

TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

Prepared by the
Department of Finance and Administrative Services

TOWN OF LEESBURG, VIRGINIA

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INTRODUCTORY SECTION

November 23, 2016

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, 2016. This report is designed to present fairly the financial position of governmental activities, business-type activities, and each major fund of the Town in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions. The CAFR includes all disclosures necessary to enable the reader to gain an understanding of the financial affairs of the Town. The management's discussion and analysis (MD&A) section of the CAFR summarizes the Town's financial position, and activities for the fiscal year ended June 30, 2016.

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

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

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

Profile of the Town

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

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

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

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

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

Overview of Town Government

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

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

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

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

Local Economy Condition and Outlook

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

Falling within the Washington, D.C. metropolitan area, the Town's economic and demographic conditions reflect the prevailing conditions of the region. The unemployment rate for the Town has decreased over the last year from 3.7% to 3.1%. The Town continues to be well below the Virginia and national rates of unemployment. This can be attributed in large part to Leesburg's location in Northern Virginia and its close proximity to Washington, D.C. and the federal government.

Looking realistically to the future, it is evident the economic recovery appears modest at best. Residential property values have stabilized and have increased slightly; revenues from consumer spending are beginning to trend upward; investment earnings are small, but improving; and federal and state revenues have declined and are uncertain. In planning for a future based on this new economic reality, the Town needs to be able to tell residents, the business community, and the workforce the following: 1) how it is going to operate in the future; 2) what services will be provided and at what levels; and 3) what type of organization it will be. The fiscal year 2016 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 2016 budget was adopted based on the Town Council's established strategic goal to achieve long-term budget sustainability in addition to its established strategic focus areas of:

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

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

Financial Condition

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

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

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

The Town's investment policy is limited by the Virginia Security for Public Deposits Act in utilizing depositories that have been qualified for investments by the Commonwealth of Virginia. Accordingly, deposits were either insured by federal depository insurance or highly collateralized. Funds are invested in cash and cash equivalents with maturities planned to coincide with cash needs. Idle funds available for longer periods of time are invested in the State-maintained Local Government Investment Pool, the State Non-Arbitrage Pool, Certificate of Deposit Account Registry Service (CDARS), and the VACo/VML Virginia Investment Pool (intermediate-term, high quality bonds). The Town's investments set aside to fund the future costs of retired employee health insurance, known as Other Post-Employment Benefits or OPEB, are governed by separate state statutes and a separate Town policy that allows for the investment of long-term assets in high quality bonds and equities. At June 30, 2016, the Town's OPEB assets were being transitioned from the VACo/VML OPEB Pooled Trust to a Town Council authorized independent trust where the assets are held by US Bank as trustee and managed by PFM, Inc. with the expectation that the assets will generate higher returns with lower fees. Investments of \$625 thousand were at US Bank, Inc. with approximately \$8.8 million remaining with the VACo/VML OPEB Pooled Trust to be transferred entirely to the US Bank, Inc. no later than October 31, 2016.

Budgetary Accounting and Internal Controls

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

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

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

Other Information

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

Certificate of Achievement for Excellence. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Town a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. 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 29-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 2016.

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; Sarah Utterback, accounting associate III; Lisa Haley, deputy director of finance and administrative services; and Jason Cournoyer, budget officer; for their technical expertise, teamwork, review, and dedicated service in the preparation of this CAFR.

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

Sincerely,



Kaj Dentler
Town Manager



Clark G. Case
Director of Finance and Administrative Services



Government Finance Officers Association

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

Presented to

**Town of Leesburg
Virginia**

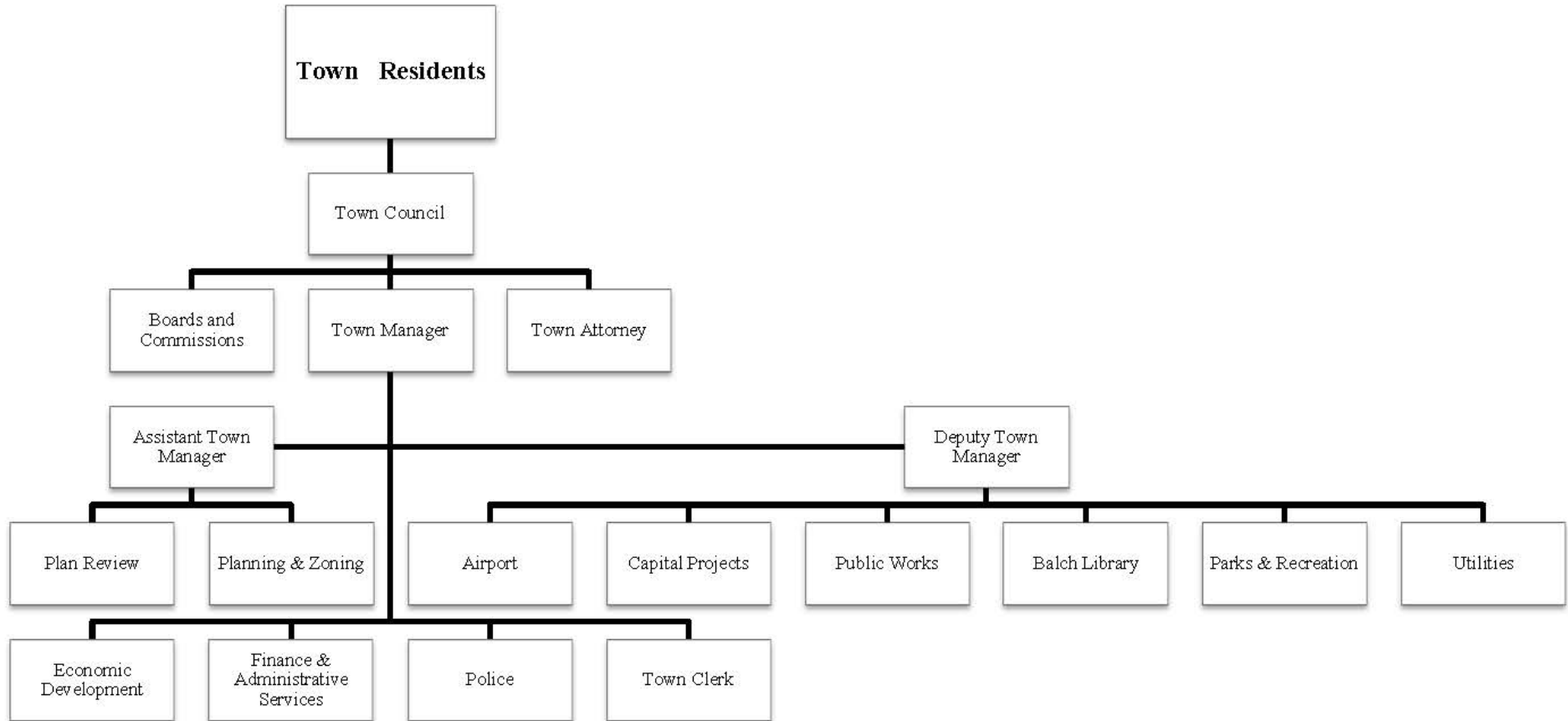
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

TOWN OF LEESBURG, VIRGINIA

ORGANIZATIONAL CHART



TOWN OF LEESBURG, VIRGINIA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

David S. Butler, Mayor
Kelly Burk, Vice Mayor
Thomas Dunn, II
Katie Sheldon Hammler
Fernando "Marty" Martinez
Suzanne Fox
R. Bruce Gemmill

TOWN OFFICIALS

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules listed in the table of contents as supplemental schedules, introductory section, statistical section, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBMares, LLP

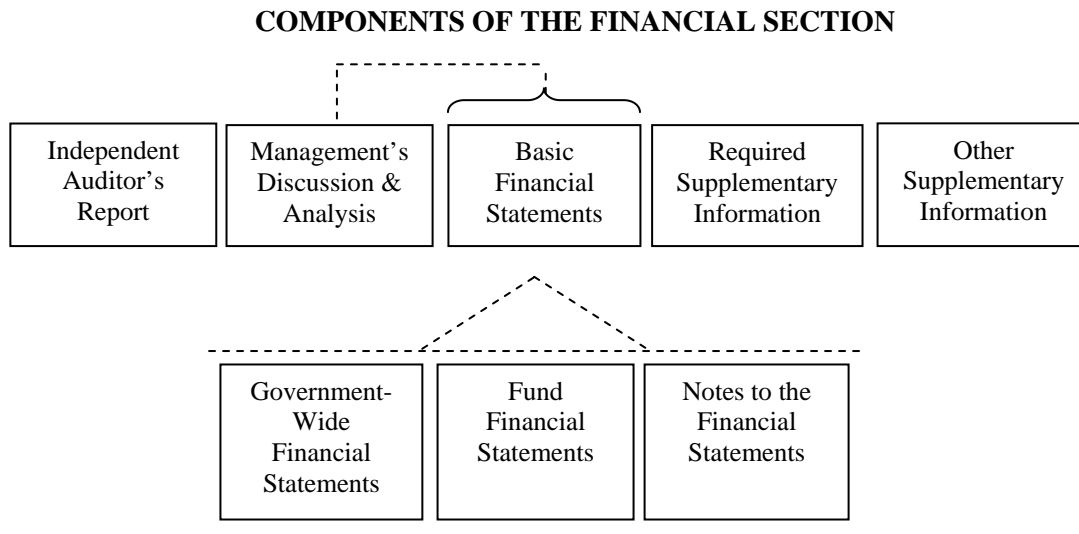
Harrisonburg, Virginia
November 23, 2016

TOWN OF LEESBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016. We encourage readers to read this discussion and analysis and the letter of transmittal from the Town Manager and the Director of Finance and Administrative Services in conjunction with the Town's basic financial statements and related notes, which are also contained in this Comprehensive Annual Financial Report (CAFR).

USING THE FINANCIAL SECTION OF THIS CAFR

This CAFR consists of four sections: Introductory, Financial, Statistical, and Compliance. As the following chart shows, the financial section of this report has four components – *Management's Discussion and Analysis* (this section), *Basic Financial Statements*, *Required Supplementary Information*, and *Other Supplementary Information*.



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

GOVERNMENT-WIDE STATEMENTS

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

The Town's Net Position represents the residual amount of cumulative assets, deferred outflows of resources over present liabilities and deferred inflows of resources as of the fiscal year ended June 30, 2016. The revenues and expenses for the current fiscal year are the principal factors affecting the change in the Town's net position, as shown in Exhibit 2. The Town's net position is one way to measure the Town's financial health, as increases or decreases in net position are one indicator of whether its financial position is improving or declining. Further analysis can be achieved by comparing the changes in the revenue, expenses, assets and liabilities in the prior year CAFR's Statement of Activities and Statement of Net Position. Other financial reports as well as nonfinancial factors need to be considered, such as changes in the Town's property tax base, the condition of the Town's infrastructure, the Town's overall budget and capital improvement program in order to assess the overall financial health of the Town.

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

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

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

FUND FINANCIAL STATEMENTS

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

The Town has three types of funds:

Governmental Funds – The Town has two major governmental funds, the General Fund and the Capital Projects Fund and one non-major governmental fund, the Special Revenue Fund. Accounting for the basic governmental services, the General Fund is the largest of the governmental funds and functions as the main operating fund of the Town. The Capital Projects Fund accounts for the daily operations of the Department of Capital Projects including the design, architecture and construction of major capital projects and helps provide control over the resources that have been segregated for those projects. The Special Revenue Fund is used to account for revenue from the Northern Virginia Transportation Authority (NVTa) which is transferred to fund certain projects included in the Capital Projects Fund.

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

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

Proprietary Funds – The Town has two proprietary funds for the fiscal year ended 2016 comprised of one Enterprise Fund and one Internal Service Fund. Both the Enterprise Fund and the Internal Service Fund operate in a manner similar to private business enterprises, where costs are recovered primarily through user charges or fees. However, the funds are distinguished by the type of user – external versus internal. Whereas an enterprise fund is used to account for any activity for which a fee is charged to external users for goods or services, an internal service fund is used to account for the provision of goods or services by one department to another department. In fiscal year 2015, the Town established a Self-Insurance Fund for all payments of insurance for both employees and retirees.

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

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

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

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 \$405.2 million at June 30, 2016 of which \$281.6 million is attributable to the Town's governmental activities and \$123.6 million to business type activities (Exhibit 1). The government-wide total net position that is unrestricted is \$29.5 million, of which \$12.4 million is unrestricted for governmental activities and \$17.1 million is unrestricted for business-type activities. The Statement of Activities (Exhibit 2) presents all the factors attributed to the \$7.6 million or 1.9 percent increase in the Town's net position from \$397.6 million in fiscal year 2015 to \$405.2 million in fiscal year 2016. This increase of \$7.6 million is due to an increase of \$7.1 million in governmental activities and an increase of \$0.5 million in business-type activities.

Total fund balance of the Town's Governmental Funds is \$33.1 million at June 30, 2016 of which \$25.5 million is attributable to the Town's General Fund and \$7.6 million is attributable to the Town's Capital Projects Fund (Exhibit 3). The Governmental Funds total fund balance that is unassigned is \$7.5 million. This amount is comprised of the General Fund's unassigned fund balance of \$11.5 million and the Capital Projects Fund's unassigned deficit of \$4.0 million. The Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit 5) presents all the factors attributed to the \$0.6 million or 1.9 percent decrease in the total fund balance from \$33.7 million in fiscal year 2015 to \$33.1 million in fiscal year 2016. This decrease of \$0.6 million is due to an increase of \$2.8 million in the fund balance of the General Fund and a decrease of \$3.4 million in the fund balance of the Capital Projects Fund due to Encumbrances of \$5.0 million for contracts that have been recorded in the Capital Projects Fund that have not been liquidated and as such, no revenue has been recognized for those expenditures at June 30, 2016.

In fiscal year 2015, the Town established a second Enterprise fund which is used to account for the Internal Self Insurance Fund activities. The total net position of the Town's Proprietary Funds is \$125.1 million of which \$123.6 million is attributable to the Town's Utility Fund and \$1.5 million is attributable to the Town's Internal Service Fund at June 30, 2016 (Exhibit 8). The Utility Fund's unrestricted net position is \$17.1 million. The Statement of Revenue, Expenses and Changes in Net Position (Exhibit 9) presents all the factors attributed to the Utility Fund's \$0.7 million or 0.6 percent increase from \$122.9 million in fiscal year 2015 to \$123.6 million in fiscal year 2016 and the change in net position of \$0.06 million or 0.4 percent increase from \$1.4 million in 2015 to \$1.5 million in 2016 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, 2016 and 2015.

Table 1
Summary Statement of Net Position
Comparison as of June 30, 2016 and 2015 (\$ in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Assets and Deferred Outflows of Resources</u>						
Current and Other Assets	\$ 59,327	\$ 56,257	\$ 23,430	\$ 22,710	\$ 82,757	\$ 78,967
Capital Assets, net	331,035	326,385	171,993	173,933	503,028	500,318
Deferred Outflows of Resources	3,610	3,850	2,827	3,023	6,437	6,873
Assets and Deferred Outflows of Resources	393,972	386,492	198,250	199,666	592,222	586,158
<u>Liabilities and Deferred Inflows of Resources</u>						
Current Liabilities	19,180	19,944	2,944	5,028	22,124	24,972
Long-term Liabilities	85,226	82,758	71,220	70,619	156,446	153,377
Deferred Inflows of Resources	7,973	9,313	478	869	8,451	10,182
Liabilities and Deferred Inflows of Resources	112,379	112,015	74,642	76,516	187,021	188,531
<u>Net Position</u>						
Net Investment in Capital Assets	260,418	253,108	106,515	106,180	366,933	359,288
Restricted	8,803	11,602	-	-	8,803	11,602
Unrestricted	12,372	9,767	17,093	16,970	29,465	26,737
Total Net Position	\$ 281,593	\$ 274,477	\$ 123,608	\$ 123,150	\$ 405,201	\$ 397,627

Total net position for the Town's governmental activities increased approximately \$7.1 million or 2.6 percent, to \$281.6 million. This increase is comprised primarily of a \$7.3 million increase in net investment in capital assets and a \$2.6 million increase in unrestricted net assets offset by a \$2.8 million decrease in restricted net position. In comparison, net position for business-type activities increased approximately \$0.5 million to \$123.6 million. This increase is comprised primarily of an increase in net investment in capital assets of \$0.3 million which is a result of addition of capital assets in excess of depreciation and amortization as well as debt service activity (see Note 6 and Note 7).

Statement of Activities

Table 2 summarizes and compares the Statement of Activities (Exhibit 2) for the Town for the fiscal years ended June 30, 2016 and 2015.

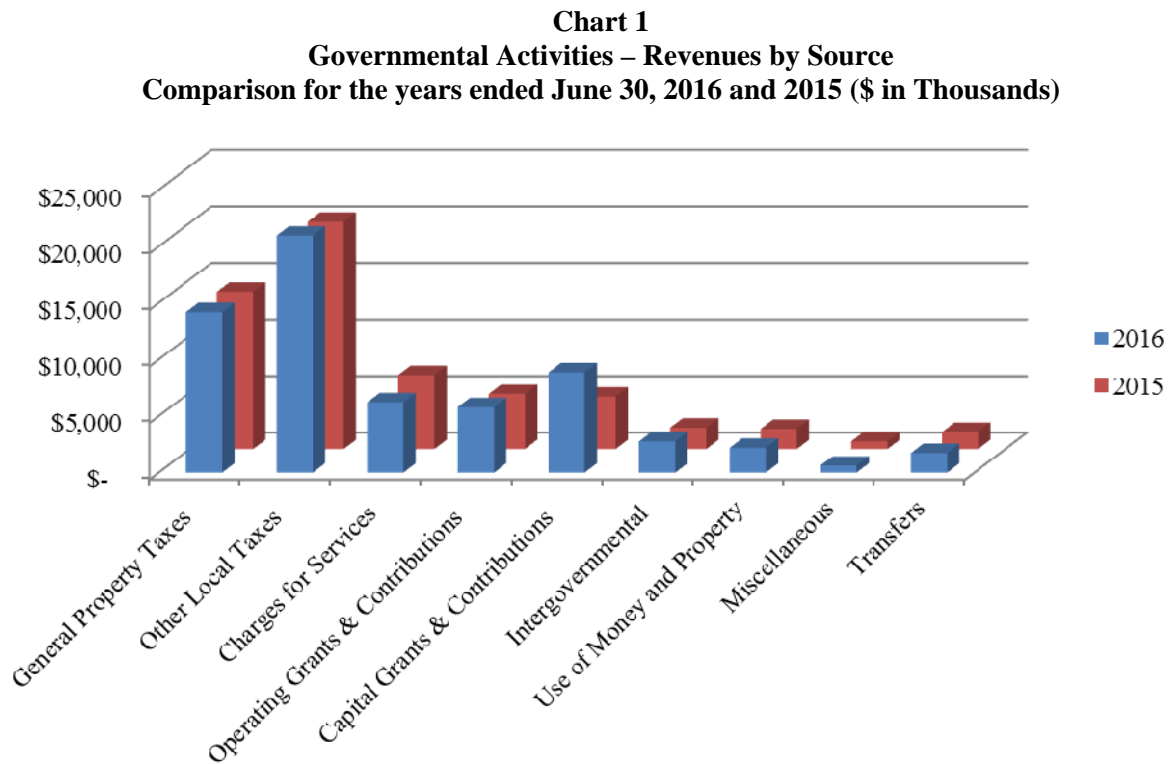
Table 2
Summary of Statement of Activities
Comparison for the years ended June 30, 2016 and 2015 (\$ in Thousands)

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2016	2015	2016	2015	2016	2015
REVENUES						
General Revenues:						
Property Taxes	\$ 14,185	\$ 13,908	\$ -	\$ -	\$ 14,185	\$ 13,908
Other Local Taxes	20,958	20,097	-	-	20,958	20,097
Other	5,553	4,343	661	612	6,214	4,955
Program Revenues:						
Charges for Services	6,211	6,543	18,639	16,842	24,850	23,385
Operating Grants and Contributions	5,794	4,875	1,598	1,593	7,392	6,468
Capital Grants and Contributions	8,861	4,654	572	322	9,433	4,976
Total Revenues	61,562	54,420	21,470	19,369	83,032	73,789
EXPENSES						
Legislative	253	359	-	-	253	359
Executive	2,502	2,073	-	-	2,502	2,073
Legal	730	813	-	-	730	813
Finance and administrative services	4,623	4,428	-	-	4,623	4,428
Public Safety	13,092	13,237	-	-	13,092	13,237
Public Works	17,881	15,310	-	-	17,881	15,310
Parks and Recreation	8,475	8,084	-	-	8,475	8,084
Balch Library	667	635	-	-	667	635
Planning and Zoning	1,634	1,555	-	-	1,634	1,555
Plan Review	1,346	1,251	-	-	1,346	1,251
Airport	1,888	1,737	-	-	1,888	1,737
Interest	3,079	2,948	-	-	3,079	2,948
Utilities	-	-	19,288	18,923	19,288	18,923
Total Expenses	56,170	52,430	19,288	18,923	75,458	71,353
Change in Net Position before transfers	5,392	1,990	2,182	446	7,574	2,436
Transfers in (out)	1,724	1,502	(1,724)	(1,502)	-	-
Increase (Decrease) in Net Position	7,116	3,492	458	(1,056)	7,574	2,436
Net Position, Beginning of Year	274,477	270,985	123,150	124,206	397,627	395,191
Net Position, End of Year	\$ 281,593	\$ 274,477	\$ 123,608	\$ 123,150	\$ 405,201	\$ 397,627

Governmental Activities

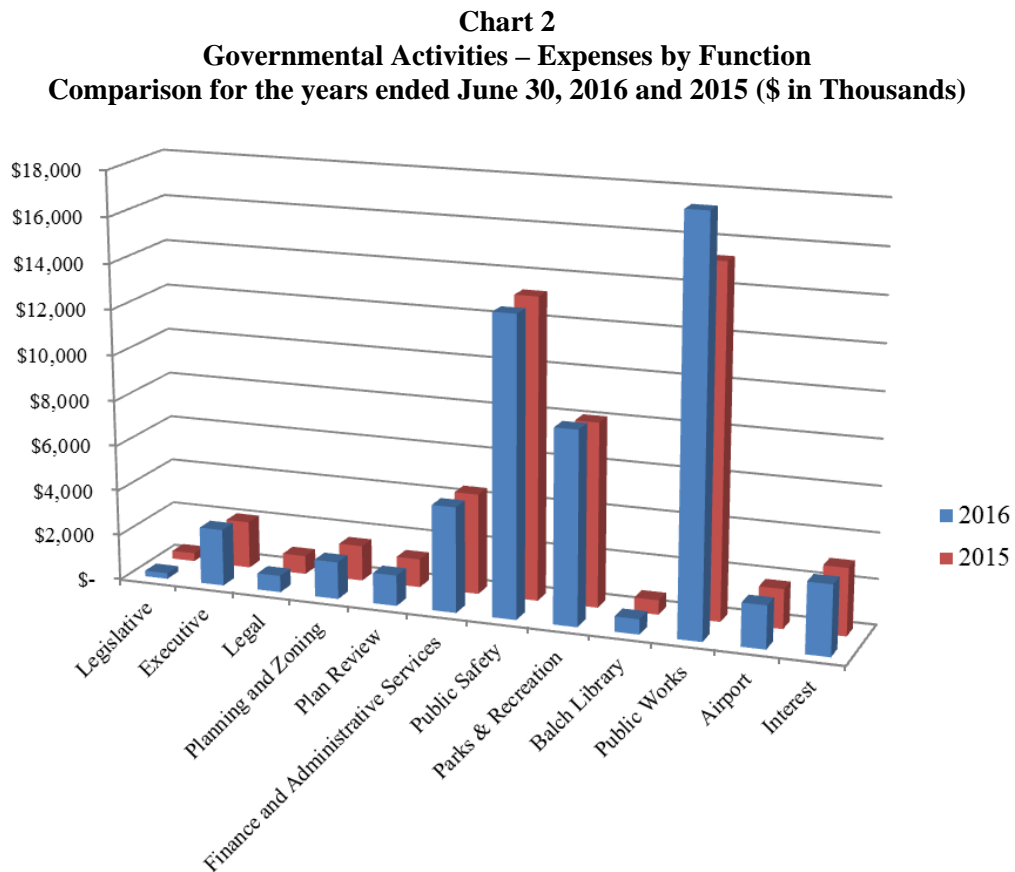
As shown in Table 2 above, total revenue for the Town's governmental activities was \$61.6 million for fiscal year 2016 compared to \$54.4 million for fiscal year 2015. In addition to this revenue, there were net transfers of \$1.7 million to the Governmental Activities in 2016. Table 2 also indicates total expenses for governmental activities for fiscal year 2016 were \$56.2 million, compared to \$52.4 million in fiscal year 2015.

