, 2017

(With Comparative Amounts for 2016)

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,008,894	\$ 17,056,506
Accounts receivable, net	3,601,536	3,403,760
Prepaid expenses	12,719	-
Inventory	784,836	626,079
Due from other funds	-	1,097
Accrued interest	29,028	30,565
Restricted cash	839,445	2,856,676
Total current assets	<u>27,276,458</u>	<u>23,974,683</u>
Noncurrent Assets:		
Other postemployment benefits	31,833	20,967
Capital assets:		
Land	1,577,329	1,577,329
Water and sewer plant	115,932,473	115,922,748
Water and sewer lines	139,018,109	123,461,779
Furniture, equipment, and software	2,610,294	1,399,143
Vehicles	2,421,734	2,679,349
Construction in progress	124,363	2,066,670
Less: accumulated depreciation and amortization	(79,991,264)	(75,114,063)
Total noncurrent assets	<u>181,724,871</u>	<u>172,013,922</u>
Total assets	<u>209,001,329</u>	<u>195,988,605</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to Pension Plan	1,058,807	388,731
Deferred loss on Refunding	2,551,295	2,438,525
Total deferred outflows of resources	<u>3,610,102</u>	<u>2,827,256</u>
Total assets and deferred outflows of resources	<u>212,611,431</u>	<u>198,815,861</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	599,201	436,121
Accrued expenses	267,521	273,773
Accrued interest	1,093,006	1,181,885
Compensated absences	486,133	445,587
Retainage payable	161,978	92,269
Bonds payable	2,129,587	2,030,730
Performance bonds payable	9,000	9,000
Customer deposits and contingent charges	1,056,330	982,596
Total current liabilities	<u>5,802,756</u>	<u>5,451,961</u>
Noncurrent Liabilities:		
Compensated absences	156,974	143,882
Net pension obligation	3,933,160	2,714,006
Bonds payable, net	64,001,117	65,885,935
Total noncurrent liabilities	<u>68,091,251</u>	<u>68,743,823</u>
Total liabilities	<u>73,894,007</u>	<u>74,195,784</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to Pension plan	61,645	477,939
Total liabilities and deferred inflows of resources	<u>73,955,652</u>	<u>74,673,723</u>
NET POSITION		
Net investment in capital assets	116,239,800	106,514,815
Unrestricted	22,415,979	17,627,323
Total net position	<u>\$ 138,655,779</u>	<u>\$ 124,142,138</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit B-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
UTILITIES FUND**

**Year Ended June 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
Operating revenues:		
Charges for services	\$ 19,631,920	\$ 18,639,231
Other	237,681	424,837
Total operating revenues	19,869,601	19,064,068
Operating expenses:		
Personnel service	7,328,099	7,493,822
Contractual services	716,084	963,382
Depreciation and amortization	5,485,291	5,280,489
Materials and supplies	1,779,128	1,381,578
Continuous charges	1,253,285	1,178,126
Claims and settlements	-	360
Capital outlay	-	121,407
Total operating expenses	16,561,887	16,419,164
Operating income	3,307,714	2,644,904
Nonoperating revenues (expenses):		
Interest on investments	350,671	236,150
Installation and connection charges	2,755,385	1,598,450
Interest and fiscal charges	(2,606,560)	(2,869,088)
Total nonoperating revenues (expenses), net	499,496	(1,034,488)
Income (loss) before capital contributions and transfers	3,807,210	1,610,416
Transfers:		
Transfers out	(1,422,107)	(1,506,865)
Contributions:		
Developer donated assets	12,128,538	571,739
Total contributions and transfers, net	10,706,431	(935,126)
Change in net position	14,513,641	675,290
Total net position, beginning, as restated	124,142,138	123,466,848
Total net position, ending	\$ 138,655,779	\$ 124,142,138

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

Page 1

**STATEMENT OF CASH FLOWS
UTILITIES FUND**

**Year Ended June 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
Operating Activities:		
Receipts from customers	\$ 19,745,559	\$ 18,275,193
Payments to suppliers for goods and services	(4,106,289)	(3,454,941)
Payments to employees for services	(6,809,401)	(8,545,316)
Receipts from employees - health insurance contributions	-	998,692
Other Receipts	-	424,837
Net cash provided by operating activities	8,829,869	7,698,465
Noncapital and Related Financing Activities:		
Advance from other funds	1,097	(1,310)
Transfers out	(1,422,107)	(1,506,865)
Net cash (used in) noncapital and related financing activities	(1,421,010)	(1,508,175)
Capital and Related Financing Activities:		
Installation and connection charges	2,755,385	1,598,450
Acquisition and construction of capital assets	(2,987,126)	(2,768,748)
Principal paid on bonds	(1,930,730)	(2,340,305)
Payments to escrow agent	(3,840,000)	-
Proceeds from bond refunding	4,486,481	-
Interest and fiscal charges	(3,309,920)	(2,232,686)
Net cash (used in) capital and related financing activities	(4,825,910)	(5,743,289)
Investing Activities:		
Interest on investments	352,208	209,800
Net cash provided by investing activities	352,208	209,800
Net increase in cash and cash equivalents	2,935,157	656,801
Cash and Cash Equivalents:		
Beginning	19,913,182	19,256,381
Ending	\$ 22,848,339	\$ 19,913,182

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

Page 2

**STATEMENT OF CASH FLOWS
UTILITIES FUND
Year Ended June 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,307,714	\$ 2,644,904
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,485,291	5,280,489
Pension expense	132,784	397,932
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(197,775)	(405,720)
Due from other funds	(12,719)	(1,097)
Inventory	(158,758)	55,760
Increase (decrease) in:		
Accounts payable	163,078	134,153
Accrued liabilities	47,386	26,918
Unearned revenue	-	(6,895)
Other postemployment benefits	(10,866)	(116,153)
Deferred outflows - pension plan	-	(388,731)
Insurance and benefit claims	73,734	-
Compensated absences	-	28,328
Customer deposits and contingent charges	-	48,577
Net cash provided by operating activities	\$ 8,829,869	\$ 7,698,465
 Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Developer donated capital improvements	\$ 12,128,538	\$ 571,739

TOWN OF LEESBURG, VIRGINIA

Exhibit C-1

**STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
Year Ended June 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,443,381	\$ 2,980,812
Receivables (net of allowance for doubtful accounts):		
Trade and other accounts	174,124	8,616
Due from other funds	-	137,539
	<hr/>	<hr/>
Total Assets	2,617,505	3,126,967
	<hr/>	<hr/>
LIABILITIES		
Current liabilities:		
Accounts payable	9,934	941,696
Due to other funds	-	1,097
Insurance and benefit claims	828,589	730,902
Total liabilities	838,523	1,673,695
	<hr/>	<hr/>
NET POSITION		
Restricted		
Total net position	\$ 1,778,982	\$ 1,453,272
	<hr/> <hr/>	<hr/> <hr/>

