



Comprehensive
Annual
Financial Report
for the
Fiscal Year Ending
June 30, 2018



TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2018

Prepared by the
Department of Finance

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**TOWN OF LEESBURG, VIRGINIA
FINANCIAL REPORT**

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INTRODUCTORY SECTION

November 28, 2018

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, 2018. 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 requirements. 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, 2018.

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 & towns nationally. More recently, in October 2016, Leesburg was ranked as the best small town in Virginia, and 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, water and sewer 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 who reports to the Town Manager, Deputy Town Manager or Director of Finance and Administrative Services.

Local Economy Condition and Outlook

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 carefully manage its funding sources.

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 2.9% to 2.7%. 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 fourth phase of the business cycle, mature growth, much longer than anticipated and continues moving along unfettered. Residential property values have stabilized and have moderately increased. Revenues from consumer spending are beginning to trend upward and investment earnings are improving. Federal and state revenues have been flat and are uncertain. In planning for a future based on economic uncertainty, 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 2018 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 2018 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:

- Transportation & Traffic
- Community & Economic Development
- Fiscal/Financial Issues
- Downtown Leesburg
- Relationship with Loudoun County
- Town Council Relationship & Protocols

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 the Town's fiscal policies. As a result of the adherence to that philosophy, the Town has achieved its long-term goal of maintaining a 20% unassigned fund balance. This fiscal discipline was rewarded in April 2016 with Triple A ratings from Moody's, Fitch and Standard & Poor's credit rating agencies and was recently affirmed by Fitch with a stable outlook.

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 is a challenge during 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 the Federal Deposit Insurance Corporation (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 (LGIP), the State Non-Arbitrage Pool (SNAP), 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. The Town's OPEB assets are invested in 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 market-based returns with low fees.

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 separated 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 governmental and proprietary 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, 2017. 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 31-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 2018.

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; Nanette Moreau, Accounting Associate; 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 management 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 'KJD', with a horizontal line extending to the right.

Kaj Dentler
Town Manager

A handwritten signature in black ink, reading '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

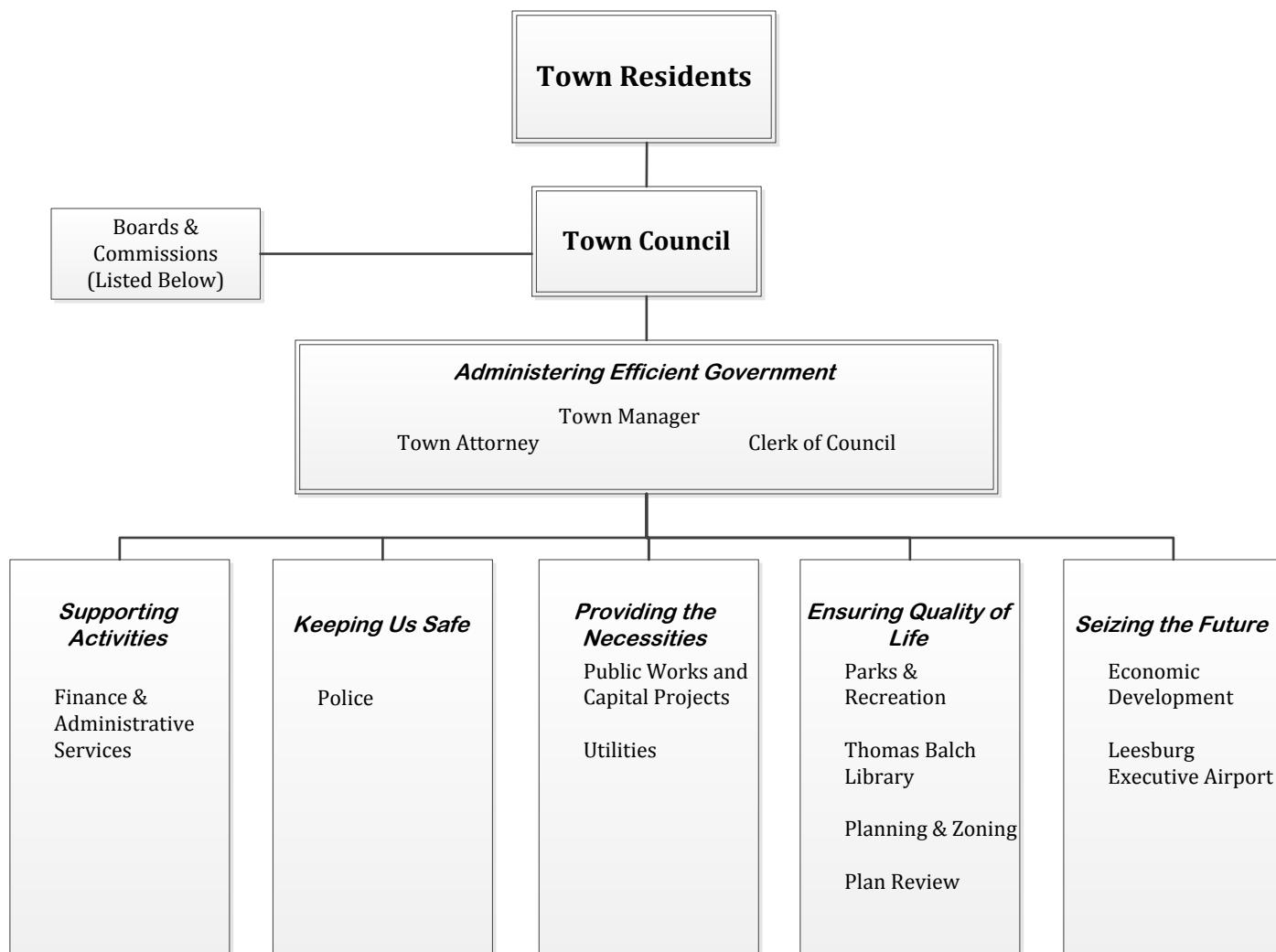
**Town of Leesburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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

DIRECTORY OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Kelly Burk, Mayor
Suzanne Fox, Vice Mayor
Thomas Dunn, II
Fernando "Marty" Martinez
Vanessa Maddox
Ron Campbell
Joshua Thiel

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 and 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
Russell Seymour, Director of Economic Development
Alexandra Gressitt, Director of Balch Library
Clark Case, Director of Finance and Administrative Services
Annie Carlson, Information Technology Manager
Vacant, Human Resources Director
Betsy Arnett, Public Information Officer

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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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 15 to the financial statements, in 2018 the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. 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 the other 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. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, 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 28, 2018

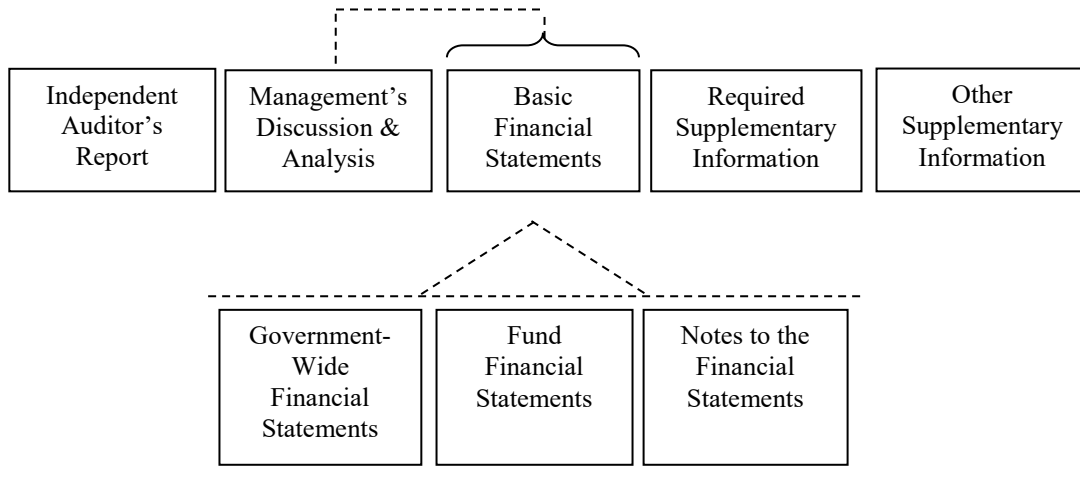
**TOWN OF LEESBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

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, 2018. 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, 2018. 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 utilized for approved street and road upgrades and the Balch Library Endowments used to purchase collections and maintain the special library programs.

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.

(Continued)

Proprietary Funds – The Town has two proprietary funds for the fiscal year ended 2018 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. In fiscal year 2018, the Town adopted *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the Town’s long-term OPEB obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has not been recorded was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Town record a net OPEB liability directly on the statement of net position. Beginning net positions as been restated as discussed in Note 15, and this has had a significant impact on the Town’s net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in the discussion and analysis has not been restated.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018

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 \$459.2 million at June 30, 2018 of which \$317.1 million is attributable to the Town’s governmental activities and \$142.1 million to business type activities (Exhibit 1). The government-wide total net position that is unrestricted is \$32.8 million, of which \$10.4 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 \$24.4 million or 5.6 percent increase in the Town’s net position from \$434.7 million in fiscal year 2017 as restated (Note 15) to \$459.2 million in fiscal year 2018. This increase of \$24.4 million is due to an increase of \$18.2 million in governmental activities and an increase of \$6.3 million in business-type activities.

(Continued)

Total fund balance of the Town's Governmental Funds is \$48.4 million at June 30, 2018 of which \$29.5 million is attributable to the Town's General Fund; \$17.7 million is attributable to the Town's Capital Projects Fund; \$1.1 million is attributable to Other Non-major Governmental Funds (Exhibit 3). The Governmental Funds total fund balance that is unassigned is \$14.5 million. This amount is comprised of the General Fund's unassigned fund balance. The Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) presents all the factors attributed to the \$6.8 million or 16.3 percent increase in the total fund balance from \$41.6 million in fiscal year 2017 to \$48.4 million in fiscal year 2018. This increase of \$6.8 million is due to an increase of \$1.4 million in the fund balance of the General Fund and an increase of \$4.3 million in the fund balance of the Capital Projects Fund as a result of the completion of projects with related grant revenue as well as new construction activity which resulted in an increase in proffer revenue for specific projects as well as contributions from Loudoun County to assist in improvement of local roads.

The total net position of the Town's Enterprise Funds is \$143.8 million of which \$142.1 million is attributable to the Town's Utilities Fund and \$1.7 million is attributable to the Town's Internal Service Fund at June 30, 2018 (Exhibit 8). The Utilities Fund's unrestricted net position is \$24.8 million and the Internal Service Fund's unrestricted net position is \$1.7 million. The Statement of Revenue, Expenses and Changes in Net Position (Exhibit 9) presents all the factors attributed to the Utilities Fund's \$3.4 million or 2.4 percent increase from \$138.7 million in fiscal year 2017 to \$142.1 million in fiscal year 2018 and the decrease in net position of \$0.1 million or 6.3 percent from \$1.8 million in 2017 to \$1.7 million in 2018 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, 2018 and 2017.

Table 1
Summary Statement of Net Position
Comparison as of June 30, 2018 and 2017 (\$ in Thousands)

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2018	2017	2018	2017	2018	2017
<u>Assets and Deferred Outflows of Resources</u>						
Current and Other Assets	\$ 67,664	\$ 63,301	\$ 32,953	\$ 27,308	\$ 100,617	\$ 90,609
Capital Assets, net	351,437	345,518	180,591	181,694	532,028	527,212
Total Assets	419,101	408,819	213,544	209,002	632,645	617,821
Deferred Outflows of Resources	4,621	6,474	2,977	3,610	7,598	10,084
Total Assets and Deferred Outflow of Resources	423,722	415,293	216,521	212,612	640,243	627,905
<u>Liabilities and Deferred Inflows of Resources</u>						
Current Liabilities	9,534	17,533	3,836	5,803	13,370	23,336
Long-term Liabilities	83,906	78,058	69,356	68,091	153,262	146,149
Total Liabilities	93,440	95,591	73,192	73,894	166,632	169,485
Deferred Inflows of Resources	13,199	10,188	1,235	62	14,434	10,250
Total Liabilities and Deferred Inflows of Resources	106,639	105,779	74,427	73,956	181,066	179,735
<u>Net Position</u>						
Net Investment in Capital Assets	294,701	283,018	119,677	116,402	414,378	399,420
Restricted	12,013	16,543	-	-	12,013	16,543
Unrestricted	10,368	9,953	22,418	22,254	32,786	32,207
Total Net Position	\$ 317,082	\$ 309,514	\$ 142,095	\$ 138,656	\$ 459,177	\$ 448,170

(Continued)

Total net position for the Town's governmental activities increased approximately \$18.2 million or 6.1 percent, to \$317.1 million. This increase is comprised primarily of a \$10.9 million increase in net investment in capital assets and a \$3.8 million decrease in current liabilities and a decrease of 1.2 million in deferred inflow. In comparison, net position for business-type activities increased approximately \$6.3 million to \$1.2 million in deferred inflow when compared to the restated opening balance of \$299.0 million. This increase is comprised primarily of an increase in capital assets, net of \$4.5 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) and an increase of \$2.8 million which is attributed to restatement of the opening net position balance due to implementation of GASB 75.

Statement of Activities

Table 2 summarizes and compares the Statement of Activities (Exhibit 2) for the Town for the fiscal years ended June 30, 2018 and 2017.

Table 2
Summary of Statement of Activities
Comparison for the years ended June 30, 2018 and 2017 (\$ in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	2018	2017	2018	2017	2018	2017
REVENUES						
<u>General Revenues:</u>						
Property Taxes	\$ 15,636	\$ 14,811	\$ -	\$ -	\$ 15,636	\$ 14,811
Other Local Taxes	22,310	21,458	-	-	22,310	21,458
Other	5,450	14,039	793	589	6,243	14,628
<u>Program Revenues:</u>						
Charges for Services	6,936	8,972	23,873	22,387	30,809	31,359
Operating Grants and Contributions	6,485	5,834	-	-	6,485	5,834
Capital Grants and Contributions	20,993	12,756	2,811	12,128	23,804	24,884
Total Revenues	77,810	77,870	27,477	35,104	105,287	112,974
EXPENSES						
Legislative	275	258	-	-	275	258
Executive	2,011	2,162	-	-	2,011	2,162
Legal	851	764	-	-	851	764
Parks and Recreation	8,550	7,324	-	-	8,550	7,324
Finance	5,575	4,907	-	-	5,575	4,907
Balch Library	522	670	-	-	522	670
Planning and Zoning	2,050	1,650	-	-	2,050	1,650
Public Works	21,626	20,916	-	-	21,626	20,916
Public Safety	13,696	12,749	-	-	13,696	12,749
Plan Review	1,352	1,329	-	-	1,352	1,329
Airport	2,145	1,949	-	-	2,145	1,949
Interest	2,299	2,966	-	-	2,299	2,966
Water and Sewer	-	-	19,891	19,167	19,891	19,167
Total Expenses	60,952	57,644	19,891	19,167	80,843	76,811
Change in Net Position before transfers	16,858	20,226	7,586	15,937	24,444	36,163
Transfers in (out)	1,325	1,422	(1,325)	(1,422)	-	-
Increase (Decrease) in Net Position	18,183	21,648	6,261	14,515	24,444	36,163
Net Position, Beginning of Year	298,899	287,866	135,834	124,141	434,733	412,007
Net Position, End of Year	\$ 317,082	\$ 309,514	\$ 142,095	\$ 138,656	\$ 459,177	\$ 448,170

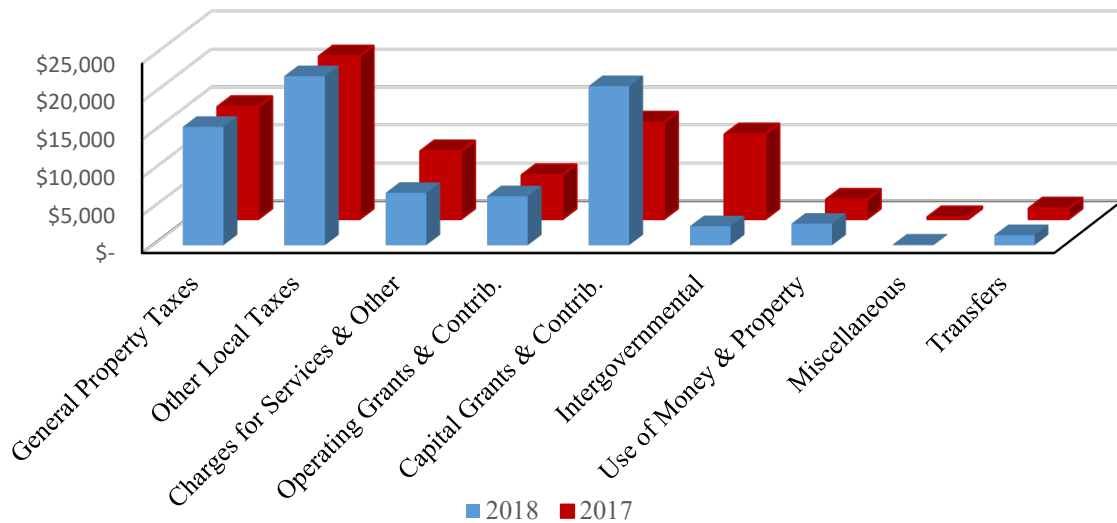
(Continued)

Governmental Activities

As shown in Table 2 above, total revenue for the Town’s governmental activities was \$77.8 million for fiscal year 2018 compared to \$77.9 million for fiscal year 2017. In addition to this revenue, there were net transfers of \$1.3 million to the Governmental Activities in 2018. Table 2 also indicates total expenses for governmental activities for fiscal year 2018 were \$61.0 million, compared to \$57.6 million in fiscal year 2017.

Chart 1 below shows the sources of all governmental revenue for fiscal years 2018 and 2017:

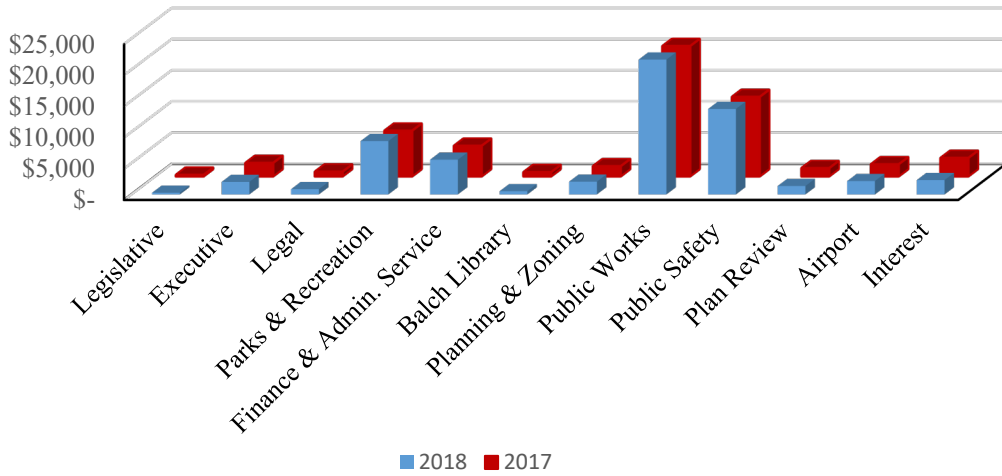
Chart 1
Governmental Activities – Revenues by Source
Comparison for the years ended June 30, 2018 and 2017 (\$ in Thousands)



Taxes constitute the largest source of Town revenue totaling approximately \$30.7 million, with general property taxes of \$15.6 million in 2018 and \$14.9 in 2017 (Table 2). Other local taxes, \$15.1 million in 2018 and \$13.9 million in 2017, are generated through business and occupational licenses and consumption based taxes such as taxes on meals, sales and use, cigarettes and utilities.

Chart 2 on the next page, illustrates total expenses by function.

Chart 2
Governmental Activities – Expenses by Function
Comparison for the years ended June 30, 2018 and 2017 (\$ in Thousands)



Public Works was the Town’s largest function with the Town’s cost of service totaling \$21.6 million or 35.5 percent of total expenses. The increase of \$0.7 million in Public Works is largely due to a variety of infrastructure and road projects that were undertaken in fiscal 2018. Public safety expenses, which total \$13.7 million, or 22.5 percent, represent the second largest expense category for governmental activities. Expenses increased by \$0.9 million or 7.4 percent which can be attributed to positions that were filled in fiscal year 2018 that were vacant in fiscal year 2017.

