

THE TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

Prepared by the
Department of Finance

TOWN OF LEESBURG, VIRGINIA

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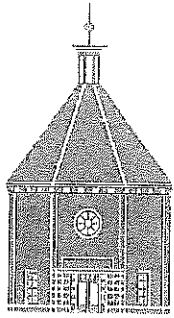


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INTRODUCTORY SECTION



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The Town of
**Leesburg,
Virginia**

25 West Marker Street ■ P.O. Box 88 ■ 20178 ■ 703-777-2420 ■ Metro: 703-478-1821 ■ FAX: 703-771-2727 ■ www.leesburgva.gov

December 9, 2011

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, 2011. This report is designed to present fairly the financial position of the governmental activities, the 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 report includes all disclosures necessary to enable the reader to gain the maximum understanding of the financial affairs of the Town.

The Department of Finance 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).

The responsibility for the accuracy of the data and the completeness and fairness of the information presented in the report, including disclosures, rests with 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, and radio personality Arthur Godfrey, who donated land for the Town's first airport.

Today, the Town continues to serve as the center of government and commerce for Loudoun County. The Old and Historic District was placed on the National Registry of Historic Places in 1970 and cited as one of the best preserved and most picturesque downtowns in Virginia. In the September 2011 edition of *Money* magazine, the Town of Leesburg was listed as one of the "best places to live in America."

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 a Town Manager to act as chief executive officer of the Town. He serves at the pleasure of Council, carries out their policies, directs business procedures, and has the power of appointment and removal of all Town employees. Duties and responsibilities of the Town Manager include preparation, submission and administration of the capital and operating 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 their legislative role adopts all ordinances and resolutions and establishes the general policies of the Town. The Council also sets the tax rate and adopts the budget.

The Town has eleven operating departments: finance; police; public works; planning and zoning; plan review; parks and recreation; utilities; information technology; human resources; capital projects management; and airport operations. Each department has a director who reports to the Town Manager.

Local Economy Condition and Outlook

The Town's economy is not immune from the economic challenges; however, the fiscal state of the Town remains strong. The Town faces these challenges 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 these resources carefully.

Falling within the Washington, D.C. metropolitan area, the Town's economic and demographic conditions reflect the prevailing conditions of the region. Though the unemployment rate for the Town has remained rather stable, decreasing slightly, over the last two years from 4.7% to 4.4 %, the Town continues to be well below the Virginia and national rate of unemployment. This can be attributed, in part, to Leesburg's close proximity to Washington DC and the federal government.

Looking realistically to the future, it is evident that the economic recovery appears modest at best. Residential property values have stabilized and are projected to increase slightly; revenues from consumer spending are beginning to trend upward; investment earnings are almost nonexistent; and federal and state revenues have declined and are uncertain. In planning for a future based on this new economic reality, the Town needs to be able to tell residents, the business community, and the workforce the following: 1) how it is going to operate in the future; 2) what services will be provided and at what levels; and 3) what type of organization we will be. The fiscal year 2012 budget answers these questions by establishing a long-range budget plan that balances services and capital investments with taxpayer affordability.

The fiscal year 2012 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

- Land Development Process Improvements
- Economic Development and Downtown Improvements
- Operational Efficiency and Fiscal Management
- Community Safety/Quality of Life
- 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 county 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 freezing employee pay. 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 lower real estate tax bills while maintaining a healthy financial position in accordance with our fiscal policies.

Financial Condition

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

The need to moderate real estate tax rates continued to exert pressure on maintaining services at existing levels and to maintain the capital promises to the residents. Keeping existing programs funded and addressing the continuing demands of the community also put a strain on the budgeting process. The Town Council adopted a strategic plan to ensure focus was maintained on Town priorities. The six priority areas that reflect the key issues of interest and concern facing the community are:

- promote financial stability by establishing clear, concise and consistent guidelines;
- direct attention to the total financial picture of the Town rather than to single issues;
- promote the view of linking long-term financial planning with day-to-day operations;
- provide the Town Council, Town Manager, residents and taxpayers with a framework for measuring the impact of services against established fiscal guidelines;
- contribute significantly to the Town's ability to shield itself from fiscal crises; and
- enhance short and long-term credit availability by helping to achieve and maintain the highest credit and bond ratings possible.

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 and the State Non-Arbitrage Pool.

Budgetary Accounting and Internal Controls

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

The types of funds used by the Town include governmental funds (General Fund and Capital Projects Fund) and proprietary funds (Utilities Fund and Airport 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 on the fund balance at the end of the year. Capital Projects fund balance is committed for scheduled projects and has been reported as committed on the fund balance at the end of the fiscal year.

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

Other Information

Independent Audit. Section 2-161 of the *Town Code* requires an annual audit of the financial statements of the Town by a qualified and competent certified 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 U. S. 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 PBGH, 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 to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. 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.

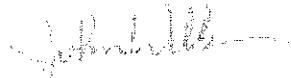
To earn a Certificate of Achievement, a CAFR must be clear, thorough and understandable. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally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

A Certificate is valid for a period of one year only. We believe our current report continues the 24-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 2011.

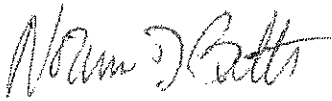
Acknowledgements. This report was prepared by the professional staff of the Department of Finance. The staff's hard work, dedication and continuing efforts to improve the quality of this report directly benefit all who read and use it. Special recognition goes to Kim Williams, Deputy Director of Finance/Controller; Kathleen Ault, Senior Accountant; and Carrie Curry, Staff Accountant, for their technical expertise, review and dedicated service in the preparation of this CAFR.

This Comprehensive Annual Financial Report reflects the commitment of the Town Council and administration to the residents and taxpayers of the Town and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully submitted,



John Wells
Town Manager



Norman D. Butts
Director of Finance

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

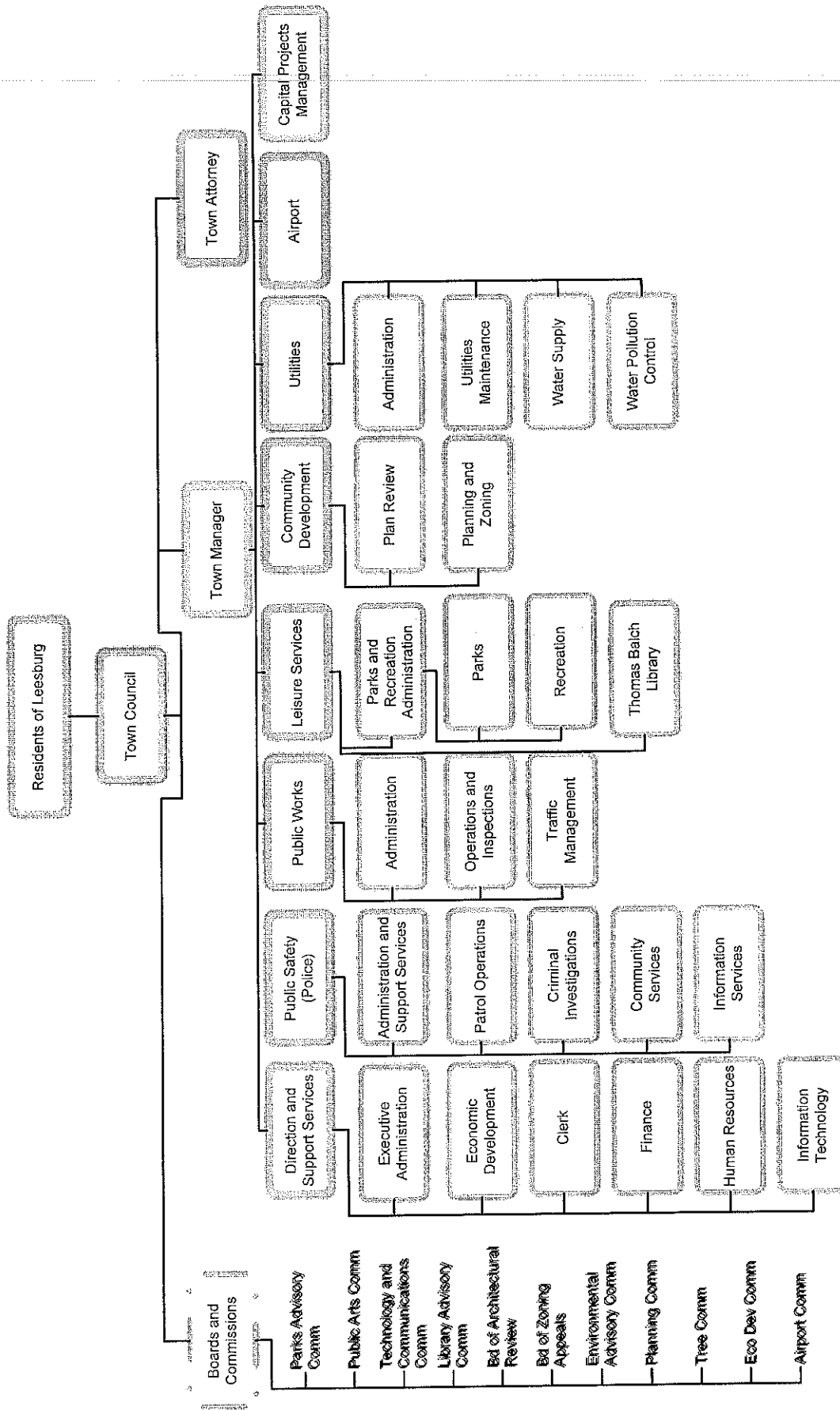


Linda C. Sandison

President

Jeffrey R. Egan

Executive Director



TOWN OF LEESBURG, VIRGINIA

LIST OF PRINCIPAL OFFICIALS

June 30, 2011

TOWN COUNCIL

Kristen C. Umstattd, Mayor
Kevin D. Wright, Vice Mayor
David S. Butler
Thomas S. Dunn, II
Katie Sheldon Hammler
Fernando "Marty" Martinez
Kenneth "Ken" Reid

TOWN OFFICIALS

John Wells, Town Manager
Kaj Dentler, Deputy Town Manager
Norman D. Butts, Director of Finance
Jeanette Irby, Town Attorney
Lee Ann Green, Clerk of Council
Thomas A. Mason, Director of Public Works
Susan Berry-Hill, Director of Planning and Zoning
Aref Etemadi, Acting Director of Utilities
Rich Williams, Director of Parks and Recreation
Nancy Fixx, Director of Human Resources
Wendy Wickens, Director of Information Technology
Joseph R. Price, Police Chief
William Ackman, Director of Plan Review



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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Leesburg, Virginia, (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. 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 *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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the General Fund of the Town, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2011 on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 12 to 26) and the required supplementary information (page 69) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedules listed in the Table of Contents as supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
December 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Leesburg, Virginia (Town) presents the following discussion and analysis as an overview of the Town's financial activities for the fiscal year ending June 30, 2011. We encourage readers to read this discussion and analysis in conjunction with the letter of transmittal from the Town Manager and the Director of Finance and the Town's basic financial statements and related notes, which are also contained in this Comprehensive Annual Financial Report (CAFR).

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2011

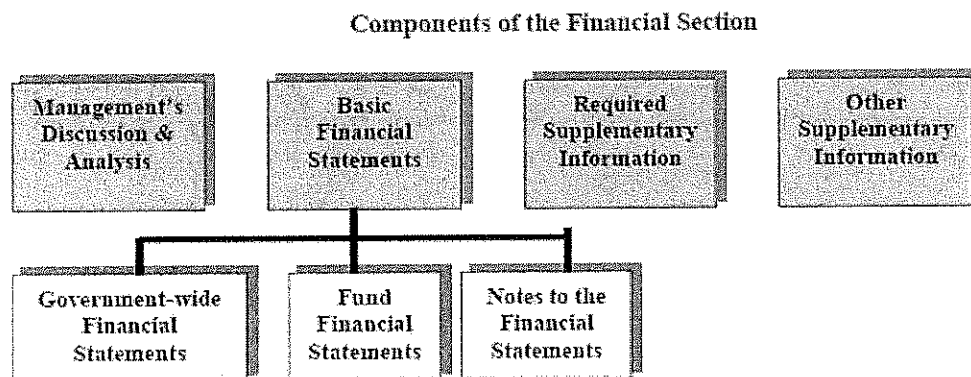
The Town's total net assets on a government-wide basis, totaled \$396.2 million at June 30, 2011. Of this amount, \$20.6 million is unrestricted (Exhibit 1).

The General Fund, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses, resulting in an increase in fund balance of \$982 thousand (Exhibit 5).

On a government-wide basis for governmental activities, the Town's general revenues were \$36.4 million with expenditures exceeding program revenue by \$33.1 million. (Exhibit 2).

USING THE FINANCIAL SECTION OF THIS CAFR REPORT

This Comprehensive Annual Financial Report 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 kinds of statements, each with a different snapshot of the Town's finances. The focus of the financial statements is on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about 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 the Town government, reporting the Town's operations in more detail than in the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant 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 those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial condition. The Statement of Net Assets (Exhibit 1) and the Statement of Activities (Exhibit 2), which are the government-wide statements, report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in those assets. The Town's net assets position – the difference between assets and liabilities – is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or declining. Other nonfinancial factors need to be considered, however, such as changes in the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health of the Town.

The Statement of Net Assets (Exhibit 1) and the Statement of Activities (Exhibit 2) include the following:

Governmental activities: Most of the Town's basic services are reported here, including general government; public safety; community development; parks and recreation; library services; and public works. These activities are financed primarily by property taxes, other local taxes, charges for services, and federal and state grants. Governmental funds are included in the governmental activities.

Business-type activities: The Town charges fees to users to cover all, or a significant portion, of the costs associated with the provision of certain services. These business-type activities are intended to be self-supporting and include the Airport Fund and the Water and Sewer Fund.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements find the fund statement presentation more familiar. The fund financial statements provide additional information about the Town's most significant funds – not the Town as a whole.

The Town has two kinds of funds:

Governmental Funds – Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are financial resources available that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund financial statements to explain the relationship (or differences) between them.

The Town has two major governmental funds, the General Fund and the Capital Projects Fund. The General Fund is the main operating account of the Town and, therefore, the largest of the governmental funds. The Capital Projects Fund is used to account for the daily operations of the Office of Capital Projects Management and the design, architecture and construction of major capital projects. It provides control over resources that have been segregated for specific capital projects.

Proprietary Funds – The Town's proprietary funds consist of two enterprise funds, which operate in a manner similar to private business enterprises in which costs are recovered primarily through user charges or fees. Proprietary fund financial statements provide both short-term and long-term financial information. The Town's enterprise funds include the Airport Fund and the Water and Sewer Fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Assets

Table 1 summarizes and compares the Statements of Net Assets for the Town as of June 30, 2011 and 2010.

Table 1.

Summary of Net Assets June 30, 2011 and 2010 (\$ In Thousands)

	Governmental Activities		Business-type Activities		Total Reporting Entity	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 44,418	\$ 53,515	\$ 15,828	\$ 20,284	\$ 60,246	\$ 73,799
Capital assets, net	273,400	264,293	213,157	212,321	486,557	476,614
Total assets	317,818	317,808	228,985	232,605	546,803	550,413
Liabilities:						
Current liabilities	19,119	19,180	3,311	4,466	22,430	23,646
Long-term liabilities	57,958	61,165	70,263	73,218	128,221	134,383
Total liabilities	77,077	80,345	73,574	77,684	150,651	158,029
Net Assets:						
Invested in capital assets, net of related debt	223,911	219,771	145,743	144,848	369,654	364,619
Restricted	5,852	5,712	-	-	5,852	5,712
Unrestricted	10,978	11,980	9,668	10,073	20,646	22,053
Total net assets	\$ 240,741	\$ 237,463	\$ 155,411	\$ 154,921	\$ 396,152	\$ 392,384

Total net assets for the Town's governmental activities have remained stable. The Town's governmental net assets increased by 1% to \$240.7 million. Invested in capital assets, net of related debt, increased by 1.9% to \$223.9 million.

The Town's business-type activities invested in capital assets net of related debt remained constant in fiscal year 2011 from fiscal year 2010.

Statement of Activities

Table 2 summarizes and compares the Statements of Activities for the Town for the years ended June 30, 2011 and 2010.

Table 2.