TOWN OF LEESBURG, VIRGINIA

Exhibit C-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
Operating revenues:		
Charges for services	\$ 4,768,896	\$ 5,659,252
Total operating revenues	4,768,896	5,659,252
Operating expenses:		
Risk financing and benefit payments	4,450,488	5,658,942
Total operating expenses	4,450,488	5,658,942
Operating income (loss)	318,408	310
Nonoperating revenues (expenses):		
Interest on investments	7,252	5,907
Total nonoperating revenues (expenses), net	7,252	5,907
Change in net position	325,660	6,217
Total net position, beginning	1,453,322	1,447,105
Total net position, ending	\$ 1,778,982	\$ 1,453,322

TOWN OF LEESBURG, VIRGINIA

Exhibit C-3

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
Year Ended June 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
Operating Activities:		
Receipts from interfund services provided	\$ 4,603,387	\$ 5,517,308
Claims and benefits paid	(5,284,562)	(5,443,847)
Payment to suppliers for goods and services	-	867,786
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(681,175)	941,247
Noncapital and Related Financing Activities:		
Payments (advance) from other funds	136,442	-
	<hr/>	<hr/>
Net cash provided by noncapital and related financing activities	136,442	-
Investing Activities:		
Interest on investments	7,252	5,907
	<hr/>	<hr/>
Net cash provided by investing activities	7,252	5,907
	<hr/>	<hr/>
Net increase in cash, cash equivalents, and investments	(537,481)	947,154
Cash, Cash Equivalents, and Investments:		
Beginning	2,980,862	2,033,708
Ending	<u>\$ 2,443,381</u>	<u>\$ 2,980,862</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 318,408	\$ 310
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Increase in:		
Accounts receivable	(165,508)	(5,502)
Due from other funds	-	(137,539)
Decrease in:		
Accounts payable	(931,762)	-
Accrued liabilities	-	867,786
Insurance and benefit claims	97,687	215,095
Due to other funds	-	1,097
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	\$ (681,175)	\$ 941,247

TOWN OF LEESBURG, VIRGINIA

Exhibit D-1

**BALANCE SHEET
SPECIAL REVENUE FUND
June 30, 2017
(With Comparative Amounts for 2016)**

	2017	2016
ASSETS		
Current assets:		
Cash with fiscal agent	\$ 3,495,495	\$ 2,105,798
Total assets	3,495,495	2,105,798
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Deferred inflows of resources:		
Grants	3,495,495	2,105,798
Total deferred inflows of resources	3,495,495	2,105,798
FUND BALANCE		
Unassigned	-	-
Total fund balance	\$ -	\$ -

TOWN OF LEESBURG, VIRGINIA

Exhibit D-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

SPECIAL REVENUE FUND

Year Ended June 30, 2017

(With Comparative Amounts for 2016)

	2017	2016
Revenues:		
Intergovernmental	\$ 1,447,893	\$ 644,203
Total revenues	1,447,893	644,203
Other financing sources (uses):		
Transfers in	-	1,355,799
Transfers out	(1,447,893)	(2,000,000)
Total other financing sources (uses):	(1,447,893)	(644,201)
Net change in fund balance	-	-
Fund balance, beginning	-	-
Fund balance, ending	\$ -	\$ -

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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 table offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activivites 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 - 22

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 BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 149,797,357	\$ 162,651,222	\$ 219,771,450	\$ 223,911,574	\$ 262,169,923	\$ 260,710,155	\$ 269,470,483	\$ 253,108,079	\$ 260,418,011	\$ 283,018,215
Restricted	53,499	32,228	32,228	5,852,078	827,452	4,756,210	1,366,923	11,601,298	15,074,126	13,860,762
Unrestricted	35,468,057	21,508,860	17,659,597	10,977,713	11,180,851	12,031,291	11,475,555	9,767,484	12,371,943	12,634,883
Total governmental activities net position	\$ 185,318,913	\$ 184,192,310	\$ 237,463,275	\$ 240,741,365	\$ 274,178,226	\$ 277,497,656	\$ 282,312,961	\$ 274,476,861	\$ 287,864,080	\$ 309,513,860
Business-type activities:										
Net investment in capital assets	\$ 133,010,793	\$ 136,681,741	\$ 144,847,942	\$ 145,743,065	\$ 111,237,616	\$ 113,816,486	\$ 111,153,372	\$ 106,179,841	\$ 106,514,815	\$ 116,239,800
Unrestricted	17,058,242	16,968,255	10,072,951	9,668,200	17,410,647	15,324,067	15,884,417	16,970,074	17,627,323	22,415,979
Total business-type activities net position	\$ 150,069,035	\$ 153,649,996	\$ 154,920,893	\$ 155,411,265	\$ 128,648,263	\$ 129,140,553	\$ 127,037,789	\$ 123,149,915	\$ 124,142,138	\$ 138,655,779
Primary government:										
Net investment in capital assets	\$ 282,808,150	\$ 270,729,275	\$ 277,106,871	\$ 369,654,639	\$ 373,407,539	\$ 374,526,641	\$ 380,623,855	\$ 359,287,920	\$ 366,932,826	\$ 399,258,015
Restricted	53,499	9,905,713	53,499	5,852,078	827,452	4,756,210	1,366,923	11,601,298	15,074,126	13,860,762
Unrestricted	52,526,299	41,545,620	52,526,299	20,645,913	28,591,498	27,355,358	27,359,972	26,737,558	29,999,266	35,050,862
Total primary government net position	\$ 335,387,948	\$ 322,180,608	\$ 329,686,669	\$ 396,152,630	\$ 402,826,489	\$ 27,355,358	\$ 409,350,750	\$ 397,626,776	\$ 412,006,218	\$ 448,169,639

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.'

Beginning net position was restated as of June 30, 2016, but no prior years have been restated.