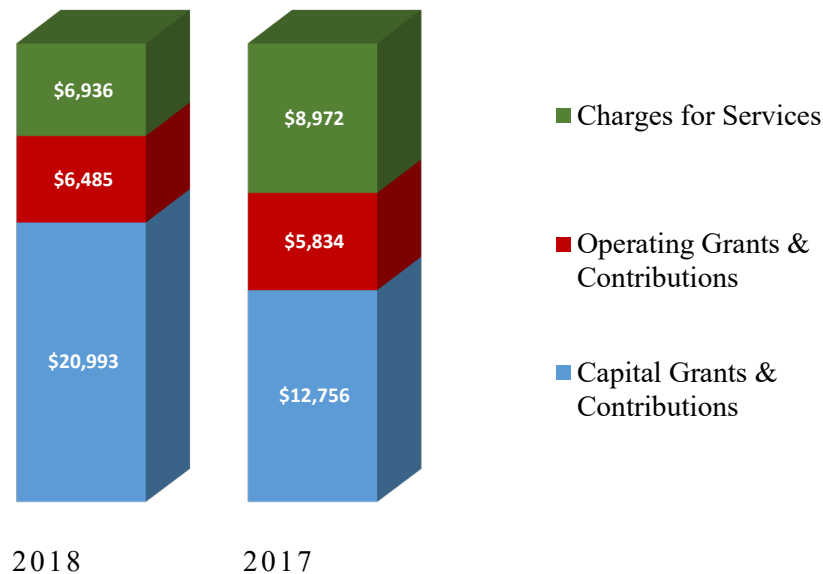
Table 3 below, illustrates that general revenue, primarily in the form of taxes, charges for services and state aid, is essential to providing support for the services offered by the Town. These governmental activities generate revenue that assists in offsetting the cost of these services. Table 3 presents the total cost of services and the net cost 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 increasingly utilizes grants and contributions primarily for public safety, airport, and public works. After recognizing the total revenue from these fees, grants, and contributions of \$34.4 million in 2018, the net cost of governmental activities was \$26.5 million, compared to total costs of \$57.6 million. In 2017, the Town recognized revenue from fees, grants and contributions of \$27.6 million with a net cost of governmental activities of \$30.1 million.

Table 3
Net Cost of Governmental Activities
Comparison for the years ended June 30, 2018 and 2017 (\$ in Thousands)

Function:	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Legislative	\$ 275	\$ 258	\$ 275	\$ (61)
Executive	2,011	2,162	1,149	2,126
Legal	851	764	851	764
Parks & Recreation	8,550	7,323	3,469	2,379
Finance & Admin. Services	5,575	4,907	5,575	4,907
Balch Library	522	685	522	685
Planning & Zoning	2,050	1,635	901	(285)
Public Works	21,626	20,916	(3,840)	3,551
Public Safety	13,696	12,749	12,160	11,134
Plan Review	1,352	1,329	1,352	48
Airport	2,145	1,949	1,825	1,867
Interest	2,300	2,966	2,300	2,966
Totals	\$ 60,953	\$ 57,643	\$ 26,539	\$ 30,081

Chart 3 below, shows a comparison of program revenue and the three main components: Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions. Revenue from Charges for Services decreased by \$2.0 million, program revenue for Operating Grants and Contributions increased \$0.7 million and Capital Grants and Contributions increased \$8.2 million primarily due to increased activity for public works projects including streets and roads that are funded by grants and other contributions.

Chart 3
Governmental Activities – Program Revenue
Comparison for the years ended June 30, 2018 and 2017 (\$ in Thousands)



Business-Type Activities

Table 2 summarizes the business-type activities for 2018 and indicates the Utilities Fund Government-wide Net Position increased by \$6.3 million after the \$1.3 million transfer to the General Fund and the opening balance adjustment of \$2.8 million resulting from the adjustments for GASB 75. 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 2018 for both the Utilities Fund and the Internal Service Self Insurance 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 Self Insurance Fund. In fiscal year 2018, the Utilities Fund's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources were \$213.5 million, \$2.8 million, \$73.1 million and \$1.2 million, respectively. Total Net Position for fiscal year 2018 was \$142.1 million of which \$24.8 million is unrestricted. In fiscal year 2018, the Internal Service Fund's total assets and liabilities were \$2.6 million and \$0.9 million, respectively. Total net position for fiscal year 2018 was \$1.7 million all of which was unrestricted.

99.1 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 2018 was \$21.8 million compared to \$19.9 million for fiscal year 2017.

Total operating expenses increased \$0.9 million to \$16.6 million in fiscal year 2018. When combined with the \$1.9 million increase in operating revenue the Utilities Fund recognized operating income of \$4.3 million for fiscal year 2018. Non-operating revenues and expenses resulted in a net increase of \$0.5 million. The \$6.3 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 \$29.5 million and \$17.7 million, respectively, for a total of \$47.2 million for fiscal year 2018 (Exhibit 3). The non-major, other governmental funds provided an additional \$1.1 million for a total of \$48.4 million. An increase in fund balances of \$6.8 million from \$41.6 million in 2017 was primarily due to \$4.9 million of excess revenue over expenditures and excess other financing sources over uses of \$1.9 million; primarily from transfers in from other funds as well as loan proceeds received. 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, 2018 and 2017.

Table 4
Governmental Fund Balances
Comparison for the years ended June 30, 2018 and 2017 (\$ in Thousands)

	2018	2017	Change
Non-Spendable			
Lease deposit	\$ 162	\$ 161	\$ 1
Prepaid Expenses	115	141	(26)
Restricted			
Balch Library	926	901	25
Parks and Recreation	51	51	-
NVTA	315	-	315
Police	93	72	21
Bond Proceeds	4,112	4,646	(534)
Proffers	6,898	5,065	1,833
Gas Tax	3,267	2,770	497
Parking-in-lieu	248	248	-
Esummons	215	108	107
Committed			
Capital Projects - Road	1,979	8,934	(6,955)
Capital Projects - Storm Drainage	91	354	(263)
Capital Projects - General Governmental	33	1,058	(1,025)
Capital Projects - Airport	63	24	39
Capital Projects - Parks and Recreation	15	188	(173)
Assigned			
Debt Service Reserve	9,897	9,897	-
Capital Asset Reserve	1,739	1,610	129
Designated for Future Years	3,646	2,638	1,008
Unassigned	14,494	2,706	11,788
Total Fund Balances	48,359	41,572	6,787

(Continued)

The General Fund is the main operating fund of the Town; its total fund balance increased \$2.2 million to \$29.5 million for fiscal year 2018 (Exhibit 5). Of this total, unassigned fund balance was \$14.5 million (Exhibit 3) or 25.9 percent of total General Fund expenditures of \$55.9 million for fiscal year 2018. In comparison, at the end of fiscal year 2017, the unassigned fund balance was \$12.3 million, equal to 22.6 percent of total General Fund expenditures. The Assigned Fund Balance Designated for Future Years' increased \$1.0 million, capital asset replacement fund increased \$0.01 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, 2018, the Capital Projects fund balance was \$17.7 million (Exhibit 3) compared to \$13.4 million in 2017. 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 2017 was a deficit of \$10.5 million and unassigned fund balance for fiscal year 2018 is \$0.0 million for a net change of \$10.5 million primarily due to contract commitments on capital projects completing in fiscal year 2018.

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, 2018 (\$ in Thousands)

	Fiscal Year 2018		
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 29,086	\$ 29,086	\$ 30,772
Intergovernmental	15,103	15,105	15,415
Other	9,196	9,497	9,796
Total Revenues	53,385	53,688	55,983
Expenditures:			
Expenditures	57,712	60,958	55,918
Deficiency of Revenue under Expenditures	(4,327)	(7,270)	65
Other Financing Sources:			
Transfers, net	2,180	2,132	1,560
Use of Fund Balance	2,148	4,977	-
Loan Proceeds	-	-	556
Total Revenues	4,328	7,109	2,116
Change in Fund Balance	\$ 1	\$ (161)	\$ 2,181

General Fund revenues exceeded the budget by \$2.3 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 \$1.7 million, \$0.3 million, and \$0.3 million, respectively (Exhibit 7). General Fund expenditures were under the amended budget by approximately \$5.0 million. Fund balance for the General Fund increased by \$2.2 million.

(Continued)

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 \$3.2 million for fiscal year 2018 (Exhibit 7). This increase is a result of supplemental appropriations throughout the year including uncompleted contractual services carried forward from fiscal year 2017. 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 2017 and 2018 uncompleted contractual services and projects will be carried forward to fiscal year 2019.

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, 2018 and 2017.

Table 6
Capital Assets
Comparison as of June 30, 2018 and 2017 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Land	\$ 61,231	\$ 61,231	\$ -	\$ 1,577	\$ 1,577	\$ -
Buildings and improvement	86,190	86,069	121			-
Water and sewer plant	-	-	-	116,003	115,933	70
Water and sewer lines	-	-	-	142,674	139,018	3,656
Equipment and software	11,065	11,027	38	2,920	2,610	310
Vehicles	5,800	5,229	571	2,764	2,422	342
Infrastructure and street	270,288	267,115	3,173	-	-	-
Hangars	6,057	6,057	-	-	-	-
Terminals	6,678	6,678	-	-	-	-
Runway	16,570	16,570	-	-	-	-
Construction in progress	26,966	16,229	10,737	269	124	145
Total Capital Assets	490,845	476,205	14,640	266,207	261,684	4,523
Accumulated depreciation and amortization	(139,408)	(130,686)	(8,722)	(85,617)	(79,991)	(5,626)
Total Capital Assets, Net	\$ 351,437	\$ 345,519	\$ 5,918	\$ 180,590	\$ 181,693	\$ (1,103)

The Town's Governmental Activities Capital Assets (net of accumulated depreciation and amortization) as of June 30, 2018 and 2017 amounted to approximately \$351.4 million and \$345.5 million, respectively. The net increase in capital assets (including additions, retirements, depreciation and amortization) was \$5.9 million for governmental activities. The additional increase can be attributed to \$10.7 million increase in construction in progress as well as \$3.2 million in infrastructure improvements (see Note 6).

(Continued)

The Business-type Activities Capital Assets (net of accumulated depreciation and amortization) as of June 30, 2018 amounted to approximately \$180.6 million for the Utilities Fund compared to \$181.7 million in 2017. The decrease is predominantly due to capital asset additions being less than depreciation expense for the year.

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 \$7.2 billion in fiscal year 2018 and \$7.1 billion in 2017. The Town's total long-term obligations of \$62.4 million as of June 30, 2018 and \$68.2 million as of June 30, 2017, 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, 2018 and 2017 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
General Obligation Bonds	\$ 62,454	\$ 68,240	\$ (5,786)	\$ 61,892	\$ 63,572	\$ (1,680)
Revenue Bonds	-	-	-	1,859	2,559	(700)
Totals	\$ 62,454	\$ 68,240	\$ (5,786)	\$ 63,751	\$ 66,131	\$ (2,380)

Outstanding long-term debt for governmental activities as of June 30, 2018 is \$62.4 million indicating a decrease of \$5.7 million from fiscal year 2017. Outstanding long-term debt for business activities decreased from \$66.1 million as of June 30, 2017 to \$63.8 million as of June 30, 2018 (see Note 6).

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.

(Continued)

- 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 2018, this percentage was 14.2 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 2018, this percentage was 0.9 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 6 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The 2.7 percent average unemployment rate for the Town of Leesburg according to the U.S. Census Bureau Annual Population Estimates, is reduced from the 2.9 percent level in 2017. 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 54,215. 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 \$75,700, 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 2018 by 5.0 FTE positions to a total of 349.3. Workforce numbers by department for the last ten years are provided in the statistical section of this report at Table 19.

Fiscal Year 2019 Budget and Rates

- For fiscal year 2019, the adopted budget for the General Fund is \$59.0 million, an increase of \$1.9 million or 3.3 percent, over fiscal year 2018. Revenues are comprised primarily of general taxes at 55.4 percent, intergovernmental assistance at 22.2 percent, charges for services at 9.1 percent, other miscellaneous revenue at 6.8 percent and donations and transfers at 6.27 percent.
- In fiscal year 2019, the Town continues to prioritize its services. In the General Fund, public safety accounts for \$14.3 million or 24.2 percent of the budgeted expenditures. The public works department accounts for \$14.2 million or 24.1 percent of budgeted expenditures.
- Tax rate for real property for tax year 2018 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.

BASIC FINANCIAL STATEMENTS

TOWN OF LEESBURG, VIRGINIA

Exhibit 1

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents (Note 2)	\$ 44,033,321	\$ 27,678,535	\$ 71,711,856
Cash with fiscal agent (Note 2)	1,257,286	-	1,257,286
Receivables, net: (Note 3)			
Property taxes	7,827,885	-	7,827,885
Utility Taxes	130,786	-	130,786
Local Taxes	2,001,467	-	2,001,467
Trade and other accounts	725,315	3,837,044	4,562,359
Due from other governments (Note 4)	5,407,787	-	5,407,787
Inventories	-	739,914	739,914
Prepaid items and deposit	277,338	17,123	294,461
Restricted Cash (Note 2)	6,002,349	680,712	6,683,061
Capital assets: (Note 5)			
Nondepreciable	88,197,017	1,846,796	90,043,813
Depreciable, net	263,240,134	178,743,848	441,983,982
	419,100,685	213,543,972	632,644,657
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Notes 11 & 12)	2,258,417	600,339	2,858,756
Deferred outflows related to other postemployment benefits (Notes 9, 10, & 12)	97,484	25,913	123,397
Deferred loss on refunding of debt	2,264,565	2,350,916	4,615,481
	4,620,466	2,977,168	7,597,634

(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, 2018

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 2,705,341	\$ 1,145,440	\$ 3,850,781
Due to other governments	121,158	-	121,158
Accrued payroll and other expenses	1,279,649	316,003	1,595,652
Accrued liabilities – other	20,683	-	20,683
Accrued interest	985,217	1,065,189	2,050,406
Retainage payable	74,595	194,312	268,907
Performance bonds	1,497,960	9,000	1,506,960
Reserve for proffers	1,545,122	-	1,545,122
Unearned revenue (Note 3)	308,752	-	308,752
Customer deposits	71,874	1,105,404	1,177,278
Insurance and benefit claims	922,660	-	922,660
Noncurrent liabilities:			
Due within one year: (Note 6)			
Compensated absences	1,815,284	511,705	2,326,989
Note payable	106,814	-	106,814
Bonds payable	5,475,427	2,164,287	7,639,714
Due in more than one year: (Notes 6)			
Compensated absences	543,585	165,231	708,816
Note payable	449,174	-	449,174
Bonds payable	56,978,407	61,586,932	118,565,339
Net pension liability (Notes 11 & 12)	10,709,419	2,846,808	13,556,227
Other postemployment benefits (Notes 9, 10, & 12)	7,829,358	2,081,222	9,910,580
Total liabilities	93,440,479	73,191,533	166,632,012
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan (Notes 11 & 12)	2,106,299	559,902	2,666,201
Deferred inflows related to other postemployment benefits (Notes 9, 10, & 12)	2,537,182	674,441	3,211,623
Deferred gain on refunding of debt	28,041	-	28,041
Grants (Note 3)	1,257,286	-	1,257,286
Property taxes (Note 3)	7,270,376	-	7,270,376
Total deferred inflows of resources	13,199,184	1,234,343	14,433,527
NET POSITION			
Net investment in capital assets	294,700,876	119,676,742	414,377,618
Restricted			
Restricted for capital projects	11,086,721	-	11,086,721
Restricted for Balch Library	926,234	-	926,234
Unrestricted	10,367,657	22,418,522	32,786,179
Total net position	\$ 317,081,488	\$ 142,095,264	\$ 459,176,752

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	\$ 275,494	\$ -	\$ -	\$ -	\$ (275,494)		\$ (275,494)
Executive	2,011,487	-	861,824	-	(1,149,663)		(1,149,663)
Legal	850,797	-	-	-	(850,797)		(850,797)
Parks and recreation	8,550,169	5,076,884	4,500	-	(3,468,785)		(3,468,785)
Finance and administrative services	5,574,621	-	-	-	(5,574,621)		(5,574,621)
Balch Library	521,563	-	-	-	(521,563)		(521,563)
Planning and zoning	2,050,272	252,393	-	-	(1,797,879)		(1,797,879)
Public works	21,626,022	177,044	4,295,620	21,434,223	4,280,865		4,280,865
Public safety	13,696,258	431,632	1,104,541	-	(12,160,085)		(12,160,085)
Plan review	1,351,632	896,791	-	-	(454,841)		(454,841)
Airport	2,145,464	101,252	218,889	-	(1,825,323)		(1,825,323)
Interest	2,299,739	-	-	-	(2,299,739)		(2,299,739)
Total governmental activities	60,953,518	6,935,996	6,485,374	21,434,223	(26,097,925)		(26,097,925)
Business-type activities:							
Utilities	19,891,648	23,873,384	-	2,811,012		6,792,748	6,792,748
Total business-type activities	19,891,648	23,873,384	-	2,811,012		6,792,748	6,792,748
Total government	\$ 80,845,166	\$ 30,809,380	\$ 6,485,374	\$ 24,245,235	(26,097,925)	6,792,748	(19,305,177)
General Revenues:							
Taxes:							
General property taxes, including penalties					15,635,984	-	15,635,984
Other local taxes:							-
Communication sales and use					7,230,196	-	7,230,196
Meals					5,841,127	-	5,841,127
Business and occupational licenses					3,620,884	-	3,620,884
Utility					1,544,206	-	1,544,206
Cigarette					821,296	-	821,296
Other local taxes					3,252,683	-	3,252,683
Intergovernmental, non-categorical aid					2,516,960	-	2,516,960
Use of money and property					2,410,130	312,200	2,722,330
Miscellaneous					82,456	481,091	563,547
Transfers					1,324,800	(1,324,800)	-
Total general revenues and transfers, net					44,280,722	(531,509)	43,749,213
Change in net position					18,182,797	6,261,239	24,444,036
Net position, beginning as restated (Note 15)					298,898,691	135,834,025	434,732,716
Net position, ending					\$ 317,081,488	\$ 142,095,264	\$ 459,176,752

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and investments	\$ 28,073,228	\$ 12,748,111	\$ 815,880	\$ 41,637,219
Cash and investments with fiscal agent	-	-	1,257,286	1,257,286
Receivables (net of allowance for doubtful accounts):				
Property taxes, including penalties	7,827,885	-	-	7,827,885
Utility taxes	130,786	-	-	130,786
Local taxes	2,001,467	-	-	2,001,467
Accounts	531,121	-	-	531,121
Due from other governments	1,805,664	3,240,544	361,579	5,407,787
Lease deposit	162,448	-	-	162,448
Prepaid items	114,890	-	-	114,890
Restricted cash	1,568,548	4,433,801	-	6,002,349
Total assets	<u>\$ 42,216,037</u>	<u>\$ 20,422,456</u>	<u>\$ 2,434,745</u>	<u>\$ 65,073,238</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,790,454	\$ 913,486	\$ -	\$ 2,703,940
Due to other governments	74,563	-	46,595	121,158
Retainage payable	15,109	59,486	-	74,595
Accrued payroll	1,279,649	-	-	1,279,649
Accrued liabilities – other	20,683	-	-	20,683
Customer deposits	71,874	-	-	71,874
Performance bonds	1,497,960	-	-	1,497,960
Reserve for proffers	-	1,545,122	-	1,545,122
Unearned revenue	133,932	174,820	-	308,752
Total liabilities	<u>4,884,224</u>	<u>2,692,914</u>	<u>46,595</u>	<u>7,623,733</u>
Deferred inflows of resources:				
Grants	-	-	1,257,286	1,257,286
Property taxes	7,833,277	-	-	7,833,277
Total deferred inflows of resources	<u>7,833,277</u>	<u>-</u>	<u>1,257,286</u>	<u>9,090,563</u>
Fund Balances:				
Nonspendable:				
Lease deposit	162,448	-	-	162,448
Prepaid costs	114,890	-	-	114,890
Restricted:				
Balch Library	110,354	-	815,880	926,234
NVTA	-	-	314,984	314,984
Parks and recreation (Symmington)	50,521	-	-	50,521
Police	92,832	-	-	92,832
Bond Proceeds	-	4,111,618	-	4,111,618
Proffers	-	6,898,124	-	6,898,124
Gas tax	-	3,267,763	-	3,267,763
Parking in lieu	247,850	-	-	247,850
Esummons	214,647	-	-	214,647
Committed:				
Capital Projects – general government	-	32,817	-	32,817
Capital Projects – parks and recreation	-	14,731	-	14,731
Capital Projects – streets and highways	-	1,978,977	-	1,978,977
Capital Projects – storm drainage	-	90,903	-	90,903
Capital Projects – airport	-	63,213	-	63,213
Assigned:				
Debt service reserve	9,897,490	-	-	9,897,490
Capital asset reserve	1,738,724	-	-	1,738,724
Expenditures designated for future years	2,374,505	1,271,396	-	3,645,901
Unassigned:	14,494,275	-	-	14,494,275
Total fund balances	<u>29,498,536</u>	<u>17,729,542</u>	<u>1,130,864</u>	<u>48,358,942</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,216,037</u>	<u>\$ 20,422,456</u>	<u>\$ 2,434,745</u>	<u>\$ 65,073,238</u>

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances – Governmental Funds		\$ 48,358,942
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Governmental capital assets	490,844,687	
Less accumulated depreciation and amortization	<u>(139,407,536)</u>	
Net capital assets		351,437,151
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		
		562,901
Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pensions	2,258,417	
Other postemployment benefits	97,484	
Deferred inflows related to:		
Pensions	(2,106,299)	
Other postemployment benefits	(2,537,182)	
Net pension liability	(10,709,419)	
Other postemployment benefit liability	<u>(7,829,358)</u>	
		(20,826,357)
For debt refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources.		
Deferred loss on refunding of debt	2,264,565	
Deferred gain on refunding of debt	<u>(28,041)</u>	
		2,236,524
Internal service funds are used by management to charge the costs of services provided to other departments or funds.		
		1,666,235
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds payable	(62,453,834)	
Note payable	(555,988)	
Compensated absences	(2,358,869)	
Interest payable	<u>(985,217)</u>	
		<u>(66,353,908)</u>
Net position of governmental activities		<u>\$ 317,081,488</u>