Summary Statement of Activities Years Ended June 30, 2011 and 2010 (\$ In Thousands)

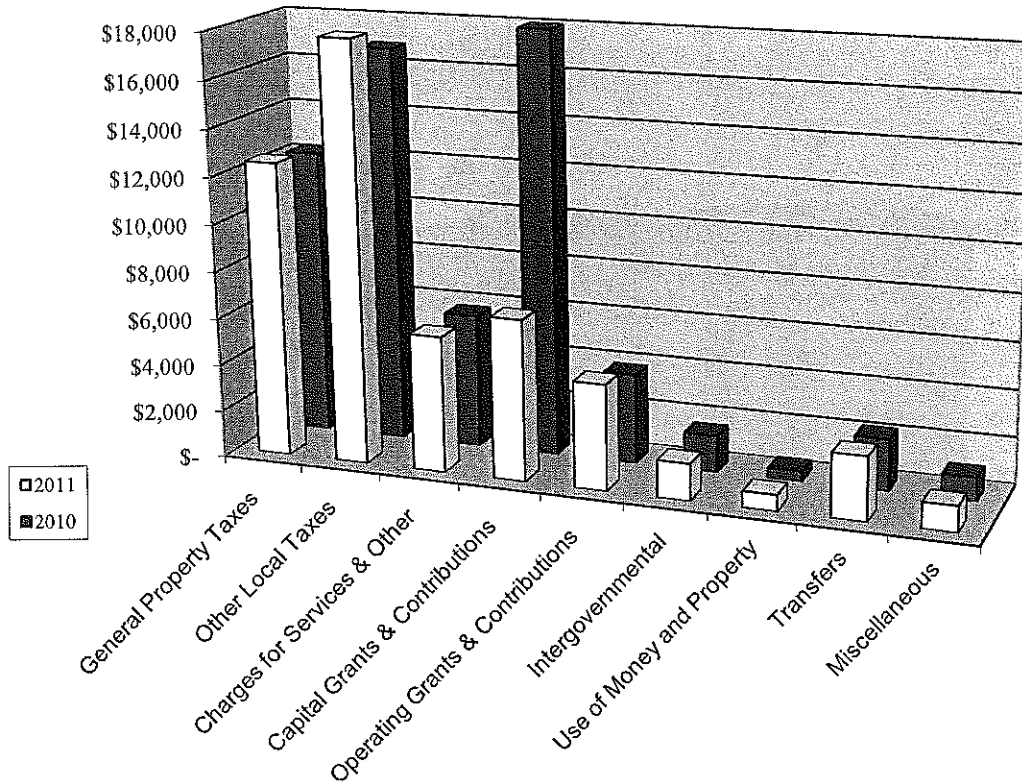
	Governmental Activities		Business-type Activities		Total Reporting Entity	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 5,805	\$ 5,719	\$ 15,885	\$ 14,235	\$ 21,690	\$ 19,954
Operating grants and contributions	4,510	3,829	146	1,019	4,656	4,848
Capital grants and contributions	6,855	59,072	6,434	7,182	13,289	66,254
General revenues:						
Property taxes	12,536	12,197	-	-	12,536	12,197
Other local taxes	17,840	16,866	-	-	17,840	16,866
Other	3,347	3,002	413	354	3,760	3,356
Total revenues	50,893	100,685	22,878	22,790	73,771	123,475
Operating Expenses:						
Legislative	1,930	1,109	-	-	1,930	1,109
Executive	4,193	5,215	-	-	4,193	5,215
Legal	405	424	-	-	405	424
Planning and zoning	1,914	1,774	-	-	1,914	1,774
Plan review	1,570	1,698	-	-	1,570	1,698
Finance	2,262	2,379	-	-	2,262	2,379
Public safety	11,365	11,040	-	-	11,365	11,040
Parks and recreation	8,003	7,875	-	-	8,003	7,875
Balch library	628	641	-	-	628	641
Public works	15,522	15,022	-	-	15,522	15,022
Interest	2,519	2,439	-	-	2,519	2,439
Airport	-	-	1,804	1,710	1,804	1,710
Water and sewer	-	-	17,888	17,607	17,888	17,607
Total expenses	50,311	49,616	19,692	19,317	70,003	68,933
Increase in net assets before transfers	582	51,069	3,186	3,473	3,768	54,542
Transfers in (out)	2,696	2,202	(2,696)	(2,202)	-	-
Increase in net assets	3,278	53,271	490	1,271	3,768	54,542
Net assets, beginning	237,463	184,192	154,921	153,650	392,384	337,842
Net assets, ending	\$ 240,741	\$ 237,463	\$ 155,411	\$ 154,921	\$ 396,152	\$ 392,384

Governmental Activities

Revenues and transfers for the Town's governmental activities were \$53.6 million for fiscal year 2011 and \$102.9 million for fiscal year 2010. Sources of revenue for fiscal year 2011 and 2010 are comprised of the following items:

Chart 1.

Governmental Activities – Revenues by Source Years Ended June 30, 2011 and 2010 (\$ In Thousands)



In fiscal year 2011, there is a significant decrease in capital grants and contributions from fiscal year 2010. This is attributable to developer contributions, specifically a \$35 million bridge that was received in fiscal year 2010. This was a one-time revenue source and did not reoccur in fiscal year 2011. Taxes constitute the next largest source of Town revenues, amounting to \$30.0 million for fiscal years 2011 and \$29.0 million for fiscal year 2010. General property taxes comprise \$12.5 million and \$12.2 million of tax revenues for fiscal years 2011 and 2010, respectively. The slight increase in general property tax revenue is attributed to increase assessed value for residential property within the Town. The remaining taxes, \$17.8 million in 2011 and \$16.8 million in 2010, are generated through business and occupational licenses and consumption based taxes such as meals tax, sales and use tax, cigarette tax and utility tax. Operating grants and contributions increased in fiscal year 2011 to \$4.5 million, from \$3.8 million in fiscal year 2010. The increase is a result of a private donation for the Thomas Balch Library.

As shown in Table 2, the total expenses for governmental activities for this fiscal year were \$50.3 million, compared to \$49.6 million in fiscal year 2010. Table 2 and the following chart illustrate total expenses by function. Public works continues to be the Town's largest program with the Town's cost of service totaling \$15.5 million, or 30.8 percent of total expenses. Public safety expenses, which total \$11.4 million, or 22.6 percent, represent the second largest expense category for governmental activities.

Chart 2.

Governmental Activities – Expenses by Function
Years Ended June 30, 2011 and 2010
 (\$ In Thousands)

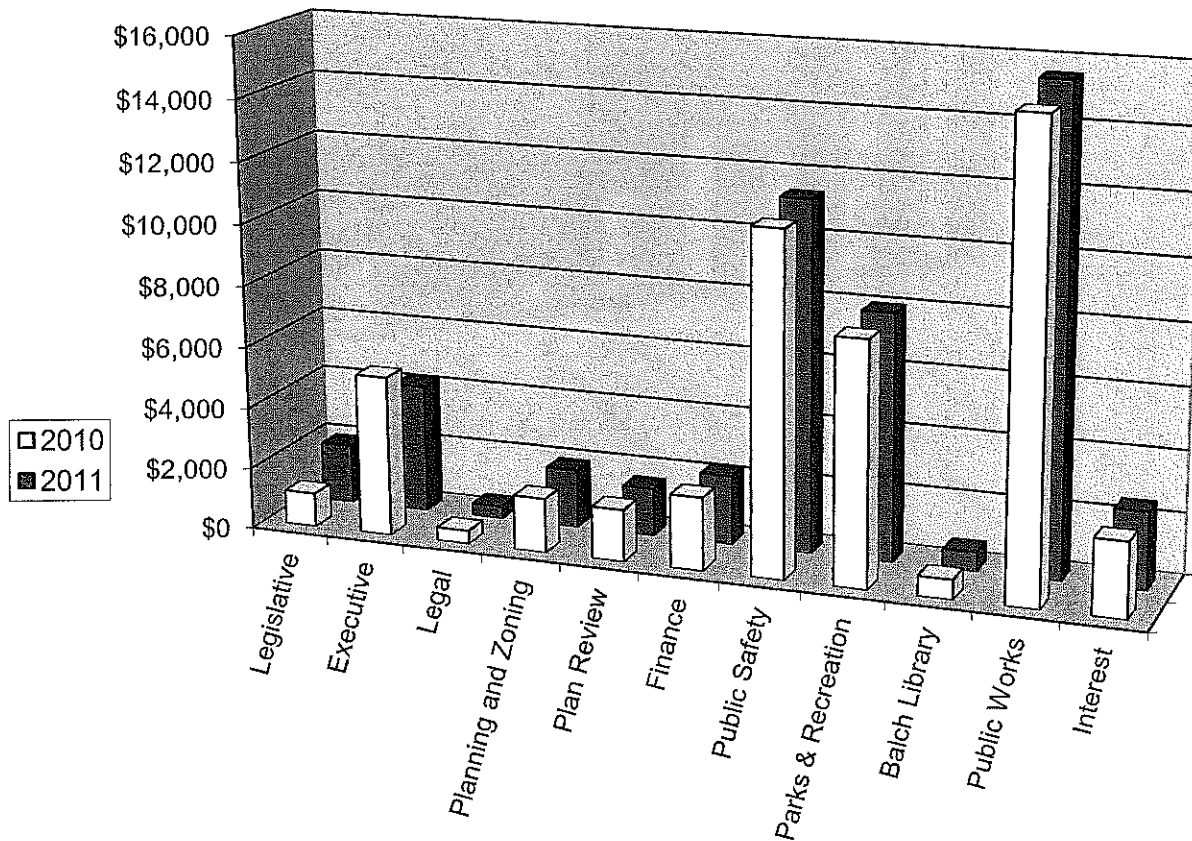


Table 3 illustrates the net cost (total expenses less fees generated by the activities and program-specific governmental aid) for the Town's governmental activities.

Table 3.

Net Cost of Governmental Activities
Years Ended June 30, 2011 and 2010
(\$ In Thousands)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Legislative	\$ 1,930	\$ 1,109	\$ 1,930	\$ 1,085
Executive	4,193	5,215	4,193	5,215
Legal	405	424	405	424
Planning and zoning	1,914	1,774	1,653	1,512
Plan review	1,570	1,698	1,570	1,698
Finance	2,262	2,379	2,262	2,380
Public safety	11,365	11,040	9,685	9,465
Parks and recreation	8,003	7,875	3,158	2,998
Balch library	628	641	255	386
Public works	15,522	15,022	5,511	(46,606)
Interest	2,519	2,439	2,519	2,439
Total	\$ 50,311	\$ 49,616	\$ 33,141	\$ (19,004)

As Table 3 demonstrates, governmental activities generate revenue that helps offset the cost of these services. Program revenues generated include charges for services and program grants. The Town generates charges for services primarily from fees for parks and recreation memberships and classes, public safety fees, and zoning fees and permits. The Town obtains grants primarily for public safety and public works. After recognizing the revenue from these fees, grants, and contributions of \$17.2 million, the net cost of governmental activities was \$33.1 million, compared to total expenses of \$50.3 million. General revenue, primarily in the form of taxes and state aid, is essential to providing support to the services offered.

Business-type Activities

Table 2 also summarizes the business-type activities. The Town's business-type activities consist of the Airport Fund and the Water and Sewer fund. In the current year, these activities increased the Town's net assets by approximately \$490,000. Revenues totaled \$22.9 million of which \$15.9 million, or 69 percent, was generated by user fees or charges for services. Business-type activities are generally intended to be self-supporting and fees are established to recover the cost of providing the service.

The total expenses for business-type activities were \$19.7 million, of which 91.0 percent was associated with the Water and Sewer Fund. Expenses for the business-type activities in both the Water and Sewer and Airport Funds remained relatively constant.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

In fiscal year 2011, the Town of Leesburg implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This new statement classifies fund balance into five categories:

Nonspendable fund balance – amounts that are 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 takes the action to remove or change the constraint.

Assigned fund balance – amounts constrained by the Town's intent but are neither restricted nor committed.

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

The Town has two governmental funds. These funds consist of the General Fund and the Capital Projects fund.

The General Fund is the main operating fund of the Town. At the end of fiscal year 2011, the unassigned fund balance was \$9.1 million (19.7 percent of the General Fund's total expenditures). The revenues and other financing sources of \$47.2 million less expenditures and other financing uses of \$46.3 million resulted in a net increase in fund balance of nearly \$1.0 million. In comparison, at the end of fiscal year 2010, the unassigned fund balance was approximately \$8.5 million (18.5 percent of the General Fund's total expenditures).

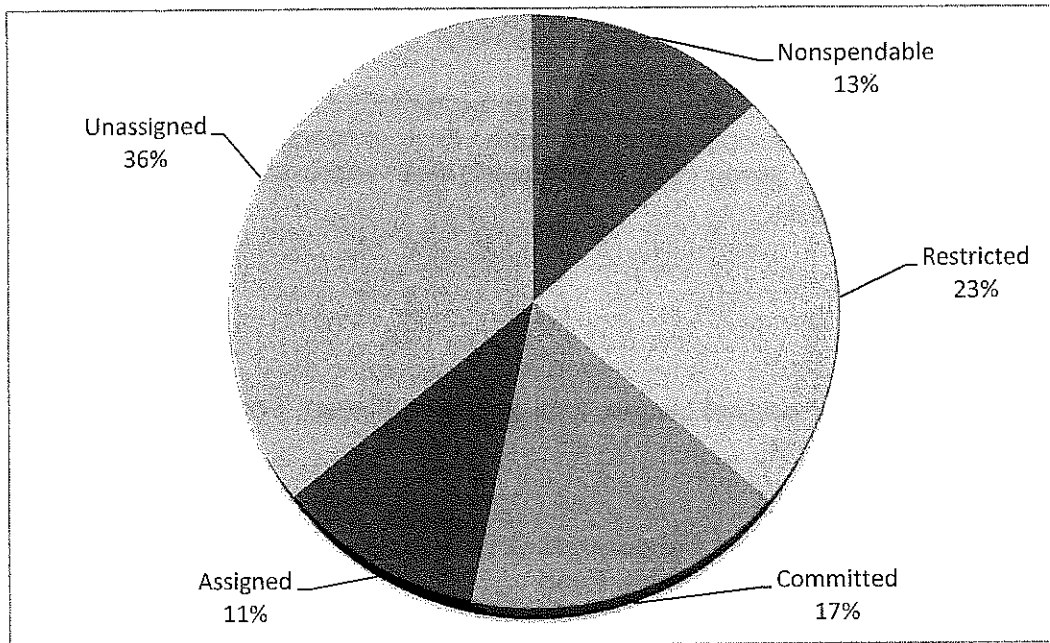
The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Enterprise Funds). As of June 30, 2011 and 2010, the fund balance was \$2.9 million and \$12.9 million, respectively. The decrease in fund balance is attributed to the use of funds to begin, continue and complete projects that were included in the five-year capital improvement plan. The remaining fund balance in the capital projects fund is committed to future capital projects.

The chart below represents the components of the Town's governmental fund balances as of June 30, 2011 and 2010.

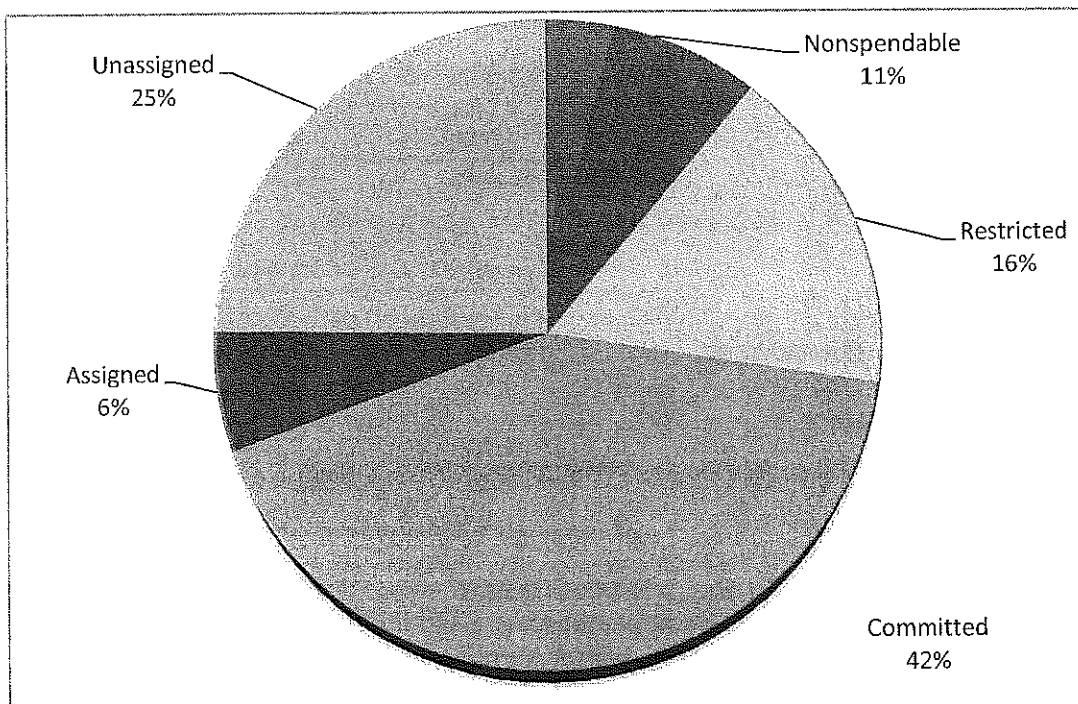
Chart 3.