TOWN OF LEESBURG, VIRGINIA

Table 2

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
Legislative	\$ 1,106,290	\$ 1,047,565	\$ 1,108,873	\$ 1,929,726	\$ 2,242,274	\$ 2,063,474	\$ 1,647,737	\$ 358,882	\$ 252,822	\$ 258,238
Executive	5,148,154	5,056,434	5,214,847	4,193,418	3,709,476	3,536,663	5,101,778	2,072,643	2,502,210	2,162,353
Legal	388,672	375,101	423,836	405,086	416,116	556,900	428,396	812,884	730,310	764,127
Finance and administrative services	2,194,675	2,411,130	2,379,609	2,262,397	2,082,232	2,187,457	2,122,300	4,427,627	4,623,142	4,906,502
Public safety	9,297,712	10,344,403	11,040,678	11,365,062	11,701,344	12,564,971	12,760,923	13,236,510	13,091,832	12,749,163
Public works	11,515,670	14,366,433	15,021,938	15,522,536	15,319,444	17,834,560	13,281,259	15,310,127	17,881,225	20,915,538
Parks and recreation	7,418,433	7,885,338	7,875,032	8,002,606	7,721,607	7,905,724	8,545,134	8,084,695	8,474,752	7,323,433
Balch Library	628,177	705,512	641,171	627,711	596,845	586,263	638,586	635,782	666,442	670,011
Planning and zoning	2,525,842	1,699,231	1,773,789	1,914,347	1,395,917	1,498,275	1,544,011	1,554,970	1,634,254	1,649,401
Plan review	-	1,799,399	1,697,742	1,569,932	1,216,828	1,303,118	1,332,438	1,251,101	1,346,812	1,329,164
Airport	-	-	-	-	2,444	7,237,878	1,784,308	1,737,100	1,887,605	1,949,301
Interest	2,174,525	2,052,703	2,438,740	2,518,659	2,746,447	2,312,731	2,574,971	2,948,021	3,078,679	2,966,378
Total governmental activities	42,398,150	47,743,249	49,616,255	50,311,480	49,150,974	59,588,014	51,761,841	52,430,342	56,170,085	57,643,609
Business-type activities:										
Airport	1,564,363	1,698,660	1,709,784	1,803,947	1,660,120	-	-	-	-	-
Utilities	16,455,335	17,772,026	17,607,146	17,888,463	18,063,523	17,842,677	19,421,203	18,923,084	19,288,252	19,168,447
Total business-type activities	18,019,698	19,470,686	19,316,930	19,692,410	19,723,643	17,842,677	19,421,203	18,923,084	19,288,252	19,168,447
Total government	60,417,848	67,213,935	68,933,185	70,003,890	68,874,617	77,430,691	71,183,044	71,353,426	75,458,337	76,812,056
Program revenue:										
Governmental activities:										
Charges for services:										
Legislative	-	-	-	-	-	-	-	-	-	319,340
Public safety	334,960	372,441	408,032	595,640	498,411	563,856	733,367	582,487	441,899	398,197
Public works	158,446	153,094	177,294	175,474	154,495	155,931	368,345	390,712	265,239	115,470
Parks and recreation	3,772,767	4,427,429	4,871,682	4,772,869	4,670,693	4,785,743	4,919,355	4,921,047	4,990,892	4,938,988
Plan review	-	-	-	-	-	-	-	-	-	1,280,528
Planning and zoning	260,438	351,994	262,270	261,447	283,241	237,689	706,135	649,181	513,145	1,919,609
Operating grants and contributions:										
Executive	-	-	-	-	-	-	-	255,441	259,066	-
Public safety	1,282,416	1,107,204	1,167,353	1,084,691	988,734	1,030,390	1,002,002	1,018,162	1,562,618	1,216,964
Public works	2,478,332	2,502,346	2,633,224	3,052,260	2,987,613	3,046,021	3,442,583	3,462,282	3,848,932	4,529,490
Parks and recreation	-	99,425	-	-	-	1,843	-	-	586	5,000
Balch Library	-	15,500	5,000	372,994	5,500	5,000	12,379	13,500	8,872	-
Planning and zoning	13,411	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	135,711	99,197	125,775	113,578	82,780
Capital grants and contributions:										
Executive	-	-	-	-	-	-	137,400	-	-	36,298
Public works	1,443,698	-	58,817,099	6,783,738	9,163,209	9,498,970	5,081,809	-	8,557,324	12,719,606
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	304,166	-
Total governmental activities program revenue	9,744,468	9,029,433	68,596,954	17,170,738	18,759,896	23,418,384	17,419,422	16,072,830	20,866,317	27,562,270

(Continued)

TOWN OF LEESBURG, VIRGINIA

Table 2

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (1)

Page 2

(accrual basis of accounting)

(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues (Continued):										
Business-type activities:										
Charges for services:										
Airport	\$ 977,572	\$ 920,322	\$ 716,920	\$ 1,092,572	\$ 1,182,366	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	12,435,190	12,701,071	13,517,737	14,792,146	15,053,935	15,225,178	15,620,127	16,841,860	18,639,231	22,387,305
Operating grants and contributions:										
Airport	-	-	504,350	27,615	65,443	-	-	-	-	-
Utilities	-	-	514,154	118,656	69,245	-	2,176,412	1,592,787	571,739	-
Capital grants and contributions:										
Airport	152,703	1,618,548	1,282,262	194,898	633,503	-	-	-	-	-
Utilities	5,472,516	9,325,270	5,899,418	6,239,546	4,066,836	4,417,288	271,759	321,724	571,739	12,128,538
Total business-type activities program revenues	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298	18,756,371	20,809,420	34,515,843
Total government program revenues	28,782,449	33,594,644	91,055,401	39,636,171	39,831,224	43,060,850	35,487,720	34,829,201	41,675,737	62,078,113
Net (expense) revenue:										
Governmental activities	(32,653,682)	(38,713,816)	19,004,305	(33,140,742)	(30,391,078)	(36,169,630)	(34,342,419)	(36,357,512)	(35,303,768)	(30,081,339)
Business-type activities	1,018,283	5,094,525	3,117,911	2,773,023	1,347,685	1,799,789	(1,352,905)	(166,713)	1,521,168	15,347,396
Total government net expense	(31,635,399)	(33,619,291)	22,122,216	(30,367,719)	(29,043,393)	(34,369,841)	(35,695,324)	(36,524,225)	(33,782,600)	(14,733,943)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	13,215,669	12,982,666	12,196,527	12,536,096	12,943,508	13,723,821	13,665,498	13,907,905	14,184,837	14,811,321
Communication sales and use	6,568,099	6,228,472	6,107,069	6,412,866	6,717,220	6,621,637	6,343,455	6,767,712	7,234,856	7,426,112
Meals	3,198,750	3,327,374	3,326,332	3,672,760	4,418,067	4,695,048	4,827,853	5,021,455	5,247,114	5,275,413
Business and occupational licenses	2,544,890	2,669,812	2,708,180	2,880,044	2,860,659	3,072,266	3,292,385	3,326,739	3,152,175	3,482,857
Utility	1,452,715	1,487,280	1,489,727	1,542,597	1,495,345	1,546,528	1,564,500	1,559,559	1,525,755	1,521,738
Cigarette	871,299	860,595	805,298	872,047	1,133,071	1,047,206	980,759	934,508	905,450	872,841
Other	2,106,535	2,187,760	2,429,978	2,459,485	2,565,675	2,558,425	2,785,727	2,486,346	2,892,316	2,879,141
Intergovernmental, non-categorical aid	1,543,813	1,556,515	1,567,285	1,573,674	1,562,312	1,595,780	1,594,257	1,881,123	2,756,311	11,200,431
Use of money and property	2,261,267	1,156,355	440,731	686,183	514,491	1,768,730	1,796,693	1,785,866	2,185,769	2,581,923
Miscellaneous and lease income	3,783,391	2,904,824	993,681	1,086,819	901,963	1,608,459	813,747	676,490	611,090	257,235
Transfers	2,009,729	2,225,560	2,201,852	2,696,261	28,715,628	1,907,496	1,492,850	1,501,662	1,723,931	1,422,107
Total governmental activities	39,556,157	37,587,213	34,266,660	36,418,832	63,827,939	40,145,396	39,157,724	39,849,365	42,419,604	51,731,119

(Continued)