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 15,692,223	\$ -	\$ -	\$ 15,692,223
Other local taxes	15,080,196	-	-	15,080,196
Permits, fees, and licenses	1,366,410	-	-	1,366,410
Fines and forfeitures	426,404	-	-	426,404
Use of money and property	2,297,508	106,003	-	2,403,511
Charges for services	5,263,363	-	-	5,263,363
Contributions and proffers	384,168	3,605,330	-	3,989,498
Grants	-	-	5,250	5,250
Miscellaneous	57,689	7,583	11,934	77,206
Intergovernmental	15,415,325	13,491,930	3,549,027	32,456,282
Total revenues	55,983,286	17,210,846	3,566,211	76,760,343
Expenditures:				
Current:				
Legislative	280,712	-	-	280,712
Executive	1,689,964	-	-	1,689,964
Legal	835,408	-	-	835,408
Finance and administrative services	5,417,654	-	-	5,417,654
Public safety	13,325,521	-	-	13,325,521
Public works	14,173,810	-	-	14,173,810
Parks and recreation	7,627,827	-	-	7,627,827
Balch Library	505,607	-	-	505,607
Planning and zoning	2,021,595	-	-	2,021,595
Plan review	1,334,333	-	-	1,334,333
Airport	743,773	-	-	743,773
Capital projects	-	12,387,329	3,549,027	15,936,356
Debt service:				
Principal	5,377,001	-	-	5,377,001
Interest and fiscal charges	2,584,951	-	-	2,584,951
Total expenditures	55,918,156	12,387,329	3,549,027	71,854,512
Excess of revenues over expenditures	65,130	4,823,517	17,184	4,905,831
Other financing sources (uses):				
Loan proceeds	555,988	-	-	555,988
Transfers in	2,613,846	1,053,567	314,984	3,982,397
Transfers out	(1,053,567)	(1,604,030)	-	(2,657,597)
Total other financing sources (uses), net	2,116,267	(550,463)	314,984	1,880,788
Net change in fund balances	2,181,397	4,273,054	332,168	6,786,619
Fund balances, beginning as restated (Note 15)	27,317,139	13,456,488	798,696	41,572,323
Fund balances, ending	\$ 29,498,536	\$ 17,729,542	\$ 1,130,864	\$ 48,358,942

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, 2018

Net change in fund balances - total governmental funds		\$ 6,786,619
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	14,369,653	
Less depreciation and amortization expense	<u>(9,671,437)</u>	
Excess of capital outlay over depreciation and amortization		4,698,216
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net position.		
Donated capital assets		1,220,158
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		(56,239)
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 retired on:		
General obligation debt	5,377,001	
Note payable proceeds	<u>(555,988)</u>	
		4,821,013
Governmental funds report employer 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	1,696,493	
Pension expense	<u>(1,208,850)</u>	
		487,643
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employer contributions, is reported as other postemployment benefit expense.		
Employer other postemployment contributions	97,484	
Other postemployment benefits income	<u>99,851</u>	
		197,335
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	89,610	
Compensated absences	(144,413)	
Amortization of premiums	409,433	
Amortization of bond refundings and deferred items	<u>(213,831)</u>	
		140,799
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	4,975,182	
Total expenses	<u>(5,087,929)</u>	
		<u>(112,747)</u>
Change in net position of governmental activities		<u>\$ 18,182,797</u>

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
General property taxes	\$ 15,287,170	\$ 15,287,170	\$ 15,692,223	\$ 405,053
Other local taxes	13,799,230	13,799,230	15,080,196	1,280,966
Permits, fees, and licenses	1,069,910	1,069,910	1,366,410	296,500
Fines and forfeitures	421,700	421,700	426,404	4,704
Use of money and property	2,018,991	2,122,006	2,297,508	175,502
Charges for services	5,274,121	5,274,121	5,263,363	(10,758)
Contributions	46,000	46,350	172,393	126,043
Proffers	355,720	355,720	211,775	(143,945)
Miscellaneous	8,500	206,700	57,689	(149,011)
Intergovernmental	15,103,108	15,105,434	15,415,325	309,891
Total revenues	53,384,450	53,688,341	55,983,286	2,294,945
Expenditures:				
Current:				
Legislative	278,776	303,479	280,712	22,767
Executive	1,883,772	1,893,700	1,689,964	203,736
Legal	754,582	849,140	835,408	13,732
Finance and administrative services	5,414,856	5,896,865	5,417,654	479,211
Public safety	13,796,335	13,674,947	13,325,521	349,426
Public works	14,901,618	17,245,978	14,173,810	3,072,168
Parks and recreation	8,060,469	8,134,742	7,627,827	506,915
Balch Library	500,490	523,651	505,607	18,044
Planning and zoning	2,077,425	2,142,001	2,021,595	120,406
Plan review	1,350,099	1,455,480	1,334,333	121,147
Airport	767,276	788,469	743,773	44,696
Debt service:				
Principal	5,377,002	5,377,002	5,377,001	1
Interest and fiscal charges	2,549,150	2,672,741	2,584,951	87,790
Total expenditures	57,711,850	60,958,195	55,918,156	5,040,039
Excess (deficiency) of revenues over expenditures	(4,327,400)	(7,269,854)	65,130	7,334,984
Other financing sources (uses):				
Transfer in	3,179,500	3,179,500	2,613,846	(565,654)
Transfers out	(1,000,000)	(1,048,300)	(1,053,567)	(5,267)
Loan proceeds	-	-	555,988	555,988
Use of Fund Balance	2,147,900	4,976,980	-	(4,976,980)
Total other financing sources (uses), net	4,327,400	7,108,180	2,116,267	(4,991,913)
Net change in fund balance	\$ -	\$ (161,674)	\$ 2,181,397	\$ 2,343,071

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 8

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018**

	Business-Type Activities - Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 27,678,535	\$ 2,396,102
Receivables (net of allowance for doubtful accounts):		
Trade and other accounts	3,837,044	194,194
Prepaid expenses	17,123	-
Inventories	739,914	-
Cash and cash equivalents, restricted	680,712	-
	32,953,328	2,590,296
Noncurrent Assets:		
Nondepreciable assets	1,846,796	-
Depreciable assets, net	178,743,848	-
	180,590,644	-
	213,543,972	2,590,296
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	600,339	-
Deferred outflows related to other postemployment benefits	25,913	-
Deferred loss on refunding	2,350,916	-
	2,977,168	-
	\$ 216,521,140	\$ 2,590,296

(Continued)

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 8

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018**

	Business-Type Activities - Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 1,145,440	\$ 1,401
Accrued expenses	316,003	-
Accrued interest	1,065,189	-
Compensated absences	511,705	-
Retainage payable	194,312	-
Bonds payable	2,164,287	-
Performance bonds payable	9,000	-
Customer deposits and contingent charges	1,105,404	-
Insurance and benefit claims	-	922,660
Total current liabilities	6,511,340	924,061
Noncurrent Liabilities:		
Compensated absences	165,231	-
Net pension liability	2,846,808	-
Net other postemployment benefit liability	2,081,222	-
Bonds payable, net	61,586,932	-
Total noncurrent liabilities	66,680,193	-
Total liabilities	73,191,533	924,061
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related pension plan	559,902	-
Deferred inflows related to other postemployment benefits	674,441	-
Total deferred inflows of resources	1,234,343	-
Total liabilities and deferred inflows of resources	74,425,876	924,061
NET POSITION		
Net investment in capital assets	119,676,742	-
Unrestricted	22,418,522	1,666,235
Total net position	\$ 142,095,264	\$ 1,666,235

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Business-type Activities – Enterprise Fund	Governmental Activities Internal Service Self Insurance Fund
	Utilities	
Operating revenues:		
Charges for services	\$ 21,574,728	\$ 4,332,022
Other	193,654	636,541
Total operating revenues	<u>21,768,382</u>	<u>4,968,563</u>
Operating expenses:		
Personnel service	7,428,624	-
Contractual services	886,229	-
Depreciation and amortization	5,807,748	-
Materials and supplies	1,849,970	-
Continuous charges	1,308,254	-
Claims and settlements	1,324	-
Internal and other	185,541	-
Risk financing and benefit payments	-	5,087,929
Total operating expenses	<u>17,467,690</u>	<u>5,087,929</u>
Operating income (loss)	<u>4,300,692</u>	<u>(119,366)</u>
Nonoperating revenues (expenses):		
Interest on investments	312,200	6,619
Rental and other charges	287,437	-
Installation and connection charges	2,298,656	-
Interest and fiscal charges	(2,423,958)	-
Total nonoperating revenues (expenses), net	<u>474,335</u>	<u>6,619</u>
Income (loss) before contributions and transfers	<u>4,775,027</u>	<u>(112,747)</u>
Transfers:		
Transfers out	(1,324,800)	-
Transfers	<u>(1,324,800)</u>	<u>-</u>
Capital Contributions:		
Developer donated assets	2,811,012	-
Change in net position	<u>6,261,239</u>	<u>(112,747)</u>
Total net position, beginning – as restated (Note 15)	<u>135,834,025</u>	<u>1,778,982</u>
Total net position, ending	<u>\$ 142,095,264</u>	<u>\$ 1,666,235</u>

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 10

Page 1

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
Operating activities:		
Receipts from customers	\$ 21,581,948	\$ -
Receipts from interfund services provided	-	4,948,493
Claims and benefits paid	-	(5,002,391)
Payments to suppliers for goods and services	(3,644,560)	-
Payments to employees for services	(7,536,111)	-
Net cash provided by (used in) operating activities	<u>10,401,277</u>	<u>(53,898)</u>
Noncapital and related financing activities:		
Transfers out	(1,324,800)	-
Net cash provided used in noncapital and related financing activities	<u>(1,324,800)</u>	<u>-</u>
Capital and related financing activities:		
Installation and connection charges	2,298,656	-
Acquisition and construction of capital assets	(1,862,008)	-
Principal paid on bonds	(2,129,588)	-
Interest and fiscal charges	(2,501,294)	-
Net cash used in capital and related financing activities	<u>(4,194,234)</u>	<u>-</u>
Investing activities:		
Interest income	341,228	6,619
Rental income	287,437	-
Net cash provided by investing activities	<u>628,665</u>	<u>6,619</u>
Net increase (decrease) in cash and cash equivalents	<u>5,510,908</u>	<u>(47,279)</u>
Cash and cash equivalents		
Beginning	22,848,339	2,443,381
Ending	<u>\$ 28,359,247</u>	<u>\$ 2,396,102</u>
Reconciliation to Exhibit 8		
Cash and cash equivalents	\$ 27,678,535	\$ 2,396,102
Cash and cash equivalents, restricted	680,712	-
Total	<u>\$ 28,359,247</u>	<u>\$ 2,396,102</u>

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

TOWN OF LEESBURG, VIRGINIA

Exhibit 10

Page 2

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self Insurance Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 4,300,692	\$ (119,366)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,807,748	-
Pension expense, net of contributions	(129,627)	-
Other postemployment benefit expense net of contributions	(60,171)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(235,508)	(20,070)
Prepaid expenses	(4,404)	-
Inventories	44,922	-
Increase (decrease) in:		
Accounts payable	546,240	(8,533)
Accrued liabilities	82,311	-
Insurance and benefit claims	-	94,071
Customer deposits and contingent charges	49,074	-
Net cash provided by (used in) operating activities	<u>\$ 10,401,277</u>	<u>\$ (53,898)</u>
Supplemental disclosure of noncash capital and related financing activities		
Developer donated capital improvements	<u>\$ 2,811,012</u>	<u>\$ -</u>
Capital assets included in retainage payable	<u>\$ 194,312</u>	<u>\$ -</u>

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

TOWN OF LEESBURG, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2018

Exhibit 11

OPEB
Trust
Fund

2018

ASSETS

Cash and cash equivalents	\$ 33,393
Mutual funds-equity	7,472,479
Mutual funds-fixed income	<u>4,455,544</u>
Total assets	<u>11,961,416</u>

NET POSITION

Net position restricted for other postemployment benefits (OPEB)	<u><u>\$ 11,961,416</u></u>
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF LEESBURG, VIRGINIA

Exhibit 12

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2018**

	OPEB Trust Fund
	2018
<hr/>	
Additions:	
Employer contributions	\$ 825,009
Total contributions	825,009
Investment income:	
Realized gain on sale of investments	213,914
Interest and dividends earned on investments	254,045
Net increase in fair value of investments	403,344
Total additions, net	1,696,312
Deductions:	
Administrative fees	53,108
Benefit payments	500,009
Total deductions	553,117
Change in net position	1,143,195
Net position, beginning	10,818,221
Net position, ending	\$ 11,961,416

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

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.

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 NVTAFund and Balch Library Trust Fund as nonmajor governmental funds.

2. Proprietary Fund types are used to account for activities which are similar to those often found in the private sector. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 60 days after year end. During 2018, the Town changed its availability period for taxes from 45 to 60 days. 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.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Data (Continued)

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, 2018, General Fund supplemental appropriations totaling \$3,246,342 were authorized by Town Council.

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 \$6,002,349 for governmental activities and \$680,712 for business-type activities at June 30, 2018 and is comprised of unspent debt proceeds, proffer reserves, performance bonds, police forfeitures, and funds to be used for the Balch Library.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

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 (the "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 31 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, 2018, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$3.7 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.

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.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

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.

In the current year, the Town adopted GASB Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period by eliminating the requirement to capitalize interest. The requirements of this Statement are effective for the periods beginning after December 15, 2019, however the Town chose to early adopt this Statement, in fiscal year 2018. The requirements of this Statement are applied prospectively.

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.

(Continued)

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.

(Continued)

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 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 statements that present net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements that present net position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until then.

- Deferred charge on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows and inflows are included in the calculation of net position, net investment in capital assets.

(Continued)

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)

- Contributions subsequent to the measurement date for pensions and OPEB; these will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between projected and actual earnings on pension and OPEB plan investments. These differences will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion and differences between employer contributions and the proportionate share of employer contributions, resulting from participation in cost-sharing pension and OPEB plans, are reported as deferred outflows or inflows as appropriate.
- Governmental funds report unavailable revenue from property taxes and other receivables not collected within the availability period. These amounts are recognized as an inflow of resources in the period they become available.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

17. Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of Town's plans and the additions to/deductions from the Town's plans net fiduciary positions have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and the Town. 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.

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 \$2.4 million have been classified as assigned fund balance. Capital Projects Fund encumbrances totaling approximately \$2.1 million have been classified as committed 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.

(Continued)

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 \$11,961,416. The Trust is used to for funding the Other Postemployment Benefit (OPEB). Additional details concerning this Trust are discussed further in Note 9.

(Continued)

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, seeks to maintain a constant net value (NAV) per share of \$1.00, and is stated at amortized cost in accordance with GASB 79. 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 \$31,602,408 with the VML/VACo Investment Pool. The pool has been rated AAAM by Standard & Poor’s as of June 30, 2018.

(Continued)

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. At June 30, 2018 the Town’s investments in LGIP, SNAP, and the VML/VACo stable NAV liquidity pool are rated “AAAm.” The Town’s investment in the VML/VACo 1-3 Year High Quality Bond Fund is rated ‘AA+f/S1. 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	\$ 30,230,460	\$ 30,230,460
SNAP	5,114,513	5,114,513
U.S. Bank OPEB Trust	11,961,416	11,961,416
VML/VACo Investment Pool	31,602,408	31,602,408

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, 2018:

- Money markets and mutual funds in the amount of \$11,961,416 are valued using quoted market prices (Level 1 inputs).

Investments	\$ 78,908,797
Deposits	<u>12,704,822</u>
Total Deposits and Investments	<u><u>\$ 91,613,619</u></u>
Reconciliation of deposits and investments	
Exhibit 1:	
Cash and cash equivalents	\$ 71,711,856
Cash with fiscal agent	1,257,286
Cash and cash equivalents, restricted	<u>6,683,061</u>
Total Exhibit 1 Deposits and Investments	<u>79,652,203</u>
Exhibit 11	
Investments	<u>11,961,416</u>
Total Exhibit 11 Deposits and Investments	<u>11,961,416</u>
Total Exhibits Deposits and Investments	<u><u>\$ 91,613,619</u></u>

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

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

Receivables at June 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Internal Service Fund	Utilities Fund	Totals
Property taxes, including penalties	\$ 8,077,885	\$ -	\$ -	\$ 8,077,885
Utility taxes	130,786	-	-	130,786
Local taxes	2,001,467	-	-	2,001,467
Accounts	588,796	194,194	3,912,044	4,695,034
Gross receivables	10,798,934	194,194	3,912,044	14,905,172
Less allowance for uncollectible accounts	307,675	-	75,000	382,675
Net receivables	\$ 10,491,259	\$ 194,194	\$ 3,837,044	\$ 14,522,497

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	\$ 7,270,376	\$ 7,270,376
Delinquent property taxes receivable	562,901	-
Prepaid property taxes	-	81,668
Lease revenue	-	25,725
Special revenue	-	11,131
Other	-	190,228
	\$ 7,833,277	\$ 7,579,128

The Special Revenue Fund reported unearned revenue of \$1,257,286 in connection with funding from NVTAs for various projects the Town has ongoing.

The General Fund reported unearned revenue of \$15,408 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, 2018, amounts due from other governments were as follows:

General Fund:

County of Loudoun	
Local sales tax	\$ 954,633
Traffic fines	198
E-summons	3,698
Gang task force	9,768
	<hr/>
	968,297
Commonwealth of Virginia:	
Other taxes and grants	654
Car rental tax	32,101
Virginia Department of Transportation	367,572
Virginia Department of Aviation	54,008
Communication sales and use	317,655
	<hr/>
	771,990
Local	58,675
Federal Government:	
Department of Justice	6,702
	<hr/>
Total General Fund	\$ 1,805,664

Capital Projects Fund:

Commonwealth of Virginia:	
Virginia Department of Transportation	\$ 2,526,146
Virginia Department of Aviation	10,910
Virginia Department of Environmental Quality	8,522
	<hr/>
	2,545,578
Federal Government:	
Department of Transportation	9,783
Department of Aviation	12,774
	<hr/>
	22,557
Loudoun County	393,887
Rescue	208,000
Northern Virginia Transportation Authority	70,522
	<hr/>
Total Capital Projects Fund	3,240,544
Northern Virginia Transportation Authority Fund:	
Northern Virginia Transportation Authority	361,579
	<hr/>
Total Governmental Activities	\$ 5,407,787

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decrease	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 61,230,978	\$ -	\$ -	\$ -	\$ 61,230,978
Construction in progress	16,229,214	12,008,599	-	(1,271,774)	26,966,039
Total capital assets, not being depreciated or amortized	77,460,192	12,008,599	-	(1,271,774)	88,197,017
Capital assets, being depreciated or amortized:					
Buildings and improvements	86,069,242	121,060	-	-	86,190,302
Furniture and equipment	7,395,594	291,922	(148,545)	-	7,538,971
Computer equipment and software	3,630,849	536,967	(641,589)	-	3,526,227
Vehicles	5,229,016	731,414	(160,310)	-	5,800,120
Infrastructure	76,224,162	1,867,769	-	1,271,774	79,363,705
Streets	190,891,230	32,080	-	-	190,923,310
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	398,745,128	3,581,212	(950,444)	1,271,774	402,647,670
Less accumulated depreciation and amortization for:					
Buildings and improvements	(31,667,855)	(2,329,603)	-	-	(33,997,458)
Furniture and equipment	(5,703,069)	(408,426)	148,545	-	(5,962,950)
Computer equipment and software	(3,087,359)	(253,166)	641,589	-	(2,698,936)
Vehicles	(3,117,770)	(448,120)	160,310	-	(3,405,580)
Infrastructure	(23,660,852)	(1,551,177)	-	-	(25,212,029)
Streets	(45,183,746)	(3,818,349)	-	-	(49,002,095)
Hangars	(2,450,601)	(181,404)	-	-	(2,632,005)
Runway	(13,090,188)	(533,367)	-	-	(13,623,555)
Terminals	(2,725,103)	(147,825)	-	-	(2,872,928)
Total accumulated depreciation and amortization	(130,686,543)	(9,671,437)	950,444	-	(139,407,536)
Total capital assets being depreciated or amortized, net	268,058,585	(6,090,225)	-	1,271,774	263,240,134
Governmental activities capital assets, net	\$ 345,518,777	\$ 5,918,374	\$ -	\$ -	\$ 351,437,151

(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	\$ 8,771
Executive	273,869
Finance and administrative services	259,256
Public safety	439,244
Parks and recreation	941,846
Planning and zoning	1,523
Balch Library	10,880
Public works	6,529,951
Airport	1,206,097
Total depreciation and amortization expense – governmental activities	<u><u>\$ 9,671,437</u></u>

	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	124,363	145,104	-	-	269,467
Total capital assets, not being depreciated or amortized	<u>1,701,692</u>	<u>145,104</u>	<u>-</u>	<u>-</u>	<u>1,846,796</u>
Capital assets, being depreciated or amortized:					
Water and sewer plant	115,932,473	70,205	-	-	116,002,678
Water and sewer lines	139,018,109	3,656,376	-	-	142,674,485
Furniture, equipment and software	2,610,294	331,959	(22,436)	-	2,919,817
Vehicles	2,421,734	501,710	(159,905)	-	2,763,539
Total capital assets being depreciated or amortized	<u>259,982,610</u>	<u>4,560,250</u>	<u>(182,341)</u>	<u>-</u>	<u>264,360,519</u>
Less accumulated depreciation and amortization for:					
Water and sewer plant	(36,254,022)	(2,323,693)	-	-	(38,577,715)
Water and sewer lines	(41,129,288)	(3,128,002)	-	-	(44,257,290)
Furniture, equipment and software	(1,277,993)	(186,415)	22,436	-	(1,441,972)
Vehicles	(1,329,961)	(169,638)	159,905	-	(1,339,694)
Total accumulated depreciation and amortization	<u>(79,991,264)</u>	<u>(5,807,748)</u>	<u>182,341</u>	<u>-</u>	<u>(85,616,671)</u>
Total capital assets being depreciated and amortized, net	<u>179,991,346</u>	<u>(1,247,498)</u>	<u>-</u>	<u>-</u>	<u>178,743,848</u>
Business-type activities capital assets, net	<u>\$ 181,693,038</u>	<u>\$ (1,102,394)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,590,644</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