**Governmental Funds – Fund Balances
June 30, 2011 and 2010
(\$ In Thousands)**

FY 2011



FY 2010



The total fiscal year 2011 governmental fund balance was \$25.3 million. This was a decrease of \$9.1 million from the fiscal year 2010 governmental fund balance of \$34.4. The decrease in fund balance is attributed to the use of these funds to complete capital projects.

The five categories of fund balance remain relatively stable with the exception of committed fund balance. The committed category of fund balance decreased from 42% in FY 2010 to 17% in fiscal year 2011. As stated above, this decrease is a result of the use of fund balance to pay for on-going capital improvement projects. The Town has committed \$1.4 million for revenue stabilization and has assigned \$1.2 million for capital asset replacement reserve. The restricted fund balance is for use at the Balch Library, Parks and Recreation, or for Police operations of approximately \$725,000, \$5.1 million and \$44,000, respectively.

The Town's enterprise funds provide the same type of information found in the government-wide financial statements, as the basis of accounting is the same. Factors concerning the finances of the Airport Fund and the Water and Sewer Fund have already been addressed in the discussion of the Town's business-type activities.

BUDGETARY HIGHLIGHTS

General Fund

Table 4 provides a comparison of original budget, final amended budget, and actual revenues and expenditures of the General Fund.

Table 4.

**Condensed Budgetary Comparison
General Fund
Year Ended June 30, 2011
(\$ In Thousands)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 28,181	\$ 28,181	\$ 28,089
Other	7,188	7,188	7,575
Intergovernmental	7,627	7,627	7,969
Total revenues	<u>42,996</u>	<u>42,996</u>	<u>43,633</u>
Expenditures:			
Expenditures	<u>46,266</u>	<u>48,814</u>	<u>46,260</u>
Deficiency of revenues under expenditures	(3,270)	(5,818)	(2,627)
Other financing sources:			
Transfers	<u>3,190</u>	<u>3,237</u>	<u>3,609</u>
Change in fund balance	<u>\$ (80)</u>	<u>\$ (2,581)</u>	<u>\$ 982</u>

Taxes received were consistent with the amended budget amount with very little variance. Property taxes were less than expected by approximately \$545,000 and local taxes other than property taxes helped make up the difference with a surplus of approximately \$454,000 more than the amended budget. See Exhibit B-2 for a detailed schedule comparing budgeted revenues to actual revenues.

Once the original budget is adopted by the Town Council, the operating budget can be amended in one of two ways: The Town Manager has the authority to move money within a fund. Secondly, the Town Council must authorize any changes to a fund's overall budget 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 reappropriated 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 and account code restructuring.

The amended expenditure budget increased by \$2.5 million during the fiscal year. This increase in appropriations is a result of several supplemental appropriations throughout the year. The most significant supplemental appropriation approved by Town Council was to increase expenditures by \$1 million for capital asset replacement and repair.

Actual expenditures in the fiscal year were \$2.5 million less than the amended budget. This significant difference is a result of \$1.5 million in contractual services not being completed until fiscal year 2012. Therefore, the budget will be carried forward and the expenditures will be made in fiscal year 2012. The remaining \$1.0 million is a result in departmental savings throughout the fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Table 5 provides information on the changes in the capital assets of the governmental activities and the business-type activities as of June 30, 2011 and 2010.

Table 5.

Summary of Capital Assets June 30, 2011 and 2010 (\$ In Thousands)

	Governmental Activities			Business-Type Activities		
	2011	2010	Change	2011	2010	Change
Land	\$ 41,710	\$ 41,176	\$ 534	\$ 12,205	\$ 12,205	\$ -
Buildings and improvements	68,567	65,771	2,796	8,904	8,904	-
Water and sewer plant	-	-	-	125,334	125,075	259
Water and sewer lines	-	-	-	98,920	93,273	5,647
Furniture, equipment, computer equipment, and software	5,834	5,468	366	5,676	5,028	648
Vehicles	4,161	4,171	(10)	-	-	-
Hangars	-	-	-	6,057	5,904	153
Runway	-	-	-	15,620	15,620	-
Infrastructure	206,135	198,147	7,988	-	-	-
Construction in progress	10,967	7,272	3,695	845	1,026	(181)
Accumulated depreciation and amortization	(63,974)	(57,712)	(6,262)	(60,404)	(54,714)	(5,690)
Total Capital Assets, net	\$ 273,400	\$ 264,293	\$ 9,107	\$ 213,157	\$ 212,321	\$ 836

The Town's governmental activities investment in capital assets as of June 30, 2011 and 2010 amounted to approximately \$273.4 million and \$264.3 million, respectively, (net of accumulated depreciation and amortization). The net increase in capital assets (including additions, retirements, depreciation and amortization) was approximately \$9.1 million, or 3.4 percent. This change is mostly attributed to developer contributions of streets, sidewalks, gutters, and storm drainage.

The business-type activities investment in capital assets as of June 30, 2011 and 2010 amounted to approximately \$213.2 million and \$212.3 million, respectively, (net of accumulated depreciation and amortization). The net increase in capital assets (including additions, retirements, depreciation and amortization) was approximately \$835,000, remaining relatively constant from the prior year.

The Town's fiscal year 2011 – 2015 Capital Improvement Program, approved by Town Council, sets forth a five-year, \$67.6 million program of public improvements for the Town. This five year plan includes \$50.8 million in governmental activity projects such as storm drainage, streets and highways, and parks and recreation. The remaining \$16.8 million includes \$8.1 million in water and sewer projects and \$8.5 million in airport projects.

Additional information pertaining to the Town's capital assets can be found in note 6 of the notes to the financial statements.

Long-term debt

The Town's current bond ratings are as follows:

- Moody's Investors Services, Inc. Aa1
- Standard and Poor's AA+
- Fitch Credit Rating Services AA+

The Town's legal limit for outstanding general obligation debt is 10 percent of total assessed real property within the Town, which is \$5.7 billion in 2011 and \$5.6 billion in 2010. The Town's total long-term obligations of \$124.3 million as of June 30, 2011 and \$130.5 million as of June 30, 2010, 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 6.

Summary of Outstanding Long-Term Bonded Debt June 30, 2011 and 2010 (\$ In Thousands)

	Governmental Activities			Business-Type Activities		
	2011	2010	Change	2011	2010	Change
General obligation bonds	\$ 55,684	\$ 58,871	\$ (3,187)	\$ 62,361	\$ 63,712	\$ (1,351)
Revenue bonds	-	-	-	6,283	7,876	(1,593)
Total	\$ 55,684	\$ 58,871	\$ (3,187)	\$ 68,644	\$ 71,588	\$ (2,944)

In the governmental activities, total long-term debt as of June 30, 2011 and 2010 was \$56.8 million and \$60.2 million, respectively. Outstanding long-term debt for business activities decreased from \$72.7 million as of June 30, 2010 to \$69.8 million as of June 30, 2011. The decrease in general obligation bonds for both governmental and business-type activities and the decrease in revenue bonds for business-type activities are all attributed to normal retirement of principal.

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

- The Town will not fund current operations from the proceeds of borrowed funds and will confine long-term borrowing and capital leases to capital improvement projects, or equipment that cannot be financed from current financial resources.
- The goal of the Town is to finance at least 25 percent of the current portion of construction cost of capital improvements (in excess of proffers) from current financial resources. The amount provided in current resources may be applied equally to all projects or only to specific projects.
- 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 should continue to offset its impact through rapid payback. An average payback of at least 60 percent in ten years should be maintained, except for projects with a known revenue stream.
- The Town will annually calculate target debt ratios. The Town's debt capacity shall be maintained within the following primary goals:
 - Debt service expenditures as a percentage of governmental fund expenditures should not exceed 15 percent.
 - Bonded debt of the Town shall not exceed 2.5 percent of the total assessed value of taxable property in the Town nor 3.5 percent of the total personal income of residents of the Town.
- 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 8 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average unemployment rate for the County of Loudoun, in which the Town of Leesburg lies, in July 2011 was 4.1 percent. This compares favorably to the State's rate of 6.2 percent and the national rate of 9.3 percent.
- The Town's population was estimated to be 42,924, a slight increase over the prior year. Population estimates for the last ten years are provided in the statistical section of this report at Table 15.
- The per capita personal income is not kept on a Town basis. However, the County of Loudoun's per capita personal income was \$53,117, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Loudoun County is considered "the richest County" in the nation.
- The Town government's full-time equivalency (FTE) employment decreased in fiscal year 2011 by 5.7 FTE positions, or 1.3 percent from 447.4 to 440.7. The decrease in FTE's was mainly in the plan review, water supply and water pollution control departments. Workforce numbers for the last ten years are provided in the statistical section of this report at Table 17.

Fiscal Year 2012 Budget and Rates

- For fiscal year 2012, the adopted budget for the General Fund is \$46.2 million, consistent with fiscal year 2011 expenditures. Revenues are comprised primarily of general taxes at 28.2 percent, other local taxes at 24.4 percent, charges for services at 10.8 percent, donations and transfers at 6.6 percent, intergovernmental assistance at 26.9 percent and other revenues of 3.1 percent.
- In fiscal year 2012, the Town continues to prioritize its services. The police department accounts for \$11.7 million or 25 percent of the budgeted expenditures. The public works department is a close second, accounting for \$11.2 million or 24 percent of budgeted expenditures.
- Tax rate for real property remained at \$0.195 per \$100 of assessed value for fiscal year 2012. The personal property tax rate remained unchanged at \$1.00 per \$100 of assessed value. Detail on the tax rates is provided in 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, 25 West Market Street, Leesburg, VA 20176, telephone (703) 771-2720, or visit the Town's web site at www.leesburgva.gov.

BASIC FINANCIAL STATEMENTS



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STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 18,715,205	\$ 12,447,357	\$ 31,162,562
Receivables, net:			
Property taxes, including penalties	6,328,945	-	6,328,945
Utility taxes	132,471	-	132,471
Local taxes	1,430,782	-	1,430,782
Trade and other accounts	106,482	3,753,647	3,860,129
Accrued interest	31,737	2,711	34,448
Inventory	-	309,409	309,409
Prepaid health insurance	293,566	62,810	356,376
Due from other governments	1,501,426	12,030	1,513,456
Restricted cash	12,245,544	1,892,423	14,137,967
Deferred charges, net	549,209	430,318	979,527
Internal balances	3,082,174	(3,082,174)	-
Capital assets:			
Land	41,709,729	12,205,242	53,914,971
Buildings and improvements	68,566,566	8,903,752	77,470,318
Water and sewer plant	-	125,333,684	125,333,684
Water and sewer lines	-	98,919,990	98,919,990
Furniture, equipment and software	3,421,056	5,676,292	9,097,348
Computer equipment and software	2,414,378	-	2,414,378
Vehicles	4,160,818	-	4,160,818
Hangars	-	6,057,289	6,057,289
Runway	-	15,619,842	15,619,842
Infrastructure	206,135,101	-	206,135,101
Construction in progress	10,966,704	844,958	11,811,662
Less: accumulated depreciation and amortization	(63,973,661)	(60,403,883)	(124,377,544)
Total assets	317,818,232	228,985,697	546,803,929
LIABILITIES			
Accounts payable	2,121,752	511,108	2,632,860
Accrued payroll	1,899,397	457,753	2,357,150
Other accrued liabilities	101,862	-	101,862
Accrued interest	890,727	1,431,939	2,322,666
Arbitrage payable	109,238	-	109,238
Retainage payable	286,846	28,280	315,126
Customer deposits and contingent charges	1,675,224	882,404	2,557,628
Reserve for proffers	5,435,082	-	5,435,082
Unearned revenue	6,598,955	-	6,598,955
Noncurrent liabilities:			
Other postemployment benefits payable	1,103,716	395,778	1,499,494
Due within one year			
Compensated absences	1,615,883	406,115	2,021,998
Unearned revenue	-	18,338	18,338
Bonds payable	8,908,202	2,918,391	11,826,593
Due in more than one year			
Compensated absences	62,966	70,364	133,330
Unearned revenue	-	94,109	94,109
Bonds payable	46,267,017	66,359,853	112,626,870
Total liabilities	77,076,867	73,574,432	150,651,299
NET ASSETS			
Invested in capital assets, net of related debt	223,911,574	145,743,065	369,654,639
Restricted	5,852,078	-	5,852,078
Unrestricted	10,977,713	9,668,200	20,645,913
Total net assets	\$ 240,741,365	\$ 155,411,265	\$ 396,152,630

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
Legislative	\$ 1,929,726	\$ -	\$ -	\$ -	\$ (1,929,726)	\$ -	\$ (1,929,726)
Executive	4,193,418	-	-	-	(4,193,418)	-	(4,193,418)
Legal	405,086	-	-	-	(405,086)	-	(405,086)
Planning and zoning	1,914,347	261,447	-	-	(1,652,900)	-	(1,652,900)
Plan review	1,569,932	-	-	-	(1,569,932)	-	(1,569,932)
Finance	2,262,397	-	-	-	(2,262,397)	-	(2,262,397)
Public safety	11,365,062	595,640	1,084,691	-	(9,684,731)	-	(9,684,731)
Parks and recreation	8,002,606	4,772,869	-	71,625	(3,158,112)	-	(3,158,112)
Balch Library	627,711	-	372,994	-	(254,717)	-	(254,717)
Public works	15,522,536	175,474	3,052,260	6,783,738	(5,511,064)	-	(5,511,064)
Interest	2,518,659	-	-	-	(2,518,659)	-	(2,518,659)
Total governmental activities	50,311,480	5,805,430	4,509,945	6,855,363	(33,140,742)	-	(33,140,742)
Business-type activities:							
Airport	1,803,947	1,092,572	27,615	194,898	-	(488,862)	(488,862)
Water and sewer	17,888,463	14,792,146	118,656	6,239,546	-	3,261,885	3,261,885
Total business-type activities	19,692,410	15,884,718	146,271	6,434,444	-	2,773,023	2,773,023
Total government	\$ 70,003,890	\$ 21,690,148	\$ 4,656,216	\$ 13,289,807	(33,140,742)	2,773,023	(30,367,719)
General Revenues:							
Taxes:							
General property taxes, including penalties					12,536,096	-	12,536,096
Other local taxes:							
Communication sales and use					6,412,866	-	6,412,866
Meals					3,672,760	-	3,672,760
Business and occupational licenses					2,880,044	-	2,880,044
Utility					1,542,597	-	1,542,597
Cigarette					872,047	-	872,047
Other					2,459,485	-	2,459,485
Intergovernmental, non-categorical aid					1,573,674	-	1,573,674
Use of money and property					686,183	84,837	771,020
Miscellaneous					1,086,819	328,773	1,415,592
Transfers					2,696,261	(2,696,261)	-
Total general revenues and transfers, net					36,418,832	(2,282,651)	34,136,181
Change in net assets					3,278,090	490,372	3,768,462
Net assets, beginning					237,463,275	154,920,893	392,384,168
Net assets, ending					\$ 240,741,365	\$ 155,411,265	\$ 396,152,630

See Notes to Financial Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents, and temporary cash investments	\$ 14,541,624	\$ 4,173,581	\$ 18,715,205
Receivables, net			
Property taxes, including penalties	6,328,945	-	6,328,945
Utility taxes	132,471	-	132,471
Local taxes	1,430,782	-	1,430,782
Accounts	81,482	25,000	106,482
Accrued interest	31,737	-	31,737
Advances to other funds	3,082,174	-	3,082,174
Due from other governments	1,316,905	184,521	1,501,426
Prepaid health insurance	283,699	9,867	293,566
Restricted cash	5,888,438	6,357,106	12,245,544
Total assets	\$ 33,118,257	\$ 10,750,075	\$ 43,868,332
LIABILITIES			
Accounts payable	\$ 743,745	\$ 1,378,007	\$ 2,121,752
Accrued payroll	1,821,604	77,793	1,899,397
Other accrued liabilities	101,862	-	101,862
Retainage payable	-	286,846	286,846
Customer deposits and contingent charges	1,675,224	-	1,675,224
Reserve for proffers	-	5,435,082	5,435,082
Deferred revenues	6,337,281	694,277	7,031,558
Total liabilities	10,679,716	7,872,005	18,551,721
FUND BALANCES			
Nonspendable			
Prepaid health insurance	283,699	-	283,699
Due from other funds	3,082,174	-	3,082,174
Restricted			
Balch Library	724,949	-	724,949
Parks and recreation (Symmington)	5,083,483	-	5,083,483
Police	43,646	-	43,646
Committed			
Revenue stabilization	1,400,000	-	1,400,000
Capital projects - streets and highways	-	2,878,070	2,878,070
Assigned			
Capital asset reserve	1,195,637	-	1,195,637
Expenditures designated for future years	1,521,624	-	1,521,624
Unassigned	9,103,329	-	9,103,329
Total fund balances	22,438,541	2,878,070	25,316,611
Total liabilities and fund balances	\$ 33,118,257	\$ 10,750,075	\$ 43,868,332

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total fund balances - governmental funds		\$ 25,316,611
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Amounts reported for governmental activities
in the Statement of Net Assets 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	\$ 337,374,352	
Less: accumulated depreciation and amortization	(63,973,661)	
Net capital assets		273,400,691

Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		432,603
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Other assets used in governmental activities are not
financial resources and, therefore, are not reported in
the governmental funds.