TOWN OF LEESBURG, VIRGINIA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Use of money and property	\$ 1,238,869	\$ 404,523	\$ 59,215	\$ 84,837	\$ 254,237	\$ 562,996	\$ 194,274	\$ 66,363	\$ 236,150	\$ 350,671
Miscellaneous	356,163	307,473	295,623	328,773	350,704	411,370	548,717	546,126	424,837	237,681
Transfers	(2,009,729)	(2,225,560)	(2,201,852)	(2,696,261)	(28,715,628)	(1,907,496)	(1,492,850)	(1,501,662)	(1,723,931)	(1,422,107)
Total business-type activities	(414,697)	(1,513,564)	(1,847,014)	(2,282,651)	(28,110,687)	(933,130)	(749,859)	(889,173)	(1,062,944)	(833,755)
Total primary government	39,141,460	36,073,649	32,419,646	34,136,181	35,717,252	39,212,266	38,407,865	38,960,192	41,356,660	50,897,364
Changes in net position:										
Governmental activities	6,902,475	(1,126,603)	53,270,965	3,278,090	33,436,861	3,975,766	4,815,305	3,491,853	7,115,836	21,649,780
Business-type activities	603,586	3,580,961	1,270,897	490,372	(26,763,002)	866,659	(2,102,764)	(1,055,886)	458,224	14,513,641
Total primary government	\$ 7,506,061	\$ 2,454,358	\$ 54,541,862	\$ 3,768,462	\$ 6,673,859	\$ 4,842,425	\$ 2,712,541	\$ 2,435,967	\$ 7,574,060	\$ 36,163,421

Note:

- (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 parentheses are net expenses indicating that expenses were greater than program revenues, and the 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.

TOWN OF LEESBURG, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Legislative	\$ -	\$ -	\$ 23,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,340
Executive	-	-	-	-	-	-	137,400	255,441	259,066	36,298
Public safety	1,617,376	1,479,645	1,575,385	1,680,331	1,487,145	1,594,246	1,735,369	1,600,649	2,004,517	1,615,161
Public works	4,080,476	2,655,440	61,627,617	10,011,472	12,305,317	12,700,922	8,892,737	7,087,022	12,671,495	17,364,566
Parks and recreation	3,772,767	4,526,854	4,876,682	4,844,494	4,678,693	4,787,586	4,919,355	4,921,047	4,991,478	4,943,988
Balch Library	-	15,500	255,000	372,994	5,500	5,000	12,379	16,500	8,872	-
Plan review	-	-	-	-	-	-	-	-	-	1,280,528
Planning and zoning	273,849	351,994	262,270	261,447	283,241	237,689	706,135	649,181	513,145	1,919,609
Airport	-	-	-	-	-	4,092,941	1,016,047	1,545,990	417,744	82,780
Total governmental activities	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422	16,075,830	20,866,317	27,562,270
Business-type activities:										
Airport	1,130,275	2,538,870	2,503	1,315,085	1,881,312	-	-	-	-	-
Utilities	17,907,706	22,026,341	19,931,309	21,150,348	19,190,016	19,642,466	18,068,298	18,756,371	20,809,420	34,515,843
Total business-type activities	19,037,981	24,565,211	19,933,812	22,465,433	21,071,328	19,642,466	18,068,298	18,756,371	20,809,420	34,515,843
Total government	\$ 28,782,449	\$ 33,594,644	\$ 88,554,372	\$ 39,636,171	\$ 39,831,224	\$ 43,060,850	\$ 35,487,720	\$ 34,832,201	\$ 41,675,737	\$ 62,078,113

Note:

(1) On June 29 of fiscal year 2012, the Town elected to transfer the ariport 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,				
	2008	2009	2010	2011	2012
General Fund:					
Reserved	\$ 2,232,532	\$ 2,129,964	\$ -	\$ -	\$ -
Unreserved	14,675,549	15,868,848	-	-	-
Nonspendable	-	-	3,756,141	3,365,873	151,402
Restricted	-	-	5,711,725	5,852,078	827,452
Committed	-	-	1,400,000	1,400,000	-
Assigned	-	-	2,059,742	2,717,261	6,774,757
Unassigned	-	-	8,529,064	9,103,329	9,395,933
Total general fund	\$ 16,908,081	\$ 17,998,812	\$ 21,456,672	\$ 22,438,541	\$ 17,149,544
All Other Governmental Funds:					
Committed, reported in:					
Capital projects fund	\$ -	\$ -	\$ -	\$ 2,878,070	\$ -
Unreserved, reported in:					
Capital projects fund	13,684,106	17,946	12,939,512	-	5,299,780
Special revenue funds	6,697,221	6,065,247	-	-	-
Assigned, reported in:					
Capital projects fund	-	-	-	-	945,427
Total all other government funds	\$ 20,381,327	\$ 6,083,193	\$ 12,939,512	\$ 2,878,070	\$ 6,245,207
	June 30,				
	2013	2014	2015	2016	2017
General Fund:					
Nonspendable	\$ 153,473	\$ 155,411	\$ 159,370	\$ 217,801	\$ 302,316
Restricted	831,316	973,799	985,772	1,025,170	1,379,857
Assigned	7,144,209	8,747,716	11,349,940	12,940,397	14,145,306
Unassigned	10,041,113	10,958,360	10,286,067	11,521,249	12,288,356
Total general fund	\$ 18,170,111	\$ 20,835,286	\$ 22,781,149	\$ 25,704,617	\$ 28,115,835
Restricted, reported in:					
Capital projects fund	\$ -	\$ -	\$ 10,615,526	\$ 12,595,634	\$ 12,480,905
Committed, reported in:					
Capital projects fund	6,672,522	7,750,173	2,131,395	5,044,819	10,557,120
Unassigned, reported in:					
Capital projects fund	(5,137,844)	(12,805,982)	(1,779,735)	(3,980,575)	(9,581,537)
Total all other government funds	\$ 1,534,678	\$ (5,055,809)	\$ 10,967,186	\$ 13,659,878	\$ 13,456,488

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.

Beginning fund balance was restated as of June 30, 2016, but no prior years have been restated.