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, 2018 includes the following bond issues:

General Obligation Bonds:

\$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%	\$ 15,115,000
\$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%	14,125,000
\$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%	1,945,000
\$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%	22,500,000
\$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%	44,545,000
\$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%	5,472,300

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%	1,858,946
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Plus unamortized premiums, net	9,458,807
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Total bonded debt	\$ 126,205,053
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Note Payable:

\$555,988 Equipment Financing, due in semi-annual installments of \$55,845 through January 2023, including interest at 2.11%	555,988
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Total long-term debt	\$ 126,761,041
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(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (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 2018, 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	\$ 1,858,946	\$ -	\$ 1,858,946
2009 BABS, taxable	4,255,000	10,860,000	15,115,000
2011 Series A General obligation	6,135,000	7,990,000	14,125,000
2011 Series B General obligation	-	1,945,000	1,945,000
2014 General obligation & refunding	10,940,000	11,560,000	22,500,000
2015 General obligation & refunding	31,940,000	12,605,000	44,545,000
2016 VRA refunding	3,769,366	7,415,634	11,185,000
2017 Series A General obligation	-	5,472,300	5,472,300
Total bonds payable	58,898,312	57,847,934	116,746,246
Plus:			
Unamortized premiums	4,852,907	4,605,900	9,458,807
Note payable:			
Equipment financing	-	555,988	555,988
Total	\$ 63,751,219	\$ 63,009,822	\$ 126,761,041

(Continued)

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, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 63,224,935	\$ -	\$ (5,377,001)	\$ 57,847,934	\$ 5,475,427
Unamortized premiums	5,015,333	-	(409,433)	4,605,900	-
Note payable	-	555,988	-	555,988	106,814
Compensated absences	2,214,456	1,959,697	(1,815,284)	2,358,869	1,815,284
Governmental activities long-term liabilities	\$ 70,454,724	\$ 2,515,685	\$ (7,601,718)	\$ 65,368,691	\$ 7,397,525

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

Years Ending June 30,	Bonded Obligations		Note Payable	
	Principal	Interest	Principal	Interest
2019	\$ 5,475,427	\$ 2,388,386	\$ 106,814	\$ 10,875
2020	5,525,129	2,241,809	108,783	8,906
2021	5,556,744	2,092,321	111,091	6,599
2022	5,374,664	1,901,106	113,447	4,243
2023	5,228,985	1,632,038	115,853	1,836
2024-2028	18,286,361	4,778,737	-	-
2029-2033	10,450,624	1,243,723	-	-
2034-2038	1,950,000	90,088	-	-
Total	\$ 57,847,934	\$ 16,368,208	\$ 555,988	\$ 32,459

	Beginning Balance	Increases	Decrease	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 61,027,900	\$ -	\$ (2,129,588)	\$ 58,898,312	\$ 2,164,287
Unamortized premiums	5,102,804	-	(249,897)	4,852,907	-
Compensated absences	643,107	519,962	(486,133)	676,936	511,705
Business-type activities long-term liabilities	\$ 66,773,811	\$ 519,962	\$ (2,865,618)	\$ 64,428,155	\$ 2,675,992

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

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

Years Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
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	5,084,089
2022	3,625,336	2,148,386	5,773,722
2023	3,576,015	1,967,083	5,543,098
2024-2028	17,228,639	7,224,015	24,452,654
2029-2033	14,584,376	3,953,798	18,538,174
2034-2038	11,000,000	1,445,317	12,445,317
2039-2043	1,520,000	144,643	1,664,643
2044-2045	115,000	4,169	119,169
Total	\$ 58,898,312	\$ 23,966,752	\$ 82,865,064

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$720 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	NVTA	Total
Transfer Out:				
General	\$ -	\$ 1,053,567	\$ -	\$ 1,053,567
Capital Projects	1,289,046	-	314,984	1,604,030
Utility	1,324,800	-	-	1,324,800
Total	\$ 2,613,846	\$ 1,053,567	\$ 314,984	\$ 3,982,397

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 NVTA Special Revenue Fund is to transfer the fund balance in order to fund working capital cash flow needs for grant 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.

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, 2018, the Town was contractually obligated for \$2 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.

The Town has appropriated certain amounts in anticipation of the purchase of parcels.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits – Local Plan

Plan Description and Funding Policy

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.

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.

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive employees or beneficiaries:	
Retired/beneficiaries	60
Spouses	15
LODA recipients	3
	<hr/>
Total inactive employees	78
Active plan members	215
	<hr/>
	<u>293</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits – Local Plan (Continued)

Net OPEB Liability

The Town’s total net OPEB liability of \$8,061,580 was measured as of June 30, 2018 and was determined by an actuarial valuation performed as of June 30, 2018.

Actuarial Assumptions and Other Inputs

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

Inflation	2.75%
Salary increases, including inflation	2.75%
Healthcare cost trend rates	6.25% initially, grading down to 4.25% ultimate rate
Investment rate of return	7.00%
Retirees’ share of benefit-related costs	10%, 50% or 75%

Mortality rates used are based on the RP 2000 tables projected to 2027 with scale BB applied. RP 2000 Disabled tables are used for those on disability, if applicable.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2017.

Changes in assumptions and other inputs reflect plan changes, effect of economic/demographic gains or losses, and effect of assumption changes or inputs.

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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits – Local Plan (Continued)

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense was 8.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Rate of Return	Weighted Long-Term Expected Rate of Return
Domestic Equity	41 %	5.70 %	2.34 %
International	24	5.95	1.43
Fixed Income – U.S.	35	2.60	0.91
Cash Equivalents	-	0.85	-
Total	100.00 %		4.68 %
	Inflation		2.75 %
	Risk Adjustment		(0.43)
			7.00 %

Discount Rate: The discount rate used to measure the total OPEB liability is 6.40%. The Town’s funding expectations/policy is to contribute the Actuarially Determined Contribution each year, with a minimum amortization (level percentage of payroll) of ten years. On this basis, it is expected that benefits will be paid from the trust until 2061, at which time the trust will be depleted.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits – Local Plan (Continued)

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2017	\$ 21,960,402	\$ 10,818,221	\$ 11,142,181
Changes for the year:			
Service cost	400,493	-	400,493
Interest	1,362,031	-	1,362,031
Differences between expected and actual experience	(1,325,151)	-	(1,325,151)
Assumption changes	(1,874,770)	-	(1,874,770)
Contributions – employer	-	825,009	(825,009)
Net investment income	-	871,303	(871,303)
Benefit payments	(500,009)	(500,009)	-
Administrative expenses	-	(53,108)	53,108
Net changes	(1,937,406)	1,143,195	(3,080,601)
Balances at June 30, 2018	\$ 20,022,996	\$ 11,961,416	\$ 8,061,580

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.40%) or one percentage point higher (7.40%) than the current discount rate:

	1.00% Decrease (5.40%)	Current Discount Rate (6.40%)	1.00% Increase (7.40%)
Net OPEB liability	\$ 11,506,367	\$ 8,061,580	\$ 5,727,221

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits – Local Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends: The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.25%) or one percentage point higher (5.25%) than the current healthcare cost trend rates:

	1.00% Decrease (3.25%)	Current Healthcare Cost Trend Rates (4.25%)	1.00% Increase (5.25%)
Net OPEB liability	\$ 5,488,595	\$ 8,061,580	\$ 11,850,755

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$681,031. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,177,912
Changes of assumptions	-	1,666,462
Net difference between projected and actual earnings on OPEB plan investments	-	92,249
Total	\$ -	\$ 2,936,623

The Town’s amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (378,609)
2020	(378,609)
2021	(378,609)
2022	(378,610)
2023	(355,547)
Thereafter	(1,066,639)

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town of Leesburg, Virginia also participates in a cost-sharing and multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$123,397
June 30, 2017 Contribution	\$117,869

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liabilities was determined by actuarial valuations as of that date. The covered employer’s proportion of the net OPEB liability was based on the covered employer’s actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$	1,849,000	
June 30, 2017 proportion		0.13	%
June 30, 2016 proportion		0.12	%
June 30, 2018 expense	\$	8,000	

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 41,000
Changes of assumptions	-	95,000
Net difference between projected and actual earnings on OPEB plan investments	-	70,000
Changes in proportion	-	69,000
Employer contributions subsequent to the measurement date	123,397	-
Total	<u>\$ 123,397</u>	<u>\$ 275,000</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

The \$123,397 deferred outflows of resources related to OPEB resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (55,000)
2020	(55,000)
2021	(55,000)
2022	(55,000)
2023	(38,000)
Thereafter	(17,000)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.0%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

Net OPEB Liabilities

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

	Group Life Insurance Program
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net OPEB liability (asset)	1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86 %

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

(Continued)

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

Long-Term Expected Rate of Return

Group Life Insurance

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

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

* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

Discount Rate

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 2,392,000	\$ 1,849,000	\$ 1,409,000

OPEB Plan Fiduciary Net Position

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

Payables to the OPEB Plan

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

- Group Life Insurance \$10,249

(Continued)

Note 11. Defined Benefit Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are 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 and have not taken a refund.

- **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. 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.

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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.
- **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.

(Continued)

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

• **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**

- **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.

- **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.

- **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. 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.

(Continued)

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **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.
- **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.

(Continued)

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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 11. 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.

(Continued)

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (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.
 - **Defined Contribution Component** – Not Applicable.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>149</u>
Inactive members:	
Vested inactive members	93
Non-vested inactive members	81
Inactive members active elsewhere in VRS	<u>104</u>
Total inactive members	278
Active members	<u>306</u>
Total covered employees	<u><u>733</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, 2018 was 10.45% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

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 \$2,147,460 and \$2,071,096 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.50%
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 – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80
	Inflation		2.50
			<u>7.30 %</u>

*Expected arithmetic nominal return

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

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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, 2019, 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, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 95,644,289	\$ 76,914,956	\$ 18,729,333
Changes for the year:			
Service cost	2,528,010	-	2,528,010
Interest	6,574,956	-	6,574,956
Benefit changes	-	-	-
Differences between expected and actual experience	(809,317)	-	(809,317)
Assumption changes	(915,005)	-	(915,005)
Contributions – employer	-	2,071,096	(2,071,096)
Contributions – employee	-	1,131,997	(1,131,997)
Net investment income	-	9,410,583	(9,410,583)
Benefit payments, including refunds of employee contributions	(3,432,679)	(3,432,679)	-
Administrative expenses	-	(53,518)	53,518
Other changes	-	(8,408)	8,408
Net changes	3,945,965	9,119,071	(5,173,106)
Balances at June 30, 2017	\$ 99,590,254	\$ 86,034,027	\$ 13,556,227

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. 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	<u>\$ 27,632,182</u>	<u>\$ 13,556,227</u>	<u>\$ 1,939,173</u>

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$1,628,895. At June 30, 2018, 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	\$ 711,296	\$ 762,238
Change in assumptions	-	667,036
Net difference between projected and actual earnings on pension plan investments	-	1,236,927
Employer contributions subsequent to the measurement date	<u>2,147,460</u>	<u>-</u>
Total	<u>\$ 2,858,756</u>	<u>\$ 2,666,201</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined Benefit Pension Plan (Continued)

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

The \$2,858,755 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, 2019. 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>Reduction to Pension Expense</u>
2019	\$ (1,030,158)
2020	126,291
2021	(243,692)
2022	(807,346)
2023	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2018, approximately \$178,113 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Summary of Pension and Other Postemployment Benefits Elements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Deferred outflows of resources – pensions			
Difference between expected and actual experience			
VRS	\$ 561,924	\$ 149,372	\$ 711,296
Employer contributions subsequent to the measurement date			
VRS	<u>1,696,493</u>	<u>450,967</u>	<u>2,147,460</u>
Total deferred outflows of resources – pensions	<u>\$ 2,258,417</u>	<u>\$ 600,339</u>	<u>\$ 2,858,756</u>
Deferred outflows of resources – OPEB			
Employer contributions subsequent to the measurement date			
VRS GLI	<u>\$ 97,484</u>	<u>\$ 25,913</u>	<u>\$ 123,397</u>
Total deferred outflows of resources – OPEB	<u>\$ 97,484</u>	<u>\$ 25,913</u>	<u>\$ 123,397</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Summary of Pension and Other Postemployment Benefit Elements (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Net pension liability			
VRS	\$ 10,709,419	\$ 2,846,808	\$ 13,556,227
Total net pension liability	<u>\$ 10,709,419</u>	<u>\$ 2,846,808</u>	<u>\$ 13,556,227</u>
Net OPEB liability			
Local plan	\$ 6,368,648	\$ 1,692,932	\$ 8,061,580
VRS GLI	1,460,710	388,290	1,849,000
Total net OPEB liability	<u>\$ 7,829,358</u>	<u>\$ 2,081,222</u>	<u>\$ 9,910,580</u>
Deferred inflows of resources – pensions			
Difference between expected and actual experience			
VRS	\$ 602,168	\$ 160,070	\$ 762,238
Change in assumptions			
VRS	526,958	140,078	667,036
Net difference between projected and actual investment earnings on pension plan investments			
VRS	977,173	259,754	1,236,927
Total deferred inflows of resources – pensions	<u>\$ 2,106,299</u>	<u>\$ 559,902</u>	<u>\$ 2,666,201</u>
Deferred inflows of resources – OPEB			
Difference between expected and actual experience			
Local plan	\$ 930,550	\$ 247,362	\$ 1,177,912
VRS GLI	32,390	8,610	41,000
Net difference between projected and actual investment earnings on OPEB plan investments			
Local plan	72,877	19,372	92,249
VRS GLI	55,300	14,700	70,000
Change in assumptions			
Local plan	1,316,505	349,957	1,666,462
VRS GLI	75,050	19,950	95,000
Change in proportionate share			
VRS GLI	54,510	14,490	69,000
Total deferred inflow of resources – OPEB	<u>\$ 2,537,182</u>	<u>\$ 674,441</u>	<u>\$ 3,211,623</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. 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 insurance provider levels the spending for the Town by setting a flat monthly premium based on an actuarial study of the claims paid in the prior 18-month period. The program is supplemented by stop loss protection, which limits the Town's annual liability.

The Town records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2018.

<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, 2016	\$ 515,807	\$ 6,872,673	\$ 6,657,578	\$ 730,902
June 30, 2017	730,902	4,450,488	4,352,801	828,589
June 30, 2018	828,589	4,558,063	4,652,134	922,660

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. 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, 2018 with six significant leases expiring at various dates: two in June 2019, one in September 2023, one in December 2025, one in May 2046, and one in April 2038.

<u>Years Ending June 30,</u>	<u>Rental Income</u>
2019	\$ 341,163
2020	262,514
2021	262,514
2022	262,514
2023	255,399
2024-2028	1,232,016
2029-2033	1,205,233
2034-2038	1,199,398
2039-2043	159,260
2044-2047	90,902
Total	<u>\$ 5,270,913</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.

As of June 30, 2018, the minimum long-term lease commitment is shown below:

<u>Years Ending June 30,</u>	<u>Rental Expense</u>
2019	\$ 324,223
2020	324,223
2021	324,223
2022	81,056
Total	<u>\$ 1,053,725</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Operating Leases (Continued)

The Town is in a fiber use agreement with a telecommunications company for a fifteen-year agreement. The agreement commenced on February 1, 2011 and expires March 30, 2025.

Years Ending June 30,	Use Expense
2019	\$ 62,325
2020	64,206
2021	66,150
2022	68,139
2023	70,191
2024-2025	115,191
Total	<u>\$ 446,202</u>

Note 15. Adoption of New Standard and Prior Period Restatement

In the current year the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75 as well as establishing a special revenue fund for the Balch Library Trust:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>General Fund</u>	<u>Utility Fund</u>	<u>Other Governmental Funds</u>
Net position/fund balance July 1, 2017, as previously reported	\$ 309,513,860	\$ 138,655,779	\$ 28,115,835	\$ 138,655,779	\$ -
Establishment of special revenue fund for Balch Library	-	-	(798,696)	-	798,696
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	(10,615,169)	(2,821,754)	-	(2,821,754)	-
Net position/fund balance July 1, 2017, as restated	<u>\$ 298,898,691</u>	<u>\$ 135,834,025</u>	<u>\$ 27,317,139</u>	<u>\$ 135,834,025</u>	<u>\$ 798,696</u>

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. New Accounting Standards (Continued)

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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 – LOCAL PLAN

June 30, 2018

	Plan Year	
	2018	2017
Total OPEB Liability		
Service cost	\$ 400,493	\$ 349,000
Interest	1,362,031	648,747
Benefit payments, including refunds of employee contributions	(500,009)	(350,446)
Difference between actual and expected experience	(1,325,151)	-
Changes in assumptions	(1,874,770)	-
Net change in total OPEB liability	(1,937,406)	647,301
Total OPEB liability (beginning)	21,960,402	21,313,101
Total OPEB liability (ending)	20,022,996	21,960,402
Plan Fiduciary Net Position		
Contributions – employer	\$ 825,009	\$ 675,446
Net investment income	871,303	1,106,629
Benefit payments	(500,009)	(350,446)
Administrative expenses	(53,108)	(32,007)
Net change in plan fiduciary net position	1,143,195	1,399,622
Plan fiduciary net position – beginning	10,818,221	9,418,599
Plan fiduciary net position – ending	11,961,416	10,818,221
Net OPEB liability – ending	\$ 8,061,580	\$ 11,142,181
Plan fiduciary net position as a percentage of total OPEB liability	59.74%	49.26%
Covered employee payroll	\$ 28,850,246	\$ 20,250,454
Net OPEB liability as a percentage of covered employee payroll	27.94%	55.02%

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

See Notes to Required Supplementary Information.

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 14

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2018**

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Local Plan					
2018	\$ 825,009	\$ 825,009	\$ -	\$ 28,850,246	2.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 15

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS – LOCAL OPEB TRUST FUND
June 30, 2018**

<u>Entity Fiscal Year Ended June 30,</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2018	8.06%
2017	7.00%

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 16

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI
June 30, 2018**

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2018	0.12%	\$ 1,849,000	\$ 22,666,448	8.16%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amount above is for the measurement period, which is the twelve months prior to the entity's fiscal year.