Chart 1 below shows the sources of all governmental revenue for fiscal years 2016 and 2015:



Taxes constitute the largest source of Town revenue totaling approximately \$35.1 million, with general property taxes of \$14.2 million in 2016 and \$13.9 in 2015 (Table 2). Other local taxes, \$20.9 million in 2016 and \$20.1 million in 2015, are generated through business and occupational licenses and consumption based taxes such as taxes on meals, sales and use, cigarettes and utilities.

Chart 2 below illustrates total expenses by function.



Public Works was the Town's largest function with the Town's cost of service totaling \$17.9 million or 31.8 percent of total expenses. The increase of \$2.6 million in Public Works is largely due to Winter Storm Jonas response for snow removal and repairs related to the snow storm as well as road projects that were undertaken in fiscal 2016. Public safety expenses, which total \$13.1 million, or 23.3 percent, represent the second largest expense category for governmental activities. Expenses increased by \$3.7 million or 7.1 percent.

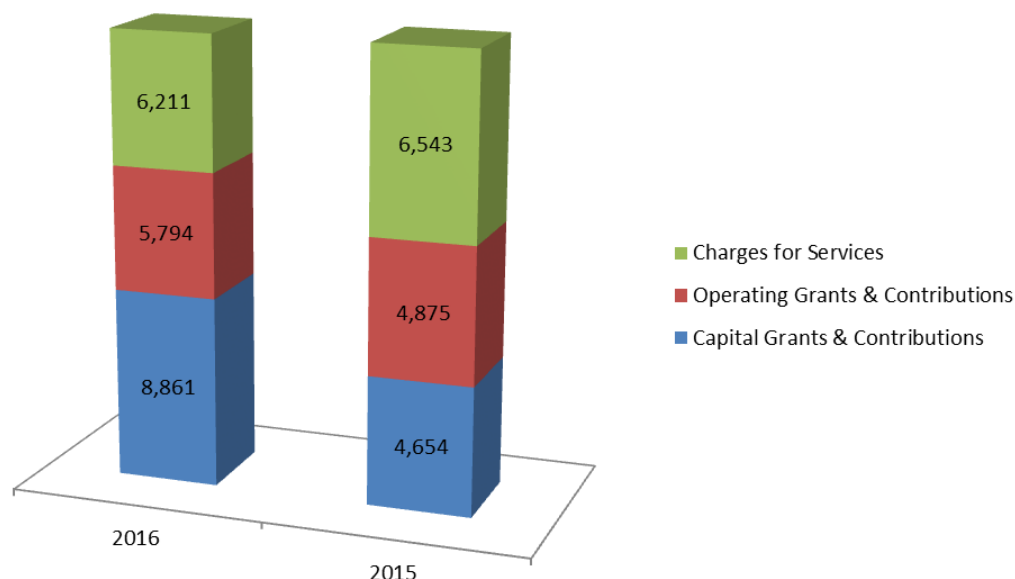
Table 3 below illustrates general revenue, primarily in the form of taxes, charges for services and state aid, is essential to providing support for the services offered by the Town. These governmental activities generate revenue that assists in offsetting the cost of these services. Table 3 presents the total cost of services and the net costs after fees generated by the activities and allowances for program-specific governmental aid as an integral part of the Town's governmental activities. The Town generates charges for services primarily from fees for parks and recreation memberships and classes, public safety fees, zoning fees and permits. The Town obtains grants and contributions primarily for public safety, airport, and public works. After recognizing the total revenue from these fees, grants, and contributions of \$20.9 million in 2016, the net cost of governmental activities was \$35.3 million, compared to total costs of \$56.1 million.

Table 3
Net Cost of Governmental Activities
Comparison for the years ended June 30, 2016 and 2015 (\$ in Thousands)

<u>Function:</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Legislative	\$ 253	\$ 359	\$ 253	\$ 359
Executive	2,502	2,073	2,243	1,817
Legal	730	813	730	813
Planning and Zoning	1,634	1,555	1,121	906
Plan Review	1,346	1,251	1,346	1,251
Finance and Administrative Services	4,623	4,428	4,623	4,428
Public Safety	13,092	13,237	11,088	11,636
Parks and Recreation	8,475	8,084	3,483	3,164
Balch Library	667	635	658	622
Public Works	17,881	15,310	5,210	8,223
Airport	1,888	1,737	1,470	191
Interest	3,079	2,948	3,079	2,948
Totals	\$ 56,170	\$ 52,430	\$ 35,304	\$ 36,358

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 \$0.3 million, program revenue for operating grants and contributions increased \$0.9 million and capital grants and contributions increased \$4.2 million primarily due to increased activity for public works projects that are funded by grants and other contributions.

Chart 3
Governmental Activities – Program Revenue
Comparison for the years ended June 30, 2016 and 2015 (\$ in Thousands)



Business-type Activities

Table 2 summarizes the business-type activities for 2016 and indicates the Utilities Fund government-wide net position increased by \$0.5 million after the \$1.7 million transfer to the General Fund. The Statement of Revenue, Expenses and Changes in Net Position (Exhibit 9) details operating and non-operating income and expense factors, as well as capital grants, contributions and transfers for fiscal year 2016 for both the Utilities Fund and the Internal Service Fund.

Business-type activities are generally intended to be self-supporting as fees are established to recover the costs associated with providing the service. Exhibit 8 presents the Statement of Net Position for the Utilities Fund and the Internal Service Fund. In fiscal year 2016, the Utilities Fund's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources were \$195.4 million, \$2.8 million, \$74.2 million and \$0.4 million, respectively. Total net position for fiscal year 2016 was \$123.6 million of which \$17.1 million is unrestricted. In fiscal year 2016, the Internal Service Fund's total assets and liabilities were \$3.1 million and \$1.7 million, respectively. Total net position for fiscal year 2016 was \$1.4 million which was all restricted.

Charges for services including water and sewer fixed charges and usage fees, penalties, service charges, and other user fees generated 97.8 percent of total utility fees. Operating revenue for the Utilities Fund for fiscal year 2016 was \$19.0 million compared to \$16.4 million for fiscal year 2015.

Total operating expenses increased \$0.8 million to \$16.4 million. When combined with the \$2.6 million increase in operating revenue the Utilities Fund recognized operating income of \$2.6 million for fiscal year 2016. Non-operating revenues and expenses resulted in a net decrease of \$1.9 million. The \$0.7 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 \$25.5 million and \$7.6 million, respectively, for a total of \$33.1 million for fiscal year 2016 (Exhibit 3). A decrease in fund balances of \$0.6 million from \$33.7 million in 2015 was due to \$2.1 million of excess expenditures over revenue and excess of other financing sources over uses of \$1.5 million primarily from transfers in from other funds as detailed in Exhibit 5. Fund balances are required by GASB to be classified as non-spendable, restricted, committed, assigned, and unassigned for better management of the governmental funds current resources.

Table 4 is an excerpt from the Balance Sheet (Exhibit 3) and illustrates the components of the Town's governmental fund balances as of June 30, 2016 and 2015.

Table 4
Governmental Fund Balances
Comparison for the years ended June 30, 2016 and 2015 (\$ in Thousands)

	2016	2015	Change
Non-Spendable			
Lease deposit	\$ 160	\$ 157	\$ 3
Prepaid expenses	58	2	56
Restricted			
Balch Library	742	746	(4)
Parks and Recreation	51	51	-
Police	71	189	(118)
Bond proceeds	6,486	10,616	(4,130)
Committed			
Capital projects - Streets and Highways	3,524	1,920	1,604
Capital projects - Storm Drainage	463	139	324
Capital projects - General Government	307	57	250
Capital projects - Airport	294	-	294
Capital projects - Parks and Recreation	456	5	451
Capital projects - Administration	-	10	(10)
Assigned			
Debt Service Reserve	8,547	7,575	972
Capital Asset Reserve	1,834	2,592	(758)
Designated for Future Years	2,559	1,183	1,376
Unassigned	7,541	8,506	(965)
Total Fund Balances	\$ 33,093	\$ 33,748	\$ (655)

The General Fund is the main operating fund of the Town; its fund balance increased \$2.8 million to \$25.5 million for fiscal year 2016 (Exhibit 5). Of this total, unassigned fund balance was \$11.5 million (Exhibit 3) or 22.2 percent of total General Fund expenditures of \$51.9 million for fiscal year 2016. In comparison, at the end of fiscal year 2015, the unassigned fund balance was \$10.2 million, equal to 20.8 percent of total General Fund expenditures. The assigned fund balance for debt service reserve was increased \$0.9 million, capital asset replacement fund decreased \$0.8 million, and money designated for future years increased 1.4 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, 2016, the Capital Projects fund balance was \$7.6 million (Exhibit 3) compared to \$11.0 million in 2015. 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 2015 was a deficit of \$1.8 million and unassigned fund balance for fiscal year 2016 is a deficit of \$4.0 million for a net change of \$2.2 million primarily due to contract commitments on capital projects in excess of recognized revenues.

BUDGETARY HIGHLIGHTS

General Fund

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

Table 5
Condensed Budgetary Comparison
Year ended June 30, 2016 (\$ in Thousands)

	Fiscal Year 2016		
	Original Budget	Amended Budget	Actual
<u>Revenues:</u>			
Taxes	\$ 32,123	\$ 32,123	\$ 33,254
Intergovernmental	8,435	8,866	9,183
Other	9,526	9,550	9,066
Total Revenues	50,084	50,539	51,503
<u>Expenditures:</u>			
Expenditures	53,091	55,871	51,886
Deficiency of Revenue under Expenditures	(3,007)	(5,332)	(383)
<u>Other Financing Sources:</u>			
Transfers, net	3,026	1,970	3,144
Change in fund balance	\$ 19	\$ (3,362)	\$ 2,761

Overall, General Fund revenues exceeded budget by \$0.9 million. Revenues collected exceeded budget projections for other local taxes, miscellaneous use of money and property and intergovernmental revenue by approximately \$1.2 million, \$0.3 million and \$0.3 million, respectively (Exhibit 7). General Fund expenditures were under the amended budget by approximately \$4.0 million. Fund balance for the General Fund increased by \$2.8 million.

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

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

The original budgeted expenditures increased by \$2.8 million for fiscal year 2016 (Exhibit 7). This increase is a result of supplemental appropriations throughout the year including uncompleted contractual services carried forward from fiscal year 2015. The most significant supplemental appropriation approved by Town Council was to increase expenditures \$0.6 million for response to Winter Storm Jonas. The budget for any fiscal year 2015 and 2016 uncompleted contractual services and projects will be carried forward to fiscal year 2017.

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, 2016 and 2015.

Table 6
Capital Assets
Comparison as of June 30, 2016 and 2015 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2016	2015	Change	2016	2015	Change
Land	\$ 59,004	\$ 58,452	\$ 552	\$ 1,577	\$ 1,577	\$ -
Buildings and improvement	84,770	78,797	5,973	-	-	-
Water and sewer plant	-	-	-	115,923	115,887	36
Water and sewer lines	-	-	-	123,462	121,863	1,599
Equipment and software	10,340	9,699	641	1,399	1,318	81
Vehicles	5,327	5,474	(147)	2,679	2,739	(60)
Infrastructure & street	255,475	248,227	7,248	-	-	-
Hangars	6,057	6,057	-	-	-	-
Terminals	6,678	6,678	-	-	-	-
Runway	16,570	16,570	-	-	-	-
Construction in progress	8,636	9,289	(653)	2,067	594	1,473
Total Capital Assets	452,857	439,243	13,614	247,107	243,978	3,129
Accumulated depreciation and amortization	(121,822)	(112,858)	(8,964)	(75,114)	(70,045)	(5,069)
Total Capital Assets, Net	\$ 331,035	\$ 326,385	\$ 4,650	\$ 171,993	\$ 173,933	\$ (1,940)

The Town's governmental activities capital assets (net of accumulated depreciation and amortization) as of June 30, 2016 and 2015 amounted to approximately \$331.0 million and \$326.4 million, respectively. The net increase in capital assets (including additions, retirements, depreciation and amortization) was \$4.6 million for governmental activities, which was a result of construction projects that were completed that exceeded depreciation expense (see Note 6).

The business-type activities capital assets (net of accumulated depreciation and amortization) as of June 30, 2016 amounted to approximately \$172.0 million for the Utilities Fund compared to \$173.9 million in 2015. The decrease is predominantly due to the depreciation and amortization of the existing capital assets being more than capital asset additions.

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

The Town's current bond ratings are as follows:

- The Town's legal limit for outstanding general obligation debt is 10.0 percent of total assessed real property within the Town, which was \$6.7 billion in fiscal year 2016 and \$6.6 billion in 2015. The Town's total long-term obligations of \$69.0 million as of June 30, 2016 and \$70.6 million as of June 30, 2015, 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
Outstanding Long-Term Bonded Debt
Comparison as of June 30, 2016 and 2015 (\$ in Thousands)

Outstanding long-term debt for governmental activities as of June 30, 2016 is \$68.1 million indicating a decrease of \$2.5 million from fiscal year 2015. Outstanding long-term debt for business activities decreased from \$65.2 million as of June 30, 2015 to \$63.0 million as of June 30, 2016 (see Note 7).

- The Town will not fund current operations from the proceeds of borrowed funds and will confine long-term borrowing and capital leases to capital improvement projects, or equipment that cannot be financed from current financial resources.
- The goal of the Town is to finance at least 25 percent of the cost of capital improvements (in excess of proffers) from non-debt resources.
- The Town will, when financing capital improvements or other projects or equipment by issuing bonds or entering capital leases, repay the debt within a period not to exceed the expected useful life of the project or equipment. Debt related to equipment ancillary to a construction project may be amortized over a period less than that of the primary project.
- The Town is cognizant of its higher than average debt burden and will continue to offset its impact through rapid payback. An average payback of at least 60 percent in ten years will be maintained, except for projects with a known revenue stream.
- The Town will annually calculate target debt ratios. The Town's debt capacity will be maintained within the following primary goals:
 - Debt service expenditures as a percentage of general fund expenditures will not exceed 15 percent. For fiscal year 2016, this percentage was 10.6 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 2016, this percentage was 1.9 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 7 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The 3.10 percent average unemployment rate for the Town of Leesburg according to the U.S. Census Bureau Annual Population Estimates, is reduced from the 3.7 percent level in 2014. This compares favorably to the State's rate of 4.9 percent and the national rate of 6.1 percent.
- The Town's population was estimated to be 51,209. 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 \$73,720, 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 2016 by 3.0 FTE positions to a total of 415.2. Workforce numbers by department for the last ten years are provided in the statistical section of this report at Table 19.

Fiscal Year 2017 Budget and Rates

- For fiscal year 2017, the adopted budget for the General Fund is \$54.8 million, an increase of \$2.9 million or 5.6 percent, over fiscal year 2016. Revenues are comprised primarily of general taxes at 56.2 percent, intergovernmental assistance at 20.4 percent, charges for services at 9.7 percent, other local taxes at 7.5 percent and donations and transfers at 6.2 percent.
- In fiscal year 2017, the Town continues to prioritize its services. In the General Fund, public safety accounts for \$13.8 million or 25.2 percent of the budgeted expenditures. The public works department is a close second, accounting for \$13.0 million or 23.7 percent of budgeted expenditures.
- Tax rate for real property for tax year 2016 is 18.6¢ 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

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 35,642,824	\$ 19,913,182	\$ 55,556,006
Cash with fiscal agent	2,105,798	-	2,105,798
Receivables, net:			
Property taxes, including penalties	7,057,147	-	7,057,147
Utility taxes	214,928	-	214,928
Local taxes	1,794,284	-	1,794,284
Trade and other accounts	361,288	3,403,760	3,765,048
Accrued interest	84,931	30,565	115,496
Inventory	-	92,080	92,080
Prepaid items and deposit	217,801	-	217,801
Due from other governments	4,059,181	-	4,059,181
Internal balances	30,318	(30,318)	-
Restricted cash	7,647,753	-	7,647,753
Other postemployment benefits	109,198	20,967	130,165
Capital assets:			
Land	59,003,787	1,577,329	60,581,116
Construction in progress	8,635,892	2,066,670	10,702,562
Buildings and improvements	84,769,641	-	84,769,641
Water and sewer plant	-	115,922,748	115,922,748
Water and sewer lines	-	123,461,779	123,461,779
Furniture, equipment and software	6,888,199	1,399,143	8,287,342
Computer equipment and software	3,452,147	-	3,452,147
Vehicles	5,327,266	2,679,349	8,006,615
Infrastructure	72,592,722	-	72,592,722
Streets	182,882,770	-	182,882,770
Hangars	6,057,289	-	6,057,289
Runway	16,569,753	-	16,569,753
Terminals	6,677,993	-	6,677,993
Less: accumulated depreciation and amortization	(121,821,855)	(75,114,063)	(196,935,918)
Total assets	390,361,055	195,423,191	585,784,246
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	1,480,473	388,731	1,869,204
Deferred loss on refunding of debt	2,129,840	2,438,525	4,568,365
Total deferred outflows of resources	3,610,313	2,827,256	6,437,569

See Notes to Financial Statements.

Exhibit 1

	Governmental Activities	Business-type Activities	Totals
LIABILITIES			
Accounts payable	\$ 2,943,825	\$ 436,121	\$ 3,379,946
Due to other governments	207	-	207
Accrued payroll	1,154,541	242,358	1,396,899
Other accrued liabilities	18,522	-	18,522
Accrued interest	1,309,819	1,181,885	2,491,704
Retainage payable	280,086	92,269	372,355
Customer deposits	80,450	982,596	1,063,046
Performance bonds	1,038,677	9,000	1,047,677
Reserve for proffers	6,557,050	-	6,557,050
Unearned revenue	5,065,396	-	5,065,396
Insurance and benefit claims	730,902	-	730,902
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,859,534	445,587	2,305,121
Bonds payable	5,020,000	2,030,730	7,050,730
Due in more than one year:			
Compensated absences	408,902	143,882	552,784
Bonds payable	67,727,433	65,885,935	133,613,368
Net pension obligation	10,209,834	2,714,006	12,923,840
Total liabilities	104,405,178	74,164,369	178,569,547
DEFERRED INFLOWS OF RESOURCES			
Pension plan	1,797,960	477,939	2,275,899
Unavailable revenue	6,175,533	-	6,175,533
Total deferred inflows of resources	7,973,493	477,939	8,451,432
NET POSITION			
Net investment in capital assets	260,418,011	106,514,815	366,932,826
Restricted	8,802,743	-	8,802,743
Unrestricted	12,371,943	17,093,324	29,465,267
Total net position	\$ 281,592,697	\$ 123,608,139	\$ 405,200,836

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
Legislative	\$ 252,822	\$ -	\$ -	\$ -	\$ (252,822)	\$ -	\$ (252,822)
Executive	2,502,210	-	259,066	-	(2,243,144)	-	(2,243,144)
Legal	730,310	-	-	-	(730,310)	-	(730,310)
Finance and administrative services	4,623,142	-	-	-	(4,623,142)	-	(4,623,142)
Public safety	13,091,832	441,899	1,562,618	-	(11,087,315)	-	(11,087,315)
Public works	17,881,225	265,239	3,848,932	8,557,324	(5,209,730)	-	(5,209,730)
Parks and recreation	8,474,752	4,990,892	586	-	(3,483,274)	-	(3,483,274)
Balch Library	666,442	-	8,872	-	(657,570)	-	(657,570)
Planning and zoning	1,634,254	513,145	-	-	(1,121,109)	-	(1,121,109)
Plan review	1,346,812	-	-	-	(1,346,812)	-	(1,346,812)
Airport	1,887,605	-	113,578	304,166	(1,469,861)	-	(1,469,861)
Interest	3,078,679	-	-	-	(3,078,679)	-	(3,078,679)
Total governmental activities	56,170,085	6,211,175	5,793,652	8,861,490	(35,303,768)	-	(35,303,768)
Business-type activities:							
Utilities	19,288,252	18,639,231	1,598,450	571,739	-	1,521,168	1,521,168
Total business-type activities	19,288,252	18,639,231	1,598,450	571,739	-	1,521,168	1,521,168
Total government	\$ 75,458,337	\$ 24,850,406	\$ 7,392,102	\$ 9,433,229	(35,303,768)	1,521,168	(33,782,600)
General Revenues:							
Taxes:							
General property taxes, including penalties					14,184,837	-	14,184,837
Other local taxes:							
Communication sales and use					7,234,856	-	7,234,856
Meals					5,247,114	-	5,247,114
Business and occupational licenses					3,152,175	-	3,152,175
Utility					1,525,755	-	1,525,755
Cigarette					905,450	-	905,450
Other					2,892,316	-	2,892,316
Intergovernmental, non-categorical aid					2,756,311	-	2,756,311
Use of money and property					2,185,769	236,150	2,421,919
Miscellaneous					611,090	424,837	1,035,927
Transfers					1,723,931	(1,723,931)	-
Total general revenues and transfers, net					42,419,604	(1,062,944)	41,356,660
Change in net position					7,115,836	458,224	7,574,060
Net position, beginning					274,476,861	123,149,915	397,626,776
Net position, ending					\$ 281,592,697	\$ 123,608,139	\$ 405,200,836

See Notes to Financial Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash, cash equivalents, and temporary cash investments	\$ 23,660,393	\$ 9,001,569	\$ -	\$ 32,661,962
Cash with fiscal agent	-	-	2,105,798	2,105,798
Receivables, net				
Property taxes, including penalties	7,057,147	-	-	7,057,147
Utility taxes	214,928	-	-	214,928
Local taxes	1,794,284	-	-	1,794,284
Accounts	327,672	25,000	-	352,672
Accrued interest	53,829	31,102	-	84,931
Due from other governments	1,397,978	2,661,203	-	4,059,181
Deposit	159,569	-	-	159,569
Prepaid expenses	58,232	-	-	58,232
Restricted cash	1,161,502	6,486,251	-	7,647,753
Total assets	\$ 35,885,534	\$ 18,205,125	\$ 2,105,798	\$ 56,196,457
LIABILITIES				
Accounts payable	\$ 746,890	\$ 1,255,239	\$ -	\$ 2,002,129
Due to other governments	207	-	-	207
Retainage payable	7,124	272,962	-	280,086
Accrued payroll	1,260,220	445	-	1,260,665
Other accrued liabilities	18,522	-	-	18,522
Customer deposits	80,450	-	-	80,450
Performance bonds	1,038,677	-	-	1,038,677
Reserve for proffers	-	6,557,050	-	6,557,050
Unearned revenues	390,664	2,568,934	2,105,798	5,065,396
Total liabilities	3,542,754	10,654,630	2,105,798	16,303,182
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	6,800,163	-	-	6,800,163
Total deferred inflows of resources	6,800,163	-	-	6,800,163
FUND BALANCES				
Nonspendable				
Lease deposit	159,569	-	-	159,569
Prepaid items	58,232	-	-	58,232
Restricted				
Balch Library	741,883	-	-	741,883
Parks and recreation (Symmington)	50,521	-	-	50,521
Police	70,766	-	-	70,766
Bond proceeds	-	6,486,251	-	6,486,251
Committed				
Capital projects - streets and highways	-	3,524,033	-	3,524,033
Capital projects - storm drainage	-	462,982	-	462,982
Capital projects - general government	-	306,862	-	306,862
Capital projects - parks and recreation	-	456,416	-	456,416
Capital projects - airport	-	294,526	-	294,526
Assigned				
Debt service reserve	8,547,156	-	-	8,547,156
Capital asset reserve	1,834,074	-	-	1,834,074
Expenditures designated for future years	2,559,167	-	-	2,559,167
Unassigned	11,521,249	(3,980,575)	-	7,540,674
Total fund balances	25,542,617	7,550,495	-	33,093,112
Total liabilities, deferred inflows of resources and fund balances	\$ 35,885,534	\$ 18,205,125	\$ 2,105,798	\$ 56,196,457