TOWN OF LEESBURG, VIRGINIA

Table 5

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
General property taxes	\$ 13,417,267	\$ 12,922,835	\$ 12,363,461	\$ 12,503,998	\$ 12,854,369	\$ 13,606,085	\$ 13,814,622	\$ 13,568,504	\$ 14,389,962	\$ 14,816,811
Other local taxes	16,742,288	16,761,293	16,866,584	15,585,903	16,981,945	17,327,161	17,618,402	17,939,057	18,864,268	14,031,990
Permits, privilege fees and regulatory licenses	413,676	500,858	437,125	432,971	435,554	391,407	1,073,586	1,032,766	772,765	1,280,528
Fines and forfeitures	326,047	364,573	402,164	576,328	482,049	544,411	718,350	530,509	341,152	378,181
Use of money and property	2,261,267	1,156,355	440,731	686,183	514,491	1,768,730	1,796,693	1,785,866	2,185,769	2,574,671
Charges for services	3,786,888	4,439,527	4,879,989	4,796,131	4,689,237	4,807,401	4,935,266	4,980,152	5,097,258	5,075,406
Contributions and proffers	-	18,500	2,139,318	1,853,390	342,739	594,544	1,646,901	1,318,658	961,402	2,260,800
Miscellaneous	3,783,391	2,902,824	993,681	1,086,819	901,963	1,608,459	813,747	676,490	611,090	257,235
Intergovernmental	6,761,670	5,264,490	9,170,344	8,715,734	12,354,864	17,460,860	12,815,853	12,249,130	15,380,716	24,919,385
Total revenues	47,492,494	44,331,255	47,693,397	46,237,457	49,557,211	58,109,058	55,233,420	54,081,132	58,604,382	65,595,007
Expenditures:										
Legislative	1,106,290	1,039,363	1,103,242	919,953	960,836	949,680	1,645,525	395,084	249,418	247,809
Executive	3,406,632	3,543,409	3,395,350	3,431,910	3,127,240	3,345,634	4,065,619	1,919,530	2,251,468	1,887,672
Legal	400,430	364,257	411,839	401,794	412,454	517,214	470,940	854,433	738,157	761,453
Finance and administrative services	2,341,358	2,388,845	2,360,863	2,252,013	2,073,242	2,196,207	1,985,483	4,459,503	4,921,814	4,795,874
Public safety	9,623,503	10,186,786	11,140,380	10,883,307	11,262,769	12,551,566	12,507,687	13,488,315	13,242,169	12,467,978
Public works	11,367,908	11,377,958	11,456,058	11,385,261	11,590,650	11,851,505	11,332,942	12,878,286	14,391,996	
Parks and recreation	6,557,497	7,065,803	7,418,434	7,321,436	6,916,341	7,462,632	7,833,710	8,060,847	7,845,039	7,640,573
Balch Library	488,190	517,850	457,606	449,682	454,610	440,057	457,866	459,214	488,583	490,644
Planning and zoning	2,393,972	1,541,570	1,720,029	1,938,591	1,382,400	1,489,006	1,562,694	1,591,679	1,663,251	1,650,178
Plan review	-	1,757,767	1,679,684	1,566,111	1,248,341	1,295,785	1,384,016	1,314,564	1,388,654	1,333,740
Airport	-	-	-	-	2,444	706,939	688,604	660,000	716,544	771,312
Capital projects	11,259,727	14,724,486	8,458,203	11,072,955	9,673,741	15,175,508	12,144,131	8,317,589	8,880,704	10,341,003
Debt service:										
Principal	3,224,456	3,207,919	3,156,627	3,187,341	8,184,465	3,026,278	1,799,341	2,300,000	2,505,000	5,020,000
Interest and fiscal charges	2,138,018	2,048,205	2,256,417	2,523,094	2,544,404	2,698,505	2,611,718	3,530,190	2,997,383	3,004,766
Debt issuance cost	-	-	-	-	-	-	-	-	-	226,075
Total expenditures	54,307,981	59,764,218	55,014,732	57,333,448	59,833,937	63,706,516	60,651,582	58,683,890	60,766,470	65,031,073
Excess of revenues over (under) expenditures	(6,815,487)	(15,432,963)	(7,321,335)	(11,095,991)	(10,276,726)	(5,597,458)	(5,418,162)	(4,602,758)	(2,162,088)	563,934
Other financing sources (uses):										
Transfers in	3,660,720	2,887,982	2,730,718	3,687,699	2,648,127	2,489,417	2,292,323	2,350,030	6,930,644	5,164,734
Transfers out	(1,650,991)	(662,422)	(528,866)	(1,671,281)	(3,206,258)	(581,921)	(799,473)	(848,368)	(5,423,779)	(3,742,627)
Issuance of debt	5,000,000	-	22,540,000	-	8,253,567	-	-	17,830,000	-	-
Proceeds of refunding bonds	-	-	-	-	10,251,077	-	-	9,710,000	-	13,029,935
Payment to refunded bond escrow agent	-	-	(7,428,090)	-	(10,980,442)	-	-	(9,710,000)	-	(14,218,960)
Premium (discount) on issuance debt	-	-	321,752	-	1,388,795	-	-	3,239,954	-	1,410,812
Total other financing sources (uses), net	7,009,729	2,225,560	17,635,514	2,016,418	8,354,866	1,907,496	1,492,850	22,571,616	1,506,865	1,643,894
Net changes in fund balances	\$ 194,242	\$ (13,207,403)	\$ 10,314,179	\$ (9,079,573)	\$ (1,921,860)	\$ (3,689,962)	\$ (3,925,312)	\$ 17,968,858	\$ (655,223)	\$ 2,207,828

(Continued)

TOWN OF LEESBURG, VIRGINIA

Table 5
Page 2

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 5,362,474	\$ 5,256,124	\$ 5,413,044	\$ 5,710,435	\$ 10,728,869	\$ 5,724,783	\$ 4,411,059	\$ 5,830,190	\$ 5,502,383	\$ 8,024,766
Total expenditures	\$ 54,307,981	\$ 59,764,218	\$ 55,014,732	\$ 57,333,448	\$ 59,833,937	\$ 63,706,516	\$ 60,651,582	\$ 58,683,890	\$ 60,766,470	\$ 65,031,073
Less: capital outlay	(13,349,968)	(14,847,451)	(8,290,088)	(10,821,569)	(9,801,397)	(15,621,225)	(15,485,939)	(11,091,705)	(10,812,959)	(10,341,003)
Noncapital expenditures	\$ 40,958,013	\$ 44,916,767	\$ 46,724,644	\$ 46,511,879	\$ 50,032,540	\$ 48,085,291	\$ 45,165,643	\$ 47,592,185	\$ 49,953,511	\$ 54,690,070
Debt service as a percentage of noncapital expenditures	13.09%	11.70%	11.58%	12.28%	21.44%	11.91%	9.77%	12.25%	11.02%	14.67%

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

	Fiscal Year June 30,				
	2013	2014	2015	2016	2017
Revenues					
General Property Taxes	\$ 13,606,085	\$ 13,814,622	\$ 13,568,504	\$ 14,389,962	\$ 14,816,811
Other Local Taxes	17,327,161	17,618,402	17,939,057	18,864,268	14,031,990
Permits, Fees and Licenses	391,407	1,073,586	1,027,582	772,765	1,280,528
Fines & Forfeitures	544,411	718,350	530,509	341,152	378,181
Use of Money and Property	1,445,303	1,518,555	1,505,164	1,858,388	2,224,138
Charges for Services	4,807,401	4,935,266	4,980,152	5,097,258	5,075,406
Contributions and Proffers	1,843	144,779	322,341	978,676	290,320
Miscellaneous	945,249	767,665	675,833	179,817	250,028
Intergovernmental	8,026,851	8,319,316	8,591,204	9,182,482	16,125,460
Transfer from other funds	2,455,864	2,262,085	2,319,710	4,171,689	3,059,596
Total Revenues	49,551,575	51,172,626	51,460,056	55,836,457	57,532,458
Expenditures					
Legislative	949,680	1,645,525	395,084	249,418	247,809
Executive	3,345,634	4,065,619	1,919,530	2,251,468	1,887,672
Legal	517,214	470,940	854,433	738,157	761,453
Finance and administrative services	2,196,207	1,985,483	4,459,503	4,921,814	4,795,874
Public Safety	12,551,566	12,507,687	13,488,315	13,242,169	12,467,978
Public Works	11,851,505	11,494,248	11,332,942	12,878,286	14,391,996
Parks and Recreation	7,462,632	7,833,710	8,060,847	7,845,039	7,640,573
Balch Library	440,057	457,866	459,214	488,583	490,644
Planning and Zoning	1,489,006	1,562,694	1,591,679	1,663,251	1,650,178
Plan Review	1,295,785	1,384,016	1,314,564	1,388,654	1,333,740
Airport	706,939	688,604	660,000	716,544	771,312
Debt Service					
Principal Retirement	3,026,278	1,799,341	2,300,000	2,505,000	5,020,000
Interest Payments & Other Fiscal Charges	2,698,505	2,611,718	2,678,082	2,997,383	3,004,766
Transfers to other funds	-	-	-	1,027,223	657,245
Total Expenditures	48,531,008	48,507,451	49,514,193	52,912,989	55,121,240
Net change in fund balances	1,020,567	2,665,175	1,945,863	2,923,468	2,411,218
Fund balance, beginning of year, as restated	17,149,544	18,170,111	20,835,286	22,781,149	25,704,617
Fund balance, end of year	\$ 18,170,111	\$ 20,835,286	\$ 22,781,149	\$ 25,704,617	\$ 28,115,835