TOWN OF LEESBURG, VIRGINIA

EXHIBIT 17

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS GLI
June 30, 2018**

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2018	\$ 123,397	\$ 123,397	\$ -	\$ 23,700,718	0.52%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 2,528,010	\$ 2,707,578	\$ 2,756,117	\$ 2,694,218
Interest	6,574,956	6,094,951	5,739,077	5,339,294
Benefit payments, including refunds of employee contributions	(3,432,679)	(3,117,573)	(2,632,670)	(2,011,985)
Difference between actual and expected experience	(809,317)	1,329,813	(536,148)	-
Changes in assumptions	(915,005)	-	-	-
Net change in total pension liability	3,945,965	7,014,769	5,326,376	6,021,527
Total pension liability (beginning)	95,644,289	88,629,520	83,303,144	77,281,617
Total pension liability (ending)	\$ 99,590,254	\$ 95,644,289	\$ 88,629,520	\$ 83,303,144
Plan Fiduciary Net Position				
Contributions – employer	\$ 2,071,096	\$ 1,918,622	\$ 1,945,907	\$ 1,897,869
Contributions – employee	1,131,997	1,126,655	1,146,789	1,173,237
Net investment income	9,410,583	1,328,647	3,306,840	9,751,444
Benefit payments, including refunds of employee contributions	(3,432,679)	(3,117,573)	(2,632,670)	(2,011,985)
Administrative expenses	(53,518)	(46,512)	(44,184)	(51,182)
Other	(8,408)	(563)	(706)	514
Net change in plan fiduciary net position	9,119,071	1,209,276	3,721,976	10,759,897
Plan fiduciary net position – beginning	76,914,956	75,705,680	71,983,704	61,223,807
Plan fiduciary net position – ending	\$ 86,034,027	\$ 76,914,956	\$ 75,705,680	\$ 71,983,704
Net pension liability – ending	\$ 13,556,227	\$ 18,729,333	\$ 12,923,840	\$ 11,319,440
Plan fiduciary net position as a percentage of total pension liability	86.39%	80.42%	85.42%	86.41%
Covered payroll	\$ 22,666,448	\$ 22,378,363	\$ 23,045,393	\$ 23,700,725
Net pension liability as a percentage of covered payroll	59.81%	83.69%	56.08%	47.76%

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 19

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018**

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					
2018	\$ 2,147,460	\$ 2,147,460	\$ -	\$ 23,700,718	9.06 %
2017	2,071,096	2,071,096	-	22,666,448	9.14
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 four years of data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the Town's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

TOWN OF LEESBURG, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. 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, 2017 are not material.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 15%
- Applicable to: Pension, GLI OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension, GLI OPEB

(Continued)

TOWN OF LEESBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates

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

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB

OTHER SUPPLEMENTARY INFORMATION SECTION

TOWN OF LEESBURG, VIRGINIA

Exhibit A-1

GENERAL FUND
BALANCE SHEET
June 30, 2018

(With Comparative Amounts for 2017)

	2018	2017
ASSETS		
Cash, cash equivalents and temporary cash investments	\$ 28,073,228	\$ 26,168,858
Receivables (net of allowance for doubtful accounts):		
Property taxes, including penalties	7,827,885	7,270,556
Utility taxes	130,786	165,215
Local taxes	2,001,467	1,672,314
Accounts	531,121	325,382
Accrued interest	-	35,579
Due from other governments	1,805,664	2,333,126
Lease deposit	162,448	161,055
Prepaid items	114,890	141,261
Restricted cash	1,568,548	1,171,459
	<u>\$ 42,216,037</u>	<u>\$ 39,444,805</u>
LIABILITIES		
Liabilities:		
Accounts payable	\$ 1,790,454	\$ 1,681,000
Due to other governments	74,563	24,066
Retainage payable	15,109	20,451
Accrued payroll	1,279,649	1,120,431
Accrued liabilities – other	20,683	23,171
Customer deposits	71,874	72,279
Performance bonds	1,497,960	1,123,999
Unearned revenues	133,932	224,061
	<u>4,884,224</u>	<u>4,289,458</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	<u>7,833,277</u>	<u>7,039,512</u>
FUND BALANCE		
Fund Balances:		
Nonspendable:		
Lease deposit	162,448	161,055
Prepaid items	114,890	141,261
Restricted:		
Balch Library	110,354	900,979
Parks and recreation (Symmington)	50,521	50,521
Police	92,832	72,191
Parking in Lieu	247,850	247,850
Esummons	214,647	180,316.00
Assigned:		
Debt service reserve	9,897,490	9,897,490
Capital asset reserve	1,738,724	1,609,619
Expenditures designated for future years	2,374,505	2,638,197
Unassigned:	<u>14,494,275</u>	<u>12,288,356</u>
	<u>29,498,536</u>	<u>28,187,835</u>
Total fund balances	<u>29,498,536</u>	<u>28,187,835</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,216,037</u>	<u>\$ 39,516,805</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources:				
General property taxes:				
Real estate taxes:				
Current	\$ 12,991,170	\$ 12,991,170	\$ 13,398,672	\$ 407,502
Delinquent	-	-	163,676	163,676
Personal property taxes:				
Current	1,972,000	1,972,000	1,602,083	(369,917)
Delinquent	-	-	172,554	172,554
Public service corporation taxes	220,000	220,000	222,231	2,231
Penalties and interest	104,000	104,000	133,007	29,007
Total general property taxes	15,287,170	15,287,170	15,692,223	405,053
Other local taxes:				
Utility	1,526,000	1,526,000	1,544,206	18,206
Daily rental	289,000	289,000	221,059	(67,941)
Meals	5,217,000	5,217,000	5,841,127	624,127
Bank franchise	988,000	988,000	1,274,610	286,610
Cigarette	905,000	905,000	821,296	(83,704)
Business and occupational licenses	3,300,000	3,300,000	3,620,884	320,884
Motor vehicle licenses	838,230	838,230	890,662	52,432
Transient occupancy	736,000	736,000	866,352	130,352
Total other local taxes	13,799,230	13,799,230	15,080,196	1,280,966
Permits, fees, and licenses:				
Zoning, subdivision, and development fees	928,000	928,000	1,145,229	217,229
Permits	14,160	2,160	3,955	1,795
Airport				
Fuel flow fees	12,500	12,500	26,311	13,811
Annual user fees	35,250	35,250	34,079	(1,171)
Annual FBO license fees	70,000	70,000	40,862	(29,138)
Other	10,000	22,000	115,974	93,974
Total permits, fees, and licenses	1,069,910	1,069,910	1,366,410	296,500
Fines and forfeitures:				
Parking fines	100,000	100,000	229,285	129,285
Police forfeiture	46,700	46,700	14,519	(32,181)
Traffic fines	275,000	275,000	182,600	(92,400)
Total fines and forfeitures	421,700	421,700	426,404	4,704
Use of money and property:				
Interest	153,400	153,400	345,597	192,197
Parking meters	126,500	126,500	144,517	18,017
Sales of surplus property	75,000	75,000	64,675	(10,325)
Parking facility revenues	150,840	150,840	137,696	(13,144)
Insurance recoveries	90,000	193,015	65,493	(127,522)
Rentals and fees	258,179	258,179	258,179	-
Airport				
Hangar rentals	565,200	565,200	565,616	416
Tie-downs	144,000	144,000	139,860	(4,140)
Commercial tenant leases	349,672	349,672	360,794	11,122
Building rental	60,000	60,000	45,486	(14,514)
Recreational facility rental	3,000	3,000	2,435	(565)
Other	43,200	43,200	167,160	123,960
Total use of money and property	2,018,991	2,122,006	2,297,508	175,502

(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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue from local sources: (Continued)				
Charges for services:				
Publications	\$ -	\$ -	\$ 4,207	\$ 4,207
Fingerprinting	4,400	4,400	3,306	(1,094)
Extradition	10,000	10,000	1,922	(8,078)
Special events				-
Airshow	10,000	10,000	10,000	-
Recreation	161,100	161,100	167,044	5,944
Parks and recreation user fees	5,088,621	5,088,621	5,076,884	(11,737)
Total charges for services	5,274,121	5,274,121	5,263,363	(10,758)
Contributions	46,000	46,350	172,393	126,043
Proffer Revenue	355,720	355,720	211,775	(143,945)
Miscellaneous	8,500	206,700	57,689	(149,011)
Total revenues from local sources	38,281,342	38,582,907	40,567,961	1,985,054
Intergovernmental:				
Revenue from local sources:				
Local aid:				
E-Summons	27,000	27,000	106,331	79,331
Loudoun County	867,499	869,825	861,824	(8,001)
Total local aid	894,499	896,825	968,155	71,330
Revenue from the Commonwealth:				
Non-categorical:				
Motor vehicles carrier tax	400	400	464	64
Rental car tax	145,000	145,000	174,649	29,649
Mobile home titling tax	-	-	1,389	1,389
Cable TV franchise	266,800	266,800	269,833	3,033
Personal property tax relief	1,468,941	1,468,941	1,468,941	-
Communication sales and use	7,234,000	7,234,000	7,230,196	(3,804)
Total non-categorical aid	9,115,141	9,115,141	9,145,472	30,331
Categorical:				
VA Commission for the Arts	5,000	5,000	4,500	(500)
State fire programs funds	125,000	125,000	142,471	17,471
Law enforcement assistance	850,020	850,020	855,988	5,968
Highway maintenance	3,964,848	3,964,848	4,110,761	145,913
Department of Aviation	90,000	90,000	62,404	(27,596)
VA Department of Emergency Management	-	-	19,492	19,492
Total categorical aid	5,034,868	5,034,868	5,195,616	160,748
Total revenue from the Commonwealth	14,150,009	14,150,009	14,341,088	191,079

(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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Disaster Grants	\$ -	\$ -	\$ 68,703	\$ 68,703
Gang Officer	19,600	19,600	22,329	2,729
Safe Streets Task Force	39,000	39,000	15,050	(23,950)
Total categorical aid	58,600	58,600	106,082	47,482
Total revenue from the federal government	58,600	58,600	106,082	47,482
Total intergovernmental	15,103,108	15,105,434	15,415,325	309,891
Total revenues	53,384,450	53,688,341	55,983,286	2,294,945
Other financing sources:				
Transfers in	3,179,500	3,179,500	2,613,846	(565,654)
Loan proceeds	-	-	555,988	555,988
Use of fund balance	2,147,900	4,976,980	-	(4,976,980)
Total other financing sources	5,327,400	8,156,480	3,169,834	(4,986,646)
Total General Fund revenues and other financing sources	\$ 58,711,850	\$ 61,844,821	\$ 59,153,120	\$ (2,691,701)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3
Page 1

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES – BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Town council:				
Personnel services	\$ 139,412	\$ 146,912	\$ 145,063	\$ 1,849
Contractual services	129,550	122,109	105,041	17,068
Materials and supplies	3,100	3,657	3,656	1
Grants and contributions	-	20,087	20,087	-
Continuous charges	6,714	3,714	-	3,714
Capital outlay	-	7,000	6,865	135
Total town council	278,776	303,479	280,712	22,767
Total legislative	278,776	303,479	280,712	22,767
Executive:				
Town manager:				
Personnel services	623,822	627,403	627,402	1
Contractual services	47,026	58,683	47,509	11,174
Materials and supplies	8,075	9,778	7,911	1,867
Grants and contributions	50,000	18,800	-	18,800
Continuous charges	12,000	12,000	8,060	3,940
Capital outlay	1,000	1,000	-	1,000
Total town manager	741,923	727,664	690,882	36,782
Public arts commission:				
Personnel services	9,204	9,258	9,258	-
Contractual services	250	250	-	250
Materials and supplies	150	150	-	150
Grants and contributions	10,000	10,000	6,175	3,825
Total public arts commission	19,604	19,658	15,433	4,225
Economic development operations:				
Personnel services	248,957	250,057	240,880	9,177
Contractual services	59,533	64,739	35,563	29,176
Materials and supplies	14,550	14,550	13,603	947
Continuous charges	328,023	328,057	328,056	1
Grants and contributions	160,000	160,000	60,000	100,000
Total economic development operations	811,063	817,403	678,102	139,301
Economic development commission:				
Personnel services	9,204	9,150	5,397	3,753
Materials and supplies	-	175	175	-
Contractual services	1,200	1,025	-	1,025
Total economic development commission	10,404	10,350	5,572	4,778
Diversity commission:				
Personnel services	9,204	9,204	7,420	1,784
Total diversity commission	9,204	9,204	7,420	1,784
Public Information:				
Personnel services	203,004	217,608	217,607	1
Contractual services	88,570	89,507	74,775	14,732
Materials and supplies	-	306	173	133
Capital outlay	-	2,000	-	2,000
Total public information	291,574	309,421	292,555	16,866
Total executive	1,883,772	1,893,700	1,689,964	203,736

(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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Town attorney:				
Personnel services	\$ 567,095	\$ 580,587	\$ 580,586	\$ 1
Contractual services	57,400	61,504	48,891	12,613
Materials and supplies	3,400	3,400	2,386	1,014
Continuous charges	300	300	202	98
Capital outlay	-	500	495	5
Total town attorney	628,195	646,291	632,560	13,731
Clerk of council:				
Personnel services	115,607	184,937	184,937	-
Contractual services	9,330	15,347	15,347	-
Materials and supplies	1,450	2,565	2,564	1
Total clerk of council	126,387	202,849	202,848	1
Total legal	754,582	849,140	835,408	13,732
Finance and administrative services:				
Finance:				
Personnel services	2,159,579	2,176,179	2,150,536	25,643
Contractual services	354,259	498,896	347,567	151,329
Materials and supplies	16,250	20,493	13,390	7,103
Transfer payments	-	9,676	254	9,422
Continuous charges	84,916	86,296	79,213	7,083
Capital outlay	262,000	450,789	389,482	61,307
Total finance	2,877,004	3,242,329	2,980,442	261,887
Human Resources:				
Personnel services	450,624	452,524	446,926	5,598
Contractual services	108,875	150,381	138,871	11,510
Materials and supplies	2,622	6,247	5,613	634
Continuous charges	2,600	2,727	2,727	-
Capital outlay	-	495	495	-
Total human resources	564,721	612,374	594,632	17,742
Information technology operations:				
Personnel services	789,398	773,198	752,326	20,872
Contractual services	688,529	783,176	687,862	95,314
Materials and supplies	11,000	6,568	6,568	-
Continuous charges	59,100	62,710	56,729	5,981
Capital outlay	415,900	407,306	332,844	74,462
Total information technology operations	1,963,927	2,032,958	1,836,329	196,629
Information technology commission:				
Personnel services	9,204	9,204	6,251	2,953
Total information technology commission	9,204	9,204	6,251	2,953
Total finance and administrative services	5,414,856	5,896,865	5,417,654	479,211

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety:				
Administrative support:				
Personnel services	\$ 1,323,245	\$ 1,348,981	\$ 1,348,965	\$ 16
Contractual services	458,712	482,673	454,085	28,588
Materials and supplies	109,880	138,213	125,353	12,860
Continuous charges	227,205	177,946	176,823	1,123
Capital outlay	40,000	290,178	209,512	80,666
Total administrative support	2,159,042	2,437,991	2,314,738	123,253
Patrol operations:				
Personnel services	5,766,195	5,387,927	5,272,406	115,521
Contractual services	31,678	7,205	6,252	953
Materials and supplies	119,350	147,513	142,135	5,378
Capital outlay	23,000	124,922	124,866	56
Total patrol operations	5,940,223	5,667,567	5,545,659	121,908
Criminal investigations:				
Personnel services	1,322,743	1,342,743	1,324,221	18,522
Contractual services	54,953	43,840	41,963	1,877
Materials and supplies	12,500	3,182	1,603	1,579
Continuous charges	28,800	26,300	25,920	380
Capital outlay	-	7,170	7,170	-
Total criminal investigations	1,418,996	1,423,235	1,400,877	22,358
Community services:				
Personnel services	1,825,356	1,659,446	1,590,354	69,092
Contractual services	7,275	3,157	3,041	116
Materials and supplies	28,750	33,176	30,037	3,139
Continuous charges	4,200	43,067	43,067	-
Capital outlay	-	1,724	1,724	-
Total community services	1,865,581	1,740,570	1,668,223	72,347
Information services:				
Personnel services	1,546,832	1,559,832	1,553,287	6,545
Contractual services	200,919	182,035	182,033	2
Materials and supplies	10,150	8,492	7,882	610
Continuous charges	4,292	4,465	4,121	344
Capital outlay	-	460	460	-
Total information services	1,762,193	1,755,284	1,747,783	7,501
Citizens' support team:				
Materials and supplies	1,395	1,395	387	1,008
Continuous charges	4,000	4,000	2,949	1,051
Total citizens' support team	5,395	5,395	3,336	2,059
Fire and rescue:				
Transfer payments	644,905	644,905	644,905	-
Total fire and rescue	644,905	644,905	644,905	-
Total public safety	13,796,335	13,674,947	13,325,521	349,426

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works:				
Public works administration:				
Personnel services	\$ 755,612	\$ 700,728	\$ 644,883	\$ 55,845
Contractual services	3,848	227,406	193,885	33,521
Materials and supplies	2,200	4,796	4,795	1
Continuous charges	17,000	17,000	15,983	1,017
Capital outlays	72,000	87,823	31,758	56,065
Total public works administration	850,660	1,037,753	891,304	146,449
Engineering and inspections:				
Personnel services	529,238	543,855	543,851	4
Contractual services	64,900	165,591	138,242	27,349
Materials and supplies	4,200	8,335	7,834	501
Capital outlay	2,000	2,469	2,469	-
Total engineering and inspections	600,338	720,250	692,396	27,854
Streets and grounds maintenance:				
Personnel services	2,771,383	2,764,847	2,693,875	70,972
Contractual services	1,593,600	2,724,237	1,688,205	1,036,032
Materials and supplies	225,200	290,161	169,117	121,044
Continuous charges	185,100	117,328	115,276	2,052
Capital outlay	476,500	525,840	493,481	32,359
Total streets and grounds maintenance	5,251,783	6,422,413	5,159,954	1,262,459
Building maintenance:				
Personnel services	382,268	550,852	509,516	41,336
Contractual services	419,220	599,394	446,431	152,963
Materials and supplies	78,500	85,291	69,035	16,256
Continuous charges	154,054	151,372	126,503	24,869
Capital outlay	255,000	375,605	233,649	141,956
Total building maintenance	1,289,042	1,762,514	1,385,134	377,380
Fleet maintenance:				
Personnel services	725,260	732,760	712,537	20,223
Contractual services	51,230	54,000	48,156	5,844
Materials and supplies	240,410	249,700	211,664	38,036
Continuous charges	595,000	370,994	277,006	93,988
Transfer payments	20,000	20,000	17,812	2,188
Capital outlay	42,500	146,486	134,288	12,198
Total fleet maintenance	1,674,400	1,573,940	1,401,463	172,477
Refuse collection and recycling:				
Contractual services	2,814,722	2,826,499	2,775,705	50,794
Materials and supplies	13,500	14,193	14,193	-
Total refuse collection and recycling	2,828,222	2,840,692	2,789,898	50,794

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works: (Continued)				
Traffic management:				
Personnel services	\$ 361,163	\$ 380,327	\$ 380,324	\$ 3
Contractual services	80,860	187,271	109,526	77,745
Materials and supplies	55,650	111,620	44,658	66,962
Continuous charges	545,500	595,743	573,601	22,142
Capital outlay	117,000	243,288	70,089	173,199
Total traffic management	1,160,173	1,518,249	1,178,198	340,051
Regional transportation:				
Grants and contributions	296,000	342,975	290,317	52,658
Total regional transportation	296,000	342,975	290,317	52,658
Capital projects management:				
Personnel services	710,300	717,055	258,315	458,740
Contractual services	226,950	296,387	120,849	175,538
Materials and supplies	6,900	6,900	3,314	3,586
Continuous charges	600	600	568	32
Capital outlay	6,250	6,250	2,100	4,150
Total capital projects management	951,000	1,027,192	385,146	642,046
Total public works	14,901,618	17,245,978	14,173,810	3,072,168
Parks and Recreation:				
Outdoor pool:				
Personnel services	235,919	64,765	64,761	4
Contractual services	23,435	21,585	21,584	1
Materials and supplies	39,980	48,800	48,800	-
Continuous charges	20,000	13,004	13,003	1
Total outdoor pool	319,334	148,154	148,148	6
Parks and recreation administration:				
Personnel services	564,303	562,725	562,718	7
Contractual services	110,000	126,551	103,281	23,270
Materials and supplies	2,000	2,000	1,302	698
Continuous charges	23,050	23,050	21,565	1,485
Capital Outlay	35,000	76,000	8,274	67,726
Total parks and recreation administration	734,353	790,326	697,140	93,186
Parks:				
Personnel services	912,068	858,768	856,578	2,190
Contractual services	76,600	66,536	53,110	13,426
Materials and supplies	178,570	186,308	182,306	4,002
Continuous charges	190,360	93,333	93,332	1
Capital outlay	232,000	435,531	202,709	232,822
Total parks	1,589,598	1,640,476	1,388,035	252,441
Recreation programs administration:				
Personnel services	198,604	215,003	215,001	2
Contractual services	83,940	83,940	80,343	3,597
Total recreation programs administration	282,544	298,943	295,344	3,599

(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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation: (continued)				
Ida Lee recreation center:				
Personnel services	\$ 1,158,736	\$ 972,964	\$ 972,952	\$ 12
Contractual services	272,631	297,150	244,367	52,783
Materials and supplies	68,518	68,382	58,617	9,765
Continuous charges	256,676	251,632	246,938	4,694
Capital outlay	-	136	136	-
Total Ida Lee recreation center	1,756,561	1,590,264	1,523,010	67,254
Fitness programs:				
Personnel services	480,119	471,471	471,466	5
Contractual services	35,070	33,916	32,928	988
Materials and supplies	8,200	9,354	9,247	107
Total fitness programs	523,389	514,741	513,641	1,100
Community outreach:				
Personnel services	115,867	108,287	107,167	1,120
Contractual services	14,350	14,350	11,742	2,608
Materials and supplies	6,080	6,080	4,305	1,775
Total community outreach	136,297	128,717	123,214	5,503
Aquatics:				
Personnel services	1,113,560	1,223,591	1,223,579	12
Contractual services	14,595	14,595	13,875	720
Materials and supplies	43,730	43,730	43,261	469
Total aquatics	1,171,885	1,281,916	1,280,715	1,201
Sports programs:				
Personnel services	169,348	170,348	170,209	139
Contractual services	170	170	-	170
Materials and supplies	27,300	27,300	27,029	271
Total sports programs	196,818	197,818	197,238	580
Recreation classes:				
Personnel services	144,168	163,920	163,919	1
Contractual services	3,370	3,370	3,097	273
Materials and supplies	3,325	3,325	3,185	140
Total recreation classes	150,863	170,615	170,201	414
Special events:				
Personnel services	125,653	135,385	135,384	1
Contractual services	227,009	213,274	180,694	32,580
Materials and supplies	54,739	63,739	52,070	11,669
Contributions	12,500	12,500	12,200	300
Total special events	419,901	424,898	380,348	44,550