Deferred charges, net		549,209
-----------------------	--	---------

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	(55,175,219)	
Compensated absences	(1,678,849)	
Other postemployment benefits payable	(1,103,716)	
Arbitrage payable	(109,238)	
Interest payable	(890,727)	
		(58,957,749)

Net assets of governmental activities		\$ 240,741,365
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 12,503,998	\$ -	\$ 12,503,998
Other local taxes	15,585,903	-	15,585,903
Permits, fees and licenses	432,971	-	432,971
Fines and forfeitures	576,328	-	576,328
Use of money and property	347,553	338,630	686,183
Charges for services	4,796,131	-	4,796,131
Contributions and proffers	439,619	1,413,771	1,853,390
Miscellaneous	981,939	104,880	1,086,819
Intergovernmental	7,969,521	746,213	8,715,734
Total revenues	43,633,963	2,603,494	46,237,457
Expenditures:			
Current:			
Legislative	919,953	-	919,953
Executive	3,431,910	-	3,431,910
Legal	401,794	-	401,794
Planning and zoning	1,938,591	-	1,938,591
Plan review	1,566,111	-	1,566,111
Finance	2,252,013	-	2,252,013
Public safety	10,883,307	-	10,883,307
Parks and recreation	7,321,436	-	7,321,436
Balch Library	449,682	-	449,682
Public works	11,385,261	-	11,385,261
Capital projects	-	11,072,955	11,072,955
Debt service:			
Principal	3,187,341	-	3,187,341
Interest and fiscal charges	2,523,094	-	2,523,094
Total expenditures	46,260,493	11,072,955	57,333,448
Revenues under expenditures	(2,626,530)	(8,469,461)	(11,095,991)
Other Financing Sources (Uses):			
Transfers in	3,609,021	78,678	3,687,699
Transfers out	(622)	(1,670,659)	(1,671,281)
Other financing sources (uses), net	3,608,399	(1,591,981)	2,016,418
Net change in fund balances	981,869	(10,061,442)	(9,079,573)
Fund balances, beginning, as restated	21,456,672	12,939,512	34,396,184
Fund balances, ending	\$ 22,438,541	\$ 2,878,070	\$ 25,316,611

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ (9,079,573)	
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	\$ 10,821,569	
Less: depreciation and amortization expense	<u>(6,663,898)</u>	
Excess of capital outlay over depreciation and amortization		4,157,671
The net effect of various miscellaneous transactions involving capital assets. (ie donations, disposals and transfers)		4,950,186
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		32,098
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds were greater than repayments.		
Principal repayments:		
General obligation debt	<u>3,187,341</u>	3,187,341
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	52,959	
Arbitrage	(2,530)	
Compensated absences	143,105	
Other postemployment benefits	(117,173)	
Amortization of premiums	80,139	
Amortization of deferred gains	(86,124)	
Amortization of issuance cost	<u>(40,009)</u>	
		<u>30,367</u>
Change in net assets of governmental activities		<u><u>\$ 3,278,090</u></u>

TOWN OF LEESBURG, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenues:				
General property taxes	\$ 13,048,983	\$ 13,048,983	\$ 12,503,998	\$ (544,985)
Other local taxes	15,132,000	15,132,000	15,585,903	453,903
Permits, fees and licenses	400,000	400,000	432,971	32,971
Fines and forfeitures	395,000	395,000	576,328	181,328
Use of money and property	325,000	325,000	347,553	22,553
Charges for services	4,905,112	4,905,112	4,796,131	(108,981)
Contributions	-	45,000	439,619	394,619
Miscellaneous	1,163,047	1,118,047	981,939	(136,108)
Intergovernmental	7,627,018	7,627,018	7,969,521	342,503
Total revenues	42,996,160	42,996,160	43,633,963	637,803
Expenditures:				
Current:				
Legislative	952,835	958,387	919,953	(38,434)
Executive	3,139,699	3,711,832	3,431,910	(279,922)
Legal	414,745	456,674	401,794	(54,880)
Finance	2,257,712	2,308,234	2,252,013	(56,221)
Public safety	11,520,445	11,522,941	10,883,307	(639,634)
Public works	11,229,793	12,203,348	11,385,261	(818,087)
Parks and recreation	7,230,995	7,644,511	7,321,436	(323,075)
Balch library	477,427	466,190	449,682	(16,508)
Planning and zoning	1,845,107	2,034,112	1,938,591	(95,521)
Plan review	1,626,144	1,796,766	1,566,111	(230,655)
Debt service:				
Principal	3,110,508	3,187,408	3,187,341	(67)
Interest and fiscal charges	2,460,530	2,523,130	2,523,094	(36)
Total expenditures	46,265,940	48,813,533	46,260,493	(2,553,040)
Revenues under expenditures	(3,269,780)	(5,817,373)	(2,626,530)	3,190,843
Other Financing Sources (Uses):				
Transfers in	3,239,446	3,239,446	3,609,021	369,575
Transfers out	(49,166)	(2,120)	(622)	1,498
Other financing sources, net	3,190,280	3,237,326	3,608,399	371,073
Net change in fund balance	(79,500)	(2,580,047)	981,869	3,561,916
Fund Balance, beginning, as restated	79,500	2,580,047	21,456,672	18,876,625
Fund Balance, ending	\$ -	\$ -	\$ 22,438,541	\$ 22,438,541

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
ASSETS			
Current Assets:			
Cash, cash equivalents, and temporary cash investments	\$ -	\$ 12,447,357	\$ 12,447,357
Accounts receivables, net	116,905	3,636,742	3,753,647
Inventory	-	309,409	309,409
Prepaid health insurance	3,658	59,152	62,810
Accrued interest	-	2,711	2,711
Due from other governments	-	12,030	12,030
Restricted cash	-	1,892,423	1,892,423
Total current assets	120,563	18,359,824	18,480,387
Noncurrent Assets:			
Deferred charges	36,162	394,156	430,318
Capital assets:			
Land	10,618,886	1,586,356	12,205,242
Buildings and improvements	8,903,752	-	8,903,752
Water and sewer plant	-	125,333,684	125,333,684
Water and sewer lines	-	98,919,990	98,919,990
Furniture, equipment and software	2,199,568	3,476,724	5,676,292
Hangars	6,057,289	-	6,057,289
Runway	15,619,842	-	15,619,842
Construction in progress	270,591	574,367	844,958
Less: accumulated depreciation and amortization	(9,764,849)	(50,639,034)	(60,403,883)
Total capital assets, net	33,905,079	179,252,087	213,157,166
Total noncurrent assets	33,941,241	179,646,243	213,587,484
Total assets	34,061,804	198,006,067	232,067,871
LIABILITIES			
Current Liabilities:			
Accounts payable	27,472	483,636	511,108
Unearned revenue	18,338	-	18,338
Accrued payroll	39,393	418,360	457,753
Accrued interest	71,076	1,360,863	1,431,939
Compensated absences	9,042	397,073	406,115
Retainage payable	-	28,280	28,280
Advances from other funds	3,082,174	-	3,082,174
Bonds payable	300,285	2,618,106	2,918,391
Customer deposits and contingent charges	34,250	848,154	882,404
Total current liabilities	3,582,030	6,154,472	9,736,502
Noncurrent Liabilities:			
Compensated absences	6,028	64,336	70,364
Other postemployment benefits payable	21,013	374,765	395,778
Unearned revenue	94,109	-	94,109
Bonds payable	3,821,587	62,538,266	66,359,853
Total noncurrent liabilities	3,942,737	62,977,367	66,920,104
Total liabilities	7,524,767	69,131,839	76,656,606
NET ASSETS			
Invested in capital assets, net of related debt	29,783,207	115,959,858	145,743,065
Unrestricted (deficit)	(3,246,170)	12,914,370	9,668,200
Total net assets	\$ 26,537,037	\$ 128,874,228	\$ 155,411,265

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
Operating Revenues:			
Charges for services	\$ 1,092,572	\$ 14,792,146	\$ 15,884,718
Other	-	328,773	328,773
Total operating revenues	1,092,572	15,120,919	16,213,491
Operating Expenses:			
Personal service	422,715	7,015,947	7,438,662
Contractual services	156,536	688,245	844,781
Depreciation and amortization	900,207	4,904,115	5,804,322
Materials and supplies	17,773	1,044,372	1,062,145
Continuous charges	95,606	1,282,754	1,378,360
Claims and settlements	-	10,614	10,614
Capital outlay	-	98,246	98,246
Total operating expenses	1,592,837	15,044,293	16,637,130
Operating income (loss)	(500,265)	76,626	(423,639)
Nonoperating Revenue (Expenses):			
Commonwealth of Virginia grants	23,398	2,968	26,366
Federal grants	4,217	115,688	119,905
Contributions	42,048	-	42,048
Interest on investments	35,757	49,080	84,837
Installation and connection charges	-	1,264,881	1,264,881
Interest and fiscal charges	(211,110)	(2,844,170)	(3,055,280)
Total nonoperating expenses, net	(105,690)	(1,411,553)	(1,517,243)
Loss before capital grants, assistance and transfers	(605,955)	(1,334,927)	(1,940,882)
Capital grants, assistance and transfers:			
Commonwealth of Virginia grants	36,687	-	36,687
Federal grants	116,163	-	116,163
Developer donated assets	-	4,974,665	4,974,665
Capital assets contributed to general governmental activities	-	(679,843)	(679,843)
Transfers out	(255,443)	(1,760,975)	(2,016,418)
Total capital grants, assistance and transfers, net	(102,593)	2,533,847	2,431,254
Change in net assets	(708,548)	1,198,920	490,372
Net assets, beginning	27,245,585	127,675,308	154,920,893
Net assets, ending	\$ 26,537,037	\$ 128,874,228	\$155,411,265

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,077,138	\$ 14,961,946	\$ 16,039,084
Payments to suppliers for goods and services	(308,732)	(3,314,979)	(3,623,711)
Payments to employees for services	(405,408)	(6,937,194)	(7,342,602)
Other receipts	-	328,773	328,773
Net cash provided by operating activities	362,998	5,038,546	5,401,544
Cash Flows From Noncapital and Related Financing Activities:			
Operating grants	27,615	106,626	134,241
Contributions	42,048	-	42,048
Transfers out	(255,443)	(1,760,975)	(2,016,418)
Net cash used in noncapital and related financing activities	(185,780)	(1,654,349)	(1,840,129)
Cash Flows From Capital and Related Financing Activities:			
Installation and connection charges	-	1,264,881	1,264,881
Repayment of advances from other funds	(635,302)	-	(635,302)
Capital grant revenue	645,636	-	645,636
Acquisition and construction of capital assets	(1,056,617)	(2,303,451)	(3,360,068)
Interest and fiscal charges	(229,874)	(2,901,031)	(3,130,905)
Principal paid on bonds	(338,700)	(2,606,022)	(2,944,722)
Net cash used in capital and related financing activities	(1,614,857)	(6,545,623)	(8,160,480)
Cash Flows From Investing Activities:			
Interest on investments	35,757	91,295	127,052
Net cash provided by investing activities	35,757	91,295	127,052
Net decrease in cash and cash equivalents	(1,401,882)	(3,070,131)	(4,472,013)
Cash and Cash Equivalents			
Beginning	1,401,882	17,409,911	18,811,793
Ending	\$ -	\$ 14,339,780	\$ 14,339,780

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2011

Exhibit 10
 Page 2

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided			
By Operating Activities:			
Operating income (loss)	\$ (500,265)	\$ 76,626	\$ (423,639)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	900,207	4,904,115	5,804,322
Changes in assets and liabilities:			
Decrease in accounts receivable	16,891	173,126	190,017
Increase (decrease) in:			
Accounts payable	(165)	(178,358)	(178,523)
Accrued liabilities	27,214	141,601	168,815
Prepays	(3,658)	(59,152)	(62,810)
Inventory	-	(13,131)	(13,131)
Unearned revenue	(36,675)	-	(36,675)
Due to other funds	(38,664)	-	(38,664)
Compensated absences	(6,237)	(2,955)	(9,192)
Customer deposits and contingent charges	4,350	(3,326)	1,024
Net cash provided by operating activities	\$ 362,998	\$ 5,038,546	\$ 5,401,544
Supplemental Disclosure of Noncash Capital and Related Financing Activities:			
Developer donated capital improvements	\$ -	\$ 4,974,665	\$ 4,974,665
Capital assets acquired through incurrence of accounts and retainage payable	\$ 7,827	\$ 307,283	\$ 315,110
Capital assets transferred to the general government	\$ -	\$ 679,843	\$ 679,843

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The Town is an incorporated municipal government governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and any potential component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose its will on the component unit, or (b) the possibility that 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 Assets 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 or 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 proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting

The accounts of the Town are organized on the basis of funds which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net assets, 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 that are 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, and library are accounted for in this fund.

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

2. Proprietary Fund types are used to account for activities which are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers related to the Town's business activities are accounted for through proprietary funds. The measurement focus is on income determination, financial position, and cash flows. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Town has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting (Continued)

Enterprise Funds – 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 comprise the Town's major enterprise funds:

Airport Fund – This fund is used to account for the operation and maintenance of the Town's airport. The Airport Fund also receives funding through State and Federal grants.

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

D. Measurement Focus and Basis of Accounting

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

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

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds 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.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Data (Continued)

Each year all departments of the government submit requests for appropriation to the Town Manager so that 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, 2011, General Fund supplemental appropriations totaling \$2,547,593 were authorized by Town Council.

F. Other Significant Accounting Policies

1. Cash and Cash Equivalents

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

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

2. Restricted Cash

Restricted cash of \$12,245,544 and \$1,892,423 for governmental activities and business-type activities at June 30, 2011 are 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

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 October 5 with pro-ration of personal property taxes throughout the year. Prorated personal property taxes levied after June 15 are due March 15.

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. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

6. Inventory

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

7. Capital Assets

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

7. Capital Assets (Continued)

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 only available for educational and research purposes to be completed at the library.

8. Deferred Revenue

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

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.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Noncurrent portions of long-term inter-fund loan receivables are reported as advances within the governmental funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resource and, therefore, are not available for appropriation.

10. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when earned in government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation 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. In prior years, the General Fund was responsible for paying the liability for compensated absences for retired and terminated employees of the general government.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

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 Assets. Bonds payable are reported net of the applicable premium, discount, or losses on refundings.

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 debt service expenditures.

12. Bond Premiums, Discounts, Deferred Losses on Refundings, and Issuance Costs

Bond premiums, discounts, deferred losses on refundings and issuance costs are deferred and amortized over the life of the bonds using a method which approximates the effective interest method. Bond discounts, net of amortization, as well as deferred losses on refundings, net of amortization, are presented as reductions to the face amount of bonds payable on the accompanying Statement of Net Assets. Bond premiums, net of amortization, are presented as an increase to the face amount of bonds payable on the accompanying Statements of Net Assets. Issuance costs, net of amortization, are presented as non-current assets on the accompanying Statements of Net Assets. The actual amounts of each of these items are presented in the schedule in Note 8, Long-Term Debt.

13. Fund Equity

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

13. Fund Equity (Continued)

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

Assigned fund balance – amounts constrained by the Town's intent but are neither restricted nor committed.

Unassigned fund balance – residual balance of the General Fund that 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.

14. Net Assets

Net assets represent the difference between assets and liabilities. The caption net assets "invested in capital assets, net of related debt" 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 assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are 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 assets are available.

15. Use of Estimates

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

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 that 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 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

3. *Prime Commercial Paper*

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

4. *Certificates of Deposit*

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

5. *Bankers' Acceptances*

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

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

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

7. *Repurchase Agreements*

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

8. *Open-End Investment Funds*

Open-end investment funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

10. Virginia State Non-Arbitrage Program (SNAP)

Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an "AAAm" rating by Standard & Poor's.

11. Federally Insured Certificates of Deposit (CDARS)

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

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

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, 2011, 52% 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.

TOWN OF LEESBURG, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****Note 2. Deposits and Investments (Continued)****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 rising 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	\$ 551,916	\$ 551,916
Certificates of deposit	7,787,159	7,787,159
SNAP	7,865,371	7,865,371

All U. S. Securities and government backed investments were downgraded from an AAA to an AA+ rating by Standard & Poor's subsequent to year end.

Note 3. Estimated Unbilled Revenue

Water and Sewer 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, 2011, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$3.3 million.

Note 4. Receivables

Receivables at June 30, 2011 for the Town's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Airport Fund	Water and Sewer Fund	Totals
Property taxes	\$ 6,578,945	\$ -	\$ -	\$ -	\$ 6,578,945
Utility taxes	132,471	-	-	-	132,471
Local taxes	1,430,782	-	-	-	1,430,782
Accounts	95,022	25,000	119,905	3,726,742	3,966,669
Gross receivables	8,237,220	25,000	119,905	3,726,742	12,108,867
Less allowance for uncollectible accounts	(263,540)	-	(3,000)	(90,000)	(356,540)
Net receivables	\$ 7,973,680	\$ 25,000	\$ 116,905	\$ 3,636,742	\$ 11,752,327

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables (Continued)

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the General Fund were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 432,603	\$ -
Advance collection of 2011-2012 taxes	-	63,948
2011-2012 property taxes receivable	-	5,427,906
Business licenses receivable	-	48,053
Motor vehicle decal receivable	-	364,771
Capital projects	-	694,277
	<u>\$ 432,603</u>	<u>\$ 6,598,955</u>

The Capital Projects Fund reported unearned revenue of \$694,277 in connection with contributions received in advance from Loudoun County for the County's share of capital projects undertaken by the Town.

The Airport Fund reported earned revenue in connection with an operating lease. 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.

Note 5. Due From Other Governments

At June 30, 2011, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:

Local sales tax	\$ 715,112
Other taxes and excess fees	9,825
Car rental tax	33,504
Communication sales and use	343,231
	<u>1,101,672</u>

Federal government:

Highway planning and construction	184,521
Other	15,434
	<u>199,955</u>

Northern Virginia Cigarette Tax Board	<u>103,636</u>
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Other governments	<u>96,163</u>
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Total General Fund	<u>\$ 1,501,426</u>
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TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Due From Other Governments (Continued)

Enterprise Fund:

Water and Sewer Fund:

Federal government	\$	12,030
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Total Water and Sewer Fund	\$	12,030
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Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 41,176,415	\$ 533,314	\$ -	\$ 41,709,729
Construction in progress	7,272,054	7,704,756	(4,010,106)	10,966,704
Total capital assets, not being depreciated or amortized	48,448,469	8,238,070	(4,010,106)	52,676,433
Capital assets, being depreciated or amortized:				
Buildings and improvements	65,770,571	1,929,784	866,211	68,566,566
Furniture, equipment and software	3,241,280	291,258	(111,482)	3,421,056
Computer equipment and software	2,226,988	187,390	-	2,414,378
Vehicles	4,170,889	284,090	(294,161)	4,160,818
Infrastructure	198,147,126	4,514,731	3,473,244	206,135,101
Total capital assets being depreciated or amortized	273,556,854	7,207,253	3,933,812	284,697,919
Less accumulated depreciation and amortization for:				
Buildings and improvements	(16,147,804)	(1,501,073)	-	(17,648,877)
Furniture, equipment and software	(2,168,048)	(348,896)	137,884	(2,379,060)
Computer equipment and software	(974,638)	(396,143)	-	(1,370,781)
Vehicles	(2,647,020)	(370,872)	264,842	(2,753,050)
Infrastructure	(35,774,979)	(4,046,914)	-	(39,821,893)
Total accumulated depreciation and amortization	(57,712,489)	(6,663,898)	402,726	(63,973,661)
Total capital assets being depreciated or amortized, net	215,844,365	543,355	4,336,538	220,724,258
Governmental activities capital assets, net	\$ 264,292,834	\$ 8,781,425	\$ 326,432	\$ 273,400,691

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	\$ 8,867
Executive	503,002
Finance	4,964
Public safety	680,418
Parks and recreation	808,990
Balch Library	175,549
Planning and zoning	5,914
Public works	4,476,194
Total depreciation and amortization expense - governmental activities	\$ 6,663,898

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 12,205,242	\$ -	\$ -	\$ 12,205,242
Construction in progress	1,026,515	1,064,881	(1,246,438)	844,958
Total capital assets, not being depreciated or amortized	13,231,757	1,064,881	(1,246,438)	13,050,200
Capital assets, being depreciated or amortized:				
Water and sewer plant	125,074,638	259,046	-	125,333,684
Water and sewer lines	93,272,752	5,662,615	(15,377)	98,919,990
Furniture, equipment and software	5,028,412	179,864	468,016	5,676,292
Hangars	5,903,731	153,558	-	6,057,289
Runway	15,619,842	-	-	15,619,842
Buildings and improvements	8,903,752	-	-	8,903,752
Total capital assets being depreciated or amortized	253,803,127	6,255,083	452,639	260,510,849
Less accumulated depreciation and amortization for:				
Water and sewer plant	(20,202,703)	(2,870,843)	-	(23,073,546)
Water and sewer lines	(22,914,877)	(1,868,357)	7,931	(24,775,303)
Furniture, equipment and software	(3,967,693)	(231,013)	106,025	(4,092,681)
Hangars	(1,267,684)	(177,916)	-	(1,445,600)
Runway	(4,244,374)	(301,612)	-	(4,545,986)
Buildings and improvements	(2,116,186)	(354,581)	-	(2,470,767)
Total accumulated depreciation and amortization	(54,713,517)	(5,804,322)	113,956	(60,403,883)
Total capital assets being depreciated and amortized, net	199,089,610	450,761	566,595	200,106,966
Business-type activities capital assets, net	\$ 212,321,367	\$ 1,515,642	\$ (679,843)	\$ 213,157,166

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

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

Business-type activities:

Airport	\$ 900,207
Water and sewer	4,904,115
Total depreciation and amortization expense - business-type activities	\$ 5,804,322

Note 7. Interfund Assets/Liabilities

Advance from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Airport	\$ 3,082,174

The Airport Fund has not had sufficient cash flow from operations to meet all of its operating expenses and debt service costs. As a result, the General Fund has made operating cash advances to the Airport Fund to provide working capital and cover the annual cash deficits. During fiscal year 2010, the Airport Fund and General Fund entered into a lease agreement that allows for the Airport Fund to repay \$697,736 to the General Fund for the advances made in prior years. The airport agreed to lease office space to the General Fund for a term of five years commencing in December 2009 in monthly installments of \$3,222 through December 2014 at which time the lease agreement will automatically renew for an additional five year term unless either party cancels the agreement. At June 30, 2011, \$637,662 remained outstanding under the lease agreement. No specific repayment terms have been established for the remaining \$2,444,512 in advances made to the Airport Fund from the General Fund.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. 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 funds 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, 2011 includes the following bond issues:

General Obligation Bonds:

\$9,190,000, 2005 General Obligation Bonds, due in annual principal payments of \$370,000 to \$665,000 through January 2026; plus interest at 4.00% to 5.00%	\$ 7,550,000
\$1,350,000, 2003 General Obligation Bonds, due in semi-annual installments of \$60,162 through July 2018; including interest at 3.60%	784,736
\$4,200,000, 2001 General Obligation Bonds due in semi-annual installments of \$154,578 through January 2022; including interest at 4.02%	2,726,639
\$14,545,000, 2000 General Obligation Public Improvement Bonds due in annual installments of \$965,000 to \$970,000 through January 2013; plus interest at 5.00% to 5.50%	1,935,000
\$20,035,000, 2006 General Obligation Refunding Bond Series B due in annual installments of \$285,000 to \$2,295,000 through September 2026; plus interest at 4.00% to 5.00%	18,915,000
\$55,660,000, 2006 "Double Barrel" General Obligation Public Utility Bonds due in annual installments of \$1,275,000 to \$3,030,000 through July 2036; plus interest at 3.75% to 5.00%	53,120,000
\$5,000,000, 2007 Bond Anticipation Note, principal due November 2012, repaid in September 2011	5,000,000
\$29,380,000, 2009 Build America Bonds (BABS), due in annual installments of \$210,000 to \$1,300,000 through February 2039; plus interest at 2.16% to 6.31%	28,013,934
Revenue Bonds:	
\$11,000,000, VRA 1999 Utility System Revenue Bonds; due in semi-annual installments of \$391,534 through September 2020; including interest at 3.50%	6,282,575
	124,327,884
	125,579
Plus unamortized premiums, discounts and deferred losses, net	\$ 124,453,463
Total bonded debt	

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

The Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond covenants collateralizes the bonds. The covenants provide that the revenue of the system is 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 2011, 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 premium, discount, and deferred loss is as follows:

Description	Business-Type Activities	Governmental Activities	Totals
Bonded long-term debt:			
1999 VRA utility revenue	\$ 6,282,575	\$ -	\$ 6,282,575
2000 Public improvement	481,815	1,453,185	1,935,000
2001 General obligation	-	2,726,639	2,726,639
2003 General obligation	-	784,736	784,736
2005 General obligation	-	7,550,000	7,550,000
2006 General obligation	53,120,000	-	53,120,000
2006B General obligation and refunding	2,184,975	16,730,025	18,915,000
2007 Bond anticipation note	-	5,000,000	5,000,000
2009 BABS	6,574,593	21,439,341	28,013,934
Total bonds payable	68,643,958	55,683,926	124,327,884
Plus: unamortized premiums	757,198	1,227,237	1,984,435
Less: deferred gains	(122,912)	(1,735,944)	(1,858,856)
Compensated absences	476,479	1,678,849	2,155,328
Totals	\$ 69,754,723	\$ 56,854,068	\$ 126,608,791

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

The following is a summary of long-term liability activity of the Town for the year ended June 30, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 58,871,267	\$ -	\$ (3,187,341)	\$ 55,683,926	\$ 8,908,202
Unamortized premiums	1,307,376	-	(80,139)	1,227,237	-
Deferred gains	(1,822,068)	-	86,124	(1,735,944)	-
Compensated absences	1,821,954	1,562,639	(1,705,744)	1,678,849	1,615,883
Governmental activities long-term activities	\$ 60,178,529	\$ 1,562,639	\$ (4,887,100)	\$ 56,854,068	\$ 10,524,085

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

Year Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2012	\$ 8,908,202	\$ 2,575,374	\$ 11,483,576
2013	3,905,445	2,087,816	5,993,261
2014	3,956,393	1,885,363	5,841,756
2015	3,942,514	1,785,333	5,727,847
2016	3,710,372	1,629,794	5,340,166
2017-2021	17,181,625	5,723,809	22,905,434
2022-2026	9,765,034	2,615,898	12,380,932
2027-2031	4,314,341	583,401	4,897,742
Totals	\$ 55,683,926	\$ 18,886,788	\$ 74,570,714

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable	\$ 71,588,680	\$ -	\$ (2,944,722)	\$ 68,643,958	\$ 2,918,391
Unamortized premiums	800,018	-	(42,820)	757,198	-
Deferred gains	(139,857)	-	16,945	(122,912)	-
Compensated absences	485,671	432,756	(441,948)	476,479	406,115
Business-type activities long-term liabilities	\$ 72,734,512	\$ 432,756	\$ (3,412,545)	\$ 69,754,723	\$ 3,324,506

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

Year Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2012	\$ 2,918,391	\$ 2,952,394	\$ 5,870,785
2013	3,014,693	2,866,681	5,881,374
2014	3,080,559	2,769,958	5,850,517
2015	3,168,423	2,650,094	5,818,517
2016	3,245,801	2,526,350	5,772,151
2017-2021	18,646,499	10,388,074	29,034,573
2022-2026	11,135,000	6,705,340	17,840,340
2027-2031	9,260,000	4,580,928	13,840,928
2032-2036	11,080,000	2,166,736	13,246,736
2037-2039	3,094,592	158,008	3,252,600
	<u>\$ 68,643,958</u>	<u>\$ 37,764,563</u>	<u>\$ 106,408,521</u>

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$578 million, which is computed based upon 10% of the assessed value on real estate subject to taxation less applicable bonded debt.

Note 9. Interfund Transfers

	General	Capital Projects	Total Transferred Out
Transfer from fund:			
Governmental activities:			
General	\$ -	\$ 622	\$ 622
Capital Projects	1,670,659	-	1,670,659
Business-type activities:			
Airport	229,076	26,367	255,443
Water and Sewer	1,709,286	51,689	1,760,975
Total transferred in	<u>\$ 3,609,021</u>	<u>\$ 78,678</u>	<u>\$ 3,687,699</u>

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Interfund Transfers (Continued)

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

The transfer from the General Fund to the Capital Projects Fund was to reimburse the Capital Projects Fund for cost associated with the CAD/RMS system.

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

Note 10. 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 that 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, 2011, the Town was contractually obligated for \$2.3 million to complete various construction projects within the Town. The funds for these improvements are expected to come from net asset reserves, the issuance of debt and state funding.

Note 11. Other Postemployment Benefits

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

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

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

The OPEB Trust does not issue stand alone financial statements.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits (Continued)

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 but less than 20 years, and at least 10 but less than 15 years of service will pay 10%, 50% and 75%, respectively, of the monthly health insurance premiums and supplemental Medicare insurance. Retired employees participating in the plan shall pay all additional premiums for spouse or dependent coverage requested. Employees retiring prior to December 31, 2002, with 20 or more years of service have 100% of their monthly health insurance premiums and supplemental Medicare insurance paid by the Town. For employees hired after June 30, 2008, the health insurance costs are capped. This will require the Town to pay for increased premium costs for eligible retirees for the next 20 years. However, after that, new retirees will be responsible for all increases in premiums, shifting the cost of the premiums from the Town to the retiree.

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

Annual OPEB cost and Net OPEB Obligation: In 2010, the Town had an actuarial valuation of post employment benefits performed as of July 1, 2009. The annual cost of the OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The phase-in of full funding cost for OPEB benefits is \$1,322,819 and the annual benefit cost is \$1,505,128 for 2011. The percentage of the annual OPEB cost contributed is 88.15%.

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 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, 2011 the Town has recorded a liability of \$1,499,494 on the Statement of Net Assets and enterprise fund statements.