Beginning fund balance was restated as of June 30, 2016, but no prior years have been restated.

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
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
2016	14,389,962	1,525,755	266,397	5,141,458	2,093,398	987,523	905,450	5,247,114	736,315	3,152,175	829,452	288,954	35,563,955
2017	14,816,810	1,521,737	274,095	5,384,169	2,041,943	985,261	872,841	5,368,976	791,255	3,482,857	897,488	205,137	36,642,570
Change 2008-2017	10%	5%	552%	32%	-18%	112%	0%	68%	16%	37%	19%	25%	21%

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	
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
2016	6,718,865,180	428,519,647	116,315,393	426,223	7,264,126,443
2017	7,081,200,240	412,219,300	118,495,103	514,888	7,612,429,531

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 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
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	7,629,100,735	6,643,105,870	1.5%	0.183	6,643,105,870	100%
2016	5,136,906,120	1,581,959,060	116,741,616	928,613,880	7,764,220,676	6,718,865,180	1.1%	0.186	6,718,865,180	100%
2017	5,395,167,440	1,686,032,800	119,009,991	977,061,440	8,177,271,671	7,200,210,231	5.3%	0.184	7,081,200,240	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
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
2016	0.186	1.00	1.145	4.20	1.33	5.20
2017	0.184	1.00	1.125	4.20	1.31	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	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Chelsea GCA Realty Partnership LP	\$ 232,102,190	1	3.49%	\$ 122,563,600	1	1.80%
Carlyle/Cypress Leesburg LLC	187,952,310	2	2.83%			
Federal Realty Investment Trust	62,513,980	3	0.94%			
PP Leesburg Investors LLC	60,773,010	4	0.91%			
RPAI Leesburg Fort Evans LLC	57,634,800	5	0.87%			
C H Realty III/Battlefield LLC	50,508,100	6	0.76%	52,897,700	4	0.78%
Fund IX CB Leesburg LLC	49,965,370	7	0.75%	47,500,000	6	0.72%
Potomac Station (E&A) LLC	43,202,440	8	0.65%	28,136,100	10	0.49%
Arcadia Communities Inc	42,036,560	9	0.63%			
AGNL Spine LLC	38,286,190	10	0.58%			
Windsor at Fieldstone Ltd Partnership				46,207,500	7	0.68%
TollStratford LLC				57,133,100	2	0.84%
Toll Road Investors Partshp II LP				53,694,000	3	0.79%
Washington-VA Tradnl Sites Inc				48,111,900	5	0.71%
F R Leesburg Plaza LP				41,310,100	8	0.61%
Fort Evans Plaza Ltmd Partnership				29,361,500	9	0.43%
Total	\$ 824,974,950		12.42%	\$ 526,915,500		7.82%

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 through 9/30/17	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 11,327,112	\$ 11,133,357	98.29%	\$ 193,755	\$ 11,327,112	100.00%
2009	10,583,453	10,430,489	98.55%	152,964	10,583,453	100.00%
2010	10,454,264	10,308,720	98.61%	145,461	10,454,181	100.00%
2011	10,686,708	10,538,583	98.61%	148,125	10,686,708	100.00%
2012	10,957,286	10,800,230	98.57%	155,657	10,955,887	99.99%
2013	11,344,541	11,238,473	99.07%	106,049	11,344,522	100.00%
2014	11,554,974	11,448,854	99.08%	101,612	11,550,466	99.96%
2015	11,918,370	11,821,105	99.18%	86,682	11,907,786	99.91%
2016	12,264,574	12,121,050	98.83%	110,715	12,231,765	99.73%
2017	12,827,526 ⁽¹⁾	6,495,284	50.64%	-	6,495,284	50.64%

PERSONAL 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 through 9/30/17	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 3,694,062	\$ 3,261,253	88.28%	\$ 432,649	\$ 3,693,902	100.00%
2009	3,469,654	3,027,434	87.25%	441,177	3,468,611	99.97%
2010	3,675,276	3,191,171	86.83%	482,574	3,673,745	99.96%
2011	3,576,769	2,933,515	82.02%	639,218	3,572,733	99.89%
2012	2,759,066	2,227,886	80.75%	472,443	2,700,329	97.87%
2013	2,977,914	2,516,044	84.49%	396,107	2,912,151	97.79%
2014	285,089 ⁽²⁾	269,307	94.46%	15,589	284,896	99.93%
2015	2,932,849 ⁽³⁾	2,679,710	91.37%	173,501	2,853,211	97.28%
2016	3,034,386	2,751,567	90.68%	145,578	2,897,145	95.48%
2017	2,913,670	2,374,500	81.50%	-	2,374,500	81.50%

Note:

(1) The amounts for calendar year 2017 reflect only the first half of the collections. The second half is due December 5.

(2) There was no personal property tax levied in calendar year 2014. The due date was moved from October 2014 to May 2015 by Town Council action. Levies and collections were made in fiscal year 2015.

(3) The Real Estate portion of Public Service Corporation is included in years 2012-2017 under Personal Property Tax levied and collected.

**RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	General Bonded Debt Outstanding	
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds	General Obligation Bonds				General Obligation Bonds	Percentage of Actual Taxable Value of Property		General Obligation Bonds	Debt Per Capita
2008	\$ 49,247,926	\$ 10,873,269	\$ 60,946,132	\$ 121,067,327	4.55%	\$ 3,148	\$ 109,295,096	1.65%	\$ 2,863			
2009	46,049,215	9,406,325	59,794,989	115,250,529	4.49%	2,983	105,844,204	1.83%	2,758			
2010	58,356,575	7,876,307	64,372,534	130,605,416	4.87%	3,065	122,729,109	2.17%	3,162			
2011	55,175,219	6,282,575	62,995,669	124,453,463	4.37%	2,894	118,170,888	2.04%	2,748			
2012	59,994,727	4,204,897	63,735,361	127,934,985	4.34%	2,881	123,730,088	2.09%	2,787			
2013	56,946,559	4,204,897	63,074,316	124,225,772	4.29%	2,704	120,020,875	1.94%	2,613			
2014	57,234,740	4,204,897	62,564,875	124,004,512	4.18%	2,601	119,799,615	1.83%	2,513			
2015	70,620,000	3,886,950	61,375,000	135,881,950	4.39%	2,745	131,995,000	1.99%	2,667			
2016	68,955,000	3,234,264	58,955,000	131,144,264	4.09%	2,561	127,910,000	1.90%	2,498			
2017	68,240,268	2,558,534	63,572,170	134,370,972	3.99%	2,554	131,812,438	1.86%	2,506			