TOWN OF LEESBURG, VIRGINIA

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES – BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation: (continued)				
Tennis court complex:				
Personnel services	\$ 438,083	\$ 533,684	\$ 533,679	\$ 5
Contractual services	13,700	90,317	73,472	16,845
Materials and supplies	20,300	23,183	23,182	1
Continuous charges	58,760	59,760	50,579	9,181
Total tennis court complex	530,843	706,944	680,912	26,032
Camp programs:				
Personnel services	77,046	77,046	73,483	3,563
Contractual services	33,500	31,656	30,346	1,310
Materials and supplies	6,000	9,680	9,680	-
Total camp programs	116,546	118,382	113,509	4,873
Preschool childcare programs:				
Personnel services	105,859	96,092	96,090	2
Contractual services	1,900	1,500	1,483	17
Materials and supplies	3,570	3,370	2,827	543
Total preschool childcare programs	111,329	100,962	100,400	562
Parks and recreation commission:				
Personnel services	9,204	9,204	6,659	2,545
Total parks and recreation commission	9,204	9,204	6,659	2,545
Tree commission:				
Personnel services	9,204	9,204	6,136	3,068
Contractual services	1,800	3,178	3,177	1
Total tree commission	11,004	12,382	9,313	3,069
Total parks and recreation	8,060,469	8,134,742	7,627,827	506,915
Balch Library:				
Library operations:				
Personnel services	391,434	408,347	408,346	1
Contractual services	35,806	40,261	30,468	9,793
Materials and supplies	40,655	33,799	30,386	3,413
Continuous charges	22,166	22,957	21,993	964
Capital outlay	-	7,615	5,615	2,000
Total library operations	490,061	512,979	496,808	16,171
Library advisory commission:				
Personnel services	9,204	9,204	7,620	1,584
Contractual services	875	1,118	1,094	24
Materials and supplies	350	350	85	265
Total library advisory commission	10,429	10,672	8,799	1,873
Total Balch Library	500,490	523,651	505,607	18,044

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning and zoning:				
Planning and zoning operations:				
Personnel services	\$ 1,829,932	\$ 1,768,804	\$ 1,760,921	\$ 7,883
Contractual services	137,300	254,764	159,422	95,342
Materials and supplies	6,600	13,500	8,149	5,351
Continuous charges	350	350	331	19
Capital outlay	25,000	27,340	26,780	560
Total planning and zoning operations	1,999,182	2,064,758	1,955,603	109,155
Planning commission				
Personnel services	27,640	27,640	27,112	528
Contractual services	-	-	-	-
Materials and supplies	300	300	61	239
Total planning commission	27,940	27,940	27,173	767
Board of zoning appeals:				
Personnel services	6,459	6,459	754	5,705
Total board of zoning appeals	6,459	6,459	754	5,705
Board of architectural review:				
Personnel services	27,640	27,640	27,126	514
Contractual services	3,500	3,500	267	3,233
Total board of achitectural review	31,140	31,140	27,393	3,747
Environmental advisory commission:				
Personnel services	9,204	9,204	8,304	900
Contractual services	3,500	2,500	2,368	132
Total environment advisory commission	12,704	11,704	10,672	1,032
Total planning and zoning	2,077,425	2,142,001	2,021,595	120,406
Plan review:				
Personnel services	1,213,126	1,256,654	1,256,645	9
Contractual services	130,473	192,326	72,550	119,776
Materials and supplies	6,500	6,500	5,138	1,362
Total plan review	1,350,099	1,455,480	1,334,333	121,147
Airport:				
Personnel services	333,602	341,363	341,358	5
Contractual services	267,870	280,562	244,016	36,546
Materials and supplies	26,600	26,088	24,739	1,349
Continuous charges	130,000	131,252	127,001	4,251
Total airport	758,072	779,265	737,114	42,151
Airport commission:				
Personnel services	9,204	9,204	6,659	2,545
Total airport commission	9,204	9,204	6,659	2,545
Total airport	767,276	788,469	743,773	44,696

TOWN OF LEESBURG, VIRGINIA

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCIAL USES – BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Debt Service:				
Principal	\$ 5,377,002	\$ 5,377,002	\$ 5,377,001	\$ 1
Interest and fiscal charges	2,549,150	2,672,741	2,584,951	87,790
Total debt service	7,926,152	8,049,743	7,961,952	87,791
Total expenditures	57,711,850	60,958,195	55,918,156	5,040,039
Other financing uses:				
Transfers out	1,000,000	1,048,300	1,053,567	(5,267)
Total other financing uses	1,000,000	1,048,300	1,053,567	(5,267)
Total general fund expenditures and other financing uses	\$ 58,711,850	\$ 62,006,495	\$ 56,971,723	\$ 5,034,772

TOWN OF LEESBURG, VIRGINIA

Exhibit A-4
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GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Administering efficient government:				
Town council:				
Personnel services	\$ 139,412	\$ 146,912	\$ 145,063	\$ 1,849
Contractual services	129,550	122,109	105,041	17,068
Materials and supplies	3,100	3,657	3,656	1
Grants and contributions	-	20,087	20,087	-
Continuous charges	6,714	3,714	-	3,714
Capital outlay	-	7,000	6,865	135
Total Town council	278,776	303,479	280,712	22,767
Town manager:				
Personel services	623,822	627,403	627,402	1
Contractual services	47,026	58,683	47,509	11,174
Materials and supplies	8,075	9,778	7,911	1,867
Transfer payments	50,000	18,800	-	18,800
Continuous charges	12,000	12,000	8,060	3,940
Capital outlay	1,000	1,000	-	1,000
Total Town manager	741,923	727,664	690,882	36,782
Town attorney:				
Personel services	567,095	580,587	580,586	1
Contractual services	57,400	61,504	48,891	12,613
Materials and supplies	3,400	3,400	2,386	1,014
Continuous charges	300	300	202	98
Capital outlay	-	500	495	5
Total Town attorney	628,195	646,291	632,560	13,731
Clerk of council:				
Personnel services	115,607	184,937	184,937	-
Contractual services	9,330	15,347	15,347	-
Materials and supplies	1,450	2,565	2,564	1
Total Clerk of Council	126,387	202,849	202,848	1
Public arts commission:				
Personel services	9,204	9,258	9,258	-
Contractual services	250	250	-	250
Materials and supplies	150	150	-	150
Contributions	10,000	10,000	6,175	3,825
Total public arts commission	19,604	19,658	15,433	4,225
Economic development commission:				
Personel services	9,204	9,150	5,397	3,753
Contractual services	1,200	1,025	-	1,025
Materials and supplies	-	175	175	-
Total economic development commission	10,404	10,350	5,572	4,778
Diversity commission:				
Personel services	9,204	9,204	7,420	1,784
Total diversity commission	9,204	9,204	7,420	1,784
Public information:				
Personnel services	203,004	217,608	217,607	1
Contractual services	88,570	89,507	74,775	14,732
Materials and supplies	-	306	173	133
Capital outlay	-	2,000	-	2,000
Total public information	291,574	309,421	292,555	16,866

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2018

	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	\$ 6,251	\$ 2,953
Total information technology commission	<u>9,204</u>	<u>9,204</u>	<u>6,251</u>	<u>2,953</u>
Parks and recreation commission:				
Personnel services	9,204	9,204	6,659	2,545
Total parks and recreation commission	<u>9,204</u>	<u>9,204</u>	<u>6,659</u>	<u>2,545</u>
Tree commission:				
Personnel services	9,204	9,204	6,136	3,068
Contractual services	1,800	3,178	3,177	1
Total tree commission	<u>11,004</u>	<u>12,382</u>	<u>9,313</u>	<u>3,069</u>
Library advisory commission:				
Personnel services	9,204	9,204	7,620	1,584
Contractual services	875	1,118	1,094	24
Materials and supplies	350	350	85	265
Total library advisory commission	<u>10,429</u>	<u>10,672</u>	<u>8,799</u>	<u>1,873</u>
Planning commission:				
Personnel services	27,640	27,640	27,112	528
Contractual services	-	-	-	-
Materials and supplies	300	300	61	239
Total planning commission	<u>27,940</u>	<u>27,940</u>	<u>27,173</u>	<u>767</u>
Board of zoning appeals:				
Personnel services	6,459	6,459	754	5,705
Total board of zoning appeals	<u>6,459</u>	<u>6,459</u>	<u>754</u>	<u>5,705</u>
Board of architectural review:				
Personnel services	27,640	27,640	27,126	514
Contractual services	3,500	3,500	267	3,233
Total board of architectural review	<u>31,140</u>	<u>31,140</u>	<u>27,393</u>	<u>3,747</u>
Environmental advisory commission:				
Personnel services	9,204	9,204	8,304	900
Contractual services	3,500	2,500	2,368	132
Total environmental advisory commission	<u>12,704</u>	<u>11,704</u>	<u>10,672</u>	<u>1,032</u>
Airport commission:				
Personnel services	9,204	9,204	6,659	2,545
Total airport commission	<u>9,204</u>	<u>9,204</u>	<u>6,659</u>	<u>2,545</u>
Total administering efficient government	<u>2,233,355</u>	<u>2,356,825</u>	<u>2,231,655</u>	<u>125,170</u>

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Supporting services:				
Finance:				
Personnel services	\$ 2,159,579	\$ 2,176,179	\$ 2,150,536	\$ 25,643
Contractual services	354,259	498,896	347,567	151,329
Materials and supplies	16,250	20,493	13,390	7,103
Transfer payments	-	9,676	254	9,422
Continuous charges	84,916	86,296	79,213	7,083
Capital outlay	262,000	450,789	389,482	61,307
Total finance	2,877,004	3,242,329	2,980,442	261,887
Human resources:				
Personnel services	450,624	452,524	446,926	5,598
Contractual services	108,875	150,381	138,871	11,510
Materials and supplies	2,622	6,247	5,613	634
Continuous charges	2,600	2,727	2,727	-
Capital outlay	-	495	495	-
Total human resources	564,721	612,374	594,632	17,742
Information technology operations:				
Personnel services	789,398	773,198	752,326	20,872
Contractual services	688,529	783,176	687,862	95,314
Materials and supplies	11,000	6,568	6,568	-
Continuous charges	59,100	62,710	56,729	5,981
Capital outlay	415,900	407,306	332,844	74,462
Total information technology operations	1,963,927	2,032,958	1,836,329	196,629
Total supporting services	5,405,652	5,887,661	5,411,403	476,258
Keeping us safe:				
Administrative support:				
Personnel services	1,323,245	1,348,981	1,348,965	16
Contractual services	458,712	482,673	454,085	28,588
Materials and supplies	109,880	138,213	125,353	12,860
Continuous charges	227,205	177,946	176,823	1,123
Capital outlay	40,000	290,178	209,512	80,666
Total administrative support	2,159,042	2,437,991	2,314,738	123,253
Patrol operations:				
Personnel services	5,766,195	5,387,927	5,272,406	115,521
Contractual services	31,678	7,205	6,252	953
Materials and supplies	119,350	147,513	142,135	5,378
Capital outlay	23,000	124,922	124,866	56
Total patrol operations	5,940,223	5,667,567	5,545,659	121,908
Criminal investigations:				
Personnel services	1,322,743	1,342,743	1,324,221	18,522
Contractual services	54,953	43,840	41,963	1,877
Materials and supplies	12,500	3,182	1,603	1,579
Continuous charges	28,800	26,300	25,920	380
Capital outlay	-	7,170	7,170	-
Total criminal investigations	1,418,996	1,423,235	1,400,877	22,358
Community services:				
Personnel services	1,825,356	1,659,446	1,590,354	69,092
Contractual services	7,275	3,157	3,041	116
Materials and supplies	28,750	33,176	30,037	3,139
Continuous charges	4,200	43,067	43,067	-
Capital outlay	-	1,724	1,724	-
Total community services	1,865,581	1,740,570	1,668,223	72,347

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Keeping us safe (continued):				
Information services:				
Personnel services	\$ 1,546,832	\$ 1,559,832	\$ 1,553,287	\$ 6,545
Contractual services	200,919	182,035	182,033	2
Materials and supplies	10,150	8,492	7,882	610
Continuous charges	4,292	4,465	4,121	344
Capital outlay	-	460	460	-
Total information services	1,762,193	1,755,284	1,747,783	7,501
Citizens' support team:				
Materials and supplies	1,395	1,395	387	1,008
Continuous charges	4,000	4,000	2,949	1,051
Total citizens' support team	5,395	5,395	3,336	2,059
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	13,796,335	13,674,947	13,325,521	349,426
Providing the necessities:				
Public works administration:				
Personnel services	755,612	700,728	644,883	55,845
Contractual services	3,848	227,406	193,885	33,521
Materials and Supplies	2,200	4,796	4,795	1
Continuous charges	17,000	17,000	15,983	1,017
Capital outlays	72,000	87,823	31,758	56,065
Total public works administration	850,660	1,037,753	891,304	146,449
Engineering and inspections:				
Personnel services	529,238	543,855	543,851	4
Contractual services	64,900	165,591	138,242	27,349
Materials and supplies	4,200	8,335	7,834	501
Capital outlay	2,000	2,469	2,469	-
Total engineering and inspections	600,338	720,250	692,396	27,854
Streets and grounds maintenance:				
Personnel services	2,771,383	2,764,847	2,693,875	70,972
Contractual services	1,593,600	2,724,237	1,688,205	1,036,032
Materials and supplies	225,200	290,161	169,117	121,044
Continuous charges	185,100	117,328	115,276	2,052
Capital outlay	476,500	525,840	493,481	32,359
Total streets and grounds maintenance	5,251,783	6,422,413	5,159,954	1,262,459
Building maintenance:				
Personnel services	382,268	550,852	509,516	41,336
Contractual services	419,220	599,394	446,431	152,963
Claims and settlements	78,500	85,291	69,035	16,256
Materials and supplies	154,054	151,372	126,503	24,869
Continuous charges	255,000	375,605	233,649	141,956
Capital outlay	-	-	-	-
Total building maintenance	1,289,042	1,762,514	1,385,134	377,380
Fleet maintenance:				
Personnel services	725,260	732,760	712,537	20,223
Contractual services	51,230	54,000	48,156	5,844
Materials and supplies	240,410	249,700	211,664	38,036
Continuous charges	595,000	370,994	277,006	93,988
Transfer payments	20,000	20,000	17,812	2,188
Capital outlay	42,500	146,486	134,288	12,198
Total fleet maintenance	1,674,400	1,573,940	1,401,463	172,477
Refuse collection and recycling:				
Contractual services	2,814,722	2,826,499	2,775,705	50,794
Materials and supplies	13,500	14,193	14,193	-
Total refuse collection and recycling	2,828,222	2,840,692	2,789,898	50,794

(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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Providing the necessities (continued):				
Traffic management:				
Personnel services	\$ 361,163	\$ 380,327	\$ 380,324	\$ 3
Contractual services	80,860	187,271	109,526	77,745
Materials and supplies	55,650	111,620	44,658	66,962
Continuous charges	545,500	595,743	573,601	22,142
Capital outlay	117,000	243,288	70,089	173,199
Total traffic management	1,160,173	1,518,249	1,178,198	340,051
Regional transportation:				
Grants and contributions	296,000	342,975	290,317	52,658
Total regional transportation	296,000	342,975	290,317	52,658
Capital projects management:				
Personnel services	710,300	717,055	258,315	458,740
Contractual services	226,950	296,387	120,849	175,538
Materials and supplies	6,900	6,900	3,314	3,586
Continuous charges	600	600	568	32
Capital outlay	6,250	6,250	2,100	4,150
Total capital projects management	951,000	1,027,192	385,146	642,046
Total Providing the necessities	14,901,618	17,245,978	14,173,810	3,072,168
Ensuring quality of life:				
Outdoor pool:				
Personnel services	235,919	64,765	64,761	4
Contractual services	23,435	21,585	21,584	1
Materials and supplies	39,980	48,800	48,800	-
Continuous charges	20,000	13,004	13,003	1
Total outdoor pool	319,334	148,154	148,148	6
Parks and recreation administration:				
Personnel services	564,303	562,725	562,718	7
Contractual services	110,000	126,551	103,281	23,270
Materials and supplies	2,000	2,000	1,302	698
Continuous charges	23,050	23,050	21,565	1,485
Capital outlay	35,000	76,000	8,274	67,726
Total parks and recreation administration	734,353	790,326	697,140	93,186
Parks:				
Personnel services	912,068	858,768	856,578	2,190
Contractual services	76,600	66,536	53,110	13,426
Materials and supplies	178,570	186,308	182,306	4,002
Continuous charges	190,360	93,333	93,332	1
Capital outlay	232,000	435,531	202,709	232,822
Total parks	1,589,598	1,640,476	1,388,035	252,441
Recreation programs administration:				
Personnel services	198,604	215,003	215,001	2
Contractual services	83,940	83,940	80,343	3,597
Total recreation programs administration	282,544	298,943	295,344	3,599
Ida lee recreation center:				
Personnel services	1,158,736	972,964	972,952	12
Contractual services	272,631	297,150	244,367	52,783
Materials and supplies	68,518	68,382	58,617	9,765
Capital outlay	256,676	251,632	246,938	4,694
Continuous charges	-	136	136	-
Total Ida lee recreation center	1,756,561	1,590,264	1,523,010	67,254
Fitness programs:				
Personnel services	480,119	471,471	471,466	5
Contractual services	35,070	33,916	32,928	988
Materials and supplies	8,200	9,354	9,247	107
Total fitness programs	523,389	514,741	513,641	1,100
Community outreach:				
Personnel services	115,867	108,287	107,167	1,120
Contractual services	14,350	14,350	11,742	2,608
Materials and supplies	6,080	6,080	4,305	1,775
Total community outreach	136,297	128,717	123,214	5,503

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Ensuring quality of life (continued):				
Aquatics:				
Personnel services	\$ 1,113,560	\$ 1,223,591	\$ 1,223,579	\$ 12
Contractual services	14,595	14,595	13,875	720
Materials and supplies	43,730	43,730	43,261	469
Total aquatics	1,171,885	1,281,916	1,280,715	1,201
Sport programs:				
Personnel services	169,348	170,348	170,209	139
Contractual services	170	170	-	170
Materials and supplies	27,300	27,300	27,029	271
Total sport programs	196,818	197,818	197,238	580
Recreation classes:				
Personnel services	144,168	163,920	163,919	1
Contractual services	3,370	3,370	3,097	273
Materials and supplies	3,325	3,325	3,185	140
Total recreation classes	150,863	170,615	170,201	414
Special events:				
Personnel services	125,653	135,385	135,384	1
Contractual services	227,009	213,274	180,694	32,580
Materials and supplies	54,739	63,739	52,070	11,669
Grants and contributions	12,500	12,500	12,200	300
Total special events	419,901	424,898	380,348	44,550
Tennis court complex:				
Personnel services	438,083	533,684	533,679	5
Contractual services	13,700	90,317	73,472	16,845
Materials and supplies	20,300	23,183	23,182	1
Continuous charges	58,760	59,760	50,579	9,181
Total tennis court complex	530,843	706,944	680,912	26,032
Camp programs:				
Personnel services	77,046	77,046	73,483	3,563
Contractual services	33,500	31,656	30,346	1,310
Materials and supplies	6,000	9,680	9,680	-
Total camp programs	116,546	118,382	113,509	4,873
Preschool childcare programs:				
Personnel services	105,859	96,092	96,090	2
Contractual services	1,900	1,500	1,483	17
Materials and supplies	3,570	3,370	2,827	543
Total preschool childcare programs	111,329	100,962	100,400	562
Total Parks and Recreation Commission	8,060,469	8,134,742	7,627,827	506,915
Balch library:				
Library operations:				
Personnel services	391,434	408,347	408,346	1
Contractual services	35,806	40,261	30,468	9,793
Materials and supplies	40,655	33,799	30,386	3,413
Capital outlay	22,166	22,957	21,993	964
Continuous charges	-	7,615	5,615	2,000
Total library operations	490,061	512,979	496,808	16,171
Planning and zoning:				
Planning and zoning operations:				
Personnel services	1,829,932	1,768,804	1,760,921	7,883
Contractual services	137,300	254,764	159,422	95,342
Materials and supplies	6,600	13,500	8,149	5,351
Capital outlay	350	350	331	19
Continuous charges	25,000	27,340	26,780	560
Total planning and zoning operations	1,999,182	2,064,758	1,955,603	109,155
Plan review:				
Personnel services	1,213,126	1,256,654	1,256,645	9
Contractual services	130,473	192,326	72,550	119,776
Materials and supplies	6,500	6,500	5,138	1,362
Total plan review	1,350,099	1,455,480	1,334,333	121,147
Total ensuring quality of life	19,940,072	20,281,115	19,026,426	1,254,689

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – FUNCTIONAL BUDGET AND ACTUAL
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Seizing the future:				
Airport Operations:				
Personnel services	\$ 333,602	\$ 341,363	\$ 341,358	\$ 5
Contractual services	267,870	280,562	244,016	36,546
Materials and supplies	26,600	26,088	24,739	1,349
Capital outlay	130,000	131,252	127,001	4,251
Total airport operations	<u>758,072</u>	<u>779,265</u>	<u>737,114</u>	<u>42,151</u>
Economic development operations:				
Personnel services	248,957	250,057	240,880	9,177
Contractual services	59,533	64,739	35,563	29,176
Materials and supplies	14,550	14,550	13,603	947
Continuous charges	328,023	328,057	328,056	1
Grants and contributions	160,000	160,000	60,000	100,000
Total economic development operations	<u>811,063</u>	<u>817,403</u>	<u>678,102</u>	<u>139,301</u>
Debt Service:				
Principal	5,377,002	5,377,002	5,377,001	1
Interest and fiscal charges	2,549,150	2,672,741	2,584,951	87,790
Total debt service	<u>7,926,152</u>	<u>8,049,743</u>	<u>7,961,952</u>	<u>87,791</u>
Total expenditures	<u>57,711,850</u>	<u>60,958,195</u>	<u>55,918,156</u>	<u>5,040,039</u>
Other Financing Uses:				
Transfers out	1,000,000	1,048,300	1,053,567	(5,267)
Total other financing uses	<u>1,000,000</u>	<u>1,048,300</u>	<u>1,053,567</u>	<u>(5,267)</u>
Total general fund expenditures and other financing uses	<u>\$ 58,711,850</u>	<u>\$ 62,006,495</u>	<u>\$ 56,971,723</u>	<u>\$ 5,034,772</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit B-1