The Town is 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, 2011:

	General	Water and Sewer	Airport	Totals
ARC	\$ 1,143,833	\$ 325,553	\$ 16,458	\$ 1,485,844
Interest on net OPEB obligation	68,831	21,226	1,180	91,237
Adjustment to ARC	(54,283)	(16,739)	(931)	(71,953)
Annual OPEB cost	1,158,381	330,040	16,707	1,505,128
Contributions made	(1,041,208)	(272,342)	(13,269)	(1,326,819)
Increase in net OPEB obligation	117,173	57,698	3,438	178,309
Net OPEB obligation, beginning of year	986,543	317,067	17,575	1,321,185
Net OPEB obligation, end of year	\$ 1,103,716	\$ 374,765	\$ 21,013	\$ 1,499,494

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits (Continued)

Trend Information

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 1,505,128	88.15%	\$ 1,499,494
June 30, 2010	1,424,005	63.22%	1,321,185
June 30, 2009	1,135,000	29.74%	797,461

Funding Status and Funding Process: As of July 1, 2009, the most recent actuarial valuation date, the plan was partially funded. The actuarial value of the assets was \$854,417 resulting in an unfunded actuarial accrued liability (UAAL) of \$13,454,461.

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, 2007	\$ -	\$ 11,225,000	\$ 11,225,000	0.00%	\$ 18,743,000	59.9%
July 1, 2009	213,704	12,996,203	12,782,499	1.6%	20,939,368	61.0%
July 1, 2010 *	854,417	14,308,878	13,454,461	6.0%	21,776,942	61.8%

* The July 1, 2010 amounts are projected amounts based on the July 1, 2009 valuation.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits (Continued)

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 that are 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 2009 actuarial valuation determined the OPEB liability based on the entry age normal cost method. The actuarial assumptions include a discount rate of 7.5%, salary increases comprised of a wage inflation component of 4.0% and a seniority and merit component of .5% and an ultimate healthcare and dental trend rate of 5.0%. The unfunded liability is amortized over a period of 30 years as a level percentage of payroll on an open basis.

Note 12. Defined Benefit Pension Plan

Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. This 5% member contribution has been assumed by the Town. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2011 was 13.00% of annual covered payroll.

Annual Pension Cost (APC)

For fiscal year 2011, the Town's annual pension cost of \$2,872,482 was equal to the Town's required and actual contributions.

Three-year trend information for the Town is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 2,895,360	100%	\$ -
June 30, 2010	2,926,912	100%	-
June 30, 2011	2,872,482	100%	-

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (APC) (Continued)

The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.5% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 78.37% funded. The actuarial accrued liability for benefits was \$63,664,902 and the actuarial value of assets was \$49,891,563 resulting in an unfunded actuarial accrued liability (UAAL) of \$13,773,339. The covered payroll (annual payroll of active employees covered by the plan) was \$22,483,508, and ratio of the UAAL to the covered payroll was 61.26%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 13. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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.

The Town also has coverage with the Virginia Association of Counties (VACO) for workers' compensation. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays VACO contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the case for both pools, if the event of a loss deficit and depletion of all available excess insurance, the pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town participates in VACO, which is a public entity risk pool that provides commercial general liability, property, automobile, and other types of insurance coverage to Virginia localities.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Operating Rental Income Lease

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, 2011 with four significant leases, two expiring in June 2014, one in April 2018, and one in January 2026.

Year Ending June 30,	Rental Income
2012	\$ 155,899
2013	155,899
2014	161,579
2015	97,149
2016	97,149
2017-2021	263,648
2022-2026	102,813
	<u>\$ 1,034,136</u>

Note 15. Pending GASB Statements

At June 30, 2011, the Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 61, *Financial Reporting Entity Omnibus*, will result in the financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. Statement No. 61 will be effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2011.

The Town has reviewed these statements and is in the process of determining the full effect these GASB Statements will have on its financial statements.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Restatement of Beginning Fund Balance – General Fund

The following table shows the change to the beginning fund balance from the amounts previously reported:

Balance at June 30, 2010, as reported	\$ 15,777,175
Transfer of Other Governmental Funds to the General Fund to comply with GASB Statement No. 54	<u>5,679,497</u>
Balance at June 30, 2010, as adjusted	<u>\$ 21,456,672</u>

Note 17. Subsequent Event

Subsequent to year-end, the Town issued \$30,870,000 in General Obligation Public Improvement and Refunding Bonds, Series 2011, Series 2011A Tax-Exempt, and Series 2011B Taxable totaling \$26,990,000 and \$3,880,000, respectively. The bonds were issued to fund various construction projects and to refund portions of the Series 2001, 2003, 2005, 2006, 2006B, 1999 Utility Revenue Bonds, and remaining 2000 bond.

Note 18. Reclassification

Certain non-operating revenues on the Statement of Revenues, Expenses and Changes in Fund Net Assets for the proprietary funds for the year ended June 30, 2010 have been reclassified, with no effect on the change in net assets, to be consistent with the classifications adopted for the year ended June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION



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TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

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
June 30, 2010	\$ 49,891,563	\$ 63,664,902	\$ 13,773,339	78.37%	\$22,483,508	61.26%
June 30, 2009	46,921,071	53,958,657	7,037,586	86.96%	22,550,312	31.21%
June 30, 2008	43,195,062	47,993,304	4,798,242	90.00%	21,321,818	22.50%

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, 2007	\$ -	\$ 11,225,000	\$ 11,225,000	0.00%	\$18,743,000	59.9%
July 1, 2009	213,704	12,996,203	12,782,499	1.6%	20,939,368	61.0%
July 1, 2010	854,417	14,308,878	13,454,461	6.0%	21,776,942	61.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 1,135,000	29.74%
2010	1,424,005	63.22%
2011	1,505,128	88.15%



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SUPPLEMENTAL SCHEDULES

TOWN OF LEESBURG, VIRGINIA

Exhibit B-1

GENERAL FUND COMPARATIVE BALANCE SHEETS June 30, 2011 (With Comparative Totals for 2010)

	2011	2010
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 14,541,624	\$ 13,044,835
Receivables, net:		
Property taxes, including penalties	6,328,945	6,188,226
Utility taxes	132,471	122,949
Local taxes	1,430,782	1,183,218
Accounts	81,482	122,593
Accrued interest	31,737	54,054
Advances to other funds	3,082,174	3,756,140
Due from other governments	1,316,905	1,843,625
Prepaid health insurance	283,699	-
Restricted cash	5,888,438	5,845,773
Total assets	\$ 33,118,257	\$ 32,161,413
LIABILITIES		
Accounts payable	\$ 743,745	\$ 1,118,881
Accrued payroll	1,821,604	1,457,238
Other accrued liabilities	101,862	114,182
Customer deposits and contingent charges	1,675,224	1,752,091
Deferred revenues	6,337,281	6,262,349
Total liabilities	10,679,716	10,704,741
FUND BALANCE		
Nonspendable		
Prepaid health insurance	283,699	-
Due from other funds	3,082,174	3,756,141
Restricted		
Balch Library	724,949	352,232
Parks and recreation (Symmington)	5,083,483	5,107,025
Police	43,646	252,468
Committed		
Revenue stabilization	1,400,000	1,400,000
Assigned		
Capital asset reserve	1,195,637	1,500,000
Expenditures designated for future years	1,521,624	559,742
Unassigned	9,103,329	8,529,064
Total fund balance	22,438,541	21,456,672
Total liabilities and fund balance	\$ 33,118,257	\$ 32,161,413

TOWN OF LEESBURG, VIRGINIA

Exhibit B-2
Page 1GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources:				
General property taxes:				
Real estate taxes:				
Current	\$ 10,898,983	\$ 10,898,983	\$ 10,527,427	\$ (371,556)
Delinquent	200,000	200,000	53,239	(146,761)
Personal property taxes:				
Current	1,600,000	1,600,000	1,524,017	(75,983)
Delinquent	60,000	60,000	69,026	9,026
Public service corporation taxes	190,000	190,000	228,694	38,694
Penalties and interest	100,000	100,000	101,595	1,595
Total general property taxes	13,048,983	13,048,983	12,503,998	(544,985)
Other local taxes:				
Utility	1,650,000	1,650,000	1,542,597	(107,403)
Daily rental	15,000	15,000	10,570	(4,430)
Cable TV franchise	77,000	77,000	136,471	59,471
Meals	3,350,000	3,350,000	3,672,760	322,760
Bank franchise	600,000	600,000	734,655	134,655
Telecommunication	150,000	150,000	156,968	6,968
Cigarette	800,000	800,000	872,047	72,047
Sales and use	4,125,000	4,125,000	4,158,970	33,970
Business and occupational licenses	2,835,000	2,835,000	2,880,044	45,044
Motor vehicle licenses	780,000	780,000	792,369	12,369
Transient occupancy	750,000	750,000	628,452	(121,548)
Total other local taxes	15,132,000	15,132,000	15,585,903	453,903
Permits, fees and licenses:				
Zoning, subdivision and development fees	400,000	400,000	350,948	(49,052)
Permits	-	-	82,023	82,023
Total permits, fees and licenses	400,000	400,000	432,971	32,971
Fines and forfeitures:				
Police forfeiture	-	-	7,542	7,542
Traffic fines	320,000	320,000	451,328	131,328
Parking fines	75,000	75,000	117,458	42,458
Total fines and forfeitures	395,000	395,000	576,328	181,328
Use of money and property:				
Interest	100,000	100,000	147,519	47,519
Parking meters	70,000	70,000	62,255	(7,745)
Sales of surplus property	30,000	30,000	61,296	31,296
Parking facility revenues	125,000	125,000	76,483	(48,517)
Total use of money and property	325,000	325,000	347,553	22,553

TOWN OF LEESBURG, VIRGINIA

Exhibit B-2

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GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Revenue from local sources: (Continued)				
Charges for services:				
Publications	\$ 8,000	\$ 8,000	\$ 3,950	\$ (4,050)
Fingerprinting	5,000	5,000	4,102	(898)
Extradition	5,000	5,000	15,210	10,210
Parks and recreation user fees	4,887,112	4,887,112	4,772,869	(114,243)
Total charges for services	4,905,112	4,905,112	4,796,131	(108,981)
Contributions	-	45,000	439,619	394,619
Miscellaneous	1,163,047	1,118,047	981,939	(136,108)
Total revenues from local sources	35,369,142	35,369,142	35,664,442	295,300
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicles tax	-	-	501	501
Rental car tax	86,000	86,000	103,882	17,882
Mobile home titling tax	-	-	350	350
Personal property tax relief	1,468,941	1,468,941	1,468,941	-
Communication sales and use	2,317,000	2,317,000	2,253,896	(63,104)
Total non-categorical aid	3,871,941	3,871,941	3,827,570	(44,371)
Categorical aid:				
State fire programs funds	77,000	77,000	81,746	4,746
Law enforcement assistance	869,679	869,679	859,460	(10,219)
Highway maintenance	2,636,398	2,636,398	2,799,442	163,044
Disaster Grant - Public Assistance	25,000	25,000	695	(24,305)
Litter Program	-	-	8,217	8,217
Total categorical aid	3,608,077	3,608,077	3,749,560	141,483
Total revenue from the Commonwealth	7,480,018	7,480,018	7,577,130	97,112
Revenue from the federal government:				
Categorical aid:				
VA Commission for the Arts	5,000	5,000	5,000	-
Bulletproof Vest Grant	-	-	3,964	3,964
Emergency Management Institute	-	-	1,978	1,978
Disaster Grant - Public Assistance	-	-	243,906	243,906
Gang officer	90,000	90,000	111,026	21,026
Homeland Security	20,000	20,000	254	(19,746)
Violence Against Women	32,000	32,000	12,077	(19,923)
Bryne Formula Grant	-	-	14,186	14,186
Total categorical aid	147,000	147,000	392,391	245,391
Total revenue from the federal government	147,000	147,000	392,391	245,391
Total intergovernmental	7,627,018	7,627,018	7,969,521	342,503
Total revenues	42,996,160	42,996,160	43,633,963	637,803

TOWN OF LEESBURG, VIRGINIA

Exhibit B-2
Page 3GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Other financing sources:				
Transfers in	\$ 3,239,446	\$ 3,239,446	\$ 3,609,021	\$ 369,575
Total other financing sources	3,239,446	3,239,446	3,609,021	369,575
Total General Fund revenues and other financing sources	\$ 46,235,606	\$ 46,235,606	\$ 47,242,984	\$ 1,007,378

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Legislative:				
Town council:				
Personal service	\$ 60,820	\$ 60,870	\$ 60,822	\$ (48)
Contractual service	105,559	105,559	77,165	(28,394)
Materials and supplies	1,700	3,650	2,372	(1,278)
Contributions	645,598	645,598	645,598	-
Continuous charges	31,870	26,070	23,610	(2,460)
Total town council	845,547	841,747	809,567	(32,180)
Clerk of council:				
Personal service	97,584	104,784	101,760	(3,024)
Contractual service	6,102	8,102	6,373	(1,729)
Materials and supplies	2,000	2,000	1,012	(988)
Continuous charges	1,602	1,754	1,241	(513)
Total clerk of council	107,288	116,640	110,386	(6,254)
Total legislative	952,835	958,387	919,953	(38,434)
Executive:				
Town manager:				
Personal service	1,205,879	1,197,459	1,175,052	(22,407)
Contractual service	65,579	86,579	76,840	(9,739)
Materials and supplies	8,776	10,452	8,765	(1,687)
Claims and settlements	34,862	26,201	22,897	(3,304)
Continuous charges	11,516	13,049	9,862	(3,187)
Total town manager	1,326,612	1,333,740	1,293,416	(40,324)
Public arts commission:				
Personal service	4,520	4,520	4,083	(437)
Contractual service	1,850	1,850	890	(960)
Materials and supplies	150	1,150	-	(1,150)
Total public arts commission	6,520	7,520	4,973	(2,547)
Human resources:				
Personal service	445,782	464,932	461,990	(2,942)
Contractual service	102,927	92,577	63,710	(28,867)
Materials and supplies	5,250	7,297	4,388	(2,909)
Continuous charges	7,231	7,718	6,142	(1,576)
Capital outlay	-	2,330	2,330	-
Total human resources	561,190	574,854	538,560	(36,294)

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Executive: (Continued)				
Information technology operations:				
Personal service	\$ 685,896	\$ 769,786	\$ 766,558	\$ (3,228)
Contractual service	310,212	371,357	309,558	(61,799)
Materials and supplies	21,300	20,505	19,450	(1,055)
Continuous charges	3,713	2,993	2,886	(107)
Capital outlay	45,460	137,028	98,943	(38,085)
Total information technology operations	1,066,581	1,301,669	1,197,395	(104,274)
Information technology commission:				
Personal service	4,520	4,520	3,230	(1,290)
Contractual service	1,900	1,900	-	(1,900)
Materials and supplies	100	1,100	63	(1,037)
Total information technology commission	6,520	7,520	3,293	(4,227)
Economic development operations:				
Personal service	178,698	183,898	181,251	(2,647)
Contractual service	146,858	107,151	72,369	(34,782)
Materials and supplies	21,000	11,500	9,162	(2,338)
Continuous charges	-	138,060	108,992	(29,068)
Capital outlay	-	40,200	19,861	(20,339)
Total economic development operations	346,556	480,809	391,635	(89,174)
Economic development commission:				
Personal service	4,520	4,520	2,638	(1,882)
Contractual service	1,200	1,200	-	(1,200)
Total economic development commission	5,720	5,720	2,638	(3,082)
Non-departmental				
Salary savings	(180,000)	-	-	-
Total non-departmental	(180,000)	-	-	-
Total executive	3,139,699	3,711,832	3,431,910	(279,922)
Legal:				
Town attorney:				
Personal service	353,650	371,650	367,055	(4,595)
Contractual service	54,104	74,492	27,046	(47,446)
Materials and supplies	4,500	6,500	4,363	(2,137)
Continuous charges	2,491	2,797	2,095	(702)
Capital outlay	-	1,235	1,235	-
Total legal	414,745	456,674	401,794	(54,880)
Finance:				
Personal service	1,812,222	1,910,922	1,902,561	(8,361)
Contractual service	390,188	358,098	322,481	(35,617)
Materials and supplies	33,700	18,700	10,817	(7,883)
Continuous charges	19,202	18,114	15,477	(2,637)
Capital outlay	2,400	2,400	677	(1,723)
Total finance	2,257,712	2,308,234	2,252,013	(56,221)