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, 2017
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Loudoun County, Virginia	\$ 1,349,908,957	9.76%	\$ 131,690,663
Town Direct Debt			<u>68,240,268</u>
Total direct and overlapping debt			<u><u>\$ 199,930,931</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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 662,263,397	\$ 573,694,834	\$ 566,688,673	\$ 578,516,198	\$ 590,906,536	\$ 619,696,514	\$ 654,732,947	\$ 664,310,587	\$ 671,886,518	\$ 708,120,024
Total net debt applicable to limit	48,843,551	45,635,632	58,871,267	55,683,926	59,915,619	56,946,559	57,234,740	70,620,000	68,115,000	68,240,268
Available legal debt margin	\$ 613,419,846	\$ 528,059,202	\$ 507,817,406	\$ 522,832,272	\$ 530,990,917	\$ 562,749,955	\$ 597,498,207	\$ 593,690,587	\$ 603,771,518	\$ 639,879,756
Total net debt applicable to the limit as a percentage of debt limit	7.38%	7.95%	10.39%	9.63%	10.14%	9.19%	8.74%	10.63%	10.14%	9.64%

Legal debt margin calculation for fiscal year 2017	
Assessed value of real estate	<u>\$ 7,081,200,240</u>
Debt limit (10% of assessed value)	\$ 708,120,024
Debt applicable to limit:	
Net direct debt outstanding	<u>68,240,268</u>
Available legal debt margin	<u>\$ 639,879,756</u>

Summary of outstanding debt:	
Gross bonded debt	\$ 134,370,972
Less: enterprise debt	<u>66,130,704</u>
General obligation debt:	<u>\$ 68,240,268</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		
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	
2016	20,898,668	11,254,828	9,643,840	2,232,686	2,911,379	5,144,065	1.87	
2017	22,975,657	11,076,596	11,899,061	1,930,730	2,574,561	4,505,291	2.64	

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.

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
2008	39,590	\$ 2,658,033,650	\$ 64,256	2.80%
2009	40,824	2,569,228,962	61,471	4.60%
2010	41,818	2,683,785,216	62,976	5.30%
2011	43,000	2,846,549,230	66,010	5.00%
2012	44,400	2,950,229,850	68,174	4.80%
2013	45,936	2,897,093,364	66,441	4.70%
2014	47,673	2,967,530,200	67,450	4.50%
2015	49,496	3,092,644,065	69,895	3.70%
2016	51,209	3,205,584,000	72,000	3.30%
2017	52,607	3,367,559,100	75,100	3.00%

Notes:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.
2008-2009, 2011-2017: U.S.Census Bureau Annual Population Estimates.
- (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 17, 2016 release for 2000 to 2015. 2016 and 2017 values are estimates from the Loudoun County Department of Management and Budget.
- (3) Unemployment rates information is maintained for some towns in Virginia, including Leesburg. The information provided is sourced from the Bureau of Labor Statistics, Local Area Unemployment Statistics, October 5, 2017, month of June each year. Values of previous years have been revised.

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	2017			2008	
	Employees	Rank	Percentage of Total Employment	Employees	Rank
Loudoun County Government	2,000-2,500	1	9.2%	1,500-2,000	1
Loudoun County Public Schools	1,500-2,000	2	6.8%	1,000-1,500	2
Town of Leesburg	500-1,000	3	2.0%	250-500	4
Federal Aviation Administration	500-1,000	4	2.0%	500-1,000	3
Wegmans	250-500	5	1.6%	-	-
K2M	250-500	6	1.3%	-	-
Commonwealth of Virginia	250-500	7	1.2%	-	-
Target	250-500	8	1.0%	250-500	6
Costco	100-250	9	0.9%	100-250	8
Loudoun Medical Group	100-250	10	0.9%	250-500	5
Giant Foods	-	-		250-500	7
Home Depot	-	-		100-250	9
Host Marriott Services				100-250	10

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Town Manager's Office	6.0	6.5	8.5	9.0	6.0	6.0	6.0	7.0	8.0	6.0
Town Attorney	2.0	2.6	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0
Clerk of Council	2.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	19.5	19.5	19.5	19.5	16.0	16.0	15.5	15.5	17.5	19.5
Human Resources	10.5	9.5	7.5	7.0	4.0	4.0	4.0	4.0	4.0	4.0
Information Technology	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	6.0
Public Safety	95.0	96.0	98.0	101.0	101.0	101.0	101.0	103.0	103.0	103.0
Public Works & Capital Projects	61.0	54.0	53.0	53.0	49.0	49.0	49.0	49.0	53.0	55.0
Capital Projects Management	9.0	10.0	11.0	10.0	10.6	10.6	9.4	6.0	-	-
Utilities	86.0	85.0	84.0	80.5	78.5	78.0	78.0	78.0	81.0	81.0
Parks, Recreation and Cultural	96.8	109.8	112.2	111.0	107.1	107.1	107.1	107.5	107.5	105.5
Balch Library	6.0	6.2	6.2	6.2	5.2	5.2	5.2	5.2	5.2	5.2
Planning & Zoning	23.0	16.0	16.0	16.0	11.0	11.0	12.0	12.0	12.0	12.0
Plan Review	-	13.0	14.0	12.0	9.0	9.0	9.0	9.0	8.0	8.0
Economic Development	3.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Airport	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	429.8	443.6	446.4	441.2	411.4	410.9	410.2	412.2	415.2	416.2

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.
- (2) Public Works and Capital Projects Management were merged in FY16.

TOWN OF LEESBURG, VIRGINIA

Table 20

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (1)
Police:										
Calls for service	56,786	54,235	45,236	50,832	47,864	49,764	51,028	54,261	44,110	34,200
Adult arrest	1,400	1,324	1,302	1,468	1,244	1,063	1,189	710	635	275 (2)
Juvenile arrest	155	220	286	319	237	121	165	83	58	31 (2)
Speeding citations only	1,525	1,570	1,636	1,662	1,736	1,764	1,260	1,542	887	734
Traffic citations	6,238	5,751	7,328	6,795	5,567	5,580	7,064	4,827	4,115	4,391
Administration:										
Applications processed (full and part-time)	2,106	1,983	1,244	1,712	1,879	1,276	2,528	3,141	2,744	2,595
Positions advertised (full and part-time)	49	9	16	42	70	56	109	132	115	90
New hires (full and part-time)	165	98	133	130	142	124	166	200	155	165
Reportable accidents	24	25	76	37	25	24	20	26	19	16
All town training sessions	45	27	34	20	47	38	29	30	40	29
Public service:										
Garbage collected (ton)	21,105	17,407	16,829	18,024	18,185	13,639	13,183	15,489	16,309	11,770
Recycle collected (ton)	7,096	7,580	8,396	9,776	10,355	7,766	5,226	7,529	7,288	5,771
Parks and recreation:										
Recreation program attendance	18,682	13,901	15,161	23,306	14,883	11,160	11,174	12,374	10,363	8,987
Aquatics program attendance	5,989	7,915	10,650	9,902	7,781	5,835	8,008	7,996	8,094	6,737
Utilities:										
New water connections	100	93	67	94	116	87	116	59	106	69
New wastewater connections	100	93	67	85	100	84	114	57	105	69
Average daily water consumption (mgd)	4.21	4.22	4.30	4.30	4.29	4.28	4.25	4.20	4.15	4.12
Average daily sewage treatment (mgd)	4.99	4.40	5.00	4.88	4.46	4.42	4.27	4.05	4.09	3.93
Airport:										
Number of hangers rented	40	41	41	57	57	57	57	57	57	57
Number of tiedowns rented	108	125	122	120	110	102	108	101	106	106
Number of incidents on airport property	3	-	-	1	1	-	2	-	1	1

Note:

(1) Through September 30.