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances - governmental funds		\$ 33,093,112
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	\$ 452,857,459	
Less: accumulated depreciation and amortization	<u>(121,821,855)</u>	
Net capital assets		331,035,604
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		
		624,630
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		
		1,480,473
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		2,129,840
Internal service funds are used by management to charge the costs of services provided to other departments or funds. The assets and liabilities of the internal service funds are included in the governmental activities of the Statement of Net Position.		
		1,453,322
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	(72,747,433)	
Compensated absences	(2,268,436)	
Other postemployment benefits	109,198	
Interest payable	(1,309,819)	
Pension liability	<u>(10,209,834)</u>	
		(86,426,324)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental funds until then.		
		<u>(1,797,960)</u>
Net position of governmental activities		<u><u>\$ 281,592,697</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Capital Projects	Other Governmental Fund	Total Governmental Funds
Revenues:				
General property taxes	\$ 14,389,962	\$ -	\$ -	\$ 14,389,962
Other local taxes	18,864,268	-	-	18,864,268
Permits, fees and licenses	772,765	-	-	772,765
Fines and forfeitures	341,152	-	-	341,152
Use of money and property	1,858,388	327,381	-	2,185,769
Charges for services	5,097,258	-	-	5,097,258
Contributions and proffers	816,676	144,726	-	961,402
Miscellaneous	179,817	431,273	-	611,090
Intergovernmental	9,182,482	5,554,031	644,203	15,380,716
Total revenues	51,502,768	6,457,411	644,203	58,604,382
Expenditures:				
Current:				
Legislative	249,418	-	-	249,418
Executive	2,251,468	-	-	2,251,468
Legal	738,157	-	-	738,157
Finance and administrative services	4,921,814	-	-	4,921,814
Public safety	13,242,169	-	-	13,242,169
Public works	12,878,286	-	-	12,878,286
Parks and recreation	7,845,039	-	-	7,845,039
Balch Library	488,583	-	-	488,583
Planning and zoning	1,663,251	-	-	1,663,251
Plan review	1,388,654	-	-	1,388,654
Airport	716,544	-	-	716,544
Capital projects	-	8,880,704	-	8,880,704
Debt service:				
Principal	2,505,000	-	-	2,505,000
Interest and fiscal charges	2,997,383	-	-	2,997,383
Total expenditures	51,885,766	8,880,704	-	60,766,470
Revenues over (under) expenditures	(382,998)	(2,423,293)	644,203	(2,162,088)
Other Financing Sources (Uses):				
Transfers in	4,171,689	653,158	2,105,797	6,930,644
Transfers out	(1,027,223)	(1,646,556)	(2,750,000)	(5,423,779)
Other financing sources (uses), net	3,144,466	(993,398)	(644,203)	1,506,865
Net change in fund balances	2,761,468	(3,416,691)	-	(655,223)
Fund Balances, beginning	22,781,149	10,967,186	-	33,748,335
Fund Balances, ending	\$ 25,542,617	\$ 7,550,495	\$ -	\$ 33,093,112

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	(655,223)
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	\$	10,812,959
Less: depreciation and amortization expense		(9,317,487)
Excess of capital outlay over depreciation and amortization		1,495,472
The net effect of various miscellaneous transactions involving capital assets. (i.e. donations, disposals and transfers)		3,154,397
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		(205,125)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal on long-term debt consumes the current financial resources of governmental funds. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayments:		
General obligation debt		2,505,000
Transfer from business-type activities for prior year Self-Insurance Fund allocation		217,066
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Deferred outflows of resources		1,480,473
Accrued interest		(236,359)
Compensated absences		(61,917)
Other post employment benefits		295,656
Amortization of premiums		317,215
Amortization of deferred losses		(162,152)
Pension expense		(1,034,884)
		598,032
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds are reported with governmental activities.		
Total revenues		5,665,159
Total expenses		(5,658,942)
		6,217
Change in net position of governmental activities	\$	7,115,836

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 14,461,982	\$ 14,461,982	\$ 14,389,962	\$ (72,020)
Other local taxes	17,660,761	17,660,761	18,864,268	1,203,507
Permits, fees and licenses	963,375	963,375	772,765	(190,610)
Fines and forfeitures	599,497	599,497	341,152	(258,345)
Use of money and property	1,597,014	1,584,512	1,858,388	273,876
Charges for services	5,113,077	5,135,277	5,097,258	(38,019)
Contributions	783,641	787,027	816,676	29,649
Miscellaneous	469,750	480,709	179,817	(300,892)
Intergovernmental	8,435,232	8,865,790	9,182,482	316,692
Total revenues	50,084,329	50,538,930	51,502,768	963,838
Expenditures:				
Current:				
Legislative	259,771	259,656	249,418	(10,238)
Executive	2,195,577	2,331,977	2,251,468	(80,509)
Legal	749,371	758,501	738,157	(20,344)
Finance and administrative services	4,720,901	5,183,789	4,921,814	(261,975)
Public safety	13,947,031	13,526,735	13,242,169	(284,566)
Public works	13,144,248	15,282,842	12,878,286	(2,404,556)
Parks and recreation	8,123,952	8,373,447	7,845,039	(528,408)
Balch Library	488,324	521,555	488,583	(32,972)
Planning and zoning	1,660,769	1,711,443	1,663,251	(48,192)
Plan review	1,415,285	1,488,349	1,388,654	(99,695)
Airport	768,919	815,697	716,544	(99,153)
Debt service:				
Principal	2,461,787	2,505,000	2,505,000	-
Interest and fiscal charges	3,155,405	3,112,192	2,997,383	(114,809)
Total expenditures	53,091,340	55,871,183	51,885,766	(3,985,417)
Revenues under expenditures	(3,007,011)	(5,332,253)	(382,998)	4,949,255
Other Financing Sources (Uses):				
Transfers in	3,170,372	3,185,466	4,171,689	986,223
Transfers out	(144,800)	(1,215,366)	(1,027,223)	188,143
Other financing sources, net	3,025,572	1,970,100	3,144,466	1,174,366
Net change in fund balance	18,561	(3,362,153)	2,761,468	6,123,621
Fund Balance, beginning	(18,561)	3,362,153	22,781,149	19,418,996
Fund Balance, ending	\$ -	\$ -	\$ 25,542,617	\$ 25,542,617

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2016

	Business-type Activities - Enterprise Fund Utilities	Internal Service Self Insurance Fund
ASSETS		
Current Assets		
Cash, cash equivalents, and temporary cash investments	\$ 19,913,182	\$ -
Investments	-	2,980,862
Accounts receivables, net	3,403,760	8,616
Due from other funds	1,097	137,539
Inventory	92,080	-
Accrued interest	30,565	-
Total current assets	23,440,684	3,127,017
Noncurrent Assets		
Other postemployment benefits	20,967	-
Capital assets:		
Land	1,577,329	-
Water and sewer plant	115,922,748	-
Water and sewer lines	123,461,779	-
Furniture, equipment and software	1,399,143	-
Vehicles	2,679,349	-
Construction in progress	2,066,670	-
Less: accumulated depreciation and amortization	(75,114,063)	-
Total noncurrent assets	171,992,955	-
Total assets	195,433,639	3,127,017
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	388,731	-
Deferred Charges of Refunding	2,438,525	-
Total deferred outflows of resources	2,827,256	-
Total assets and deferred outflows of resources	198,260,895	3,127,017
LIABILITIES		
Current Liabilities		
Accounts payable	436,121	941,696
Due to other funds	-	1,097
Accrued payroll	273,773	-
Accrued interest	1,181,885	-
Compensated absences	445,587	-
Retainage payable	92,269	-
Bonds payable	2,030,730	-
Performance bonds payable	9,000	-
Customer deposits and contingent charges	982,596	-
Insurance and benefit claims	-	730,902
Total current liabilities	5,451,961	1,673,695
Noncurrent Liabilities		
Compensated absences	143,882	-
Net pension obligation	2,714,006	-
Bonds payable, net	65,885,935	-
Total noncurrent liabilities	68,743,823	-
Total liabilities	74,195,784	1,673,695
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	477,939	-
Total liabilities and deferred inflows of resources	74,673,723	1,673,695
NET POSITION		
Net investment in capital assets	106,514,815	-
Restricted	-	1,453,322
Unrestricted	17,093,324	-
Total net position	\$ 123,608,139	\$ 1,453,322

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund Utilities	Internal Service Self Insurance Fund
Operating Revenues:		
Charges for services	\$ 18,639,231	\$ 5,659,252
Other	424,837	-
Total operating revenues	19,064,068	5,659,252
Operating Expenses:		
Personnel service	7,493,822	-
Contractual services	963,382	-
Depreciation and amortization	5,280,489	-
Materials and supplies	1,381,578	-
Continuous charges	1,178,126	-
Claims and settlements	360	-
Capital outlay	121,407	-
Risk financing and benefit payments	-	5,658,942
Total operating expenses	16,419,164	5,658,942
Operating income	2,644,904	310
Nonoperating Revenues (Expenses):		
Interest on investments	236,150	5,907
Installation and connection charges	1,598,450	-
Interest and fiscal charges	(2,869,088)	-
Total nonoperating revenues (expenses), net	(1,034,488)	5,907
Income before contributions and transfers	1,610,416	6,217
Contributions and Transfers		
Developer donated assets	571,739	-
Transfers out	(1,506,865)	-
Total contributions and transfers, net	(935,126)	-
Change in net position	675,290	6,217
Net Position, beginning	122,932,849	1,447,105
Net Position, ending	\$ 123,608,139	\$ 1,453,322

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund Utilities	Internal Service Self Insurance Fund
Cash Flows From Operating Activities		
Receipts from customers	\$ 18,275,193	\$ -
Receipts from interfund services provided	-	5,517,308
Claims and benefits paid	-	(5,443,847)
Payments to suppliers for goods and services	(3,454,941)	867,786
Payments to employees for services	(8,545,316)	-
Receipts from employees - health insurance contributions	998,692	-
Other receipts	424,837	-
Net cash provided by operating activities	7,698,465	941,247
Cash Flows From Noncapital and Related Financing Activities		
Advance from other funds	(1,310)	-
Transfers out	(1,506,865)	-
Net cash used in noncapital and related financing activities	(1,508,175)	-
Cash Flows From Capital and Related Financing Activities		
Installation and connection charges	1,598,450	-
Acquisition and construction of capital assets	(2,768,748)	-
Interest and fiscal charges	(2,340,305)	-
Principal paid on bonds	(2,232,686)	-
Net cash used in capital and related financing activities	(5,743,289)	-
Cash Flows From Investing Activities		
Purchase of investments, net	-	(947,154)
Interest on investments	209,800	5,907
Net cash provided by (used in) investing activities	209,800	(941,247)
Increase in cash and cash equivalents	656,801	-
Cash and Cash Equivalents		
Beginning	19,256,381	-
Ending	\$ 19,913,182	\$ -

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund Utilities	Governmental Activities- Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided By		
Operating Activities:		
Operating income	\$ 2,644,904	\$ 310
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,280,489	-
Pension expense	397,932	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(405,720)	(5,502)
Due from other funds	(1,097)	(137,539)
Inventory	55,760	-
Increase (decrease) in:		
Accounts payable	134,153	-
Accrued liabilities	26,918	867,786
Unearned revenue	(6,895)	-
Insurance and benefit claims	-	215,095
Other postemployment benefits	(116,153)	-
Deferred outflows - pension plan	(388,731)	-
Due to other funds	-	1,097
Compensated absences	28,328	-
Customer deposits and contingent charges	48,577	-
Net cash provided by operating activities	\$ 7,698,465	\$ 941,247
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Developer donated capital improvements	\$ 571,739	\$ -

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2016

	OPEB Trust Fund
<hr/>	
ASSETS	
Investments held in trust	\$ 9,418,599
Total assets	<u>9,418,599</u>
NET POSITION	
Held in trust for other postemployment benefits (OPEB)	<u><u>\$ 9,418,599</u></u>

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2016

	OPEB Trust Fund
Additions:	
Contributions	\$ 625,000
Total contributions	<u>625,000</u>
Investment Income (Loss):	
From investment activities:	
Realized gain on sale of investments	1,919
Interest and dividends earned on investments	29
Net decrease in fair value of investments	<u>(39,819)</u>
Total loss from investment activities	<u>(37,871)</u>
Deductions:	
Administrative fees	<u>10,900</u>
Total deductions	<u>10,900</u>
Change in net position	576,229
Net Position, beginning	<u>8,842,370</u>
Net Position, ending	<u><u>\$ 9,418,599</u></u>

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information on all of the activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Eliminations have been made to minimize the double-counting of internal activities.

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

Fund Financial Statements

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting (Continued)

The Town reports the following internal service fund:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for commodities and services. Operating expenses for enterprise funds include the cost of commodities and services, administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Budgetary Data

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

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

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

Expenditures may not legally exceed budgeted appropriations at the department level. The Town Manager has authority to amend or transfer appropriations within the department level. During the year ended June 30, 2016, General Fund supplemental appropriations totaling \$2,779,843 were authorized by Town Council.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

1. Cash and Cash Equivalents

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

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

2. Restricted Cash

Restricted cash was \$7,647,753 for governmental activities at June 30, 2016 and is comprised of unspent debt proceeds, proffer reserves, performance bonds, police forfeitures, and funds to be used for Balch Library.

3. Investments

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

4. Property Taxes

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

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

5. Prepaid Items

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

6. Inventory

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

7. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

8. Unearned Revenue

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

9. Inter-fund Transactions

Transactions among Town funds 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.

10. Compensated Absences

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

11. Long-Term Obligations

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

12. Bond Premiums and Discounts

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

13. Performance Bonds

The General Fund and Utility Fund 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.

14. Reserve for Proffers

The Capital Projects Fund reports a liability for proffers of approximately \$6.6 million. The Commonwealth of Virginia grants localities the ability to seek voluntary proffers from developers to offset costs for infrastructure and public services generated by development through the rezoning process. The Town's most common proffered cash contributions are those to offset future capital costs associated with schools, fire and rescue, parks and recreation, specific transportation improvements, and/or general transportation improvements. Revenue from proffers is recognized by the Town as proffer projects are completed.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Town has two types of items that qualify for reporting in this category. The first item is the deferred loss on refunding reported in the government-wide Statement of Net Position which arises under the full accrual basis of accounting. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is the employer's fiscal year 2016 Virginia Retirement System (VRS) contributions and is reported in the government-wide Statement of Net Position.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

15. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items that qualify for reporting in this category. The first item, which arises under the modified accrual basis of accounting, is unavailable revenues from property taxes. Accordingly, the item, unavailable revenue – property taxes, is reported only in the Governmental Funds' Balance Sheet. The second item, the net difference between projected and actual earnings on the VRS' plan investments, is reported in the government-wide Statement of Net Position. The third item, the difference between expected and actual experience related to the VRS' plan, is reported in the government-wide Statement of Net Position.

16. Pensions

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

17. Fund Equity

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

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

17. Fund Equity (Continued)

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

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Fund. Encumbrances outstanding at year-end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General Fund encumbrances totaling approximately \$2.6 million have been classified as assigned under fund balance. Capital Projects Fund encumbrances totaling approximately \$5.0 million have been classified as committed under fund balance.

18. 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 investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

19. 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.

20. Subsequent Events

The Town has evaluated subsequent events through November 23, 2016, the date on which the financial statements were available to be issued.

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).

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

Investment Policy:

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

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

1. *Treasury Securities*

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

2. *Agency Securities*

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

3. *Prime Commercial Paper*

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

4. *Certificates of Deposit*

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

5. *Bankers' Acceptances*

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

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

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

7. *Repurchase Agreements*

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

8. *Open-End Investment Funds*

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

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

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

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

The Independent U.S. Bank – OPEB Trust included fiscal year 2016 contributions to the OPEB Trust plan totalling \$625,030.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

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

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

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

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

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

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

Investments in VML/VACo are used for funding Other Postemployment Benefits (OPEB). The VML/VACo Trust is the only pooled OPEB trust offered in Virginia. Trust participants receive professional investment management on par with the services provided by major pension funds. Investment decisions are made by the Board of Trustees. At year end, the Town has \$8,793,569 invested with the VML/VACo OPEB Trust. The trust has not been assigned a rating as of June 30, 2016.

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

VML/VACo’s pooled investment program is used by local governments to invest assets they expect to hold longer than one year. Participants are invested in high-quality corporate and government securities with an average duration of one to two years. At year end, the Town has \$6,103,396 with the VML/VACo Investment Pool. The pool has not been assigned a rating as of June 30, 2016.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2016, 39% of the Town's investments were invested in "AAAm" rated Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings. The Town does not have a policy that addresses investment credit risk.

Interest Rate Risk:

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

	Fair Value	Less Than 1 Year
LGIP	\$ 12,783,236	\$ 12,783,236
Certificates of deposit (CDARS)	18,700,000	18,700,000
SNAP	9,342,927	9,342,927
U.S. Bank OPEB Trust	625,030	625,030
VML/VACo OPEB Trust	8,793,569	8,793,569
VML/VACo Investment Pool	6,103,396	6,103,396

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, 2016:

- CDARS in the amount of \$18,700,000 are valued using quoted market prices (Level 1 inputs).
- Money markets in the amount of \$625,030 are valued using quoted market prices (Level 1 inputs).

Note 3. Estimated Unbilled Revenue

Utilities Fund revenues are estimated at year-end for unbilled services rendered. The amounts are determined by estimating services rendered based on past services provided. At June 30, 2016, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$3.1 million.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables at June 30, 2016 for the Town's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Utilities Fund	Totals
Property taxes, including penalties	\$ 7,307,147	\$ -	\$ -	\$ 7,307,147
Utility taxes	214,928	-	-	214,928
Local taxes	1,794,284	-	-	1,794,284
Accounts	382,012	25,000	3,478,760	3,885,772
Gross receivables	9,698,371	25,000	3,478,760	13,202,131
Less allowance for uncollectable accounts	304,340	-	75,000	379,340
Net receivables	\$ 9,394,031	\$ 25,000	\$ 3,403,760	\$ 12,822,791

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

	Unavailable	Unearned
Second half real estate billed in advance	\$ 6,175,533	\$ -
Delinquent property taxes receivable	624,630	-
Prepaid property taxes	-	106,554
Lease revenue	-	38,165
Capital projects	-	2,568,934
Special revenue	-	2,105,798
Other	-	245,945
	\$ 6,800,163	\$ 5,065,396

The Capital Projects Fund reported unearned revenue of \$2,568,934 in connection with contributions received in advance from Loudoun County for the County's share of capital projects undertaken by the Town.

The Special Revenue Fund reported unearned revenue of \$2,105,798 in connection with funding from NVTa for various projects the Town has ongoing.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables (Continued)

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

The General Fund reported unearned revenue of \$83,945 associated with the Virginia Stormwater Management Program ("VSMP") permits for which the Department of Environmental Quality ("DEQ") has already provided the Town funding to cover the cost associated with the permit review and inspections for VSMP.

Note 5. Due From Other Governments

At June 30, 2016, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:

Local sales tax	\$ 904,299
Other taxes and grants	29,744
Car rental tax	32,729
Communication sales and use	341,941
	<u>1,308,713</u>

Federal Government:

Department of Justice	<u>10,743</u>
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Northern Virginia Cigarette Tax Board	<u>78,522</u>
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Total General Fund	<u>\$ 1,397,978</u>
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Capital Projects Fund:

Commonwealth of Virginia:

Virginia Department of Transportation	\$ 2,395,765
Department of Aviation	14,667
	<u>2,410,432</u>

Federal government:

Department of Aviation	<u>246,525</u>
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Northern Virginia Transportation Authority	<u>4,246</u>
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Total Capital Projects Fund	<u>\$ 2,661,203</u>
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TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 58,452,292	\$ 551,495	\$ -	\$ -	\$ 59,003,787
Construction in progress	9,288,789	9,121,725	(5,000)	(9,769,622)	8,635,892
Total capital assets, not being depreciated or amortized	67,741,081	9,673,220	(5,000)	(9,769,622)	67,639,679
Capital assets, being depreciated or amortized:					
Buildings and improvements	78,797,338	281,848	-	5,690,455	84,769,641
Furniture and equipment	6,636,010	274,139	(21,950)	-	6,888,199
Computer equipment and software	3,063,098	389,049	-	-	3,452,147
Vehicles	5,473,997	188,125	(334,856)	-	5,327,266
Infrastructure	71,335,381	1,175,873	-	81,468	72,592,722
Streets	176,891,691	1,993,380	-	3,997,699	182,882,770
Hangars	6,057,289	-	-	-	6,057,289
Runways	16,569,695	58	-	-	16,569,753
Terminals	6,677,993	-	-	-	6,677,993
Total capital assets being depreciated or amortized	371,502,492	4,302,472	(356,806)	9,769,622	385,217,780
Less accumulated depreciation and amortization for:					
Buildings and improvements	(26,837,353)	(2,374,970)	-	-	(29,212,323)
Furniture and equipment	(4,913,011)	(418,391)	19,000	-	(5,312,402)
Computer equipment and software	(2,642,308)	(232,056)	-	-	(2,874,364)
Vehicles	(3,389,381)	(386,489)	334,470	-	(3,441,400)
Infrastructure	(20,693,966)	(1,457,007)	-	-	(22,150,973)
Streets	(37,841,706)	(3,585,389)	-	-	(41,427,095)
Hangars	(2,087,796)	(181,404)	-	-	(2,269,200)
Runway	(12,022,866)	(533,955)	-	-	(12,556,821)
Terminals	(2,429,451)	(147,826)	-	-	(2,577,277)
Total accumulated depreciation and amortization	(112,857,838)	(9,317,487)	353,470	-	(121,821,855)
Total capital assets being depreciated or amortized, net	258,644,654	(5,015,015)	(3,336)	9,769,622	263,395,925
Governmental activities capital assets, net	\$ 326,385,735	\$ 4,658,205	\$ (8,336)	\$ -	\$ 331,035,604

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

Governmental activities:

Legislative	\$	12,821
Executive		274,414
Finance and administrative services		216,237
Public safety		459,435
Parks and recreation		857,951
Balch Library		189,318
Public works		6,100,956
Airport		1,206,355
Total depreciation and amortization expense - governmental activities	\$	9,317,487

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 1,577,329	\$ -	\$ -	\$ -	\$ 1,577,329
Construction in progress	593,722	2,173,337	-	(700,389)	2,066,670
Total capital assets, not being depreciated or amortized	2,171,051	2,173,337	-	(700,389)	3,643,999
Capital assets, being depreciated or amortized:					
Water and sewer plant	115,887,423	35,325	-	-	115,922,748
Water and sewer lines	121,862,793	898,597	-	700,389	123,461,779
Furniture, equipment and software	1,318,366	80,777	-	-	1,399,143
Vehicles	2,738,342	152,451	(211,444)	-	2,679,349
Total capital assets being depreciated or amortized	241,806,924	1,167,150	(211,444)	700,389	243,463,019
Less accumulated depreciation and amortization for:					
Water and sewer plant	(31,601,933)	(2,326,401)	-	-	(33,928,334)
Water and sewer lines	(35,453,001)	(2,773,574)	-	-	(38,226,575)
Furniture, equipment and software	(1,156,899)	(54,828)	-	-	(1,211,727)
Vehicles	(1,833,185)	(125,686)	211,444	-	(1,747,427)
Total accumulated depreciation and amortization	(70,045,018)	(5,280,489)	211,444	-	(75,114,063)
Total capital assets being depreciated and amortized, net	171,761,906	(4,113,339)	-	700,389	168,348,956
Business-type activities capital assets, net	\$ 173,932,957	\$ (1,940,002)	\$ -	\$ -	\$ 171,992,955

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

General Obligation Bonds

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

Outstanding long-term debt at June 30, 2016 includes the following bond issues:

General Obligation Bonds:

\$20,035,000, 2006 General Obligation Refunding Bond Series B, due in annual installments of \$1,470,000 to \$2,295,000 through September 2020, plus interest at 5.00%	\$ 9,175,000
\$55,660,000, 2006 "Double Barrel" General Obligation Public Utility Bonds, due in an annual installments of \$840,000 in July 2016, plus interest at 4.00%	840,000
\$21,695,000, 2009 Build America Bonds (BABS) Taxable, due in annual installments of \$210,000 to \$1,300,000 through February 2039, plus interest at 4.00% to 6.31%	16,805,000
\$6,320,000 2009 Build America Bonds (BABS) Tax-Exempt Refunding, due in annual installment of \$935,000 through February 2017, plus interest at 4.00%	935,000
\$26,990,000 2011 Series A General Obligation Tax-Exempt, due in annual installments of \$185,000 to \$4,040,000 through January 2041, plus interest at 2.50% to 5.00%	26,060,000
\$3,880,000 2011 Series B General Obligation Taxable, due in annual installments of \$695,000 to \$1,250,000, beginning January 2017 through January 2020, plus interest at 2.585% to 3.721%	3,880,000
\$24,800,000 2014 General Obligation and Refunding Bonds, due in annual installments of \$85,000 to \$2,140,000 through January 2044, plus interest at 2.00% to 5.00%	24,035,000
\$46,975,000 2015 General Obligation and Refunding Bonds, due in annual installments of \$360,000 to \$3,765,000 through January 2037, plus interest at 2.00% to 5.00%	46,180,000

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Revenue Bonds:

\$11,000,000, VRA 1999 Utility System Revenue Bonds, due in semi-annual installments of \$391,534 through January 2021, including interest at 3.50%	\$ 3,234,264
Plus unamortized premiums, net	<u>9,519,834</u>
Total bonded debt	<u>\$ 140,664,098</u>

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

The Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond covenants collateralizes the bonds. The covenants provide the revenue of the system to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be retained in a surplus account. The covenants also contain certain provisions, which require the Town to maintain revenues, as defined in the covenants, of at least 1.25 times the annual debt service requirements. For fiscal year 2016, all revenue bond covenants were met.