STATEMENT OF NET POSITION
UTILITIES FUND
June 30, 2018
(With Comparative Amounts for 2017)

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 27,678,535	\$ 22,008,894
Accounts receivable, net	3,837,044	3,601,536
Prepaid expenses	17,123	12,719
Inventory	739,914	784,836
Due from other funds	-	-
Accrued interest	-	29,028
Restricted cash	680,712	839,445
Total current assets	<u>32,953,328</u>	<u>27,276,458</u>
Noncurrent Assets:		
Net other postemployment benefits asset	-	31,833
Capital assets:		
Nondepreciable	1,846,796	1,701,692
Depreciable assets, net	178,743,848	179,991,346
Total noncurrent assets	<u>180,590,644</u>	<u>181,724,871</u>
Total assets	<u>213,543,972</u>	<u>209,001,329</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	600,339	1,058,807
Deferred outflows related to other post employment benefits	25,913	-
Deferred loss on refunding	2,350,916	2,551,295
Total deferred outflows of resources	<u>2,977,168</u>	<u>3,610,102</u>
Total assets and deferred outflows of resources	<u>216,521,140</u>	<u>212,611,431</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1,145,440	599,201
Accrued expenses	316,003	267,521
Accrued interest	1,065,189	1,093,006
Compensated absences	511,705	486,133
Retainage payable	194,312	161,978
Bonds payable	2,164,287	2,129,587
Performance bonds payable	9,000	9,000
Customer deposits and contingent charges	1,105,404	1,056,330
Total current liabilities	<u>6,511,340</u>	<u>5,802,756</u>
Noncurrent Liabilities:		
Compensated absences	165,231	156,974
Net pension obligation liability	2,846,808	3,933,160
Net other postemployment benefit liability	2,081,222	-
Bonds payable, net	61,586,932	64,001,117
Total noncurrent liabilities	<u>66,680,193</u>	<u>68,091,251</u>
Total liabilities	<u>73,191,533</u>	<u>73,894,007</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	559,902	61,645
Deferred inflows related to other postemployment benefits	674,441	-
Total liabilities and deferred inflows of resources	<u>74,425,876</u>	<u>73,955,652</u>
NET POSITION		
Net investment in capital assets	119,676,742	116,239,800
Unrestricted	22,418,522	22,415,979
Total net position	<u>\$ 142,095,264</u>	<u>\$ 138,655,779</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit B-2

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

**Year Ended June 30, 2018
(With Comparative Amounts for 2017)**

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Charges for services	\$ 21,574,728	\$ 19,631,920
Other	193,654	237,681
	<hr/>	<hr/>
Total operating revenues	21,768,382	19,869,601
	<hr/>	<hr/>
Operating expenses:		
Personnel service	7,428,624	7,328,099
Contractual services	886,229	716,084
Depreciation and amortization	5,807,748	5,485,291
Materials and supplies	1,849,970	1,779,128
Continuous charges	1,308,254	1,253,285
Claims and settlements	1,324	-
Internal and other	185,541	-
	<hr/>	<hr/>
Total operating expenses	17,467,690	16,561,887
	<hr/>	<hr/>
Operating income	4,300,692	3,307,714
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Interest on investments	312,200	107,835
Rental and other charges	287,437	278,397
Installation and connection charges	2,298,656	2,719,824
Interest and fiscal charges	(2,423,958)	(2,606,560)
	<hr/>	<hr/>
Total nonoperating revenues (expenses), net	474,335	499,496
	<hr/>	<hr/>
Income before capital contributions and transfers	4,775,027	3,807,210
	<hr/>	<hr/>
Transfers:		
Transfers out	(1,324,800)	(1,422,107)
Contributions:		
Developer donated assets	2,811,012	12,128,538
	<hr/>	<hr/>
Total contributions and transfers, net	1,486,212	10,706,431
	<hr/>	<hr/>
Change in net position	6,261,239	14,513,641
	<hr/>	<hr/>
Total net position, beginning, as restated	135,834,025	124,142,138
	<hr/>	<hr/>
Total net position, ending	<u>\$ 142,095,264</u>	<u>\$ 138,655,779</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3
Page 1

STATEMENT OF CASH FLOWS
UTILITIES FUND
Year Ended June 30, 2018
(With Comparative Amounts for 2017)

	2018	2017
Operating Activities:		
Receipts from customers	\$ 21,581,948	\$ 19,745,559
Payments to suppliers for goods and services	(3,644,560)	(4,106,289)
Payments to employees for services	(7,536,111)	(6,809,401)
Receipts from employees – health insurance contributions	-	-
Other Receipts	-	-
Net cash provided by operating activities	10,401,277	8,829,869
Noncapital and Related Financing Activities:		
Advance from other funds	-	1,097
Transfers out	(1,324,800)	(1,422,107)
Net cash (used in) noncapital and related financing activities	(1,324,800)	(1,421,010)
Capital and Related Financing Activities:		
Installation and connection charges	2,298,656	2,755,385
Acquisition and construction of capital assets	(1,862,008)	(2,987,126)
Principal paid on bonds	(2,129,588)	(1,930,730)
Payments to escrow agent	-	(3,840,000)
Proceeds from bond refunding	-	4,486,481
Interest and fiscal charges	(2,501,294)	(3,309,920)
Net cash (used in) capital and related financing activities	(4,194,234)	(4,825,910)
Investing Activities:		
Interest on investments	341,228	352,208
Rental income	287,437	-
Net cash provided by investing activities	628,665	352,208
Net increase (decrease) in cash and cash equivalents	5,510,908	2,935,157
Cash and Cash Equivalents:		
Beginning	22,848,339	19,913,182
Ending	\$ 28,359,247	\$ 22,848,339

(Continued)

TOWN OF LEESBURG, VIRGINIA

**Exhibit B-3
Page 2**

**STATEMENT OF CASH FLOWS
UTILITIES FUND
Year Ended June 30, 2018
(With Comparative Amounts for 2017)**

	<u>2018</u>	<u>2017</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,300,692	\$ 3,307,714
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,807,748	5,485,291
Pension expense	(129,627)	132,784
Other postemployment benefits expense	(60,171)	(10,866)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(235,508)	(197,775)
Due from other funds	(4,404)	(12,719)
Inventory	44,922	(158,758)
Increase (decrease) in:		
Accounts payable	546,240	163,078
Accrued liabilities	82,311	47,386
Customer deposits and contingent charges	49,074	73,734
Net cash provided by operating activities	<u>\$ 10,401,277</u>	<u>\$ 8,829,869</u>
 Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Developer donated capital improvements	<u>\$ 2,811,012</u>	<u>\$ 12,128,538</u>
Capital assets included in retainage payable	<u>\$ 194,312</u>	<u>\$ 161,978</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit C-1

**STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
Year Ended June 30, 2018
(With Comparative Amounts for 2017)**

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,396,102	\$ 2,443,381
Receivables (net of allowance for doubtful accounts):		
Trade and other accounts	194,194	174,124
Total Assets	2,590,296	2,617,505
LIABILITIES		
Current liabilities:		
Accounts payable	1,401	9,934
Insurance and benefit claims	922,660	828,589
Total liabilities	924,061	838,523
NET POSITION		
Unrestricted		
Total net position	\$ 1,666,235	\$ 1,778,982

TOWN OF LEESBURG, VIRGINIA

Exhibit C-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2018
(With Comparative Amounts for 2017)**

	2018	2017
Operating revenues:		
Charges for services	\$ 4,332,022	\$ 4,768,896
Other	636,541	-
	<hr/>	<hr/>
Total operating revenues	4,968,563	4,768,896
	<hr/>	<hr/>
Operating expenses:		
Risk financing and benefit payments	5,087,929	4,450,488
	<hr/>	<hr/>
Total operating expenses	5,087,929	4,450,488
	<hr/>	<hr/>
Operating income (loss)	(119,366)	318,408
	<hr/>	<hr/>
Nonoperating revenues (expenses):		
Interest on investments	6,619	7,252
	<hr/>	<hr/>
Total nonoperating revenues (expenses), net	6,619	7,252
	<hr/>	<hr/>
Change in net position	(112,747)	325,660
	<hr/>	<hr/>
Total net position, beginning	1,778,982	1,453,322
	<hr/>	<hr/>
Total net position, ending	<u>\$ 1,666,235</u>	<u>\$ 1,778,982</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit C-3

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
Year Ended June 30, 2018
(With Comparative Amounts for 2017)**

	<u>2018</u>	<u>2017</u>
Operating Activities:		
Receipts from interfund services provided	\$ 4,948,493	\$ 4,603,387
Claims and benefits paid	<u>(5,002,391)</u>	<u>(5,284,562)</u>
Net cash used in operating activities	<u>(53,898)</u>	<u>(681,175)</u>
Noncapital and Related Financing Activities:		
Payments (advance) from other funds	<u>-</u>	<u>136,442</u>
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>136,442</u>
Investing Activities:		
Interest on investments	<u>6,619</u>	<u>7,252</u>
Net cash provided by investing activities	<u>6,619</u>	<u>7,252</u>
Net increase in cash, cash equivalents, and investments	<u>(47,279)</u>	<u>(537,481)</u>
Cash, cash equivalents, and investments:		
Beginning	<u>2,443,381</u>	<u>2,980,862</u>
Ending	<u>\$ 2,396,102</u>	<u>\$ 2,443,381</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (119,366)	\$ 318,408
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Increase in:		
Accounts receivable	(20,070)	(165,508)
Decrease in:		
Accounts payable	(8,533)	(931,762)
Insurance and benefit claims	<u>94,071</u>	<u>97,687</u>
Net cash used in operating activities	<u>\$ (53,898)</u>	<u>\$ (681,175)</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit D-1

**BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2018**

	NVTA	Balch Library Trust	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ -	\$ 815,880	\$ 815,880
Cash and investments with fiscal agent	1,257,286	-	1,257,286
Due from other governments	361,579	-	361,579
Total assets	\$ 1,618,865	\$ 815,880	\$ 2,434,745
LIABILITIES			
Current liabilities:			
Due to other governments	\$ 46,595	\$ -	\$ 46,595
Total liabilities	\$ 46,595	\$ -	\$ 46,595
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Deferred inflows of resources:			
Grants	\$ 1,257,286	\$ -	\$ 1,257,286
Total deferred inflows of resources	\$ 1,257,286	\$ -	\$ 1,257,286
FUND BALANCE			
Restricted	\$ 314,984	\$ 815,880	\$ 1,130,864
Total fund balance	\$ 314,984	\$ 815,880	\$ 1,130,864

TOWN OF LEESBURG, VIRGINIA

Exhibit D-2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
Year Ended June 30, 2018**

	NVTA	Balch Library Trust	Total
Revenues:			
Intergovernmental	\$ 3,549,027	\$ -	\$ 3,549,027
Grants	-	5,250	5,250
Interest	-	11,934	11,934
	<hr/>	<hr/>	<hr/>
Total revenues	3,549,027	17,184	3,566,211
Expenditures:			
Capital projects	3,549,027	-	3,549,027
	<hr/>	<hr/>	<hr/>
Total expenditures	3,549,027	-	3,549,027
Other financing sources (uses):			
Transfers in	314,984	-	314,984
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses):	314,984	-	314,984
Net change in fund balance	314,984	17,184	332,168
Fund balance, beginning, as restated	-	798,696	798,696
	<hr/>	<hr/>	<hr/>
Fund balance, ending	<u>\$ 314,984</u>	<u>\$ 815,880</u>	<u>\$ 1,130,864</u>

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.

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 294,700,876
Restricted	32,228	32,228	5,852,078	827,452	4,756,210	1,366,923	11,601,298	15,074,126	13,860,762	12,012,955
Unrestricted	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	10,367,657
Total governmental activities net position	\$ 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	\$ 317,081,488
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 119,676,742
Unrestricted	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	22,418,522
Total business-type activities net position	\$ 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	\$ 142,095,264
Primary government:										
Net investment in capital assets	\$ 299,332,963	\$ 364,619,392	\$ 369,654,639	\$ 373,407,539	\$ 374,526,641	\$ 380,623,855	\$ 359,287,920	\$ 366,932,826	\$ 399,258,015	\$ 414,377,618
Restricted	32,228	32,228	5,852,078	827,452	4,756,210	1,366,923	11,601,298	15,074,126	13,860,762	12,012,955
Unrestricted	38,477,115	27,732,548	20,645,913	28,591,498	27,355,358	27,359,972	26,737,558	29,999,266	35,050,862	32,786,179
Total primary government net position	\$ 337,842,306	\$ 392,384,168	\$ 396,152,630	\$ 402,826,489	\$ 406,638,209	\$ 409,350,750	\$ 397,626,776	\$ 412,006,218	\$ 448,169,639	\$ 459,176,752

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.

GASB Statement No. 75 was adopted in fiscal year 2018. Information for previous years presented is unavailable.

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position: (Continued)										
Business-type activities:										
Use of money and property	\$ 404,523	\$ 59,215	\$ 84,837	\$ 254,237	\$ 562,996	\$ 194,274	\$ 66,363	\$ 236,150	\$ 350,671	\$ 312,200
Miscellaneous	307,473	295,623	328,773	350,704	411,370	548,717	546,126	424,837	237,681	481,091
Transfers	(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)	(1,324,800)
Total business-type activities	(1,513,564)	(1,847,014)	(2,282,651)	(28,110,687)	(933,130)	(749,859)	(889,173)	(1,062,944)	(833,755)	(531,509)
Total primary government	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	43,749,213
Changes in net position:										
Governmental activities	(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	18,182,797
Business-type activities	3,580,961	1,270,897	490,372	(26,763,002)	866,659	(2,102,764)	(1,055,886)	458,224	14,513,641	6,261,239
Total primary government	\$ 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	\$ 24,444,036

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Legislative	\$ -	\$ 23,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,340	\$ -
Executive	-	-	-	-	-	137,400	255,441	259,066	36,298	861,824
Legal	-	-	-	-	-	-	-	-	-	-
Parks and recreation	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	5,081,384
Finance and administrative services	-	-	-	-	-	-	-	-	-	-
Balch Library	15,500	255,000	372,994	5,500	5,000	12,379	16,500	8,872	-	-
Planning and zoning	351,994	262,270	261,447	283,241	237,689	706,135	649,181	513,145	1,919,609	252,393
Public works	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	25,906,887
Public safety	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	1,536,173
Plan review	-	-	-	-	-	-	-	-	1,280,528	896,791
Airport	-	-	-	-	4,092,941	1,016,047	1,545,990	417,744	82,780	320,141
Total governmental activities	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	34,855,593
Business-type activities:										
Airport	2,538,870	2,503	1,315,085	1,881,312	-	-	-	-	-	-
Utilities	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	26,684,396
Downtown parking	-	-	-	-	-	-	-	-	-	-
Total business-type activities	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	26,684,396
Total government	\$ 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	\$ 61,539,989

Note:

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

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

	June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 2,129,964	\$ -	\$ -	\$ -	\$ 153,473
Unreserved	15,868,848	-	-	-	831,316
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	7,144,209
Unassigned	-	8,529,064	9,103,329	9,395,933	10,041,113
Total general fund	\$ 17,998,812	\$ 21,456,672	\$ 22,438,541	\$ 17,149,544	\$ 18,170,111
All Other Governmental Funds:					
Committed, reported in:					
Capital projects fund	\$ -	\$ -	\$ 2,878,070	\$ -	\$ -
Unreserved, reported in:					
Capital projects fund	17,946	12,939,512	-	5,299,780	6,672,522
Special revenue funds	6,065,247	-	-	-	-
Assigned, reported in:					
Capital projects fund	-	-	-	945,427	(5,137,844)
Total all other government funds	\$ 6,083,193	\$ 12,939,512	\$ 2,878,070	\$ 6,245,207	\$ 1,534,678
General Fund:					
Nonspendable	\$ 155,411	\$ 159,370	\$ 217,801	\$ 302,316	\$ 277,338
Restricted	973,799	985,772	1,025,170	1,379,857	716,204
Committed	-	-	-	-	-
Assigned	8,747,716	11,349,940	12,940,397	14,145,306	14,010,719
Unassigned	10,958,360	10,286,067	11,521,249	12,288,356	14,494,275
Total general fund	\$ 20,835,286	\$ 22,781,149	\$ 25,704,617	\$ 28,115,835	\$ 29,498,536
All Other Governmental Funds:					
Restricted, reported in:					
Capital projects fund	\$ -	\$ 10,615,526	\$ 12,595,634	\$ 12,480,905	\$ 14,277,505
Other governmental funds	-	-	-	-	1,130,864
Committed, reported in:					
Capital projects fund	7,750,173	2,131,395	5,044,819	10,557,120	2,180,641
Assigned, reported in:					
Capital projects fund	-	-	-	-	1,271,396
Unassigned, reported in:					
Capital projects fund	(12,805,982)	(1,779,735)	(3,980,575)	(9,581,537)	-
Total all other government funds	\$ (5,055,809)	\$ 10,967,186	\$ 13,659,878	\$ 13,456,488	\$ 18,860,406

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.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
General property taxes	\$ 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	\$ 15,692,223
Other local taxes	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	15,080,196
Permits, privilege fees and regulatory licenses	500,858	437,125	432,971	435,554	391,407	1,073,586	1,032,766	772,765	1,280,528	1,366,410
Fines and forfeitures	364,573	402,164	576,328	482,049	544,411	718,350	530,509	341,152	378,181	426,404
Use of money and property	1,156,355	440,731	686,183	514,491	1,768,730	1,796,693	1,785,866	2,185,769	2,574,671	2,403,511
Charges for services	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	5,263,363
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	3,989,498
Grants	-	-	-	-	-	-	-	-	-	5,250
Miscellaneous	2,902,824	993,681	1,086,819	901,963	1,608,459	813,747	676,490	611,090	257,235	77,206
Intergovernmental	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	32,456,282
Total revenues	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	76,760,343
Expenditures:										
Legislative	1,039,363	1,103,242	919,953	960,836	949,680	1,645,525	395,084	249,418	247,809	280,712
Executive	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	1,689,964
Legal	364,257	411,839	401,794	412,454	517,214	470,940	854,433	738,157	761,453	835,408
Finance and administrative services	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	5,417,654
Public safety	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	13,325,521
Public works	11,377,958	11,456,058	11,385,261	11,590,650	11,851,505	11,494,248	11,332,942	12,878,286	14,391,996	14,173,810
Parks and recreation	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	7,627,827
Balch Library	517,850	457,606	449,682	454,610	440,057	457,866	459,214	488,583	490,644	505,607
Planning and zoning	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	2,021,595
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	1,334,333
Airport	-	-	-	2,444	706,939	688,604	660,000	716,544	771,312	743,773
Capital projects	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	15,936,356
Debt service:										
Principal	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	5,377,001
Interest and fiscal charges	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	2,584,951
Debt issuance cost	-	-	-	-	-	-	-	-	226,075	-
Total expenditures	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	71,854,512
Excess of revenues over (under) expenditures	(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	4,905,831
Other financing sources (uses):										
Transfers in	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	3,982,397
Transfers out	(662,422)	(528,866)	(1,671,281)	(3,206,258)	(581,921)	(799,473)	(848,368)	(5,423,779)	(3,742,627)	(2,657,597)
Issuance of debt	-	22,540,000	-	8,253,567	-	-	17,830,000	-	-	555,988
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	-
Proceeds from sale of property	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	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	1,880,788
Net changes in fund balances	\$ (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	\$ 6,786,619
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 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	\$ 7,961,952
Total expenditures	\$ 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	\$ 71,854,512
Less: capital outlay	(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)	(14,369,653)
Noncapital expenditures	\$ 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	\$ 57,484,859
Debt service as a percentage of noncapital expenditures	11.70%	11.58%	12.28%	21.44%	11.91%	9.77%	12.25%	11.02%	14.67%	13.85%

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

	2014	2015	2016	2017	2018
Revenues					
General Property Taxes	\$ 13,814,622	\$ 13,568,504	\$ 14,389,962	\$ 14,816,811	\$ 15,692,223
Other Local Taxes	17,618,402	17,939,057	18,864,268	14,031,990	15,080,196
Permits, Fees and Licenses	1,073,586	1,027,582	772,765	1,280,528	1,366,410
Fines & Forfeitures	718,350	530,509	341,152	378,181	426,404
Use of Money and Property	1,518,555	1,505,164	1,858,388	2,224,138	2,297,508
Charges for Services	4,935,266	4,980,152	5,097,258	5,075,406	5,263,363
Contributions and Proffers	144,779	322,341	978,676	290,320	384,168
Miscellaneous	767,665	675,833	179,817	250,028	57,689
Intergovernmental	8,319,316	8,591,204	9,182,482	16,125,460	15,415,325
Loan proceeds	-	-	-	-	555,988
Transfer from other funds	2,262,085	2,319,710	4,171,689	3,059,596	2,613,846
Total Revenues	51,172,626	51,460,056	55,836,457	57,532,458	59,153,120
Expenditures					
Legislative	1,645,525	395,084	249,418	247,809	280,712
Executive	4,065,619	1,919,530	2,251,468	1,887,672	1,689,964
Legal	470,940	854,433	738,157	761,453	835,408
Finance and administrative services	1,985,483	4,459,503	4,921,814	4,795,874	5,417,654
Public Safety	12,507,687	13,488,315	13,242,169	12,467,978	13,325,521
Public Works	11,494,248	11,332,942	12,878,286	14,391,996	14,173,810
Parks and Recreation	7,833,710	8,060,847	7,845,039	7,640,573	7,627,827
Balch Library	457,866	459,214	488,583	490,644	505,607
Planning and Zoning	1,562,694	1,591,679	1,663,251	1,650,178	2,021,595
Plan Review	1,384,016	1,314,564	1,388,654	1,333,740	1,334,333
Airport	688,604	660,000	716,544	771,312	743,773
Debt Service					
Principal Retirement	1,799,341	2,300,000	2,505,000	5,020,000	5,377,001
Interest Payments & Other Fiscal Charges	2,611,718	2,678,082	2,997,383	3,004,766	2,584,951
Transfers to other funds	-	-	1,027,223	657,245	1,053,567
Total Expenditures	48,507,451	49,514,193	52,912,989	55,121,240	56,971,723
Net change in fund balances	2,665,175	1,945,863	2,923,468	2,411,218	2,181,397
Fund balance, beginning of year, as restated	18,170,111	20,835,286	22,781,149	25,704,617	27,317,139
Fund balance, end of year	\$ 20,835,286	\$ 22,781,149	\$ 25,704,617	\$ 28,115,835	\$ 29,498,536

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	
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	3,389,293	897,488	175,628	36,519,497	
2018	15,692,000	1,544,206	269,834	5,252,089	1,978,108	1,274,610	821,296	5,841,127	866,352	3,620,884	890,662	221,059	38,272,225	
Change 2009-2018		21%	4%	250%	32%	-12%	122%	-5%	76%	45%	36%	14%	38%	29%

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	
2009	\$ 5,628,792,118	\$ 381,809,520	\$ 104,417,085	\$ 1,885,520	\$ 6,118,757,858
2010	5,557,189,300	425,625,374	106,373,774	1,762,446	6,092,512,108
2011	5,675,717,100	498,450,685	108,083,816	1,613,618	6,283,612,669
2012	5,802,517,900	528,113,712	108,553,642	891,242	6,437,178,570
2013	6,085,462,040	481,548,404	105,809,512	737,446	6,678,792,661
2014	6,438,888,020	447,867,148	111,087,100	695,117	6,995,849,656
2015	6,643,105,870	388,770,026	108,441,453	653,035	7,140,970,384
2016	6,718,865,180	428,519,647	117,080,280	549,045	7,265,014,152
2017	7,081,200,240	412,219,300	116,315,393	426,223	7,610,161,156
2018	7,529,930,110	385,548,796	117,980,215	514,888	8,033,974,009

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.