(2) Through June 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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Primary (miles)	13	14	15	15	15	15	15	15	15	15
Secondary (miles)	90	91	91	91	92	92	92	92	92	93
Traffic signals	42	49	50	51	52	54	56	56	59	59
Number of street lights	2,179	2,479	2,614	2,654	2,700	2,791	2920	2993	3089	3165
Parks and recreation:										
Parks - number of acres*	361	361	361	361	361	361	361	370	370	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	105	105	105
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	3	3	3	3	3	3	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	11	11	11	11	11	11	11	11	11	11
Swimming pools	2	3	3	3	3	3	3	3	3	3
Parks with playground equipment	6	5	5	5	5	5	6	6	6	6
Picnic shelters	6	4	4	4	4	4	5	5	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	32,474	37,194	41,227	59,423	61,377	70,717	74,262	76,203	77,899	94,987
Water:										
Wells	1	1	1	1	1	1	1	1	1	1
Water lines (miles)	208	209	215	218	217	218	218	218	218	218
Fire hydrants	2,332	2,347	2,367	2,459	2,589	2,598	2,595	2,606	2,606	2,606
Storage capacity (mgd)	5	6.5	8	8	8	8	8	8	8	8
Number of customers	15,035	15,120	15,142	15,159	15,292	15,509	15,553	15,634	15,712	15,791
Sewers:										
Sanitary sewers (miles)	171	172	175	169	172	172	172	174	174	174
Storm sewers (miles)	127	129	131	134	134	137	137	144	144	144
Number of customers	15,139	15,155	15,039	15,178	15,347	15,391	15,453	15,579	15,657	15,734
Airport:										
Hangers	41	41	57	57	57	57	57	57	57	57
Tie-downs	116	131	133	122	120	120	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

TOWN OF LEESBURG, VIRGINIA
June 30, 2017
(Unaudited)

Table 22

LEGAL DEBT MARGIN INFORMATION FOR BOND COVENANT CONTINUING DISCLOSURE

	<u>As of June 30, 2017</u>
Assessed Value of Real Estate	\$ 7,081,200,240
Legal Debt Limit-10% to total Assessed Value of Real Estate	708,120,024
Total amount of debt applicable to debt margin (1)	\$ 134,370,972
Less: 1999 Revenue Bond (2)	<u>2,558,534</u>
Net amount of debt applicable to debt margin	<u>131,812,438</u>
Legal Margin for Creation of Additional Debt	<u><u>\$ 576,307,586</u></u>

(1) See Table 15 Gross Bonded Debt

(2) See Table 13 Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding



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COMPLIANCE SECTION

TOWN OF LEESBURG, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE			
Pass-Through Payments:			
Virginia State Police			
Edward Byrne Memorial Justice Assistance Grant Program	17-K1059LO16	16.738	\$ 4,173
Pass-Through Payments:			
Town of Vienna, Virginia			
Gang-Free Schools and Communities-Community Based			
Youth Gang Prevention	2010-DD-BX-0483	16.544	<u>14,410</u>
Total Department of Justice			<u>18,583</u>
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Airport Improvement Program	3-51-0027-037	20.106	97,518
Pass-Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	0015-253-101, U000-253-312, EN06-253-124, U000-253-337	20.205	<u>3,267,062</u>
Total Highway Planning and Construction Center			<u>3,267,062</u>
Total Department of Transportation			<u>3,364,580</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass-Through Payments:			
Commonwealth of Virginia, Department of Emergency Services			
Disaster Grants- Public Assistance	DR4262	97.036	<u>191,950</u>
Total Federal Expenditures			<u>\$ 3,575,113</u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

De Minimus Indirect Cost Rate

The Town has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Relationship to Basic Financial Statements

For fiscal year 2017, the Town recognized amounts in the Schedule associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$191,950 of prior expenditures related to the Department of Homeland Security (Commonwealth of Virginia Emergency Services Disaster Grants) (CFDA #97.036) was included in the Schedule. The expenditures were not recorded on the Schedule in the prior year because the amount of Federally reimbursed expenditures was not known until the year in which the funds were received. These funds received were related to Super Storm Sandy which occurred in 2012 and Winter Storm Jonas which occurred in 2016.

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

Honorable Members of Town Council
Town of 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 aggregate remaining fund information of the Town of Leesburg, Virginia (the “Town”), as of and for the year ended June 30, 2017, 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 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2017-001 that we consider to be a material weakness.**

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*.**

Town of Leesburg's Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Leesburg, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2017. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each 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, 2017.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2017

TOWN OF LEESBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Town Charter

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

TOWN OF LEESBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness** relating to the audit of the financial statements was reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance with Requirements For Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major program of the Town is:

Name of Program	CFDA #
Highway Planning and Construction	20.205

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Town of Leesburg **was** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001: Inventory (Material Weakness)

Condition:

In previous year the Town did not properly track inventory for the utility fund which resulted in a large prior period adjustment. At June 30, 2017 the Town began to count and track inventory.

Recommendation:

We recommend the Town continue to track inventory and perform an annual inventory count.

Management’s Response:

Management agrees and will continue to track inventory and perform an annual count.

TOWN OF LEESBURG, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2017

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

1. Significant Deficiency in Internal Control

2016-001 Significant Deficiency Due to Significant Audit Adjustments

Criteria: The financial statement amounts obtained from the Town to be audited should be free of material misstatement.

Condition and context: Upon auditing the Town's year-end balances, four separate instances requiring significant adjustments were identified in the Capital Projects Fund due to a lack in recognizing expenditures in the proper fiscal year.

Cause: Due to invoices being received and not reviewed for posting to the proper period.

Effect: The financial statements have been corrected to include the identified audit adjustments. The audit adjustments were to properly recognize expenditures associated with capital projects that were omitted from the Town's Year-end accruals. The adjustments were significant to the financial statements and were made to more accurately represent the Town's liabilities, expenditures, and financial position at year-end. Failure to record the items noted above is a departure from *Government Auditing Standards*.

Recommendation: Expenditures should be recognized in the fiscal year services are performed.

Views of Responsible Officials: Management concurs with the finding.

Current Status: No similar instances noted.