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

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

Description	Business-type Activities	Governmental Activities	Totals
Bonded long-term debt:			
1999 VRA utility revenue	\$ 3,234,264	\$ -	\$ 3,234,264
2006 General obligation, Series B	-	9,175,000	9,175,000
2006 General obligation, Public Utility	840,000	-	840,000
2009 BABS, taxable	4,520,000	12,285,000	16,805,000
2009 BABS, tax-exempt	-	935,000	935,000
2011 Series A General obligation	10,580,000	15,480,000	26,060,000
2011 Series B General obligation	-	3,880,000	3,880,000
2014 General obligation & refunding	10,980,000	13,055,000	24,035,000
2015 General obligation & refunding	32,875,000	13,305,000	46,180,000
Total bonds payable	<u>63,029,264</u>	<u>68,115,000</u>	<u>131,144,264</u>
Plus:			
Unamortized premiums	<u>4,887,401</u>	<u>4,632,433</u>	<u>9,519,834</u>
	<u>\$ 67,916,665</u>	<u>\$ 72,747,433</u>	<u>\$ 140,664,098</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 70,620,000	\$ -	\$(2,505,000)	\$ 68,115,000	\$ 5,020,000
Unamortized premiums	4,949,648	-	(317,215)	4,632,433	-
Compensated absences	2,206,519	1,539,913	(1,477,996)	2,268,436	1,859,534
Governmental activities long-term activities	\$ 77,776,167	\$ 1,539,913	\$(4,300,211)	\$ 75,015,869	\$ 6,879,534

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

Years Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2017	\$ 5,020,000	\$ 3,009,174	\$ 8,029,174
2018	5,235,000	2,794,324	8,029,324
2019	5,385,000	2,581,985	7,966,985
2020	5,505,000	2,365,111	7,870,111
2021	5,605,000	2,147,437	7,752,437
2022-2026	22,830,000	7,067,089	29,897,089
2027-2031	14,190,000	2,450,610	16,640,610
2032-2036	4,345,000	340,988	4,685,988
	\$ 68,115,000	\$ 22,756,718	\$ 90,871,718

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 65,261,950	\$ -	\$(2,232,686)	\$ 63,029,264	\$ 2,030,730
Unamortized premiums	5,115,830	-	(228,429)	4,887,401	-
Compensated absences	561,141	389,962	(361,634)	589,469	445,587
Business-type activities long-term liabilities	\$ 70,938,921	\$ 389,962	\$(2,822,749)	\$ 68,506,134	\$ 2,476,317

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

Years Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2017	\$ 2,030,730	\$ 2,568,376	\$ 4,599,106
2018	2,129,587	2,512,278	4,641,865
2019	2,164,287	2,444,134	4,608,421
2020	2,284,860	2,372,884	4,657,744
2021	2,799,800	2,295,271	5,095,071
2022-2026	17,735,000	9,071,290	26,806,290
2027-2031	15,370,000	5,225,922	20,595,922
2032-2036	13,615,000	25,738,223	39,353,223
2037-2041	4,570,000	485,247	5,055,247
2042-2044	330,000	24,288	354,288
	<u>\$ 63,029,264</u>	<u>\$ 52,737,913</u>	<u>\$ 115,767,177</u>

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$672 million, which is computed based upon 10% of the assessed value on real estate subject to taxation.

Note 8. Interfund Transfers

	General	Capital Projects	Total Transferred Out
Transferred from fund:			
Governmental activities:			
General	\$ -	\$ 633,833	\$ 633,833
Capital Projects	633,833	-	633,833
Special Revenue	-	644,202	644,202
Business-type activities:			
Utilities	1,506,865	-	1,506,865
Total transferred in	<u>\$ 2,140,698</u>	<u>\$ 1,278,035</u>	<u>\$ 3,418,733</u>

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Commitments and Contingent Liabilities

Federal and State-Assisted Programs

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

At June 30, 2016, 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.

Note 10. Other Postemployment Benefits

Plan Description: The Town participates in the Retiree Healthcare and Life Insurance Benefit Programs which is a single employer benefit plan. 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.

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Annual OPEB cost and Net OPEB Obligation (NOO): In 2016, the Town had an actuarial valuation of postemployment benefits performed as of July 1, 2015. The annual cost of the OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The phase-in of full funding cost for OPEB benefits is \$622,000 and the annual benefit cost is \$625,000 for 2016. The percentage of the annual OPEB cost contributed is 100.00%.

GASB Statement No. 45 does not require pre-funding of the OPEB liability. The Town has elected not to pre-fund all of the OPEB liability at this time. The Town anticipates continuing to fully fund the annual required contribution. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not pre-funded. At June 30, 2016, the Town has recorded an asset of \$130,165 on the Statement of Net Position for the governmental and business-type activities.

The Town received a NOO calculation for the year ended June 30, 2016. The revisions are reflected in the calculation shown in the following table.

The Town is not required to contribute the ARC of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows a calculation of the net OPEB obligation at June 30, 2016:

	Governmental Activities	Business-type Activities	Totals
ARC	\$ 488,155	\$ 133,845	\$ 622,000
Interest on net OPEB obligation	15,696	4,304	20,000
Adjustment to ARC	(13,342)	(3,658)	(17,000)
Annual OPEB cost	490,509	134,491	625,000
Contributions made	(786,165)	(250,644)	(1,036,809)
Increase in net OPEB obligation	(295,656)	(116,153)	(411,809)
Net OPEB obligation, beginning of year	186,458	95,186	281,644
Net OPEB obligation (asset), end of year	\$ (109,198)	\$ (20,967)	\$ (130,165)

Trend Information

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2016	\$ 625,000	165.89%	\$ (130,165)
June 30, 2015	1,230,612	94.91%	281,644
June 30, 2014	1,188,798	155.27%	219,053

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

Funding Status and Funding Process: As of July 1, 2015, the most recent actuarial valuation date, the plan was partially funded. The actuarial value of the assets was \$8,842,370 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,646,000.

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

The following table shows the funding progress for the Town:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2011	\$ 2,371,258	\$ 14,428,500	\$ 12,057,242	16%	\$ 22,735,100	53.03%
July 1, 2013	5,774,112	14,571,800	8,797,688	40%	23,779,800	37.00%
July 1, 2015	8,842,370	14,488,000	5,646,000	61%	22,738,317	24.83%

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

The 2015 actuarial valuation determined the OPEB liability based on the entry age normal cost method. The actuarial assumptions include a discount rate of 7.0%, salary increases comprised of a wage inflation component of 3.0% and an ultimate healthcare and dental trend rate of 4.8%. The unfunded liability is amortized over a period of 30 years as a level percentage of payroll on an open basis.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the 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 the VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		Vesting (Continued)
		<u>Defined Contribution Component (Continued)</u>
		<ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.
		Distribution is not required by law until age 70 1/2.
Calculating the Benefit	Calculating the Benefit	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.	See definition under Plan 1.	<u>Defined Benefit Component</u> See definition under Plan 1.
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.		<u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation	Average Final Compensation	Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Service Retirement Multiplier</p> <p>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier</p> <p>Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u> Not applicable.</p>
<p>Normal Retirement Age</p> <p>Age 65.</p>	<p>Normal Retirement Age</p> <p>Normal Social Security retirement age.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component</u> Same as Plan 2.</p>
<p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility</p> <p>Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>
<p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Earliest Reduced Retirement Eligibility <p>Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.</p>	Earliest Reduced Retirement Eligibility <p>Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	Earliest Reduced Retirement Eligibility <p><u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Cost-of-Living Adjustment (COLA) in Retirement <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	Cost-of-Living Adjustment (COLA) in Retirement <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	Cost-of-Living Adjustment (COLA) in Retirement <p><u>Defined Benefit Component</u> Same as Plan 2.</p> <p><u>Defined Contribution Component</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	111
Inactive members:	
Vested	78
Non-vested	81
Active elsewhere in VRS	91
Total inactive members	250
Active members	327
Total covered employees	688

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2016 was 8.48% for Plan 1 and 2, and 7.48% for Hybrid Plan of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,869,204 and \$1,945,907 for the years ended June 30, 2016 and 2015, respectively.

B. Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2014.

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

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued),

B. Net Pension Liability (Continued)

Discount Rate

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

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 83,303,144	\$ 71,983,704	\$ 11,319,440
Changes for the Year:			
Service cost	2,756,117	-	2,756,117
Interest	5,739,077	-	5,739,077
Difference between expected and actual experience	(536,148)	-	(536,148)
Contributions – employer	-	1,945,907	(1,945,907)
Contributions – employee	-	1,146,789	(1,146,789)
Net investment income	-	3,306,840	(3,306,840)
Benefit payments, including refunds of employee contributions	(2,632,670)	(2,632,670)	-
Administrative expense	-	(44,184)	44,184
Other changes	-	(706)	706
Net changes	5,326,376	3,721,976	1,604,400
Balances at June 30, 2015	\$ 88,629,520	\$ 75,705,680	\$ 12,923,840

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net pension liability	\$ 25,984,524	\$ 12,923,840	\$ 2,155,717

Detailed information about the pension plan's fiduciary net position is available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR is publicly available through the About VRS link on the VRS website at www.varetire.org, or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

For the year ended June 30, 2016, the Town recognized pension expense of \$1,491,996. The Town also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 414,848
Net difference between projected and actual earnings on pension plan investments	-	1,861,051
Employer contributions subsequent to the measurement date	1,869,204	-
Total	\$ 1,869,204	\$ 2,275,899

The \$1,869,204 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Pension Plan (Continued)

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

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 858,086
2018	858,086
2019	858,088
2020	<u>(298,361)</u>
	<u><u>\$ 2,275,899</u></u>

Note 12. Risk Management

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

Health Insurance

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

Based on the requirements of GASB Statement No. 10, the Town records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2016.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Operating Leases

The Town leases various owned airport properties under non-cancelable operating leases. The leases provide for annual rental increases and pass-through of certain maintenance costs. The Town was contracted at June 30, 2016 with six significant leases expiring at various dates; one in April 2018, two in June 2019, one in September 2023, one in December 2025, and one in May 2046.

Years Ending June 30,	Rental Income
2017	\$ 224,699
2018	213,009
2019	144,148
2020	65,499
2021	65,499
2022-2026	275,573
2027-2031	159,260
2032-2036	159,260
2037-2041	159,260
2042-2046	156,606
	<u>\$ 1,622,813</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, 2016, the minimum long-term lease commitment is shown below:

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements

At June 30, 2016, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The Statements which might impact the Town are as follows:

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

GASB Statement No. 78, *Pensions Provided through Certain Multi-Employer Defined Benefit Pension Plans*, this Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Statement No. 78 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will improve the accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement No. 79 will be effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 will be effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Subsequent Events

In August 2016, the Town completed a refunding of its Series 2011A bond. The total amount of the new debt was \$11,185,000 and resulted in a cash savings of \$889,033. The interest rate of the new debt ranges from 2.71% to 5.13%, with a final maturity date of October 2040. The refunding resulted in an economic gain of \$669,932.

Subsequent to year end, the Town transferred its investments held in trust for the Town's OPEB Trust Fund from VML/VACo to U.S. Bank. The Town transferred approximately \$8.8 million in funds to U.S. Bank during the months of September 2016 and October 2016.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEESBURG, VIRGINIA

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

	As of June 30,	
	2014	2015
Total Pension Liability		
Service cost	\$ 2,694,218	\$ 2,756,117
Interest	5,339,294	5,739,077
Differences between expected and actual experience	-	(536,148)
Benefit payments, including refunds of employee contributions	(2,011,985)	(2,632,670)
Net change in total pension liability	6,021,527	5,326,376
Total pension liability - beginning	77,281,617	83,303,144
Total pension liability - ending (a)	<u>\$ 83,303,144</u>	<u>\$ 88,629,520</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,897,869	\$ 1,945,907
Contributions - employee	1,173,237	1,146,789
Net investment income	9,751,444	3,306,840
Benefit payments, including refunds of employee contributions	(2,011,985)	(2,632,670)
Administrative expense	(51,182)	(44,184)
Other	514	(706)
Net change in plan fiduciary net position	10,759,897	3,721,976
Plan fiduciary net position - beginning	61,223,807	71,983,704
Plan fiduciary net position - ending (b)	<u>\$ 71,983,704</u>	<u>\$ 75,705,680</u>
The Town's net pension liability - ending (a) - (b)	<u>\$ 11,319,440</u>	<u>\$ 12,923,840</u>
Plan fiduciary net position as a percentage of the total pension liability	86.41%	85.42%
Covered-employee payroll	\$ 23,700,725	\$ 23,045,393
The Town's net pension liability as a percentage of covered-employee payroll	47.76%	56.08%

Notes to Schedule:

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

(2) **Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013.

LEOS:

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

NON-LEOS:

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

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF LEESBURG, VIRGINIA**SCHEDULE OF TOWN CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year Ended June 30,	
	2014	2015
Contractually required contribution (CRC)	\$ 1,897,869	\$ 1,945,907
Contributions in relation to the CRC	1,897,869	1,945,907
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 23,700,725	\$ 23,045,393
Contributions as a percentage of covered-employee payroll	8.01%	8.44%

Notes to Schedule:

- (1) Valuation date: June 30, 2015
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:
- | | |
|-------------------------------|-------------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 20-29 years |
| Asset valuation method | 5-year smoothed market |
| Cost-of-living adjustments | 2.25%-2.50% |
| Projected salary increases | 3.50%-5.35%, including inflation at 2.50% |
| Investment rate of return | 7.0%, including inflation at 2.50% |
- (4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
July 1, 2015	\$ 8,842,370	\$ 14,488,000	\$ 5,646,000	61.0%	\$ 22,738,317	24.83%
July 1, 2013	5,774,112	14,571,800	8,797,688	40.0%	23,779,800	37.00%
July 1, 2011	2,371,258	14,428,500	12,057,242	16.0%	22,735,100	53.03%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2016	\$ 625,000	165.89%
2015	1,227,300	95.17%
2014	1,171,800	157.50%

SUPPLEMENTAL SCHEDULES

COMPARATIVE BALANCE SHEETS
GENERAL FUND
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 23,660,393	\$ 22,233,945
Receivables, net:		
Property taxes, including penalties	7,057,147	6,717,834
Utility taxes	214,928	133,103
Local taxes	1,794,284	1,865,573
Accounts	327,672	262,242
Accrued interest	53,829	3,853
Due from other governments	1,397,978	1,354,001
Due from other funds	-	1,310
Lease deposit	159,569	157,470
Prepaid items	58,232	1,900
Restricted cash	1,161,502	1,022,325
Total assets	\$ 35,885,534	\$ 33,753,556
LIABILITIES		
Accounts payable	\$ 746,890	\$ 1,391,766
Due to other governments	207	30,741
Retainage payable	7,124	7,035
Accrued payroll	1,260,220	1,089,794
Other accrued liabilities	18,522	18,584
Customer deposits	80,450	75,635
Performance bonds	1,038,677	1,254,054
Unearned revenues	390,664	437,300
Total liabilities	3,542,754	4,304,909
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	6,800,163	6,667,498
Total deferred inflows of resources	6,800,163	6,667,498
FUND BALANCE		
Nonspendable		
Lease deposit	159,569	157,470
Prepaid items	58,232	1,900
Restricted		
Balch Library	741,883	746,426
Parks and recreation (Symmington)	50,521	50,521
Police	70,766	188,825
Assigned		
Debt service reserve	8,547,156	7,574,656
Capital asset reserve	1,834,074	2,592,340
Expenditures designated for future years	2,559,167	1,182,944
Unassigned	11,521,249	10,286,067
Total fund balance	25,542,617	22,781,149
Total liabilities, deferred inflows of resources and fund balance	\$ 35,885,534	\$ 33,753,556

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenue from local sources:				
General property taxes:				
Real estate taxes:				
Current	\$ 12,157,000	\$ 12,157,000	\$ 12,171,352	\$ 14,352
Delinquent	-	-	(6,957)	(6,957)
Personal property taxes:				
Current	1,880,000	1,880,000	1,972,027	92,027
Delinquent	-	-	(69,919)	(69,919)
Public service corporation taxes	214,982	214,982	219,747	4,765
Penalties and interest	210,000	210,000	103,712	(106,288)
Total general property taxes	14,461,982	14,461,982	14,389,962	(72,020)
Other local taxes:				
Utility	1,648,860	1,648,860	1,525,755	(123,105)
Daily rental	7,175	7,175	5,285	(1,890)
Meals	4,809,714	4,809,714	5,247,114	437,400
Bank franchise	674,156	674,156	987,523	313,367
Telecommunication	139,400	139,400	333,741	194,341
Cigarette	1,000,374	1,000,374	905,450	(94,924)
Sales and use	4,511,496	4,511,496	5,141,458	629,962
Business and occupational licenses	3,358,233	3,358,233	3,152,175	(206,058)
Motor vehicle licenses	825,000	825,000	829,452	4,452
Transient occupancy	686,353	686,353	736,315	49,962
Total other local taxes	17,660,761	17,660,761	18,864,268	1,203,507
Permits, fees and licenses:				
Zoning, subdivision and development fees	568,000	568,000	521,092	(46,908)
Permits	395,375	395,375	240,808	(154,567)
Other	-	-	10,865	10,865
Total permits, fees and licenses	963,375	963,375	772,765	(190,610)
Fines and forfeitures:				
Police forfeiture	46,700	46,700	4,886	(41,814)
Traffic fines	452,797	452,797	248,347	(204,450)
Parking fines	100,000	100,000	87,919	(12,081)
Total fines and forfeitures	599,497	599,497	341,152	(258,345)
Use of money and property:				
Use of Town land	-	-	464	464
Interest	47,600	47,600	158,082	110,482
Parking meters	179,452	179,452	103,662	(75,790)
Sales of surplus property	75,000	75,000	85,287	10,287
Parking facility revenues	-	-	125,564	125,564
Insurance recoveries	102,502	90,000	185,073	95,073
Rentals and fees	1,121,660	1,121,660	1,103,386	(18,274)
Condo lease	10,800	10,800	-	(10,800)
Building rental	60,000	60,000	62,944	2,944
Other	-	-	33,926	33,926
Total use of money and property	1,597,014	1,584,512	1,858,388	273,876

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources: (Continued)				
Charges for services:				
Publications	\$ 500	\$ 500	\$ 926	\$ 426
Fingerprinting	4,400	4,400	5,813	1,413
Extradition	15,056	15,056	3,384	(11,672)
Special events	140,000	140,000	96,243	(43,757)
Parks and recreation user fees	4,953,121	4,975,321	4,990,892	15,571
Total charges for services	5,113,077	5,135,277	5,097,258	(38,019)
Contributions	783,641	787,027	816,676	29,649
Miscellaneous	469,750	480,709	179,817	(300,892)
Total revenues from local sources	41,649,097	41,673,140	42,320,286	647,146
Intergovernmental:				
Revenue from local sources:				
Local aid:				
Loudoun County	-	9,158	218,561	209,403
Total local aid	-	9,158	218,561	209,403
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicles tax	-	-	430	430
Rental car tax	126,178	126,178	156,159	29,981
Mobile home titling tax	-	-	1,620	1,620
Cable TV franchise	250,000	250,000	266,397	16,397
Personal property tax relief	1,468,941	1,468,941	1,468,941	-
Communication sales and use	2,213,949	2,213,949	2,093,398	(120,551)
Total non-categorical aid	4,059,068	4,059,068	3,986,945	(72,123)
Categorical aid:				
VA Commission for the Arts	5,000	-	5,000	5,000
State fire programs funds	121,544	121,544	135,067	13,523
Law enforcement assistance	850,020	850,020	829,288	(20,732)
Highway maintenance	3,280,000	3,687,000	3,837,073	150,073
Department of Aviation	100,000	100,000	68,301	(31,699)
Department of Rail and Public Transportation	-	-	11,859	11,859
Total categorical aid	4,356,564	4,758,564	4,886,588	128,024
Total revenue from the Commonwealth	8,415,632	8,817,632	8,873,533	55,901

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Disaster Grants	\$ -	\$ 39,000	\$ 53,086	\$ 14,086
Gang Officer	19,600	-	16,717	16,717
Safe Streets Task Force	-	-	19,160	19,160
Byrne Formula Grant	-	-	1,425	1,425
Total categorical aid	19,600	39,000	90,388	51,388
Total revenue from the federal government	19,600	39,000	90,388	51,388
Total intergovernmental	8,435,232	8,865,790	9,182,482	316,692
Total revenues	50,084,329	50,538,930	51,502,768	963,838
Other financing sources:				
Transfers in	3,170,372	3,185,466	4,171,689	986,223
Total other financing sources	3,170,372	3,185,466	4,171,689	986,223
Total General Fund revenues and other financing sources	\$ 53,254,701	\$ 53,724,396	\$ 55,674,457	\$ 1,950,061