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

Tax Year January 1,	Residential Property	Commercial Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value	Percent Change	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2009	\$ 4,178,757,280	\$ 1,450,034,838	104,417,085	\$ 777,473,500	\$ 6,510,682,703	\$ 5,733,209,203	-13.4%	0.195	\$ 5,733,209,203	100%
2010	4,099,937,100	1,457,252,200	106,373,774	725,232,500	6,388,795,574	5,663,563,074	-1.2%	0.195	5,663,563,074	100%
2011	4,225,241,300	1,450,475,800	108,083,816	817,713,100	6,601,514,016	5,783,800,916	2.1%	0.195	5,783,800,916	100%
2012	4,344,339,200	1,458,178,700	108,553,642	811,703,300	6,722,774,842	5,911,071,542	2.2%	0.195	5,911,071,542	100%
2013	4,549,312,500	1,536,149,540	105,809,512	811,261,540	7,002,533,092	6,191,271,552	4.7%	0.192	6,191,271,552	100%
2014	4,896,036,280	1,542,851,740	111,087,100	848,001,120	7,397,976,240	6,549,975,120	5.8%	0.183	6,547,329,473	100%
2015	5,080,543,570	1,562,562,300	108,441,453	868,365,540	7,619,912,863	6,751,547,323	3.1%	0.183	6,643,105,870	100%
2016	5,136,906,120	1,581,959,060	117,080,280	928,613,880	7,764,559,340	6,835,945,460	1.3%	0.186	6,718,865,180	100%
2017	5,395,167,440	1,686,032,800	116,315,393	977,061,440	8,174,577,073	7,197,515,633	5.3%	0.184	7,081,200,240	100%
2018	5,732,121,450	1,797,808,660	117,980,215	1,021,297,320	8,669,207,645	7,647,910,325	6.3%	0.184	7,529,930,110	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.

TOWN OF LEESBURG, VIRGINIA

Table 10

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
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
2018	0.184	1.00	1.085	4.20	1.27	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	2018			2009		
	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	\$ 261,062,410	1	3.41%	\$ 127,366,800	1	2.22%
Carlyle/Cypress Leesburg I LLC	102,584,760	2	1.34%			
KJ Met Leesburg Property LLC	74,373,210	3	0.97%			
PP Leesburg Investors LLC	61,745,860	4	0.81%			
Federal Realty Investment Trust	60,593,060	5	0.79%			
RPAI Leesburg Fort Evans LLC	59,575,130	6	0.78%			
C H Realty III/Battlefield LLC	55,189,170	7	0.72%	53,626,200	2	0.94%
Bellmeade Owner LLC	54,102,510	8	0.71%			
Potomac Station (E&A) LLC	47,043,200	9	0.62%	29,108,300	10	0.51%
Arcadia Communities INC	44,350,680	10	0.58%			
Fund IX CB Leesburg LLC				47,141,900	3	0.82%
Windsor at Fieldstone Ltd Partnership				46,686,200	4	0.81%
F R Leesburg Plaza LP				41,957,400	5	0.73%
TollStratford LLC				40,676,000	6	0.71%
Battlefield FE LP				35,969,700	7	0.63%
Rehau, Inc				34,412,500	8	0.60%
Fort Evans Plaza Ltmd Partnership				29,609,500	9	0.52%
Total	\$ 820,619,990		10.73%	\$ 486,554,500		8.49%

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 9/30/18	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 10,583,453	\$ 10,430,489	\$ 1	\$ 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	10,538,460	98.61%	148,248	10,686,708	100.00%
2012	10,985,052	10,800,230	98.32%	183,423	10,983,653	99.99%
2013	11,372,301	11,238,473	98.82%	133,809	11,372,282	100.00%
2014	11,586,879	11,448,839	98.81%	135,563	11,584,401	99.98%
2015	11,951,870	11,821,082	98.91%	125,554	11,946,636	99.96%
2016	12,302,314	12,121,029	98.53%	173,454	12,294,483	99.94%
2017	12,879,257	12,653,736	98.25%	195,475	12,849,212	99.77%
2018	13,611,937 ⁽¹⁾	6,912,445	50.78%	-	6,912,445	50.78%

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 9/30/18	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 3,469,704	\$ 3,027,135	87.24%	\$ 441,589	\$ 3,468,724	99.97%
2010	3,675,295	3,191,156	86.83%	482,725	3,673,881	99.96%
2011	3,576,777	2,933,515	82.02%	639,423	3,572,938	99.89%
2012	2,711,235	2,226,970	82.14%	477,143	2,704,112	99.74%
2013	2,976,406	2,513,570	84.45%	407,605	2,921,175	98.14%
2014	284,978 ⁽²⁾	269,307	94.50%	15,590	284,897	99.97%
2015	2,930,148 ⁽³⁾	2,679,717	91.45%	194,937	2,874,654	98.11%
2016	3,030,471	2,753,137	90.85%	203,188	2,956,325	97.55%
2017	3,320,943	2,746,748	82.71%	376,898	3,123,646	94.06%
2018	2,924,153	2,476,135	84.68%	-	2,476,135	84.68%

Note:

(1) The amounts for calendar year 2018 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 2012-2018 under Personal Property Tax levied and collected.

TOWN OF LEESBURG, VIRGINIA

Table 13

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Governmental	Business-Type		Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General	Percentage of Actual Taxable Value of Property	General
	Activities	Activities					Bonded Debt		Bonded Debt
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds				Outstanding General Obligation Bonds		Outstanding Debt Per Capita
2008	\$ 49,247,926	\$ 10,873,269	\$ 60,946,132	\$ 121,067,327	4.55%	3,148	\$ 110,194,058	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%	2,791	118,170,888	2.04%	2,650
2012	59,994,727	4,204,897	63,735,361	127,934,985	4.33%	2,775	123,730,088	2.09%	2,683
2013	56,946,559	4,204,897	63,074,316	124,225,772	4.28%	2,598	120,020,875	1.94%	2,510
2014	57,234,740	4,204,897	62,564,875	124,004,512	4.17%	2,508	119,799,615	1.83%	2,423
2015	70,620,000	3,886,950	61,375,000	135,881,950	4.38%	2,662	131,995,000	1.99%	2,586
2016	72,747,433	3,234,264	64,682,401	140,664,098	4.44%	2,673	137,429,834	2.05%	2,612
2017	68,240,268	2,558,534	63,572,170	134,370,972	4.10%	2,478	131,812,438	1.86%	2,431
2018	62,453,834	1,858,946	61,892,273	126,205,053	3.69%	2,328	124,346,107	1.65%	2,294

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.

TOWN OF LEESBURG, VIRGINIA

Table 14

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2018
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Loudoun County, Virginia	\$ 1,505,795,432	9.84%	\$ 148,155,426
Town Direct Debt			<u>62,453,834</u>
Total direct and overlapping debt			<u><u>\$ 210,609,260</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.

TOWN OF LEESBURG, VIRGINIA

Table 15

**LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)**

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 719,751,563
Total net debt applicable to limit	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	62,453,834
Available legal debt margin	\$ 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	\$ 657,297,729
Total net debt applicable to the limit as a percentage of debt limit	7.95%	10.39%	9.63%	10.14%	9.19%	8.74%	10.63%	10.14%	9.64%	8.68%
Legal debt margin calculation for fiscal year 2018					Summary of outstanding debt:					
Assessed value of real estate	<u>\$ 7,197,515,633</u>				Gross bonded debt		\$ 126,205,053			
Debt limit (10% of assessed value)	\$ 719,751,563				Less: enterprise debt		<u>63,751,219</u>			
Debt applicable to limit:					General obligation debt:		<u>\$ 62,453,834</u>			
Net direct debt outstanding	<u>62,453,834</u>									
Available legal debt margin	<u>\$ 657,297,729</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*.

TOWN OF LEESBURG, VIRGINIA

Table 16

**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		
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	
2018	24,666,675	11,659,942	13,006,733	2,129,588	2,473,479	4,603,067	2.83	

Notes:

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

TOWN OF LEESBURG, VIRGINIA

Table 17

**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
2009	40,824	2,569,228,962	61,471	4.60%
2010	43,055	2,683,913,064	62,979	5.30%
2011	44,589	2,847,929,166	66,042	5.00%
2012	46,110	2,951,701,200	68,208	4.80%
2013	47,817	2,900,407,268	66,517	4.70%
2014	49,447	2,973,117,692	67,577	4.50%
2015	51,045	3,099,325,362	70,046	3.70%
2016	52,617	3,170,767,796	71,218	3.40%
2017	54,215	3,277,877,100	73,100	2.90%
2018	54,215	3,417,779,300	75,700	2.70%

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 16, 2017 release for 2000 to 2016. 2017 and 2018 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, September 18, 2018, month of June each year. Values of previous years have been revised.

TOWN OF LEESBURG, VIRGINIA

Table 18

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)**

Employer	2018			2009	
	Employees	Rank	Percentage of Total Employment	Employees	Rank
Loudoun County Government	2,000-2,500	1	9.1%	1,500-2,000	1
Loudoun County Public Schools	1,000-1,500	2	5.1%	1,000-1,500	2
Federal Aviation Administration	500-1,000	3	1.9%	500-1,000	3
Town of Leesburg	250-500	4	1.7%	500-1,000	4
Wegmans	250-500	5	1.6%	-	-
K2M	250-500	6	1.4%	-	-
Commonwealth of Virginia	250-500	7	1.3%	-	-
Target	250-500	8	1.0%	250-500	6
Costco	100-250	9	0.9%	100-250	8
Loudoun Medical Group	100-250	10	0.8%	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, Virginia Employment Commission, 1st Quarter 2018

TOWN OF LEESBURG, VIRGINIA

Table 19

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

Function/Program	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (3)
Town Manager's Office	6.5	8.5	9.0	6.0	6.0	6.0	7.0	8.0	6.0	6.0
Town Attorney	2.6	3.0	3.0	3.0	3.0	3.0	5.0	5.0	5.0	5.0
Clerk of Council	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	19.5	19.5	19.5	16.0	16.0	15.5	15.5	17.5	19.5	19.0
Human Resources	9.5	7.5	7.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Information Technology	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0
Public Safety	96.0	98.0	101.0	101.0	101.0	101.0	103.0	103.0	103.0	103.0
Public Works & Capital Projects	54.0	53.0	53.0	49.0	49.0	49.0	49.0	53.0	55.0	57.0
Capital Projects Management	10.0	11.0	10.0	10.6	10.6	9.4	6.0	-	-	-
Utilities	85.0	84.0	80.5	78.5	78.0	78.0	78.0	81.0	81.0	81.0
Parks, Recreation and Cultural	109.8	112.2	111.0	107.1	107.1	107.1	107.5	107.5	105.5	37.3
Balch Library	6.2	6.2	6.2	5.2	5.2	5.2	5.2	5.2	5.2	3.0
Planning & Zoning	16.0	16.0	16.0	11.0	11.0	12.0	12.0	12.0	12.0	14.0
Plan Review	13.0	14.0	12.0	9.0	9.0	9.0	9.0	8.0	8.0	8.0
Economic Development	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Airport	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	443.6	446.4	441.2	411.4	410.9	410.2	412.2	415.2	416.2	349.3

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 fiscal year 2016.
- (3) Method for calculating FTEs changed to exclude flexible part time employees in fiscal year 2018.

TOWN OF LEESBURG, VIRGINIA

Table 20

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (1)
Police:										
Calls for service	54,235	45,236	50,832	47,864	49,764	51,028	54,261	44,110	45,831	37,855
Adult arrest	1,324	1,302	1,468	1,244	1,063	1,189	710	635	1,156	1,186
Juvenile arrest	220	286	319	237	121	165	83	58	227	82
Speeding citations only	1,570	1,636	1,662	1,736	1,764	1,260	1,542	887	854	863
Traffic citations	5,751	7,328	6,795	5,567	5,580	7,064	4,827	4,115	5,572	6,811
Administration:										
Applications processed (full and part-time)	1,983	1,244	1,712	1,879	1,276	2,528	3,141	2,744	3,134	2,530
Positions advertised (full and part-time)	9	16	42	70	56	109	132	115	113	84
New hires (full and part-time)	98	133	130	142	124	166	200	155	183	137
Reportable accidents	25	76	37	25	24	20	26	19	19	11
All town training sessions	27	34	20	47	38	29	30	40	50	26
Public service:										
Garbage collected (ton)	17,407	16,829	18,024	18,185	13,639	13,183	15,489	16,309	15,541	11,945
Recycle collected (ton)	7,580	8,396	9,776	10,355	7,766	5,226	7,529	7,288	7,604	4,799
Parks and recreation:										
Recreation program attendance	13,901	15,161	23,306	14,883	11,160	11,174	12,374	10,363	11,691	11,223
Aquatics program attendance	7,915	10,650	9,902	7,781	5,835	8,008	7,996	8,094	8,256	8,131
Utilities:										
New water connections	93	67	94	116	87	116	59	106	132	59
New wastewater connections	93	67	85	100	84	114	57	105	132	58
Average daily water consumption (mgd)	4.22	4.30	4.30	4.29	4.28	4.25	4.20	4.15	4.11	4.15
Average daily sewage treatment (mgd)	4.40	5.00	4.88	4.46	4.42	4.27	4.05	4.09	3.95	4.39
Airport:										
Number of hangers rented	41	41	57	57	57	57	57	57	57	57
Number of tiedowns rented	125	122	120	110	102	108	101	106	106	106
Number of incidents on airport property	-	-	1	1	-	2	-	1	-	-

Note:

(1) Through September 30.

Source: Various Town departments

TOWN OF LEESBURG, VIRGINIA

Table 21

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Primary (miles)	14	15	15	15	15	15	15	15	15	15
Secondary (miles)	91	91	91	92	92	92	92	92	93	93
Traffic signals	49	50	51	52	54	56	56	59	59	60
Number of street lights	2,479	2,614	2,654	2,700	2,791	2920	2993	3089	3165	3180
Parks and recreation:										
Parks – number of acres	361	361	361	361	361	361	370	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	105	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	3	3	3	3	3	3	3	3	3	3
Parks with playground equipment	5	5	5	5	5	6	6	6	6	6
Picnic shelters	4	4	4	4	4	5	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	37,194	41,227	59,423	61,368	70,717	74,262	76,203	77,899	94,987	124,737
Water:										
Wells	1	1	1	1	1	1	1	1	1	1
Water lines (miles)	209	215	218	217	218	218	218	218	218	220
Fire hydrants	2,347	2,367	2,459	2,589	2,598	2,595	2,606	2,606	2,606	2,724
Storage capacity (mgd)	6.5	8	8	8	8	8	8	8	8	8
Number of customers	15,120	15,142	15,159	15,292	15,509	15,553	15,634	15,712	15,791	15,929
Sewers:										
Sanitary sewers (miles)	172	175	169	172	172	172	174	174	174	176
Storm sewers (miles)	129	131	134	134	137	137	144	144	144	153
Number of customers	15,155	15,039	15,178	15,347	15,391	15,453	15,579	15,657	15,734	15,872
Airport:										
Hangers	41	57	57	57	57	57	57	57	57	57
Tie-downs	131	133	122	120	120	120	120	120	120	120

Source: Various Town departments

TOWN OF LEESBURG, VIRGINIA

Table 22

**June 30, 2018
(Unaudited)**

LEGAL DEBT MARGIN INFORMATION FOR BOND COVENANT CONTINUING DISCLOSURE

		As of June 30, 2018
Assessed Value of Real Estate		\$ 7,197,515,633
Legal Debt Limit-10% to total Assessed Value of Real Estate		719,751,563
Total amount of debt applicable to debt margin (1)	\$ 126,205,053	
Less: 1999 Revenue Bond (2)	1,858,946	
Net amount of debt applicable to debt margin	<u>124,346,107</u>	<u>124,346,107</u>
Legal Margin for Creation of Additional Debt		<u>\$ 595,405,456</u>

(1) See Table 15 Gross Bonded Debt

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

COMPLIANCE SECTION

TOWN OF LEESBURG, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE			
Direct Payments:			
Bulletproof Vest Partnership	NA	16.61	\$ 6,999
Pass-Through Payments:			
Nothern Virginia Gang Task Force			
FBI Safe Streets Gang Task Force	NA	16.544	15,050
Pass-Through Payments:			
Town of Vienna, Virginia			
Gang-Free Schools and Communities-Community Based			
Youth Gang Prevention	2010-DD-BX-0483	16.544	<u>22,329</u>
Total Department of Justice			<u><u>\$ 44,378</u></u>
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Airport Improvement Program	3-51-0027-039-2015	20.106	\$ 143,711
Pass-Through Payments:			
Virginia Department of Transportation:			
Federal-Aid Highway Program – S. King St. Widening	0015-253-101	20.205	418,205
Federal-Aid Highway Program – Lower Sycolin	U000-253-312	20.205	437,051
Federal-Aid Highway Program – Historic Lighting Fixtures	EN06-253-124	20.205	80,245
Federal Highway Safety Program (HSIP)	U000-253-337	20.205	<u>67,979</u>
Total Highway Planning and Construction Center			<u>1,003,480</u>
Total Department of Transportation			<u>1,147,191</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass-Through Payments:			
Commonwealth of Virginia, Department of Emergency Services			
Disaster Grants – Public Assistance	DR4262	97.036	<u>61,704</u>
Total Federal Expenditures			<u><u>\$ 1,253,273</u></u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

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.

Outstanding Loan Balances

At June 30, 2018, the Town had no outstanding loan balances requiring continuing disclosure.

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, 2018, 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 28, 2018.

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. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item 2018-001.**

Town of Leesburg's Response to Findings

The Town's response to the findings 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 28, 2018

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, 2018. The Town's major federal program is 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 applicable to its federal programs.

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, 2018.

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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 28, 2018

TOWN OF LEESBURG, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2018

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, 2018**

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were 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 For Each Major Program and on Internal Control over Compliance as Required by 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 not** determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

TOWN OF LEESBURG, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

B. FINDINGS – COMMONWEALTH OF VIRGINIA

2018-001: Highway Maintenance

Condition:

Per requirements set forth by the Commonwealth of Virginia, costs report on the annual Weldon Cooper Center Local Finance Survey must be allowable costs for the maintenance, construction, or reconstruction of eligible streets. In ten highway maintenance work orders out of ten tested, we noted instances where there was unclear documentation on the employee performing the work, calculations for labor costs did not agree to approved labor costs, calculations for equipment costs did not agree to approved costs, and there was unclear documentation on the street where work was performed. Inaccurate supporting documentation could result in incorrect cost reporting on the annual survey.

Recommendation:

We recommend revisiting procedures around monitoring highway maintenance.

Management's Response:

Management has found a method that will involve using the GPS system in the vehicles which is assigned to a crew; and the pay calculations will all be handled using that system which includes full names/employee ID information. The vehicle number is assigned to the crew on that form and will be associated with the Wheldon Cooper reporting support.

TOWN OF LEESBURG, VIRGINIA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018**

A. 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.

Current Status:

This comment appears to be mitigated.