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety:				
Administrative support:				
Personal service	\$ 970,256	\$ 870,597	\$ 846,743	\$ (23,854)
Contractual service	442,370	400,950	333,716	(67,234)
Materials and supplies	77,550	101,432	94,617	(6,815)
Continuous charges	179,464	180,942	157,867	(23,075)
Capital outlay	252,000	524,205	334,744	(189,461)
Total administrative support	1,921,640	2,078,126	1,767,687	(310,439)
Patrol operations:				
Personal service	4,979,242	4,783,242	4,719,164	(64,078)
Contractual service	34,045	42,922	26,198	(16,724)
Materials and supplies	115,850	120,141	92,756	(27,385)
Capital outlay	3,590	-	-	-
Total patrol operations	5,132,727	4,946,305	4,838,118	(108,187)
Criminal investigations:				
Personal service	1,424,640	1,324,640	1,291,301	(33,339)
Contractual service	32,996	32,997	13,960	(19,037)
Materials and supplies	15,687	15,812	4,681	(11,131)
Continuous charges	33,800	46,358	39,033	(7,325)
Capital outlay	2,000	15,010	9,420	(5,590)
Total criminal investigations	1,509,123	1,434,817	1,358,395	(76,422)
Community services:				
Personal service	1,375,907	1,503,907	1,480,864	(23,043)
Contractual service	13,030	13,031	8,959	(4,072)
Materials and supplies	43,400	39,023	22,589	(16,434)
Continuous charges	13,200	57,210	47,501	(9,709)
Capital outlay	-	1,394	1,364	(30)
Total community services	1,445,537	1,614,565	1,561,277	(53,288)
Information services:				
Personal service	1,242,885	1,178,285	1,136,770	(41,515)
Contractual service	140,900	132,400	109,481	(22,919)
Materials and supplies	10,400	11,998	7,350	(4,648)
Continuous charges	18,428	22,548	18,526	(4,022)
Capital outlay	16,000	21,092	5,281	(15,811)
Total information services	1,428,613	1,366,323	1,277,408	(88,915)

TOWN OF LEESBURG, VIRGINIA

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Public Safety: (Continued)				
Citizens' support team:				
Contractual service	\$ 1,060	\$ 1,060	\$ 833	\$ (227)
Materials and supplies	1,545	1,545	332	(1,213)
Continuous charges	2,200	2,200	1,569	(631)
Capital outlay	1,000	1,000	688	(312)
Total citizens' support team	5,805	5,805	3,422	(2,383)
Fire and rescue:				
Grants and contributions	77,000	77,000	77,000	-
Total fire and rescue	77,000	77,000	77,000	-
Total public safety	11,520,445	11,522,941	10,883,307	(639,634)
Public works:				
Public works administration:				
Personal service	508,927	500,927	498,257	(2,670)
Contractual service	6,460	6,687	3,725	(2,962)
Materials and supplies	2,900	2,900	1,649	(1,251)
Continuous charges	30,538	26,330	22,546	(3,784)
Capital outlay	100	100	-	(100)
Public works administration	548,925	536,944	526,177	(10,767)
Engineering and inspections:				
Personal service	732,800	630,100	629,753	(347)
Contractual service	46,270	129,343	32,041	(97,302)
Materials and supplies	5,455	5,455	4,889	(566)
Continuous charges	4,000	4,000	1,329	(2,671)
Capital outlay	1,000	1,135	135	(1,000)
Total engineering and inspections	789,525	770,033	668,147	(101,886)
Streets and grounds maintenance:				
Personal service	2,283,734	2,315,734	2,315,336	(398)
Contractual service	1,190,243	1,262,657	1,217,621	(45,036)
Materials and supplies	216,127	279,125	262,461	(16,664)
Continuous charges	152,760	55,624	48,364	(7,260)
Capital outlay	172,900	223,836	205,239	(18,597)
Total streets and grounds maintenance	4,015,764	4,136,976	4,049,021	(87,955)
Building maintenance:				
Personal service	338,091	361,091	358,374	(2,717)
Contractual service	350,738	316,359	258,319	(58,040)
Materials and supplies	36,100	75,335	55,620	(19,715)
Continuous charges	137,440	144,503	133,310	(11,193)
Capital outlay	20,000	695,489	272,916	(422,573)
Total building maintenance	882,369	1,592,777	1,078,539	(514,238)

TOWN OF LEESBURG, VIRGINIA

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GENERAL FUND

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SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Public works: (Continued)				
Fleet maintenance:				
Personal service	\$ 609,042	\$ 615,542	\$ 613,311	\$ (2,231)
Contractual service	40,598	84,788	79,365	(5,423)
Materials and supplies	176,810	207,821	205,399	(2,422)
Claims and settlements	25,000	25,000	23,155	(1,845)
Continuous charges	367,256	441,055	424,001	(17,054)
Total fleet maintenance	1,218,706	1,374,206	1,345,231	(28,975)
Refuse collection and recycling:				
Contractual service	2,642,000	2,574,510	2,571,435	(3,075)
Materials and supplies	8,445	11,937	11,930	(7)
Total refuse collection and recycling	2,650,445	2,586,447	2,583,365	(3,082)
Street lighting:				
Personal service	309,606	321,606	318,579	(3,027)
Contractual service	73,224	93,502	71,808	(21,694)
Materials and supplies	29,300	51,775	38,286	(13,489)
Claims and settlements	25,000	805	-	(805)
Continuous charges	422,487	452,004	432,708	(19,296)
Capital outlay	46,000	67,831	54,958	(12,873)
Total street lighting	905,617	987,523	916,339	(71,184)
Regional transportation:				
Grants and contributions	218,442	218,442	218,442	-
Total regional transportation	218,442	218,442	218,442	-
Total public works	11,229,793	12,203,348	11,385,261	(818,087)
Parks and recreation:				
Parks and recreation administration:				
Personal service	569,053	434,053	426,592	(7,461)
Contractual service	20,238	20,048	14,211	(5,837)
Materials and supplies	4,000	3,850	2,604	(1,246)
Continuous charges	39,349	36,381	31,087	(5,294)
Total parks and recreation administration	632,640	494,332	474,494	(19,838)

TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Parks and recreation: (Continued)				
Parks:				
Personal service	\$ 733,251	\$ 742,251	\$ 746,748	\$ 4,497
Contractual service	83,837	68,917	39,524	(29,393)
Materials and supplies	136,820	136,176	132,544	(3,632)
Continuous charges	141,617	144,521	144,807	286
Capital outlay	10,000	34,490	26,762	(7,728)
Total parks	1,105,525	1,126,355	1,090,385	(35,970)
Recreation programs administration:				
Personal service	179,978	193,578	193,517	(61)
Contractual service	84,235	84,235	81,817	(2,418)
Materials and supplies	2,000	1,000	435	(565)
Total recreation programs administration	266,213	278,813	275,769	(3,044)
Ida Lee recreation center:				
Personal service	1,130,440	1,180,440	1,204,851	24,411
Contractual service	330,801	320,470	296,278	(24,192)
Materials and supplies	61,100	73,529	71,949	(1,580)
Continuous charges	343,892	337,892	219,661	(118,231)
Capital outlay	-	253,654	252,753	(901)
Total Ida Lee recreation center	1,866,233	2,165,985	2,045,492	(120,493)
Fitness programs:				
Personal service	323,625	396,025	395,929	(96)
Contractual service	34,685	43,580	41,154	(2,426)
Materials and supplies	6,600	6,600	6,645	45
Total fitness programs	364,910	446,205	443,728	(2,477)
Community outreach:				
Personal service	152,041	152,541	152,116	(425)
Contractual service	15,871	20,971	15,329	(5,642)
Materials and supplies	6,500	6,508	6,336	(172)
Total community outreach	174,412	180,020	173,781	(6,239)
Aquatics:				
Personal service	1,055,139	1,115,139	1,176,490	61,351
Contractual service	10,336	15,954	15,264	(690)
Materials and supplies	46,130	45,152	44,238	(914)
Total aquatics	1,111,605	1,176,245	1,235,992	59,747

TOWN OF LEESBURG, VIRGINIA

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Expenditures	
Parks and recreation: (Continued)				
Sport programs:				
Personal service	\$ 128,644	\$ 138,644	\$ 150,549	\$ 11,905
Contractual service	263	263	163	(100)
Materials and supplies	14,500	15,000	14,229	(771)
Total sport programs	143,407	153,907	164,941	11,034
Recreation classes:				
Personal service	143,388	124,888	117,585	(7,303)
Contractual service	9,983	14,483	8,826	(5,657)
Materials and supplies	7,125	7,125	5,475	(1,650)
Total recreation classes	160,496	146,496	131,886	(14,610)
Special events:				
Personal service	79,251	77,251	69,523	(7,728)
Contractual service	228,638	260,377	157,135	(103,242)
Materials and supplies	46,879	51,867	39,036	(12,831)
Continuous charges	-	1,828	900	(928)
Total special events	354,768	391,323	266,594	(124,729)
Tennis court complex:				
Personal service	288,270	390,270	389,560	(710)
Contractual service	16,935	17,002	13,418	(3,584)
Materials and supplies	21,500	22,160	20,611	(1,549)
Continuous charges	64,000	64,000	59,159	(4,841)
Total tennis court complex	390,705	493,432	482,748	(10,684)
Camp programs:				
Personal service	100,308	93,808	87,060	(6,748)
Contractual service	15,400	15,835	14,622	(1,213)
Materials and supplies	7,500	8,360	8,682	322
Total camp programs	123,208	118,003	110,364	(7,639)
Preschool childcare programs:				
Personal service	90,210	90,210	85,886	(4,324)
Contractual service	2,478	2,478	1,779	(699)
Materials and supplies	3,500	4,412	4,396	(16)
Total preschool childcare programs	96,188	97,100	92,061	(5,039)

TOWN OF LEESBURG, VIRGINIA

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GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Parks and recreation: (Continued)				
Outdoor pool:				
Personal service	\$ 353,665	\$ 289,065	\$ 268,273	\$ (20,792)
Contractual service	18,500	16,500	11,819	(4,681)
Materials and supplies	34,000	36,210	27,837	(8,373)
Continuous charges	30,000	30,000	21,396	(8,604)
Total outdoor pool	436,165	371,775	329,325	(42,450)
Parks and recreation commission:				
Personal service	4,520	4,520	3,876	(644)
Total parks and recreation commission	4,520	4,520	3,876	(644)
Total parks and recreation	7,230,995	7,644,511	7,321,436	(323,075)
Library:				
Library operations:				
Personal service	372,875	356,875	353,234	(3,641)
Contractual service	36,815	43,753	38,616	(5,137)
Materials and supplies	37,600	35,045	29,891	(5,154)
Continuous charges	24,267	24,267	22,794	(1,473)
Total library operations	471,557	459,940	444,535	(15,405)
Library advisory commission:				
Personal service	4,520	4,520	3,876	(644)
Contractual service	1,000	1,480	1,166	(314)
Materials and supplies	350	250	105	(145)
Total library advisory commission	5,870	6,250	5,147	(1,103)
Total library	477,427	466,190	449,682	(16,508)
Planning and zoning:				
Planning and zoning operations:				
Personal service	1,689,254	1,847,684	1,837,878	(9,806)
Contractual service	62,503	74,045	24,670	(49,375)
Materials and supplies	9,380	10,380	4,896	(5,484)
Continuous charges	15,400	14,633	13,072	(1,561)
Capital outlay	-	11,950	-	(11,950)
Total planning and zoning operations	1,776,537	1,958,692	1,880,516	(78,176)
Planning commission:				
Personal service	22,775	22,775	22,768	(7)
Contractual service	3,000	3,000	495	(2,505)
Materials and supplies	250	250	116	(134)
Total planning commission	26,025	26,025	23,379	(2,646)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2011

	Budgeted Amounts		Expenditures	Variance with Final Budget Over (Under)
	Original	Final		
Planning and zoning: (Continued)				
Board of zoning appeals:				
Personal service	\$ 3,230	\$ 3,230	\$ 431	\$ (2,799)
Contractual service	500	500	-	(500)
Total board of zoning appeals	<u>3,730</u>	<u>3,730</u>	<u>431</u>	<u>(3,299)</u>
Board of architectural review:				
Personal service	22,775	22,775	20,166	(2,609)
Contractual service	2,000	3,350	1,592	(1,758)
Materials and supplies	500	500	344	(156)
Total board of architectural review	<u>25,275</u>	<u>26,625</u>	<u>22,102</u>	<u>(4,523)</u>
Tree commission:				
Personal service	4,520	4,520	3,768	(752)
Contractual service	2,000	5,000	1,875	(3,125)
Total tree commission	<u>6,520</u>	<u>9,520</u>	<u>5,643</u>	<u>(3,877)</u>
Environmental advisory commission:				
Personal service	4,520	4,520	2,584	(1,936)
Contractual service	2,000	4,500	3,912	(588)
Materials and supplies	500	500	24	(476)
Total environmental advisory commission	<u>7,020</u>	<u>9,520</u>	<u>6,520</u>	<u>(3,000)</u>
Total planning and zoning	<u>1,845,107</u>	<u>2,034,112</u>	<u>1,938,591</u>	<u>(95,521)</u>
Plan review:				
Personal service	1,456,353	1,489,803	1,480,452	(9,351)
Contractual service	149,904	285,958	66,315	(219,643)
Materials and supplies	17,263	6,166	5,790	(376)
Continuous charges	1,624	9,272	9,190	(82)
Capital outlay	1,000	5,567	4,364	(1,203)
Total plan review	<u>1,626,144</u>	<u>1,796,766</u>	<u>1,566,111</u>	<u>(230,655)</u>
Debt service:				
Principal	3,110,508	3,187,408	3,187,341	(67)
Interest and fiscal charges	2,460,530	2,523,130	2,523,094	(36)
Total debt service	<u>5,571,038</u>	<u>5,710,538</u>	<u>5,710,435</u>	<u>(103)</u>
Total expenditures	<u>46,265,940</u>	<u>48,813,533</u>	<u>46,260,493</u>	<u>(2,553,040)</u>
Other financing uses:				
Transfers out	49,166	2,120	622	(1,498)
Total other financing uses	<u>49,166</u>	<u>2,120</u>	<u>622</u>	<u>(1,498)</u>
Total General Fund expenditures and other financing uses	<u>\$ 46,315,106</u>	<u>\$ 48,815,653</u>	<u>\$ 46,261,115</u>	<u>\$ (2,554,538)</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit C-1

AIRPORT FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2011
(With Comparative Totals for 2010)

	2011	2010
ASSETS		
Current Assets:		
Accounts receivable, net	\$ 116,905	\$ 133,796
Due from other governments	-	492,786
Restricted cash	-	1,401,882
Prepaid health insurance	3,658	-
Total current assets	120,563	2,028,464
Noncurrent Assets:		
Deferred charges	36,162	39,110
Capital assets:		
Land	10,618,886	10,618,886
Buildings and improvements	8,903,752	8,903,752
Equipment	2,199,568	1,625,527
Hangars	6,057,289	5,903,731
Runway	15,619,842	15,619,842
Construction in progress	270,591	648,309
Less: accumulated depreciation and amortization	(9,764,849)	(8,864,642)
Total capital assets, net	33,905,079	34,455,405
Total noncurrent assets	33,941,241	34,494,515
Total assets	34,061,804	36,522,979
LIABILITIES		
Current Liabilities:		
Accounts payable	27,472	618,183
Unearned revenue	18,338	18,338
Accrued payroll	39,393	15,627
Accrued interest	71,076	79,590
Compensated absences	9,042	12,817
Retainage payable	-	128,288
Advances from other funds	3,082,174	3,756,140
Bonds payable	300,285	338,700
Customer deposits and contingent charges	34,250	29,900
Total current liabilities	3,582,030	4,997,583
Noncurrent Liabilities:		
Compensated absences	6,028	8,490
Other postemployment benefits payable	21,013	17,575
Unearned revenue	94,109	130,784
Bonds payable	3,821,587	4,122,962
Total noncurrent liabilities	3,942,737	4,279,811
Total liabilities	7,524,767	9,277,394
NET ASSETS		
Invested in capital assets, net of related debt	29,783,207	31,267,337
Unrestricted (deficit)	(3,246,170)	(4,021,752)
Total net assets	\$ 26,537,037	\$ 27,245,585

AIRPORT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011
(With Comparative Totals for 2010)