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Legislative:				
Town council:				
Personnel services	\$ 136,007	\$ 136,007	\$ 134,992	\$ (1,015)
Contractual services	111,450	114,348	109,530	(4,818)
Materials and supplies	5,600	5,715	4,896	(819)
Continuous charges	6,714	3,586	-	(3,586)
Total town council	259,771	259,656	249,418	(10,238)
Total legislative	259,771	259,656	249,418	(10,238)
Executive:				
Town manager:				
Personnel services	1,205,990	1,223,282	1,223,282	-
Contractual services	107,923	145,640	121,526	(24,114)
Materials and supplies	8,075	9,840	9,771	(69)
Transfer payments	60,000	21,837	217	(21,620)
Continuous charges	10,595	7,842	7,841	(1)
Capital outlay	1,200	-	-	-
Total town manager	1,393,783	1,408,441	1,362,637	(45,804)
Public arts commission:				
Personnel services	9,204	9,204	7,650	(1,554)
Contractual services	1,850	250	65	(185)
Materials and supplies	150	800	657	(143)
Contributions	-	10,000	10,000	-
Total public arts commission	11,204	20,254	18,372	(1,882)
Economic development operations:				
Personnel services	245,302	251,558	240,875	(10,683)
Contractual services	87,010	85,731	75,219	(10,512)
Materials and supplies	14,900	13,829	12,377	(1,452)
Continuous charges	323,620	332,613	328,572	(4,041)
Capital outlay	-	1,537	1,537	-
Grants and contributions	100,150	100,150	100,150	-
Total economic development operations	770,982	785,418	758,730	(26,688)
Economic development commission:				
Personnel services	9,204	9,204	4,341	(4,863)
Contractual services	1,200	1,200	87	(1,113)
Total economic development commission	10,404	10,404	4,428	(5,976)
Diversity commission:				
Personnel services	9,204	9,204	9,047	(157)
Total diversity commission	9,204	9,204	9,047	(157)
Public information				
Personnel services	-	98,249	98,248	(1)
Contractual services	-	7	6	(1)
Total public information	-	98,256	98,254	(2)
Total executive	2,195,577	2,331,977	2,251,468	(80,509)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Legal:				
Town attorney:				
Personnel services	\$ 566,035	\$ 543,435	\$ 529,520	\$ (13,915)
Contractual services	36,100	66,042	63,829	(2,213)
Materials and supplies	5,300	2,008	2,007	(1)
Continuous charges	1,256	255	169	(86)
Capital outlay	-	1,531	1,527	(4)
Total town attorney	608,691	613,271	597,052	(16,219)
Clerk of council:				
Personnel services	127,250	130,304	130,303	(1)
Contractual services	12,230	13,326	9,320	(4,006)
Materials and supplies	1,200	1,600	1,482	(118)
Total clerk of council	140,680	145,230	141,105	(4,125)
Total legal	749,371	758,501	738,157	(20,344)
Finance and administrative services:				
Finance:				
Personnel services	1,951,380	2,029,953	2,012,680	(17,273)
Contractual services	387,339	559,560	407,327	(152,233)
Materials and supplies	20,000	19,110	15,916	(3,194)
Continuous charges	16,597	15,674	15,534	(140)
Capital outlay	93,690	37,951	33,463	(4,488)
Total finance	2,469,006	2,662,248	2,484,920	(177,328)
Human resources:				
Personnel services	451,323	466,440	466,439	(1)
Contractual services	94,295	128,653	116,861	(11,792)
Materials and supplies	4,622	3,500	1,762	(1,738)
Continuous charges	2,600	3,800	3,790	(10)
Capital outlay	-	5,625	3,516	(2,109)
Total human resources	552,840	608,018	592,368	(15,650)
Information technology operations:				
Personnel services	676,368	625,897	625,896	(1)
Contractual services	567,235	690,009	662,443	(27,566)
Materials and supplies	11,400	4,286	3,893	(393)
Continuous charges	25,000	24,470	22,716	(1,754)
Capital outlay	409,848	559,657	523,185	(36,472)
Total information technology operations	1,689,851	1,904,319	1,838,133	(66,186)
Information technology commission:				
Personnel services	9,204	9,204	6,393	(2,811)
Total information technology commission	9,204	9,204	6,393	(2,811)
Total finance and administrative services	4,720,901	5,183,789	4,921,814	(261,975)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Public Safety:				
Administrative support:				
Personnel services	\$ 1,268,486	\$ 1,263,418	\$ 1,252,240	\$ (11,178)
Contractual services	465,607	486,514	388,828	(97,686)
Materials and supplies	93,390	357,127	343,338	(13,789)
Continuous charges	221,431	193,172	182,909	(10,263)
Capital outlay	174,800	205,296	184,053	(21,243)
Total administrative support	2,223,714	2,505,527	2,351,368	(154,159)
Patrol operations:				
Personnel services	5,816,579	5,249,099	5,248,711	(388)
Contractual services	32,608	37,989	12,849	(25,140)
Materials and supplies	118,950	131,315	96,397	(34,918)
Capital outlay	-	297	297	-
Total patrol operations	5,968,137	5,418,700	5,358,254	(60,446)
Criminal investigations:				
Personnel services	1,459,179	1,360,991	1,358,848	(2,143)
Contractual services	51,443	52,831	48,926	(3,905)
Materials and supplies	15,000	15,665	15,466	(199)
Continuous charges	38,008	29,521	28,674	(847)
Capital outlay	26,050	26,230	23,190	(3,040)
Total criminal investigations	1,589,680	1,485,238	1,475,104	(10,134)
Community services:				
Personnel services	1,805,803	1,722,839	1,690,577	(32,262)
Contractual services	7,475	7,225	6,111	(1,114)
Materials and supplies	29,050	24,300	21,641	(2,659)
Continuous charges	4,200	43,414	43,413	(1)
Capital outlay	-	520	-	(520)
Total community services	1,846,528	1,798,298	1,761,742	(36,556)
Information services:				
Personnel services	1,456,881	1,456,881	1,454,282	(2,599)
Contractual services	194,912	193,587	180,249	(13,338)
Materials and supplies	8,650	9,975	7,491	(2,484)
Continuous charges	4,292	4,292	3,505	(787)
Capital outlay	6,200	6,200	3,013	(3,187)
Total information services	1,670,935	1,670,935	1,648,540	(22,395)
Citizens' support team:				
Materials and supplies	1,395	1,192	316	(876)
Continuous charges	1,737	1,940	1,940	-
Total citizens' support team	3,132	3,132	2,256	(876)
Fire and rescue:				
Transfer payments	644,905	644,905	644,905	-
Total fire and rescue	644,905	644,905	644,905	-
Total public safety	13,947,031	13,526,735	13,242,169	(284,566)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Public Works:				
Public works administration:				
Personnel services	\$ 588,198	\$ 601,801	\$ 601,801	\$ -
Contractual services	4,930	11,850	4,948	(6,902)
Materials and supplies	2,100	3,460	2,281	(1,179)
Continuous charges	19,596	19,596	15,123	(4,473)
Public works administration	614,824	636,707	624,153	(12,554)
Engineering and inspections:				
Personnel services	559,785	566,469	566,469	-
Contractual services	44,400	95,231	57,755	(37,476)
Materials and supplies	4,935	4,650	3,630	(1,020)
Capital outlay	-	13,471	1,696	(11,775)
Total engineering and inspections	609,120	679,821	629,550	(50,271)
Streets and grounds maintenance:				
Personnel services	2,468,481	2,556,379	2,540,821	(15,558)
Contractual services	1,078,622	2,262,770	1,257,838	(1,004,932)
Materials and supplies	199,785	274,787	247,653	(27,134)
Continuous charges	117,040	373,639	361,180	(12,459)
Capital outlay	120,000	123,185	121,557	(1,628)
Total streets and grounds maintenance	3,983,928	5,590,760	4,529,049	(1,061,711)
Building maintenance:				
Personnel services	439,561	445,006	445,005	(1)
Contractual services	417,220	510,214	325,289	(184,925)
Materials and supplies	53,100	119,998	91,579	(28,419)
Continuous charges	154,054	135,054	110,223	(24,831)
Capital outlay	287,000	588,508	366,514	(221,994)
Total building maintenance	1,350,935	1,798,780	1,338,610	(460,170)
Fleet maintenance:				
Personnel services	703,001	735,056	728,765	(6,291)
Contractual services	46,030	35,150	31,890	(3,260)
Materials and supplies	218,610	231,990	197,714	(34,276)
Claims and settlements	10,000	22,502	17,997	(4,505)
Continuous charges	595,000	328,090	201,021	(127,069)
Capital outlay	122,500	199,261	65,248	(134,013)
Total fleet maintenance	1,695,141	1,552,049	1,242,635	(309,414)
Refuse collection and recycling:				
Contractual services	2,569,576	2,608,610	2,388,274	(220,336)
Materials and supplies	13,500	13,500	13,500	-
Total refuse collection and recycling	2,583,076	2,622,110	2,401,774	(220,336)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Public Works: (Continued)				
Traffic management:				
Personnel services	\$ 289,506	\$ 317,186	\$ 316,555	\$ (631)
Contractual services	72,500	96,387	57,098	(39,289)
Materials and supplies	29,300	51,943	50,957	(986)
Continuous charges	572,601	566,601	483,222	(83,379)
Capital outlay	97,000	113,624	92,390	(21,234)
Total traffic management	1,060,907	1,145,741	1,000,222	(145,519)
Regional transportation:				
Grants and contributions	286,150	326,984	281,478	(45,506)
Total regional transportation	286,150	326,984	281,478	(45,506)
Capital projects management:				
Personnel services	715,557	724,831	711,165	(13,666)
Contractual services	230,795	190,873	112,805	(78,068)
Materials and supplies	9,474	7,357	3,919	(3,438)
Continuous charges	3,841	3,841	538	(3,303)
Capital outlay	500	2,988	2,388	(600)
Total capital projects management	960,167	929,890	830,815	(99,075)
Total public works	13,144,248	15,282,842	12,878,286	(2,404,556)
Parks and Recreation:				
Outdoor pool:				
Personnel services	321,549	321,549	231,331	(90,218)
Contractual services	19,435	36,485	27,002	(9,483)
Materials and supplies	40,180	49,193	40,401	(8,792)
Capital outlay	-	12,046	12,010	(36)
Continuous charges	20,000	20,000	18,120	(1,880)
Total outdoor pool	401,164	439,273	328,864	(110,409)
Parks and recreation administration:				
Personnel services	656,918	657,790	615,602	(42,188)
Contractual services	86,400	105,065	92,516	(12,549)
Materials and supplies	2,500	4,396	4,364	(32)
Continuous charges	25,700	25,700	21,164	(4,536)
Total parks and recreation administration	771,518	792,951	733,646	(59,305)
Parks:				
Personnel services	834,280	875,385	875,385	-
Contractual services	63,425	118,732	115,678	(3,054)
Materials and supplies	121,820	165,539	154,398	(11,141)
Continuous charges	190,360	187,426	180,773	(6,653)
Capital outlay	10,000	27,622	26,980	(642)
Total parks	1,219,885	1,374,704	1,353,214	(21,490)
Recreation programs administration:				
Personnel services	194,211	194,765	191,791	(2,974)
Contractual services	89,965	77,393	77,136	(257)
Materials and supplies	-	386	44	(342)
Total recreation programs administration	284,176	272,544	268,971	(3,573)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Parks and Recreation: (Continued)				
Ida Lee recreation center:				
Personnel services	\$ 1,199,637	\$ 1,199,637	\$ 1,180,095	\$ (19,542)
Contractual services	599,371	493,496	403,762	(89,734)
Materials and supplies	71,018	65,966	58,151	(7,815)
Continuous charges	268,176	268,163	239,871	(28,292)
Capital outlay	-	13	13	-
Total Ida Lee recreation center	2,138,202	2,027,275	1,881,892	(145,383)
Fitness programs:				
Personnel services	451,713	473,992	473,992	-
Contractual services	30,900	28,962	27,114	(1,848)
Materials and supplies	8,100	10,038	10,036	(2)
Total fitness programs	490,713	512,992	511,142	(1,850)
Community outreach:				
Personnel services	135,011	135,011	110,273	(24,738)
Contractual services	14,930	17,273	15,292	(1,981)
Materials and supplies	5,500	5,625	4,834	(791)
Total community outreach	155,441	157,909	130,399	(27,510)
Aquatics:				
Personnel services	1,147,930	1,123,940	1,117,165	(6,775)
Contractual services	14,595	22,723	19,937	(2,786)
Materials and supplies	43,730	48,209	43,798	(4,411)
Capital outlay	-	12,498	12,498	-
Total aquatics	1,206,255	1,207,370	1,193,398	(13,972)
Sport programs:				
Personnel services	183,899	183,899	156,980	(26,919)
Contractual services	350	495	390	(105)
Materials and supplies	25,800	22,655	22,655	-
Total sport programs	210,049	207,049	180,025	(27,024)
Recreation classes:				
Personnel services	113,989	154,036	138,251	(15,785)
Contractual services	8,625	6,625	4,551	(2,074)
Materials and supplies	3,325	3,325	3,027	(298)
Total recreation classes	125,939	163,986	145,829	(18,157)
Special events:				
Personnel services	123,670	123,670	115,893	(7,777)
Contractual services	202,949	216,831	189,285	(27,546)
Materials and supplies	43,239	48,823	45,289	(3,534)
Contributions	-	12,200	12,200	-
Total special events	369,858	401,524	362,667	(38,857)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Parks and Recreation: (Continued)				
Tennis court complex:				
Personnel services	\$ 392,277	\$ 455,679	\$ 446,172	\$ (9,507)
Contractual services	15,200	18,556	16,041	(2,515)
Materials and supplies	18,800	27,572	26,788	(784)
Continuous charges	58,760	51,185	49,143	(2,042)
Total tennis court complex	485,037	552,992	538,144	(14,848)
Camp programs:				
Personnel services	88,985	88,985	73,152	(15,833)
Contractual services	22,200	22,416	22,179	(237)
Materials and supplies	7,500	4,331	3,898	(433)
Total camp programs	118,685	115,732	99,229	(16,503)
Preschool childcare programs:				
Personnel services	117,152	117,152	93,132	(24,020)
Contractual services	1,900	2,033	1,597	(436)
Materials and supplies	4,570	4,437	2,980	(1,457)
Total preschool childcare programs	123,622	123,622	97,709	(25,913)
Parks and recreation commission:				
Personnel services	9,204	9,204	8,726	(478)
Total parks and recreation commission	9,204	9,204	8,726	(478)
Tree commission:				
Personnel services	9,204	9,320	9,319	(1)
Contractual services	5,000	5,000	1,865	(3,135)
Total tree commission	14,204	14,320	11,184	(3,136)
Total parks and recreation	8,123,952	8,373,447	7,845,039	(528,408)
Balch Library:				
Library operations:				
Personnel services	373,727	387,940	387,940	-
Contractual services	35,384	38,414	30,213	(8,201)
Materials and supplies	45,374	48,344	29,623	(18,721)
Continuous charges	23,835	23,835	19,249	(4,586)
Capital outlay	-	13,018	13,018	-
Total library operations	478,320	511,551	480,043	(31,508)
Library advisory commission:				
Personnel services	9,204	9,204	8,011	(1,193)
Contractual services	450	450	382	(68)
Materials and supplies	350	350	147	(203)
Total library advisory commission	10,004	10,004	8,540	(1,464)
Total Balch Library	488,324	521,555	488,583	(32,972)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Planning and Zoning:				
Planning and zoning operations:				
Personnel services	\$ 1,539,270	\$ 1,575,032	\$ 1,568,494	\$ (6,538)
Contractual services	39,100	40,420	20,563	(19,857)
Materials and supplies	8,325	5,850	5,756	(94)
Continuous charges	333	333	280	(53)
Capital outlay	-	11,383	3,647	(7,736)
Total planning and zoning operations	1,587,028	1,633,018	1,598,740	(34,278)
Planning commission:				
Personnel services	27,289	27,631	27,630	(1)
Contractual services	-	2,000	-	(2,000)
Materials and supplies	-	-	(50)	(50)
Total planning commission	27,289	29,631	27,580	(2,051)
Board of zoning appeals:				
Personnel services	6,459	6,459	969	(5,490)
Total board of zoning appeals	6,459	6,459	969	(5,490)
Board of architectural review:				
Personnel services	27,289	27,631	27,630	(1)
Contractual services	-	2,000	(153)	(2,153)
Total board of architectural review	27,289	29,631	27,477	(2,154)
Environmental advisory commission:				
Personnel services	9,204	9,204	6,517	(2,687)
Contractual services	3,500	3,500	1,968	(1,532)
Total environmental advisory commission	12,704	12,704	8,485	(4,219)
Total planning and zoning	1,660,769	1,711,443	1,663,251	(48,192)
Plan Review:				
Personnel services	1,273,711	1,316,460	1,316,459	(1)
Contractual services	134,189	163,949	65,251	(98,698)
Materials and supplies	7,385	7,940	6,944	(996)
Total plan review	1,415,285	1,488,349	1,388,654	(99,695)
Airport:				
Personnel services	315,604	317,655	317,654	(1)
Contractual services	271,975	287,895	214,133	(73,762)
Materials and supplies	22,900	27,040	23,782	(3,258)
Continuous charges	119,236	143,903	130,721	(13,182)
Capital outlay	30,000	30,000	23,551	(6,449)
Total airport	759,715	806,493	709,841	(96,652)
Airport Commission:				
Personnel services	9,204	9,204	6,703	(2,501)
Total airport commission	9,204	9,204	6,703	(2,501)
Total airport	768,919	815,697	716,544	(99,153)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Debt Service:				
Principal	\$ 2,461,787	\$ 2,505,000	\$ 2,505,000	\$ -
Interest and fiscal charges	3,155,405	3,112,192	2,997,383	(114,809)
Total debt service	5,617,192	5,617,192	5,502,383	(114,809)
Total expenditures	53,091,340	55,871,183	51,885,766	(3,985,417)
Other financing uses:				
Transfers out	144,800	1,215,366	1,027,223	(188,143)
Total other financing uses	144,800	1,215,366	1,027,223	(188,143)
Total General Fund expenditures and other financing uses	\$ 53,236,140	\$ 57,086,549	\$ 52,912,989	\$ (4,173,560)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Administering Efficient Government:				
Town Council:				
Personnel services	\$ 136,007	\$ 136,007	\$ 134,992	\$ (1,015)
Contractual services	111,450	114,348	109,530	(4,818)
Materials and supplies	5,600	5,715	4,896	(819)
Continuous charges	6,714	3,586	-	(3,586)
Total Town Council	259,771	259,656	249,418	(10,238)
Town Manager:				
Personnel services	1,205,990	1,223,282	1,223,282	-
Contractual services	107,923	145,640	121,526	(24,114)
Materials and supplies	8,075	9,840	9,771	(69)
Transfer payments	60,000	21,837	217	(21,620)
Continuous charges	10,595	7,842	7,841	(1)
Capital outlay	1,200	-	-	-
Total Town Manager	1,393,783	1,408,441	1,362,637	(45,804)
Town Attorney:				
Personnel services	566,035	543,435	529,520	(13,915)
Contractual services	36,100	66,042	63,829	(2,213)
Materials and supplies	5,300	2,008	2,007	(1)
Continuous charges	1,256	255	169	(86)
Capital outlay	-	1,531	1,527	(4)
Total Town Attorney	608,691	613,271	597,052	(16,219)
Clerk of Council:				
Personnel services	127,250	130,304	130,303	(1)
Contractual services	12,230	13,326	9,320	(4,006)
Materials and supplies	1,200	1,600	1,482	(118)
Total Clerk of Council	140,680	145,230	141,105	(4,125)
Public Arts Commission:				
Personnel services	9,204	9,204	7,650	(1,554)
Contractual services	1,850	250	65	(185)
Materials and supplies	150	800	657	(143)
Contributions	-	10,000	10,000	-
Total Public Arts Commission	11,204	20,254	18,372	(1,882)
Economic Development Commission:				
Personnel services	9,204	9,204	4,341	(4,863)
Contractual services	1,200	1,200	87	(1,113)
Total Economic Development Commission	10,404	10,404	4,428	(5,976)
Diversity Commission:				
Personnel services	9,204	9,204	9,047	(157)
Total Diversity Commission	9,204	9,204	9,047	(157)
Public information:				
Personnel services	-	98,249	98,248	(1)
Contractual services	-	7	6	(1)
Total public information	-	98,256	98,254	(2)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Administering Efficient Government (Continued):				
Information Technology Commission:				
Personnel services	\$ 9,204	\$ 9,204	\$ 6,393	\$ (2,811)
Total Information Technology Commission	9,204	9,204	6,393	(2,811)
Parks and Recreation Commission:				
Personnel services	9,204	9,204	8,726	(478)
Total Parks and Recreation Commission	9,204	9,204	8,726	(478)
Tree Commission:				
Personnel services	9,204	9,320	9,319	(1)
Contractual services	5,000	5,000	1,865	(3,135)
Total Tree Commission	14,204	14,320	11,184	(3,136)
Library Advisory Commission:				
Personnel services	9,204	9,204	8,011	(1,193)
Contractual services	450	450	382	(68)
Materials and supplies	350	350	147	(203)
Total Library Advisory Commission	10,004	10,004	8,540	(1,464)
Planning Commission:				
Personnel services	27,289	27,631	27,630	(1)
Contractual services	-	2,000	-	(2,000)
Materials and supplies	-	-	(50)	(50)
Total Planning Commission	27,289	29,631	27,580	(2,051)
Board of Zoning Appeals:				
Personnel services	6,459	6,459	969	(5,490)
Total Board of Zoning Appeals	6,459	6,459	969	(5,490)
Board of Architectural Review:				
Personnel services	27,289	27,631	27,630	(1)
Contractual services	-	2,000	(153)	(2,153)
Total Board of Architectural Review	27,289	29,631	27,477	(2,154)
Environmental Advisory Commission:				
Personnel services	9,204	9,204	6,517	(2,687)
Contractual services	3,500	3,500	1,968	(1,532)
Total Environmental Advisory Commission	12,704	12,704	8,485	(4,219)
Airport Commission:				
Personnel services	9,204	9,204	6,703	(2,501)
Total Administering Efficient Government	2,559,298	2,695,077	2,586,370	(108,707)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Supporting Activities:				
Finance:				
Personnel services	\$ 1,951,380	\$ 2,029,953	\$ 2,012,680	\$ (17,273)
Contractual services	387,339	559,560	407,327	(152,233)
Materials and supplies	20,000	19,110	15,916	(3,194)
Continuous charges	16,597	15,674	15,534	(140)
Capital outlay	93,690	37,951	33,463	(4,488)
Total finance	2,469,006	2,662,248	2,484,920	(177,328)
Human resources:				
Personnel services	451,323	466,440	466,439	(1)
Contractual services	94,295	128,653	116,861	(11,792)
Materials and supplies	4,622	3,500	1,762	(1,738)
Continuous charges	2,600	3,800	3,790	(10)
Capital outlay	-	5,625	3,516	(2,109)
Total human resources	552,840	608,018	592,368	(15,650)
Information technology operations:				
Personnel services	676,368	625,897	625,896	(1)
Contractual services	567,235	690,009	662,443	(27,566)
Materials and supplies	11,400	4,286	3,893	(393)
Continuous charges	25,000	24,470	22,716	(1,754)
Capital outlay	409,848	559,657	523,185	(36,472)
Total information technology operations	1,689,851	1,904,319	1,838,133	(66,186)
Total Supporting Activities	4,711,697	5,174,585	4,915,421	(259,164)
Keeping Us Safe:				
Administrative support:				
Personnel services	1,268,486	1,263,418	1,252,240	(11,178)
Contractual services	465,607	486,514	388,828	(97,686)
Materials and supplies	93,390	357,127	343,338	(13,789)
Continuous charges	221,431	193,172	182,909	(10,263)
Capital outlay	174,800	205,296	184,053	(21,243)
Total administrative support	2,223,714	2,505,527	2,351,368	(154,159)
Patrol operations:				
Personnel services	5,816,579	5,249,099	5,248,711	(388)
Contractual services	32,608	37,989	12,849	(25,140)
Materials and supplies	118,950	131,315	96,397	(34,918)
Capital outlay	-	297	297	-
Total patrol operations	5,968,137	5,418,700	5,358,254	(60,446)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Keeping Us Safe (Continued):				
Criminal investigations:				
Personnel services	\$ 1,459,179	\$ 1,360,991	\$ 1,358,848	\$ (2,143)
Contractual services	51,443	52,831	48,926	(3,905)
Materials and supplies	15,000	15,665	15,466	(199)
Continuous charges	38,008	29,521	28,674	(847)
Capital outlay	26,050	26,230	23,190	(3,040)
Total criminal investigations	1,589,680	1,485,238	1,475,104	(10,134)
Community services:				
Personnel services	1,805,803	1,722,839	1,690,577	(32,262)
Contractual services	7,475	7,225	6,111	(1,114)
Materials and supplies	29,050	24,300	21,641	(2,659)
Continuous charges	4,200	43,414	43,413	(1)
Capital outlay	-	520	-	(520)
Total community services	1,846,528	1,798,298	1,761,742	(36,556)
Information services:				
Personnel services	1,456,881	1,456,881	1,454,282	(2,599)
Contractual services	194,912	193,587	180,249	(13,338)
Materials and supplies	8,650	9,975	7,491	(2,484)
Continuous charges	4,292	4,292	3,505	(787)
Capital outlay	6,200	6,200	3,013	(3,187)
Total information services	1,670,935	1,670,935	1,648,540	(22,395)
Citizens' support team:				
Materials and supplies	1,395	1,192	316	(876)
Continuous charges	1,737	1,940	1,940	-
Total citizens' support team	3,132	3,132	2,256	(876)
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	13,947,031	13,526,735	13,242,169	(284,566)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Providing the Necessities:				
Public works administration:				
Personnel services	\$ 588,198	\$ 601,801	\$ 601,801	\$ -
Contractual services	4,930	11,850	4,948	(6,902)
Materials and supplies	2,100	3,460	2,281	(1,179)
Continuous charges	19,596	19,596	15,123	(4,473)
Public works administration	614,824	636,707	624,153	(12,554)
Engineering and inspections:				
Personnel services	559,785	566,469	566,469	-
Contractual services	44,400	95,231	57,755	(37,476)
Materials and supplies	4,935	4,650	3,630	(1,020)
Capital outlay	-	13,471	1,696	(11,775)
Total engineering and inspections	609,120	679,821	629,550	(50,271)
Streets and grounds maintenance:				
Personnel services	2,468,481	2,556,379	2,540,821	(15,558)
Contractual services	1,078,622	2,262,770	1,257,838	(1,004,932)
Materials and supplies	199,785	274,787	247,653	(27,134)
Continuous charges	117,040	373,639	361,180	(12,459)
Capital outlay	120,000	123,185	121,557	(1,628)
Total streets and grounds maintenance	3,983,928	5,590,760	4,529,049	(1,061,711)
Building maintenance:				
Personnel services	439,561	445,006	445,005	(1)
Contractual services	417,220	510,214	325,289	(184,925)
Materials and supplies	53,100	119,998	91,579	(28,419)
Continuous charges	154,054	135,054	110,223	(24,831)
Capital outlay	287,000	588,508	366,514	(221,994)
Total building maintenance	1,350,935	1,798,780	1,338,610	(460,170)
Fleet maintenance:				
Personnel services	703,001	735,056	728,765	(6,291)
Contractual services	46,030	35,150	31,890	(3,260)
Materials and supplies	218,610	231,990	197,714	(34,276)
Claims and settlements	10,000	22,502	17,997	(4,505)
Continuous charges	595,000	328,090	201,021	(127,069)
Capital outlay	122,500	199,261	65,248	(134,013)
Total fleet maintenance	1,695,141	1,552,049	1,242,635	(309,414)
Refuse collection and recycling:				
Contractual services	2,569,576	2,608,610	2,388,274	(220,336)
Materials and supplies	13,500	13,500	13,500	-
Total refuse collection and recycling	2,583,076	2,622,110	2,401,774	(220,336)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Providing the Necessities (Continued):				
Traffic management:				
Personnel services	\$ 289,506	\$ 317,186	\$ 316,555	\$ (631)
Contractual services	72,500	96,387	57,098	(39,289)
Materials and supplies	29,300	51,943	50,957	(986)
Continuous charges	572,601	566,601	483,222	(83,379)
Capital outlay	97,000	113,624	92,390	(21,234)
Total traffic management	1,060,907	1,145,741	1,000,222	(145,519)
Regional transportation:				
Grants and contributions	286,150	326,984	281,478	(45,506)
Total regional transportation	286,150	326,984	281,478	(45,506)
Capital projects management:				
Personnel services	715,557	724,831	711,165	(13,666)
Contractual services	230,795	190,873	112,805	(78,068)
Materials and supplies	9,474	7,357	3,919	(3,438)
Continuous charges	3,841	3,841	538	(3,303)
Capital outlay	500	2,988	2,388	(600)
Total capital projects management	960,167	929,890	830,815	(99,075)
Total Providing the Necessities	13,144,248	15,282,842	12,878,286	(2,404,556)
Ensuring Quality of Life:				
Outdoor pool:				
Personnel services	321,549	321,549	231,331	(90,218)
Contractual services	19,435	36,485	27,002	(9,483)
Materials and supplies	40,180	49,193	40,401	(8,792)
Capital outlay	-	12,046	12,010	(36)
Continuous charges	20,000	20,000	18,120	(1,880)
Total outdoor pool	401,164	439,273	328,864	(110,409)
Parks and recreation administration:				
Personnel services	656,918	657,790	615,602	(42,188)
Contractual services	86,400	105,065	92,516	(12,549)
Materials and supplies	2,500	4,396	4,364	(32)
Continuous charges	25,700	25,700	21,164	(4,536)
Total parks and recreation administration	771,518	792,951	733,646	(59,305)
Parks:				
Personnel services	834,280	875,385	875,385	-
Contractual services	63,425	118,732	115,678	(3,054)
Materials and supplies	121,820	165,539	154,398	(11,141)
Continuous charges	190,360	187,426	180,773	(6,653)
Capital outlay	10,000	27,622	26,980	(642)
Total parks	1,219,885	1,374,704	1,353,214	(21,490)
Recreation programs administration:				
Personnel services	194,211	194,765	191,791	(2,974)
Contractual services	89,965	77,393	77,136	(257)
Materials and supplies	-	386	44	(342)
Total recreation programs administration	284,176	272,544	268,971	(3,573)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Ensuring Quality of Life (Continued):				
Ida Lee recreation center:				
Personnel services	\$ 1,199,637	\$ 1,199,637	\$ 1,180,095	\$ (19,542)
Contractual services	599,371	493,496	403,762	(89,734)
Materials and supplies	71,018	65,966	58,151	(7,815)
Continuous charges	268,176	268,163	239,871	(28,292)
Capital outlay	-	13	13	-
Total Ida Lee recreation center	2,138,202	2,027,275	1,881,892	(145,383)
Fitness programs:				
Personnel services	451,713	473,992	473,992	-
Contractual services	30,900	28,962	27,114	(1,848)
Materials and supplies	8,100	10,038	10,036	(2)
Total fitness programs	490,713	512,992	511,142	(1,850)
Community outreach:				
Personnel services	135,011	135,011	110,273	(24,738)
Contractual services	14,930	17,273	15,292	(1,981)
Materials and supplies	5,500	5,625	4,834	(791)
Total community outreach	155,441	157,909	130,399	(27,510)
Aquatics:				
Personnel services	1,147,930	1,123,940	1,117,165	(6,775)
Contractual services	14,595	22,723	19,937	(2,786)
Materials and supplies	43,730	48,209	43,798	(4,411)
Capital outlay	-	12,498	12,498	-
Total aquatics	1,206,255	1,207,370	1,193,398	(13,972)
Sport programs:				
Personnel services	183,899	183,899	156,980	(26,919)
Contractual services	350	495	390	(105)
Materials and supplies	25,800	22,655	22,655	-
Total sport programs	210,049	207,049	180,025	(27,024)
Recreation classes:				
Personnel services	113,989	154,036	138,251	(15,785)
Contractual services	8,625	6,625	4,551	(2,074)
Materials and supplies	3,325	3,325	3,027	(298)
Total recreation classes	125,939	163,986	145,829	(18,157)
Special events:				
Personnel services	123,670	123,670	115,893	(7,777)
Contractual services	202,949	216,831	189,285	(27,546)
Materials and supplies	43,239	48,823	45,289	(3,534)
Contributions	-	12,200	12,200	-
Total special events	369,858	401,524	362,667	(38,857)
Tennis court complex:				
Personnel services	392,277	455,679	446,172	(9,507)
Contractual services	15,200	18,556	16,041	(2,515)
Materials and supplies	18,800	27,572	26,788	(784)
Continuous charges	58,760	51,185	49,143	(2,042)
Total tennis court complex	485,037	552,992	538,144	(14,848)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Ensuring Quality of Life (Continued):				
Camp programs:				
Personnel services	\$ 88,985	\$ 88,985	\$ 73,152	\$ (15,833)
Contractual services	22,200	22,416	22,179	(237)
Materials and supplies	7,500	4,331	3,898	(433)
Total camp programs	118,685	115,732	99,229	(16,503)
Preschool childcare programs:				
Personnel services	117,152	117,152	93,132	(24,020)
Contractual services	1,900	2,033	1,597	(436)
Materials and supplies	4,570	4,437	2,980	(1,457)
Total preschool childcare programs	123,622	123,622	97,709	(25,913)
Balch Library:				
Library operations:				
Personnel services	373,727	387,940	387,940	-
Contractual services	35,384	38,414	30,213	(8,201)
Materials and supplies	45,374	48,344	29,623	(18,721)
Continuous charges	23,835	23,835	19,249	(4,586)
Capital outlay	-	13,018	13,018	-
Total library operations	478,320	511,551	480,043	(31,508)
Planning and zoning:				
Planning and zoning operations:				
Personnel services	1,539,270	1,575,032	1,568,494	(6,538)
Contractual services	39,100	40,420	20,563	(19,857)
Materials and supplies	8,325	5,850	5,756	(94)
Continuous charges	333	333	280	(53)
Capital outlay	-	11,383	3,647	(7,736)
Total planning and zoning operations	1,587,028	1,633,018	1,598,740	(34,278)
Plan review:				
Personnel services	1,273,711	1,316,460	1,316,459	(1)
Contractual services	134,189	163,949	65,251	(98,698)
Materials and supplies	7,385	7,940	6,944	(996)
Total plan review	1,415,285	1,488,349	1,388,654	(99,695)
Total Ensuring Quality of Life	11,581,177	11,982,841	11,292,566	(690,275)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - FUNCTIONAL BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Seizing the Future:				
Airport:				
Personnel services	\$ 315,604	\$ 317,655	\$ 317,654	\$ (1)
Contractual services	271,975	287,895	214,133	(73,762)
Materials and supplies	22,900	27,040	23,782	(3,258)
Continuous charges	119,236	143,903	130,721	(13,182)
Capital outlay	30,000	30,000	23,551	(6,449)
Total airport	759,715	806,493	709,841	(96,652)
Economic development operations:				
Personnel services	245,302	251,558	240,875	(10,683)
Contractual services	87,010	85,731	75,219	(10,512)
Materials and supplies	14,900	13,829	12,377	(1,452)
Continuous charges	323,620	332,613	328,572	(4,041)
Capital outlay	-	1,537	1,537	-
Grants and contributions	100,150	100,150	100,150	-
Total economic development operations	770,982	785,418	758,730	(26,688)
Total Seizing the Future	1,530,697	1,591,911	1,468,571	(123,340)
Debt Service:				
Principal	2,461,787	2,505,000	2,505,000	-
Interest and fiscal charges	3,155,405	3,112,192	2,997,383	(114,809)
Total debt service	5,617,192	5,617,192	5,502,383	(114,809)
Total expenditures	53,091,340	55,871,183	51,885,766	(3,985,417)
Other Financing Uses:				
Transfers out	144,800	1,215,366	1,027,223	(188,143)
Total other financing uses	144,800	1,215,366	1,027,223	(188,143)
Total General Fund expenditures and other financing uses	\$ 53,236,140	\$ 57,086,549	\$ 52,912,989	\$ (4,173,560)

COMPARATIVE STATEMENTS OF NET POSITION
UTILITIES FUND
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 19,913,182	\$ 19,256,381
Accounts receivable, net	3,403,760	2,998,040
Inventory	92,080	147,840
Due from other funds	1,097	-
Accrued interest	30,565	4,215
Total current assets	23,440,684	22,406,476
Noncurrent Assets:		
Other postemployment benefits	20,967	-
Capital assets:		
Land	1,577,329	1,577,329
Water and sewer plant	115,922,748	115,887,423
Water and sewer lines	123,461,779	121,862,793
Furniture, equipment and software	1,399,143	1,318,366
Vehicles	2,679,349	2,738,342
Construction in progress	2,066,670	593,722
Less: accumulated depreciation and amortization	(75,114,063)	(70,045,018)
Total noncurrent assets	172,013,922	173,932,957
Total assets	195,454,606	196,339,433
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	388,731	397,932
Deferred Charges of Refunding	2,438,525	2,624,664
Total deferred outflows of resources	2,827,256	3,022,596
Total assets and deferred outflows of resources	198,281,862	199,362,029
LIABILITIES		
Current Liabilities:		
Accounts payable	436,121	453,103
Unearned revenue	-	6,895
Accrued payroll	273,773	246,855
Accrued interest	1,181,885	586,126
Compensated absences	445,587	446,324
Retainage payable	92,269	25,000
Due to other funds	-	1,310
Bonds payable	2,030,730	2,232,687
Performance bonds payable	9,000	9,000
Customer deposits and contingent charges	982,596	934,019
Total current liabilities	5,451,961	4,941,319
Noncurrent Liabilities:		
Compensated absences	143,882	114,817
Other postemployment benefits	-	95,186
Net pension obligation	2,714,006	2,263,888
Bonds payable, net	65,885,935	68,145,093
Total noncurrent liabilities	68,743,823	70,618,984
Total liabilities	74,195,784	75,560,303
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	477,939	868,877
Total liabilities and deferred inflows of resources	74,673,723	76,429,180
NET POSITION		
Net investment in capital assets	106,514,815	106,179,841
Unrestricted	17,093,324	16,753,008
Total net position	\$ 123,608,139	\$ 122,932,849

UTILITIES FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2016

(With Comparative Totals for 2015)

	2016	2015
Operating Revenues:		
Charges for services	\$ 18,639,231	\$ 15,887,793
Other	424,837	546,126
Total operating revenues	19,064,068	16,433,919
Operating Expenses:		
Personnel services	7,493,822	7,124,324
Contractual services	963,382	653,080
Depreciation and amortization	5,280,489	5,249,928
Materials and supplies	1,381,578	1,231,643
Continuous charges	1,178,126	1,167,525
Claims and settlements	360	164
Capital outlay	121,407	192,993
Total operating expenses	16,419,164	15,619,657
Operating income	2,644,904	814,262
Nonoperating Revenues (Expenses):		
Contributions from Loudoun County	-	11,131
Interest on investments	236,150	66,363
Interest and fiscal charges	(2,869,088)	(2,566,426)
Installation and connection charges	1,598,450	1,581,656
Total nonoperating expenses, net	(1,034,488)	(907,276)
Income (loss) before contributions and transfers	1,610,416	(93,014)
Contributions and Transfers:		
Developer donated assets	571,739	321,724
Transfers out	(1,506,865)	(1,501,662)
Total contributions and transfers, net	(935,126)	(1,179,938)
Change in net position	675,290	(1,272,952)
Net Position, beginning	122,932,849	124,205,801
Net Position, ending	\$ 123,608,139	\$ 122,932,849

COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITIES FUND
Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash Flows From Operating Activities:		
Receipts from customers	\$ 18,275,193	\$ 16,357,311
Payments to suppliers for goods and services	(3,454,941)	(3,344,010)
Payments to employees for services	(8,545,316)	(7,389,063)
Receipts from employees - health insurance contributions	998,692	-
Other receipts	424,837	555,126
Net cash provided by operating activities	7,698,465	6,179,364
Cash Flows From Noncapital and Related Financing Activities:		
Advance from other funds	(1,310)	1,310
Transfers out	(1,506,865)	(1,501,662)
Net cash used in noncapital and related financing activities	(1,508,175)	(1,500,352)
Cash Flows From Capital and Related Financing Activities:		
Installation and connection charges	1,598,450	1,581,656
Acquisition and construction of capital assets	(2,768,748)	(1,344,214)
Interest and fiscal charges	(2,340,305)	(2,837,250)
Principal paid on bonds	(2,232,686)	(1,122,948)
Proceeds from debt issuance	-	2,049,166
Net cash used in capital and related financing activities	(5,743,289)	(1,673,590)
Cash Flows From Investing Activities:		
Interest on investments	209,800	66,306
Net cash provided by investing activities	209,800	66,306
Net increase in cash and cash equivalents	656,801	3,071,728
Cash and Cash Equivalents:		
Beginning	19,256,381	16,184,653
Ending	\$ 19,913,182	\$ 19,256,381
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 2,644,904	\$ 814,262
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	5,280,489	5,249,928
Pension expense	397,932	300,777
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(405,720)	451,406
Due from other funds	(1,097)	-
Inventory	55,760	43,252
Increase (decrease) in:		
Accounts payable	134,153	(141,857)
Performance bond payable	-	9,000
Accrued liabilities	26,918	(97,533)
Unearned revenue	(6,895)	6,895
Other postemployment benefits	(116,153)	18,396
Deferred outflows - pension plan	(388,731)	(397,932)
Compensated absences	28,328	(88,447)
Customer deposits and contingent charges	48,577	11,217
Net cash provided by operating activities	\$ 7,698,465	\$ 6,179,364
Supplemental Disclosures of Noncash Capital and Related Financing Activities:		
Developer donated capital improvements	\$ 571,739	\$ 321,724
Capital assets acquired through incurrence of accounts and retainage payable	-	163,351
Repayment of debt via refunding	-	43,360,000
Premiums acquired via debt refunding	-	4,427,186

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
June 30, 2016

	Self - Insurance
<hr/> ASSETS	
Current assets:	
Investments	\$ 2,980,862
Trade and other accounts receivable	8,616
Due from other funds	<u>137,539</u>
Total assets	<u>3,127,017</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	4,550
Due to other funds	1,097
Accrued liabilities	937,146
Insurance and benefit claims	<u>730,902</u>
Total liabilities	<u>1,673,695</u>
 NET POSITION	
Restricted	<u>1,453,322</u>
Total net position	<u><u>\$ 1,453,322</u></u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
Year Ended June 30, 2016

	Self - Insurance
Operating revenues:	
Charges for services	\$ 5,659,252
Total operating revenues	5,659,252
Operating expenses:	
Risk financing and benefit payments	5,658,942
Total operating expenses	5,658,942
Operating income	310
Nonoperating revenues:	
Interest revenue	5,907
Change in net position	6,217
Total net position, beginning	1,447,105
Total net position, ending	<u><u>\$ 1,453,322</u></u>

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
Year Ended June 30, 2016

	Self - Insurance
Cash Flows From Operating Activities:	
Receipts from interfund services provided	\$ 5,517,308
Claims and benefits paid	(5,443,847)
Payments to suppliers for goods and services	<u>867,786</u>
Net cash provided by operating activities	<u>941,247</u>
Cash Flows From Investing Activities:	
Purchase of investments, net	(947,154)
Interest received on investment securities	<u>5,907</u>
Net cash used in investing activities	<u>(941,247)</u>
Net increase in cash and cash equivalents	-
Cash and Cash Equivalents:	
Beginning	<u>-</u>
Ending	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 310
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in:	
Accounts receivable	(5,502)
Due from other funds	(137,539)
Decrease in:	
Accrued liabilities	867,786
Due to other funds	1,097
Insurance and benefit claims	<u>215,095</u>
Net cash provided by operating activities	<u><u>\$ 941,247</u></u>

TOWN OF LEESBURG, VIRGINIA**Exhibit D-1****BALANCE SHEET
SPECIAL REVENUE FUND**

	NVTA Fund
<hr/>	
ASSETS	
Current assets:	
Cash with fiscal agent	\$ 2,105,798
	<hr/>
Total assets	\$ 2,105,798
	<hr/>
LIABILITIES	
Current liabilities:	
Unearned revenue	\$ 2,105,798
	<hr/>
Total liabilities	\$ 2,105,798
	<hr/>
FUND BALANCE	
Unassigned	\$ -
	<hr/>
Total fund balance	\$ -
	<hr/>

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND
Year Ended June 30, 2016**

	NVTA Fund
Revenues:	
Intergovernmental	<u>\$ 644,203</u>
Total revenues	<u>644,203</u>
Other financing uses:	
Transfers	<u>(644,203)</u>
Net change in fund balance	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

STATISTICAL SECTION

TOWN OF LEESBURG, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	7 - 12
Debt Capacity These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	13 - 16
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	17 - 18
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	19 - 22

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

TOWN OF LEESBURG, VIRGINIA

Table 1

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 136,614,229	\$ 149,797,357	\$ 162,651,222	\$ 219,771,450	\$ 223,911,574	\$ 262,169,923	\$ 260,710,155	\$ 269,470,483	\$ 253,108,079	\$ 260,418,011
Restricted	9,905,713	53,499	32,228	32,228	5,852,078	827,452	4,756,210	1,366,923	11,601,298	8,802,743
Unrestricted	26,195,217	35,468,057	21,508,860	17,659,597	10,977,713	11,180,851	12,031,291	11,475,555	9,767,484	12,371,943
Total governmental activities net assets	\$ 172,715,159	\$ 185,318,913	\$ 184,192,310	\$ 237,463,275	\$ 240,741,365	\$ 274,178,226	\$ 277,497,656			
Total governmental activities net position								\$ 282,312,961	\$ 274,476,861	\$ 281,592,697
Business-type activities:										
Net investment in capital assets	\$ 134,115,046	\$ 133,010,793	\$ 136,681,741	\$ 144,847,942	\$ 145,743,065	\$ 111,237,616	\$ 113,816,486	\$ 111,153,372	\$ 106,179,841	\$ 106,514,815
Unrestricted	15,350,403	17,058,242	16,968,255	10,072,951	9,668,200	17,410,647	15,324,067	15,884,417	16,970,074	17,093,324
Total business-type activities net assets	\$ 149,465,449	\$ 150,069,035	\$ 153,649,996	\$ 154,920,893	\$ 155,411,265	\$ 128,648,263	\$ 129,140,553			
Total business-type activities net position								\$ 127,037,789	\$ 123,149,915	\$ 123,608,139
Primary government:										
Net investment in capital assets	\$ 270,729,275	\$ 282,808,150	\$ 270,729,275	\$ 277,106,871	\$ 369,654,639	\$ 373,407,539	\$ 374,526,641	\$ 380,623,855	\$ 359,287,920	\$ 366,932,826
Restricted	9,905,713	53,499	9,905,713	53,499	5,852,078	827,452	4,756,210	1,366,923	11,601,298	8,802,743
Unrestricted	41,545,620	52,526,299	41,545,620	52,526,299	20,645,913	28,591,498	27,355,358	27,359,972	26,737,558	29,465,267
Total primary government net assets	\$ 322,180,608	\$ 335,387,948	\$ 322,180,608	\$ 329,686,669	\$ 396,152,630	\$ 402,826,489	\$ 406,638,209			
Total primary government net position								\$ 409,350,750	\$ 397,626,776	\$ 405,200,836

Note:

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

TOWN OF LEESBURG, VIRGINIA

Table 2

Page 1

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Legislative	\$ 1,136,512	\$ 1,106,290	\$ 1,047,565	\$ 1,108,873	\$ 1,929,726	\$ 2,242,274	\$ 2,063,474	\$ 1,647,737	\$ 358,882	\$ 252,822
Executive	3,351,521	5,148,154	5,056,434	5,214,847	4,193,418	3,709,476	3,536,663	5,101,778	2,072,643	2,502,210
Legal	390,433	388,672	375,101	423,836	405,086	416,116	556,900	428,396	812,884	730,310
Finance and administrative services	2,191,973	2,194,675	2,411,130	2,379,609	2,262,397	2,082,232	2,187,457	2,122,300	4,427,627	4,623,142
Public safety	8,772,457	9,297,712	10,344,403	11,040,678	11,365,062	11,701,344	12,564,971	12,760,923	13,236,510	13,091,832
Public works	15,129,697	11,515,670	14,366,433	15,021,938	15,522,536	15,319,444	17,834,560	13,281,259	15,310,127	17,881,225
Parks and recreation	6,139,620	7,418,433	7,885,338	7,875,032	8,002,606	7,721,607	7,905,724	8,545,134	8,084,695	8,474,752
Balch Library	643,858	628,177	705,512	641,171	627,711	596,845	586,263	638,586	635,782	666,442
Planning and zoning	3,351,224	2,525,842	1,699,231	1,773,789	1,914,347	1,395,917	1,498,275	1,544,011	1,554,970	1,634,254
Plan review	-	-	1,799,399	1,697,742	1,569,932	1,216,828	1,303,118	1,332,438	1,251,101	1,346,812
Airport	-	-	-	-	-	2,444	7,237,878	1,784,308	1,737,100	1,887,605
Interest	1,896,697	2,174,525	2,052,703	2,438,740	2,518,659	2,746,447	2,312,731	2,574,971	2,948,021	3,078,679
Total governmental activities	43,003,992	42,398,150	47,743,249	49,616,255	50,311,480	49,150,974	59,588,014	51,761,841	52,430,342	56,170,085
Business-type activities:										
Airport	1,542,397	1,564,363	1,698,660	1,709,784	1,803,947	1,660,120	-	-	-	-
Utilities	15,076,064	16,455,335	17,772,026	17,607,146	17,888,463	18,063,523	17,842,677	19,421,203	18,923,084	19,288,252
Total business-type activities	16,618,461	18,019,698	19,470,686	19,316,930	19,692,410	19,723,643	17,842,677	19,421,203	18,923,084	19,288,252
Total government	59,622,453	60,417,848	67,213,935	68,933,185	70,003,890	68,874,617	77,430,691	71,183,044	71,353,426	75,458,337
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	422,635	334,960	372,441	408,032	595,640	498,411	563,856	733,367	582,487	441,899
Public works	217,220	158,446	153,094	177,294	175,474	154,495	155,931	368,345	390,712	265,239
Parks and recreation	3,426,736	3,772,767	4,427,429	4,871,682	4,772,869	4,670,693	4,785,743	4,919,355	4,921,047	4,990,892
Planning and zoning	332,876	260,438	351,994	262,270	261,447	283,241	237,689	706,135	649,181	513,145
Operating grants and contributions:										
Executive	-	-	-	-	-	-	-	-	255,441	259,066
Public safety	1,253,886	1,282,416	1,107,204	1,167,353	1,084,691	988,734	1,030,390	1,002,002	1,018,162	1,562,618
Public works	2,201,552	2,478,332	2,502,346	2,633,224	3,052,260	2,987,613	3,046,021	3,442,583	3,462,282	3,848,932
Parks and recreation	-	-	99,425	-	-	-	1,843	-	-	586
Balch Library	-	-	15,500	5,000	372,994	5,500	5,000	12,379	13,500	8,872
Planning and zoning	28,661	13,411	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	135,711	99,197	125,775	113,578
Capital grants and contributions:										
Executive	-	-	-	-	-	-	-	137,400	-	-
Public works	8,944,313	1,443,698	-	58,817,099	6,783,738	9,163,209	9,498,970	5,081,809	-	8,557,324
Parks and recreation	-	-	-	5,000	71,625	8,000	-	-	3,234,028	-
Balch Library	-	-	-	250,000	-	-	-	-	-	-
Airport	-	-	-	-	-	-	3,957,230	916,850	1,420,215	304,166
Total governmental activities program revenue	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422	16,072,830	20,866,317

TOWN OF LEESBURG, VIRGINIA

Table 2

Page 2

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Airport	\$ 866,255	\$ 977,572	\$ 920,322	\$ 716,920	\$ 1,092,572	\$ 1,182,366	\$ -	\$ -	\$ -	\$ -
Utilities	11,624,143	12,435,190	12,701,071	13,517,737	14,792,146	15,053,935	15,225,178	15,620,127	16,841,860	18,639,231
Operating grants and contributions:										
Airport	-	-	-	504,350	27,615	65,443	-	-	-	-
Utilities	-	-	-	514,154	118,656	69,245	-	2,176,412	1,592,787	1,598,450
Capital grants and contributions:										
Airport	437,514	152,703	1,618,548	1,282,262	194,898	633,503	-	-	-	-
Utilities	3,683,638	5,472,516	9,325,270	5,899,418	6,239,546	4,066,836	4,417,288	271,759	321,724	571,739
Total business-type activities program revenues	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298	18,756,371	20,809,420
Total government program revenues	33,439,429	28,782,449	33,594,644	91,055,401	39,636,171	39,831,224	43,060,850	35,487,720	34,829,201	41,675,737
Net (expense) revenue:										
Governmental activities	(26,176,113)	(32,653,682)	(38,713,816)	19,004,305	(33,140,742)	(30,391,078)	(36,169,630)	(34,342,419)	(36,357,512)	(35,303,768)
Business-type activities	(6,911)	1,018,283	5,094,525	3,117,911	2,773,023	1,347,685	1,799,789	(1,352,905)	(166,713)	1,521,168
Total government net expense	(26,183,024)	(31,635,399)	(33,619,291)	22,122,216	(30,367,719)	(29,043,393)	(34,369,841)	(35,695,324)	(36,524,225)	(33,782,600)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	13,985,380	13,215,669	12,982,666	12,196,527	12,536,096	12,943,508	13,723,821	13,665,498	13,907,905	14,184,837
Communication sales and use	4,993,043	6,568,099	6,228,472	6,107,069	6,412,866	6,717,220	6,621,637	6,343,455	6,767,712	7,234,856
Meals	3,189,314	3,198,750	3,327,374	3,326,332	3,672,760	4,418,067	4,695,048	4,827,853	5,021,455	5,247,114
Business and occupational licenses	2,395,850	2,544,890	2,669,812	2,708,180	2,880,044	2,860,659	3,072,266	3,292,385	3,326,739	3,152,175
Utility	1,841,456	1,452,715	1,487,280	1,489,727	1,542,597	1,495,345	1,546,528	1,564,500	1,559,559	1,525,755
Cigarette	925,725	871,299	860,595	805,298	872,047	1,133,071	1,047,206	980,759	934,508	905,450
Other	2,377,995	2,106,535	2,187,760	2,429,978	2,459,485	2,565,675	2,558,425	2,785,727	2,486,346	2,892,316
Intergovernmental, other than grants	1,586,492	1,543,813	1,556,515	1,567,285	1,573,674	1,562,312	1,595,780	1,594,257	1,881,123	2,756,311
Use of money and property	2,670,151	2,261,267	1,156,355	440,731	686,183	514,491	1,768,730	1,796,693	1,785,866	2,185,769
Miscellaneous	540,478	3,783,391	2,904,824	993,681	1,086,819	901,963	1,608,459	813,747	676,490	611,090
Transfers	1,821,537	2,009,729	2,225,560	2,201,852	2,696,261	28,715,628	1,907,496	1,492,850	1,501,662	1,723,931
Total governmental activities	36,327,421	39,556,157	37,587,213	34,266,660	36,418,832	63,827,939	40,145,396	39,157,724	39,849,365	42,419,604

TOWN OF LEESBURG, VIRGINIA

Table 2

Page 3

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net assets: (Continued)										
Business-type activities:										
Use of money and property	\$ 2,306,958	\$ 1,238,869	\$ 404,523	\$ 59,215	\$ 84,837	\$ 254,237	\$ 562,996	\$ 194,274	\$ 66,363	\$ 236,150
Miscellaneous	329,545	356,163	307,473	295,623	328,773	350,704	411,370	548,717	546,126	424,837
Transfers	(1,821,537)	(2,009,729)	(2,225,560)	(2,201,852)	(2,696,261)	(28,715,628)	(1,907,496)	(1,492,850)	(1,501,662)	(1,723,931)
Total business-type activities	814,966	(414,697)	(1,513,564)	(1,847,014)	(2,282,651)	(28,110,687)	(933,130)	(749,859)	(889,173)	(1,062,944)
Total primary government	37,142,387	39,141,460	36,073,649	32,419,646	34,136,181	35,717,252	39,212,266	38,407,865	38,960,192	41,356,660
Changes in net assets/net position:										
Governmental activities	10,151,308	6,902,475	(1,126,603)	53,270,965	3,278,090	33,436,861	3,975,766	4,815,305	3,491,853	7,115,836
Business-type activities	808,055	603,586	3,580,961	1,270,897	490,372	(26,763,002)	866,659	(2,102,764)	(1,055,886)	458,224
Total primary government	\$ 10,959,363	\$ 7,506,061	\$ 2,454,358	\$ 54,541,862	\$ 3,768,462	\$ 6,673,859	\$ 4,842,425	\$ 2,712,541	\$ 2,435,967	\$ 7,574,060

Notes:

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

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Legislative	\$ -	\$ -	\$ -	23,606	\$ -	\$ -	\$ -	\$ -	\$ -	-
Executive	-	-	-	-	-	-	-	137,400	255,441	259,066
Public safety	1,676,521	1,617,376	1,479,645	1,575,385	1,680,331	1,487,145	1,594,246	1,735,369	1,600,649	2,004,517
Public works	11,363,085	4,080,476	2,655,440	61,627,617	10,011,472	12,305,317	12,700,922	8,892,737	7,087,022	12,671,495
Parks and recreation	3,426,736	3,772,767	4,526,854	4,876,682	4,844,494	4,678,693	4,787,586	4,919,355	4,921,047	4,991,478
Balch Library	-	-	15,500	255,000	372,994	5,500	5,000	12,379	13,500	8,872
Planning and zoning	361,537	273,849	351,994	262,270	261,447	283,241	237,689	706,135	649,181	513,145
Airport	-	-	-	-	-	-	4,092,941	1,016,047	1,545,990	417,744
Total governmental activities	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422	16,072,830	20,866,317
Business-type activities:										
Airport	1,303,769	1,130,275	2,538,870	2,503,532	1,315,085	1,881,312	-	-	-	-
Utilities	15,307,781	17,907,706	22,026,341	19,931,309	21,150,348	19,190,016	19,642,466	18,068,298	18,756,371	20,809,420
Total business-type activities	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298	18,756,371	20,809,420
Total government	\$ 33,439,429	\$ 28,782,449	\$ 33,594,644	\$ 91,055,401	\$ 39,636,171	\$ 39,831,224	\$ 43,060,850	\$ 35,487,720	\$ 34,829,201	\$ 41,675,737

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.

TOWN OF LEESBURG, VIRGINIA

Table 4

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

	Fiscal Year June 30,				
	2007	2008	2009	2010	2011
General Fund:					
Reserved	\$ 1,591,499	\$ 2,232,532	\$ 2,129,964	\$ -	\$ -
Unreserved	15,726,628	14,675,549	15,868,848	-	-
Nonspendable	-	-	-	3,756,141	3,365,873
Restricted	-	-	-	5,711,725	5,852,078
Committed	-	-	-	1,400,000	1,400,000
Assigned	-	-	-	2,059,742	2,717,261
Unassigned	-	-	-	8,529,064	9,103,329
Total general fund	\$ 17,318,127	\$ 16,908,081	\$ 17,998,812	\$ 21,456,672	\$ 22,438,541
All Other Governmental Funds:					
Committed, reported in:					
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ 2,878,070
Unreserved, reported in:					
Capital projects fund	15,688,090	13,684,106	17,946	12,939,512	-
Special revenue funds	4,088,949	6,697,221	6,065,247	-	-
Total all other government funds	\$ 19,777,039	\$ 20,381,327	\$ 6,083,193	\$ 12,939,512	\$ 2,878,070
	Fiscal Year June 30,				
	2012	2013	2014	2015	2016
General Fund:					
Nonspendable	\$ 151,402	\$ 153,473	\$ 155,411	\$ 159,370	\$ 217,801
Restricted	827,452	831,316	973,799	985,772	863,170
Committed	-	-	-	-	-
Assigned	6,774,757	7,144,209	8,747,716	11,349,940	12,940,397
Unassigned	9,395,933	10,041,113	10,958,360	10,286,067	11,521,249
Total general fund	\$ 17,149,544	\$ 18,170,111	\$ 20,835,286	\$ 22,781,149	\$ 25,542,617
All Other Governmental Funds:					
Restricted, reported in:					
Capital projects fund	\$ -	\$ -	\$ -	\$ 10,615,526	\$ 6,486,251
Committed, reported in:					
Capital projects fund	5,299,780	6,672,522	7,750,173	2,131,395	5,044,819
Assigned, reported in:					
Capital projects fund	945,427	-	-	-	-
Unassigned, reported in:					
Capital projects fund	-	(5,137,844)	(12,805,982)	(1,779,735)	(3,980,575)
Total all other government funds	\$ 6,245,207	\$ 1,534,678	\$ (5,055,809)	\$ 10,967,186	\$ 7,550,495

Note:

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

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,			
	2007	2008	2009	2010
Revenues:				
General property taxes	\$ 13,527,146	\$ 13,417,267	\$ 12,922,835	\$ 12,363,461
Other local taxes	15,723,383	16,742,288	16,761,293	16,866,584
Permits, fees and licenses	544,017	413,676	500,858	437,125
Fines and forfeitures	414,413	326,047	364,573	402,164
Use of money and property	2,670,151	2,261,267	1,156,355	440,731
Charges for services	3,441,037	3,786,888	4,439,527	4,879,989
Contributions and proffers	-	-	18,500	2,139,318
Miscellaneous	540,478	3,783,391	2,902,824	993,681
Intergovernmental	6,316,664	6,761,670	5,264,490	9,170,344
Total revenues	43,177,289	47,492,494	44,331,255	47,693,397
Expenditures:				
Legislative	1,136,512	1,106,290	1,039,363	1,103,242
Executive	3,037,734	3,406,632	3,543,409	3,395,350
Legal	387,754	400,430	364,257	411,839
Finance and administrative services	2,231,605	2,341,358	2,388,845	2,360,863
Public safety	8,810,930	9,623,503	10,186,786	11,140,380
Public works	10,862,879	11,367,908	11,377,958	11,456,058
Parks and recreation	5,881,329	6,557,497	7,065,803	7,418,434
Balch Library	469,278	488,190	517,850	457,606
Planning and zoning	2,430,327	2,393,972	1,541,570	1,720,029
Plan review	-	-	1,757,767	1,679,684
Airport	-	-	-	-
Capital projects	9,327,869	11,259,727	14,724,486	8,458,203
Debt service:				
Principal	2,969,395	3,224,456	3,207,919	3,156,627
Interest and fiscal charges	2,000,143	2,138,018	2,048,205	2,256,417
Total expenditures	49,545,755	54,307,981	59,764,218	55,014,732
Excess of revenues over (under) expenditures	(6,368,466)	(6,815,487)	(15,432,963)	(7,321,335)
Other financing sources (uses):				
Transfers in	3,359,800	3,660,720	2,887,982	2,730,718
Transfers out	(1,538,263)	(1,650,991)	(662,422)	(528,866)
Issuance of debt	17,850,025	5,000,000	-	22,540,000
Proceeds of refunding bonds	1,103,977	-	-	-
Proceeds to refunded bond escrow agent	(11,022,011)	-	-	(7,428,090)
Premium on issuance debt	-	-	-	321,752
Total other financing sources	9,753,528	7,009,729	2,225,560	17,635,514
Net changes in fund balances	\$ 3,385,062	\$ 194,242	\$ (13,207,403)	\$ 10,314,179
Debt service as a percentage of noncapital expenditures:				
Total debt service	\$ 4,969,538	\$ 5,362,474	\$ 5,256,124	\$ 5,413,044
Total expenditures	\$ 49,545,755	\$ 54,307,981	\$ 59,764,218	\$ 55,014,732
Less: capital outlay	(7,762,053)	(13,349,968)	(14,847,451)	(8,290,088)
Noncapital expenditures	\$ 41,783,702	\$ 40,958,013	\$ 44,916,767	\$ 46,724,644
Debt service as a percentage of noncapital expenditures	11.89%	13.09%	11.70%	11.58%

Table 5
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Fiscal Year June 30,					
2011	2012	2013	2014	2015	2016
\$ 12,503,998	\$ 12,854,369	\$ 13,606,085	\$ 13,814,622	\$ 13,568,504	\$ 14,389,962
15,585,903	16,981,945	17,327,161	17,618,402	17,939,057	18,864,268
432,971	435,554	391,407	1,073,586	1,032,766	772,765
576,328	482,049	544,411	718,350	530,509	341,152
686,183	514,491	1,768,730	1,796,693	1,785,866	2,185,769
4,796,131	4,689,237	4,807,401	4,935,266	4,980,152	5,097,258
1,853,390	342,739	594,544	1,646,901	1,318,658	961,402
1,086,819	901,963	1,608,459	813,747	676,490	611,090
8,715,734	12,354,864	17,460,860	12,815,853	12,249,130	15,380,716
46,237,457	49,557,211	58,109,058	55,233,420	54,081,132	58,604,382
919,953	960,836	949,680	1,645,525	395,084	249,418
3,431,910	3,127,240	3,345,634	4,065,619	1,919,530	2,251,468
401,794	412,454	517,214	470,940	854,433	738,157
2,252,013	2,073,242	2,196,207	1,985,483	4,459,503	4,921,814
10,883,307	11,262,769	12,551,566	12,507,687	13,488,315	13,242,169
11,385,261	11,590,650	11,851,505	11,494,248	11,332,942	12,878,286
7,321,436	6,916,341	7,462,632	7,833,710	8,060,847	7,845,039
449,682	454,610	440,057	457,866	459,214	488,583
1,938,591	1,382,400	1,489,006	1,562,694	1,591,679	1,663,251
1,566,111	1,248,341	1,295,785	1,384,016	1,314,564	1,388,654
-	2,444	706,939	688,604	660,000	716,544
11,072,955	9,673,741	15,175,508	12,144,131	8,317,589	8,880,704
3,187,341	8,184,465	3,026,278	1,799,341	2,300,000	2,505,000
2,523,094	2,544,404	2,698,505	2,611,718	3,530,190	2,997,383
57,333,448	59,833,937	63,706,516	60,651,582	58,683,890	60,766,470
(11,095,991)	(10,276,726)	(5,597,458)	(5,418,162)	(4,602,758)	(2,162,088)
3,687,699	2,648,127	2,489,417	2,292,323	2,350,030	6,930,644
(1,671,281)	(3,206,258)	(581,921)	(799,473)	(848,368)	(5,423,779)
-	8,253,567	-	-	17,830,000	-
-	10,251,077	-	-	9,710,000	-
-	(10,980,442)	-	-	(9,710,000)	-
-	1,388,795	-	-	3,239,954	-
2,016,418	8,354,866	1,907,496	1,492,850	22,571,616	1,506,865
\$ (9,079,573)	\$ (1,921,860)	\$ (3,689,962)	\$ (3,925,312)	\$ 17,968,858	\$ (655,223)
\$ 5,710,435	\$ 10,728,869	\$ 10,728,869	\$ 4,411,059	\$ 5,830,190	\$ 5,502,383
\$ 57,333,448	\$ 59,833,937	\$ 63,706,516	\$ 60,651,582	\$ 58,683,890	\$ 60,766,470
(10,821,569)	(9,801,397)	(15,621,225)	(15,485,939)	(11,091,705)	(10,812,959)
\$ 46,511,879	\$ 50,032,540	\$ 48,085,291	\$ 45,165,643	\$ 47,592,185	\$ 49,953,511
12.28%	21.44%	22.31%	9.77%	12.25%	11.02%

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Note:

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

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

	Fiscal Year June 30,				
	2012	2013	2014	2015	2016
<u>Revenues</u>					
General Property Taxes	\$ 12,854,369	\$ 13,606,085	\$ 13,814,622	\$ 13,568,504	\$ 14,389,962
Other Local Taxes	16,981,945	17,327,161	17,618,402	17,939,057	18,864,268
Permits, Fees and Licenses	435,554	391,407	1,073,586	1,027,582	772,765
Fines & Forfeitures	482,049	544,411	718,350	530,509	341,152
Use of Money and Property	330,208	1,445,303	1,518,555	1,505,164	1,858,388
Charges for Services	4,689,237	4,807,401	4,935,266	4,980,152	5,097,258
Contributions and Proffers	8,500	1,843	144,779	322,341	816,676
Miscellaneous	893,025	945,249	767,665	675,833	179,817
Intergovernmental	7,751,751	8,026,851	8,319,316	8,591,204	9,182,482
Transfer from other funds	2,564,883	2,455,864	2,262,085	2,319,710	4,171,689
Total Revenues	46,991,521	49,551,575	51,172,626	51,460,056	55,674,457
<u>Expenditures</u>					
Legislative	960,836	949,680	1,645,525	395,084	249,418
Executive	3,127,240	3,345,634	4,065,619	1,919,530	2,251,468
Legal	412,454	517,214	470,940	854,433	738,157
Finance and administrative services	2,073,242	2,196,207	1,985,483	4,459,503	4,921,814
Public Safety	11,262,769	12,551,566	12,507,687	13,488,315	13,242,169
Public Works	11,590,650	11,851,505	11,494,248	11,332,942	12,878,286
Parks and Recreation	6,916,341	7,462,632	7,833,710	8,060,847	7,845,039
Balch Library	454,610	440,057	457,866	459,214	488,583
Planning and Zoning	1,382,400	1,489,006	1,562,694	1,591,679	1,663,251
Plan Review	1,248,341	1,295,785	1,384,016	1,314,564	1,388,654
Airport	2,444	706,939	688,604	660,000	716,544
<u>Debt Service</u>					
Principal Retirement	8,184,465	3,026,278	1,799,341	2,300,000	2,505,000
Interest Payments & Other Fiscal Charges	2,319,700	2,698,505	2,611,718	2,678,082	2,997,383
Transfers to other funds	2,345,026	-	-	-	1,027,223
Total Expenditures	52,280,518	48,531,008	48,507,451	49,514,193	52,912,989
Net change in fund balances	(5,288,997)	1,020,567	2,665,175	1,945,863	2,761,468
Fund balance, beginning of year	22,438,541	17,149,544	18,170,111	20,835,286	22,781,149
Fund balance, end of year	\$ 17,149,544	\$ 18,170,111	\$ 20,835,286	\$ 22,781,149	\$ 25,542,617

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		Communication								Business and		Motor	Other	Totals
	Including Interest and Penalty	Utility	Cable TV Franchise	Sales and Use	Sales and Use	Bank Franchise	Cigarette	Meals	Transient Occupancy	Occupational Licenses	Vehicle Licenses				
2007	\$ 13,527,146	\$ 1,841,456	\$ 187,913	\$ 3,928,453	\$ 1,064,590	\$ 523,776	\$ 925,725	\$ 3,189,314	\$ 803,554	\$ 2,395,850	\$ 695,848	\$ 166,904	\$ 29,250,529		
2008	13,417,267	1,452,715	42,071	4,085,457	2,482,642	464,023	871,299	3,198,750	681,540	2,544,890	754,651	164,250	30,159,555		
2009	12,922,835	1,487,280	77,164	3,972,769	2,255,703	575,105	860,595	3,327,374	595,434	2,669,812	779,781	160,276	29,684,128		
2010	12,363,461	1,489,727	104,425	3,841,961	2,265,108	763,421	805,298	3,326,332	567,223	2,708,180	781,127	213,782	29,230,045		
2011	12,503,998	1,542,597	136,471	4,158,970	2,253,896	734,655	872,047	3,672,760	628,452	2,880,044	792,369	167,538	30,343,797		
2012	12,854,369	1,495,345	155,894	4,509,128	2,208,092	791,656	1,133,071	4,418,067	661,939	2,860,659	812,863	143,323	32,044,406		
2013	13,606,085	1,546,528	170,620	4,407,688	2,213,949	744,156	1,047,206	4,695,048	671,353	3,072,266	753,280	219,016	33,147,195		
2014	13,814,622	1,564,500	252,006	4,167,178	2,176,277	875,046	980,759	4,827,853	689,778	3,292,385	806,461	162,436	33,609,301		
2015	13,568,504	1,559,559	262,888	4,610,450	2,157,262	912,666	934,508	5,021,455	643,315	3,326,739	843,185	87,180	33,927,711		
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	339,026	35,614,025		
Change 2007-2016	6%	-17%	42%	31%	97%	89%	-2%	65%	-8%	32%	19%	103%	22%		

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	
2007	\$ 6,719,622,330	\$ 398,908,199	\$ 99,644,933	\$ 1,820,292	\$ 7,219,995,754
2008	6,516,331,363	399,053,977	104,417,085	1,885,520	7,021,687,945
2009	5,628,792,118	381,809,520	106,393,774	1,762,446	6,118,757,858
2010	5,557,189,300	425,625,374	108,083,816	1,613,618	6,092,512,108
2011	5,675,717,100	498,450,685	108,553,642	891,242	6,283,612,669
2012	5,802,517,900	528,113,712	105,809,512	737,446	6,437,178,570
2013	6,085,462,040	481,548,404	111,087,100	695,117	6,678,792,661
2014	6,438,888,020	447,867,148	108,441,453	653,035	6,995,849,656
2015	6,643,105,870	388,770,026	117,080,280	549,045	7,149,505,221
2016	6,718,865,180	428,519,647	116,315,393	426,223	7,264,126,443

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 its fair market value.

(2) Personal property is assessed at 100% of depreciated fair market value.

(3) Public Service Corporations are assessed by the State Corporation Commission.

TOWN OF LEESBURG, VIRGINIA

Table 9

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

Tax Year January 1,	Residential Property	Commercial Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value	Percent Change	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2007	\$ 5,511,505,030	\$ 1,208,117,300	\$ 101,465,225	\$ 685,382,800	\$ 7,506,470,355	\$ 6,821,087,555	-2.0%	\$ 0.18	\$ 6,821,087,555	100%
2008	5,131,033,763	1,385,297,600	106,302,605	746,271,100	7,368,905,068	6,622,633,968	-2.9%	0.18	6,622,633,968	100%
2009	4,178,757,280	1,450,034,838	108,156,220	777,473,500	6,514,421,838	5,736,948,338	-13.4%	0.195	5,736,948,338	100%
2010	4,099,937,100	1,457,252,200	109,697,434	725,232,500	6,392,119,234	5,666,886,734	-1.2%	0.195	5,666,886,734	100%
2011	4,225,241,300	1,450,475,800	109,444,884	817,713,100	6,602,875,084	5,785,161,984	2.1%	0.195	5,785,161,984	100%
2012	4,344,339,200	1,458,178,700	106,547,458	811,703,300	6,720,768,658	5,909,065,358	2.1%	0.195	5,909,065,358	100%
2013	4,549,312,500	1,536,149,540	111,503,098	811,261,540	7,008,226,678	6,196,965,138	4.9%	0.192	6,196,965,138	100%
2014	4,896,036,280	1,542,851,740	108,441,453	848,001,120	7,395,330,593	6,547,329,473	5.7%	0.183	6,547,329,473	100%
2015	5,080,543,570	1,562,562,300	117,629,325	868,365,540	7,629,100,735	6,643,105,870	1.5%	0.183	6,643,105,870	100%
2016	5,136,906,120	1,581,959,060	116,741,616	928,613,880	7,764,220,676	6,718,865,180	1.1%	0.186	6,151,146,110	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.

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
2007	\$ 0.18	\$ 1.00	\$ 0.96	\$ 4.20	\$ 1.14	\$ 5.20
2008	0.18	1.00	1.14	4.20	1.32	5.20
2009	0.195	1.00	1.245	4.20	1.44	5.20
2010	0.195	1.00	1.300	4.20	1.50	5.20
2011	0.195	1.00	1.285	4.20	1.48	5.20
2012	0.195	1.00	1.235	4.20	1.43	5.20
2013	0.192	1.00	1.205	4.20	1.40	5.20
2014	0.183	1.00	1.155	4.20	1.34	5.20
2015	0.183	1.00	1.135	4.20	1.32	5.20
2016	0.186	1.00	1.145	4.20	1.33	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	2016			2007		
	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	\$ 196,055,180	1	2.95%	\$ 117,154,900	1	1.72%
Carlyle/Cypress Leesburg LLC	188,519,240	2	2.84%	-		-
Federal Realty Investment Trust	61,313,700	3	0.92%	-		-
RPAI Leesburg Fort Evans LLC	52,260,870	4	0.79%	-		-
Potomac Station (E&A) LLC	48,380,830	5	0.73%	-		-
Windsor at Fieldstone Ltd Partnership	46,302,710	6	0.70%	41,589,500	7	0.61%
C H Realty III/Battlefield LLC	44,800,320	7	0.67%	50,600,800	4	0.74%
Fund IX CB Leesburg LLC	38,983,380	8	0.59%	-		-
Toll Road Investors Partnership II LP	32,145,700	9	0.48%	35,195,500	9	0.52%
NA Properties Inc	30,840,270	10	0.46%	-		-
TollStratford LLC	-		-	67,173,200	2	0.98%
Comstock Bellemeade LC	-		-	60,348,500	3	0.88%
Washington-VA Tradnl Sites Inc	-		-	48,209,400	5	0.71%
Loudoun Memorial Hospital	-		-	45,283,300	6	0.66%
F R Leesburg Plaza LP	-		-	35,762,700	8	0.52%
Fort Evans Plaza Ltd Partnership	-		-	27,438,900	10	0.40%
Total	\$ 739,602,200		11.13%	\$ 528,756,700		7.75%

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

Calendar Year	Taxes Levied for the Calendar Year	Collected Within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 11,691,741	\$ 11,459,214	98.01%	\$ 232,527	\$ 11,691,741	100.00%
2008	11,290,166	11,149,611	98.76%	140,555	11,290,166	100.00%
2009	10,538,879	10,449,784	99.15%	89,095	10,538,879	100.00%
2010	10,676,311	10,310,140	96.57%	189,473	10,499,613	98.34%
2011	10,895,274	10,524,694	96.60%	203,074	10,727,768	98.46%
2012	11,192,115	10,801,017	96.51%	188,007	10,989,024	98.19%
2013	11,604,493	11,238,476	96.85%	144,420	11,382,896	98.09%
2014	11,798,872	11,521,989	97.65%	60,799	11,582,788	98.17%
2015	12,165,784	11,907,102	97.87%	15,779	11,922,882	98.00%
2016	12,531,383 ⁽¹⁾	6,246,209	49.84%	-	6,246,209	49.84%

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 to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 3,014,074	\$ 2,632,809	87.35%	\$ 267,600	\$ 2,900,409	96.23%
2008	3,082,562	2,868,479	93.06%	43,029	2,911,508	94.45%
2009	3,617,762	3,052,346	84.37%	414,722	3,467,068	95.83%
2010	3,836,033	3,214,465	83.80%	458,527	3,672,992	95.75%
2011	3,678,977	2,933,507	79.74%	602,001	3,535,508	96.10%
2012	2,970,333	2,228,032	75.01%	542,725	2,770,757	93.28%
2013	3,187,019	2,516,946	78.97%	468,122	2,985,068	93.66%
2014	286,541 ⁽²⁾	43,155	15.06%	241,020	284,175	99.17%
2015	3,023,010 ⁽³⁾	2,311,086	76.45%	541,192	2,852,278	94.35%
2016	3,068,430	2,381,218	77.60%	-	2,381,218	77.60%

Notes:

(1) The amounts for calendar year 2016 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 2012-2016 under Personal Property Tax levied and collected.

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

Fiscal Year June 30,	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita	General Bonded Debt	Percentage of Actual Taxable Value of Property	General Bonded Debt
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds					Outstanding General Obligation Bonds		Outstanding Debt Per Capita
2007	\$ 47,462,800	\$ 11,959,468	\$ 61,995,928		\$ 121,418,196	4.95%	\$ 3,195	\$ 109,458,728	1.60%	\$ 2,880
2008	49,247,926	10,873,269	60,946,132		121,067,327	4.62%	3,148	109,295,096	1.65%	2,863
2009	46,049,215	9,406,325	59,794,989		115,250,529	4.55%	2,983	105,844,204	1.83%	2,758
2010	58,356,575	7,876,307	64,372,534		130,605,416	4.94%	3,065	122,729,109	2.17%	3,162
2011	55,175,219	6,282,575	62,995,669		124,453,463	4.42%	2,894	118,170,888	2.04%	2,748
2012	59,994,727	4,204,897	63,735,361		127,934,985	4.37%	2,881	123,730,088	2.09%	2,787
2013	56,946,559	4,204,897	63,074,316		124,225,772	4.31%	2,704	120,020,875	1.94%	2,613
2014	57,234,740	4,204,897	62,564,875		124,004,512	4.18%	2,601	119,799,615	1.83%	2,513
2015	70,620,000	3,886,950	61,375,000		135,881,950	4.38%	2,745	131,995,000	1.99%	2,667
2016	68,115,000	3,234,264	59,795,000		131,144,264	4.00%	2,561	127,910,000	2.08%	2,498

Notes:

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2016
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Loudoun County, Virginia	\$ 1,244,497,725	9.72%	\$ 120,999,542
Town Direct Debt			<u>68,115,000</u>
Total direct and overlapping debt			<u><u>\$ 189,114,542</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,										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Debt limit	\$ 682,108,756	\$ 662,263,397	\$ 573,694,834	\$ 566,688,673	\$ 578,516,198	\$ 590,906,536	\$ 619,696,514	\$ 654,732,947	\$ 664,310,587	\$ 671,886,518	
Total net debt applicable to limit	47,462,800	48,843,551	45,635,632	58,871,267	55,683,926	59,915,619	56,946,559	57,234,740	70,620,000	68,115,000	
Available legal debt margin	\$ 634,645,956	\$ 613,419,846	\$ 528,059,202	\$ 507,817,406	\$ 522,832,272	\$ 530,990,917	\$ 562,749,955	\$ 597,498,207	\$ 593,690,587	\$ 603,771,518	
Total net debt applicable to the limit as a percentage of debt limit	6.96%	7.38%	7.95%	10.39%	9.63%	10.14%	9.19%	8.74%	10.63%	10.14%	
Legal debt margin calculation for fiscal year 2016											
Assessed value of real estate	<u>\$ 6,718,865,180</u>				Summary of outstanding debt:						
					Gross bonded debt		\$ 131,144,264				
					Less: enterprise debt		<u>63,029,264</u>				
Debt limit (10% of assessed value)	\$ 671,886,518				General obligation debt:		<u>\$ 68,115,000</u>				
Debt applicable to limit:											
Net direct debt outstanding	<u>68,115,000</u>										
Available legal debt margin	<u>\$ 603,771,518</u>										

Note:

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

BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Utilities Fund						
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2007	\$ 16,001,587	\$ 9,148,988	\$ 6,852,599	\$ 936,674	\$ 2,960,168	\$ 3,896,842	1.76
2008	16,308,332	10,395,918	5,912,414	1,960,097	2,900,936	4,861,033	1.22
2009	20,036,243	10,604,076	9,432,167	2,507,721	2,795,787	5,303,508	1.78
2010	15,878,286	10,278,205	5,600,081	2,665,601	2,751,430	5,417,031	1.03
2011	16,434,880	10,140,178	6,294,702	2,606,022	2,851,913	5,457,935	1.15
2012	17,110,830	10,282,888	6,827,942	2,050,000	2,705,326	4,755,326	1.44
2013	17,231,686	10,218,722	7,012,964	715,000	3,216,795	3,931,795	1.78
2014	17,983,513	11,385,489	6,598,024	789,593	2,961,708	3,751,301	1.76
2015	18,081,938	10,369,729	7,712,209	2,300,000	2,111,102	4,411,102	1.75
2016	20,898,668	11,254,828	9,643,840	2,232,686	2,911,379	5,144,065	1.87

Notes:

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

DEMOGRAPHIC AND ECONOMIC STATISTICS**Last Ten Fiscal Years****(Unaudited)**

Fiscal Year June 30,	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) Unemployment Rate
2007	38,417	\$ 2,454,569,858	\$ 59,594	2.00%
2008	39,590	2,622,830,919	63,405	2.80%
2009	40,824	2,532,824,829	60,600	4.60%
2010	41,818	2,643,470,480	62,030	5.30%
2011	43,000	2,815,198,809	65,283	5.00%
2012	44,400	2,926,601,700	67,628	4.80%
2013	45,936	2,880,567,448	66,062	4.70%
2014	47,673	2,964,626,464	67,384	4.50%
2015	49,496	3,099,820,513	70,057	3.70%
2016	51,209	3,282,148,524	73,720	3.10%

Notes:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.
2007-2009, 2011-2016: 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 20, 2014 release for 2007 to 2013. 2014-2016 values are estimates from the Loudoun County Department of Management and Budget.
- (3) Unemployment rates are available for some towns in Virginia, including Leesburg. The information provided is sourced from the Bureau of Labor Statistics, Local Area Unemployment Statistics, October 19, 2015, month of June each year. Values of previous years have been revised.

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	2016			2007	
	Employees	Rank	Percentage of Total Employment	Employees	Rank
Loudoun County Government	2,000-2,500	1	9.5%	1,500-2,000	1
Loudoun County Public Schools	1,500-2,000	2	7.5%	1,000-1,500	2
Federal Aviation Administration	500-1,000	3	2.2%	500-1,000	3
Town of Leesburg	500-1,000	4	2.0%	250-500	4
Wegmans	250-500	5	1.7%	-	-
Mastec Services	250-500	6	1.6%	-	-
Commonwealth of Virginia	250-500	7	1.3%	-	-
Target	250-500	8	1.2%	250-500	6
K2M	250-500	9	1.1%	-	-
Costco	100-250	10	0.9%	250-500	8
Walmart	-	-		100-250	9
Southern Electric	-	-		250-500	7
Loudoun Medical Group	-	-		250-500	5
Rehau	-	-		100-250	10

Sources: Town of Leesburg Economic Development Department

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Town Manager's Office	6.0	6.0	6.5	8.5	9.0	6.0	6.0	6.0	7.0	8.0
Town Attorney	2.0	2.0	2.6	3.0	3.0	3.0	3.0	3.0	5.0	5.0
Clerk of Council	2.0	2.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0
Finance	19.5	19.5	19.5	19.5	19.5	16.0	16.0	15.5	15.5	17.5
Human Resources	8.0	10.5	9.5	7.5	7.0	4.0	4.0	4.0	4.0	4.0
Information Technology	5.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0
Public Safety	93.0	95.0	96.0	98.0	101.0	101.0	101.0	101.0	103.0	103.0
Public Works & Capital Projects	61.0	61.0	54.0	53.0	53.0	49.0	49.0	49.0	49.0	53.0
Capital Projects Management	9.0	9.0	10.0	11.0	10.0	10.6	10.6	9.4	6.0	-
Utilities	86.0	86.0	85.0	84.0	80.5	78.5	78.0	78.0	78.0	81.0
Parks, Recreation and Cultural	95.1	96.8	109.8	112.2	111.0	107.1	107.1	107.1	107.5	107.5
Balch Library	6.0	6.0	6.2	6.2	6.2	5.2	5.2	5.2	5.2	5.2
Planning & Zoning	23.0	23.0	16.0	16.0	16.0	11.0	11.0	12.0	12.0	12.0
Plan Review	-	-	13.0	14.0	12.0	9.0	9.0	9.0	9.0	8.0
Economic Development	3.0	3.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Airport	5.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0
Total	423.6	429.8	443.6	446.4	441.2	411.4	410.9	410.2	412.2	415.2

Source: Town of Leesburg Fiscal Year Budgets

Notes:

- (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.

TOWN OF LEESBURG, VIRGINIA

Table 20

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

Function/Program	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (1)
Police:										
Calls for service	54,438	56,786	54,235	45,236	50,832	47,864	49,764	51,028	54,261	32,820
Adult arrest	1,510	1,400	1,324	1,302	1,468	1,244	1,063	1,189	710	492
Juvenile arrest	289	155	220	286	319	237	121	165	83	44
Speeding citations only	1,433	1,525	1,570	1,636	1,662	1,736	1,764	1,260	1,542	742
Traffic citations	5,547	6,238	5,751	7,328	6,795	5,567	5,580	7,064	4,827	3,060
Administration:										
Applications processed (full and part-time)	2,262	2,106	1,983	1,244	1,712	1,879	1,276	2,528	3,141	2,298
Positions advertised (full and part-time)	44	49	9	16	42	70	56	109	132	101
New hires (full and part-time)	187	165	98	133	130	142	124	166	200	145
Reportable accidents	55	24	25	76	37	25	24	20	26	13
All town training sessions	20	45	27	34	20	47	38	29	30	33
Public service:										
Garbage collected (ton)	20,662	21,105	17,407	16,829	18,024	18,185	13,639	13,183	15,489	11,918
Recycle collected (ton)	6,460	7,096	7,580	8,396	9,776	10,355	7,766	5,226	7,529	5,060
Parks and recreation:										
Recreation program attendance	12,968	18,682	13,901	15,161	23,306	14,883	11,160	11,174	12,374	10,095
Aquatics program attendance	6,374	5,989	7,915	10,650	9,902	7,781	5,835	8,008	7,996	5,764
Utilities:										
New water connections	90	100	93	67	94	116	87	116	59	81
New wastewater connections	90	100	93	67	85	100	84	114	57	79
Average daily water consumption (mgd)	5	4	4	4	4	4	4	4	4	4
Average daily sewage treatment (mgd)	4	5	4	5	5	4	4	4	4	4
Airport:										
Number of hangars rented	50	40	41	41	57	57	57	57	57	57
Number of tie-downs rented	146	108	125	122	120	110	102	108	101	98
Number of incidents on airport property	-	3	-	-	1	1	-	2	-	-

Note:

(1) Through September 30.

Source: Various Town departments

TOWN OF LEESBURG, VIRGINIA

Table 21

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Primary (miles)	12	13	14	15	15	15	15	15	15	15
Secondary (miles)	89	90	91	91	91	92	92	92	92	92
Traffic signals	36	42	49	50	51	52	54	56	56	59
Number of street lights	2,070	2,179	2,479	2,614	2,654	2,700	2,791	2,920	2,993	3,089
Parks and recreation:										
Parks - number of acres*	361	361	361	361	361	361	361	361	370	370
Major parks - number of acres*	265	265	265	265	265	265	265	265	265	265
Neighborhood parks - number of acres	96	96	96	96	96	96	96	96	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	7	11	11	11	11	11	11	11	11	11
Swimming pools	2	2	3	3	3	3	3	3	3	3
Parks with playground equipment	6	6	5	5	5	5	5	6	6	6
Picnic shelters	6	6	4	4	4	4	4	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	30,029	32,474	37,194	41,227	59,423	61,377	70,717	74,262	76,203	77,899
Water:										
Wells	1	1	1	1	1	1	1	1	1	1
Water lines (miles)	206	208	209	215	218	217	218	218	218	218
Fire hydrants	2,234	2,332	2,347	2,367	2,459	2,589	2,598	2,595	2,606	2,606
Storage capacity (mgd)	5	5	7	8	8	8	8	8	8	8
Number of customers	14,785	15,035	15,120	15,142	15,159	15,292	15,509	15,553	15,634	15,712
Sewers:										
Sanitary sewers (miles)	172	171	172	175	169	172	172	172	174	174
Storm sewers (miles)	120	127	129	131	134	134	137	137	144	144
Number of customers	14,953	15,139	15,155	15,039	15,178	15,347	15,391	15,453	15,579	15,657
Airport:										
Hangars	51	41	41	57	57	57	57	57	57	57
Tie-downs	146	116	131	133	122	120	120	120	120	120

Note:

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

Source: Various Town departments

LEGAL DEBT MARGIN INFORMATION FOR BOND COVENANT CONTINUING DISCLOSURE**June 30, 2016****(Unaudited)**

Assessed Value of Real Estate		\$ 6,718,865,180
Legal Debt Limit-10% to total Assessed Value of Real Estate		\$ 671,886,518
Total amount of debt applicable to debt margin (1)	\$ 131,144,264	
Less: 1999 Revenue Bond (2)	<u>3,234,264</u>	
Net amount of debt applicable to debt margin		<u>127,910,000</u>
Legal Margin for Creation of Additional Debt		<u>\$ 543,976,518</u>

Notes:

(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, 2016

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Pass-Through to Subrecipient	Expenditures
DEPARTMENT OF JUSTICE				
Pass-Through Payments:				
Virginia State Police				
Edward Byrne Memorial Justice Assistance Grant Program	Not provided	16.738	\$ -	\$ 1,425
Pass-Through Payments:				
Town of Vienna, Virginia				
Gang-Free Schools and Communities-Community Based Gang Intervention	2010-DD-BX-0483	16.544	-	<u>16,717</u>
Total Department of Justice				<u>18,142</u>
DEPARTMENT OF TRANSPORTATION				
Direct Payments:				
Airport Improvement Program	3-51-0027-037-2013	20.106	-	279,337
Pass-Through Payments:				
Virginia Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	0015-253-101	20.205	-	1,811,109
Highway Planning and Construction	U000-253-312	20.205	-	<u>89,204</u>
Total Highway Planning and Construction Cluster				<u>1,900,313</u>
Total Department of Transportation				<u>2,179,650</u>
DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Payments:				
Commonwealth of Virginia, Department of Emergency Services				
Disaster Grants - Public Assistance	Not provided	97.036	-	<u>54,606</u>
Total Federal Expenditures				<u><u>\$ 2,252,398</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

TOWN OF LEESBURG, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation and Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Leesburg, Virginia. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals.

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

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

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

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

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The Highway Planning and Construction Cluster is the only cluster administered by the Town of Leesburg, Virginia.

B. Summary of Significant Accounting Policies

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

Pass-through identifying numbers are presented where available.

TOWN OF LEESBURG, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Relationship to the Basic Financial Statements

For fiscal year 2016, the Town recognized amounts in the Schedule associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$54,606 of prior year expenditures related to the Department of Homeland Security (Commonwealth of Virginia Emergency Services Disaster Grants) (CFDA #97.036) was included in the Schedule. The expenditures were not recorded on the Schedule in the prior year because the amount of federally reimbursed expenditures was not known until the year in which the funds were received. These funds received related to Super Storm Sandy which occurred in 2012.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Leesburg, Virginia (Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 23, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control as described in the accompanying Schedule of Findings and Questioned Costs as 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response 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.

PBMares, LLP

Harrisonburg, Virginia
November 23, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Leesburg, Virginia's (Town) compliance with the types of compliance requirements described in the *OMB 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, 2016. The Town's major federal program is identified in the summary of independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 23, 2016

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified _____ Yes ✓ NoSignificant deficiencies identified that are not
considered to be material weaknesses ✓ Yes _____ NoNoncompliance material to financial statements noted _____ Yes ✓ No

Federal Awards:

Internal control over major program:

Material weaknesses identified _____ Yes ✓ NoSignificant deficiencies identified that are not
considered to be material weaknesses _____ Yes ✓ None Reported

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

Any audit findings disclosed that are required to be
reported in accordance with section 2 CFR 200.516(a) _____ Yes ✓ No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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20.205	Highway Planning and Construction
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Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

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

A. Significant Deficiency in Internal Control

2016-001 Significant Deficiency Due to Significant Audit Adjustments

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

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

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

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

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

Views of Responsible Officials: Management concurs with the finding.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

TOWN OF LEESBURG, VIRGINIA

CORRECTIVE ACTION PLAN

Year Ended June 30, 2016

Identifying Number: 2016-001 Significant Deficiency Due to Significant Audit Adjustments

Finding:

Significant adjustments were required to be made relating to expenditures occurring close to year-end.

Corrective Action Taken or Planned:

The Town presents the following action plan:

Procedures will be implemented to ensure expenditures are recorded with respect to the proper fiscal year. Procedures will include, but not limited to, a review of the underlying documents related to all grant expenditures and all other subsequent disbursements exceeding \$5,000 for a period of at least eight weeks subsequent to the fiscal year end.

TOWN OF LEESBURG, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior year audit's Summary Schedule of Prior Audit Findings.