	2011	2010
Operating Revenues:		
Charges for services	\$ 1,092,572	\$ 716,920
Total operating revenues	1,092,572	716,920
Operating Expenses:		
Personal service	422,715	392,770
Contractual services	156,536	146,938
Depreciation and amortization	900,207	854,488
Materials and supplies	17,773	23,587
Continuous charges	95,606	86,709
Capital outlay	-	2,979
Total operating expenses	1,592,837	1,507,471
Operating loss	(500,265)	(790,551)
Nonoperating Revenues (Expenses):		
Commonwealth of Virginia grants	23,398	28,936
Federal grants	4,217	-
Contributions	42,048	-
Interest on investments	35,757	11,371
Interest and fiscal charges	(211,110)	(202,313)
Total nonoperating expenses, net	(105,690)	(162,006)
Loss before capital grants, assistance and transfers	(605,955)	(952,557)
Capital grants, assistance and transfers:		
Commonwealth of Virginia grants	36,687	708,210
Federal grants	116,163	545,116
Capital contributions	-	504,350
Transfers out	(255,443)	(228,519)
Total capital grants, assistance and transfers, net	(102,593)	1,529,157
Change in net assets	(708,548)	576,600
Net assets, beginning	27,245,585	26,668,985
Net assets, ending	\$ 26,537,037	\$ 27,245,585

TOWN OF LEESBURG, VIRGINIA

Exhibit C-3

AIRPORT FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Year Ended June 30, 2011
(With Comparative Totals for 2010)

	2011	2010
Cash Flows From Operating Activities:		
Receipts from customers	\$ 1,077,138	\$ 722,068
Payments to suppliers for goods and services	(308,732)	(425,597)
Payments to employees for services	(405,408)	(389,725)
Net cash provided by (used in) operating activities	362,998	(93,254)
Cash Flows From Noncapital and Related Financing Activities:		
Operating grants	27,615	28,936
Contributions	42,048	-
Transfers out	(255,443)	(228,519)
Net cash used in noncapital and related financing activities	(185,780)	(199,583)
Cash Flows From Capital and Related Financing Activities:		
Capital grant revenue	645,636	824,938
(Repayment to) advances from other funds	(635,302)	1,908,297
Acquisition and construction of capital assets	(1,056,617)	(2,100,290)
Interest and fiscal charges	(229,874)	(202,802)
Proceeds from debt issuance	-	1,445,000
Principal paid on bonds	(338,700)	(191,795)
Net cash provided by (used in) capital and related financing activities	(1,614,857)	1,683,348
Cash Flows From Investing Activities:		
Interest on investments	35,757	11,371
Net cash provided by investing activities	35,757	11,371
Net change in cash and cash equivalents	(1,401,882)	1,401,882
Cash and Cash Equivalents		
Beginning	1,401,882	-
Ending	\$ -	\$ 1,401,882
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities:		
Operating loss	\$ (500,265)	\$ (790,551)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	900,207	854,488
Changes in assets and liabilities:		
Increase in accounts receivable	16,891	3,418
Increase (decrease) in:		
Accounts payable	(165)	(143,974)
Accrued liabilities	27,214	2,620
Prepays	(3,658)	-
Due to other funds	(38,664)	(21,410)
Unearned revenue	(36,675)	-
Compensated absences	(6,237)	425
Customer deposits and contingent charges	4,350	1,730
Net cash provided by (used in) operating activities	\$ 362,998	\$ (93,254)
Supplemental Disclosure of Noncash Capital and Related Financing Activities:		
Capital assets acquired through incurrence of accounts and retainage payable	\$ 7,827	\$ 714,563
Repayment of debt via capital contribution	\$ -	\$ 504,350

WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2011
(With Comparative Totals for 2010)

	2011	2010
ASSETS		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 12,447,357	\$ 14,036,377
Accounts receivable, net	3,636,742	3,809,868
Inventory	309,409	296,278
Prepaid health insurance	59,152	-
Accrued interest	2,711	44,926
Due from other governments	12,030	-
Restricted cash	1,892,423	3,373,534
Total current assets	18,359,824	21,560,983
Noncurrent Assets:		
Deferred charges	394,156	411,198
Capital assets:		
Land	1,586,356	1,586,356
Water and sewer plant	125,333,684	125,074,638
Water and sewer lines	98,919,990	93,272,752
Furniture, equipment and software	3,476,724	3,402,885
Construction in progress	574,367	378,206
Less: accumulated depreciation and amortization	(50,639,034)	(45,848,875)
Total capital assets, net	179,252,087	177,865,962
Total noncurrent assets	179,646,243	178,277,160
Total assets	198,006,067	199,838,143
LIABILITIES		
Current Liabilities:		
Accounts payable	483,636	788,072
Accrued payroll	418,360	351,292
Accrued interest	1,360,863	1,409,981
Compensated absences	397,073	407,464
Retainage payable	28,280	193,400
Bonds payable	2,618,106	2,606,022
Customer deposits and contingent charges	848,154	851,480
Total current liabilities	6,154,472	6,607,711
Noncurrent Liabilities:		
Compensated absences	64,336	56,900
Other postemployment benefits payable	374,765	317,067
Bonds payable	62,538,266	65,181,157
Total noncurrent liabilities	62,977,367	65,555,124
Total liabilities	69,131,839	72,162,835
NET ASSETS		
Invested in capital assets, net of related debt	115,959,858	113,258,917
Unrestricted	12,914,370	14,416,391
Total net assets	\$ 128,874,228	\$ 127,675,308

TOWN OF LEESBURG, VIRGINIA

Exhibit C-5

WATER AND SEWER FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2011

(With Comparative Totals for 2010)

	2011	2010
Operating Revenues:		
Charges for services	\$ 14,792,146	\$ 13,517,737
Other	328,773	295,623
Total operating revenues	15,120,919	13,813,360
Operating Expenses:		
Personal service	7,015,947	7,031,954
Contractual services	688,245	666,270
Depreciation and amortization	4,904,115	4,358,923
Materials and supplies	1,044,372	1,153,682
Continuous charges	1,282,754	1,395,474
Claims and settlements	10,614	6,510
Capital outlay	98,246	24,315
Total operating expenses	15,044,293	14,637,128
Operating income (loss)	76,626	(823,768)
Nonoperating Revenues (Expenses):		
Commonwealth of Virginia grants	2,968	-
Federal grants	115,688	-
Interest on investments	49,080	47,844
Interest and fiscal charges	(2,844,170)	(2,970,018)
Installation and connection charges	1,264,881	2,017,082
Total nonoperating expenses, net	(1,411,553)	(905,092)
Loss before capital grants, assistance and transfers	(1,334,927)	(1,728,860)
Capital grants, assistance and transfers:		
Developer donated assets	4,974,665	3,882,336
Capital contributions	-	514,154
Capital assets contributed to general governmental activities	(679,843)	-
Transfers out	(1,760,975)	(1,973,333)
Total capital grants, assistance and transfers, net	2,533,847	2,423,157
Change in net assets	1,198,920	694,297
Net assets, beginning	127,675,308	126,981,011
Net assets, ending	\$ 128,874,228	\$ 127,675,308

WATER AND SEWER FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Year Ended June 30, 2011
(With Comparative Totals for 2010)

	2011	2010
Cash Flows From Operating Activities:		
Receipts from customers	\$ 14,961,946	\$ 12,672,134
Payments to suppliers for goods and services	(3,314,979)	(3,348,879)
Payments to employees for services	(6,937,194)	(6,981,097)
Other receipts	328,773	295,623
Net cash provided by operating activities	5,038,546	2,637,781
Cash Flows From Noncapital and Related Financing Activities:		
Operating grants	106,626	-
Transfers out	(1,760,975)	(1,973,333)
Net cash used in noncapital and related financing activities	(1,654,349)	(1,973,333)
Cash Flows From Capital and Related Financing Activities:		
Installation and connection charges	1,264,881	2,017,082
Acquisition and construction of capital assets	(2,303,451)	(4,925,986)
Interest and fiscal charges	(2,901,031)	(2,856,550)
Principal paid on bonds	(2,606,022)	(2,665,601)
Proceeds from debt issuance	-	5,395,000
Net cash used in capital and related financing activities	(6,545,623)	(3,036,055)
Cash Flows From Investing Activities:		
Interest on investments	91,295	71,108
Net cash provided by investing activities	91,295	71,108
Net decrease in cash and cash equivalents	(3,070,131)	(2,300,499)
Cash and Cash Equivalents:		
Beginning	17,409,911	19,710,410
Ending	\$ 14,339,780	\$ 17,409,911
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 76,626	\$ (823,768)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,904,115	4,358,923
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	173,126	(603,800)
Increase (decrease) in:		
Accounts payable	(178,358)	(104,653)
Accrued liabilities	141,601	87,723
Prepays	(59,152)	-
Inventory	(13,131)	2,027
Compensated absences	(2,955)	(36,868)
Customer deposits and contingent charges	(3,326)	(241,803)
Net cash provided by operating activities	\$ 5,038,546	\$ 2,637,781
Supplemental Disclosure of Noncash Capital and Related Financing Activities:		
Developer donated capital improvements	\$ 4,974,665	\$ 3,882,336
Capital assets acquired through incurrence of accounts and retainage payable	\$ 307,283	\$ 615,316
Repayment of debt via capital contribution	\$ -	\$ 514,154
Capital assets transferred to the general government	\$ 679,843	\$ -

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 - 5
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.	6 - 10
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.	11 - 14
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.	15 - 16
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.	17 - 19

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The Town implemented GASB 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.

TOWN OF LEESBURG, VIRGINIA

Table 1

NET ASSETS BY COMPONENT

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 92,944,622	\$ 105,994,731	\$ 115,237,852	\$ 130,206,071	\$ 136,614,229	\$ 149,797,357	\$ 162,651,222	\$ 219,771,450	\$ 223,911,574
Restricted	-	42,535	54,245	54,245	9,905,713	53,499	32,228	32,228	5,852,078
Unrestricted	13,411,700	16,771,086	28,123,822	32,303,535	26,195,217	35,468,057	21,508,860	17,659,597	10,977,713
Total governmental activities net assets	\$ 106,356,322	\$ 122,808,352	\$ 143,415,919	\$ 162,563,851	\$ 172,715,159	\$ 185,318,913	\$ 184,192,310	\$ 237,463,275	\$ 240,741,365
Business-type activities:									
Invested in capital assets, net of related debt	\$ 88,842,212	\$ 94,484,042	\$ 106,396,589	\$ 126,737,856	\$ 134,115,046	\$ 133,010,793	\$ 136,681,741	\$ 144,847,942	\$ 145,743,065
Unrestricted	41,536,355	43,621,981	39,110,889	21,919,538	15,350,403	17,058,242	16,968,255	10,072,951	9,668,200
Total business-type activities net assets	\$ 130,378,567	\$ 138,106,023	\$ 145,507,478	\$ 148,657,394	\$ 149,465,449	\$ 150,069,035	\$ 153,649,996	\$ 154,920,893	\$ 155,411,265
Primary government:									
Invested in capital assets, net of related debt	\$ 181,786,834	\$ 200,478,773	\$ 221,634,441	\$ 256,943,927	\$ 270,729,275	\$ 277,106,871	\$ 299,332,963	\$ 364,619,392	\$ 369,654,639
Restricted	-	42,535	54,245	54,245	9,905,713	53,499	32,228	32,228	5,852,078
Unrestricted	54,948,055	60,393,067	67,234,711	54,223,073	41,545,620	52,526,299	38,477,115	27,732,548	20,645,913
Total primary government net assets	\$ 236,734,889	\$ 260,914,375	\$ 288,923,397	\$ 311,221,245	\$ 322,180,608	\$ 329,686,669	\$ 337,842,306	\$ 392,384,168	\$ 396,152,630

Note:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

TOWN OF LEESBURG, VIRGINIA

Table 2
Page 1CHANGES IN NET ASSETS
Last Nine Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
Legislative	\$ 231,213	\$ 266,719	\$ 418,924	\$ 1,164,044	\$ 1,136,512	\$ 1,106,290	\$ 1,047,565	\$ 1,108,873	\$ 1,929,726
Executive	2,736,232	2,772,493	4,102,665	4,372,185	3,351,521	5,148,154	5,056,434	5,214,847	4,193,418
Legal	193,460	192,841	278,430	365,981	390,433	388,672	375,101	423,836	405,086
Planning and zoning	1,422,467	1,641,747	1,860,246	1,992,843	3,351,224	2,525,842	1,699,231	1,773,789	1,914,347
Plan review	-	-	-	-	-	-	1,799,399	1,697,742	1,569,932
Finance	1,654,638	1,806,230	1,925,483	1,935,299	2,191,973	2,194,675	2,411,130	2,379,609	2,262,397
Public safety	6,664,907	7,109,226	7,783,515	8,102,218	8,772,457	9,297,712	10,344,403	11,040,678	11,365,062
Parks and recreation	4,968,397	4,946,786	5,252,179	5,639,649	6,139,620	7,418,433	7,885,338	7,875,032	8,002,606
Balch library	533,222	503,146	597,816	581,907	643,858	628,177	705,512	641,171	627,711
Public works	9,481,451	10,593,496	10,627,982	12,182,219	15,129,697	11,515,670	14,366,432	15,021,938	15,522,536
Interest	1,859,616	1,845,700	1,790,383	1,942,055	1,896,697	2,174,525	2,052,703	2,438,740	2,518,659
Total governmental activities	29,745,603	31,678,384	34,637,623	38,278,400	43,003,992	42,398,150	47,743,249	49,616,255	50,311,480
Business-type activities:									
Airport	1,277,766	1,369,049	1,449,880	1,439,677	1,542,397	1,564,363	1,698,660	1,709,784	1,803,947
Water and sewer	12,084,993	12,162,497	12,741,206	15,927,084	15,076,064	16,455,335	17,772,026	17,607,146	17,889,463
Total business-type activities	13,362,749	13,531,546	14,191,086	17,366,761	16,618,461	18,019,698	19,470,686	19,316,930	19,692,410
Total government	43,108,352	45,209,930	48,828,709	55,645,161	59,622,453	60,417,848	67,213,935	68,933,185	70,003,890
Program revenue:									
Governmental activities:									
Charges for services:									
Planning and zoning	204,288	413,206	277,283	477,892	332,876	260,438	351,994	262,270	261,447
Public safety	266,971	297,076	282,206	413,979	422,635	334,960	372,441	408,032	595,640
Parks and recreation	2,332,896	2,770,756	2,944,816	3,317,117	3,426,736	3,772,767	4,427,429	4,871,882	4,772,869
Balch library	5,865	-	-	-	-	-	-	-	-
Public works	192,257	398,304	260,551	431,453	217,220	158,446	153,094	177,294	175,474
Operating grants and contributions:									
Legislative	-	-	-	-	-	-	-	23,606	-
Planning and zoning	-	-	-	-	28,661	13,411	-	-	-
Public safety	1,142,060	862,441	1,053,679	1,291,841	1,253,886	1,282,416	1,107,204	1,167,353	1,084,591
Parks and recreation	-	-	-	-	-	-	99,425	-	-
Balch library	15,500	17,000	-	-	-	-	15,500	5,000	372,994
Public works	5,586,049	1,763,768	1,906,536	2,117,122	2,201,552	2,478,332	2,502,346	2,633,224	3,052,260
Capital grants and contributions:									
Public safety	216,843	117,780	-	-	-	-	-	-	-
Balch library	-	-	-	-	-	-	-	250,000	-
Parks and recreation	-	100,000	-	-	-	-	-	5,000	71,625
Public works	1,268,640	13,813,758	17,665,453	16,289,090	8,944,313	1,443,698	-	58,817,099	6,783,738
Total governmental activities program revenue	11,231,369	20,554,089	24,390,524	24,338,494	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738

TOWN OF LEESBURG, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Table 2
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Fiscal Year June 30,										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Business-type activities:										
Charges for services:										
Airport	\$ 848,521	\$ 867,016	\$ 908,819	\$ 913,391	\$ 866,255	\$ 977,572	\$ 920,322	\$ 716,920	\$ 1,092,572	
Water and sewer	7,809,012	8,707,079	9,017,952	10,016,939	11,624,143	12,435,190	12,701,071	13,517,737	14,792,146	
Operating grants and contributions:										
Airport	-	-	-	-	-	-	-	504,350	27,615	
Water and sewer	-	-	-	-	-	-	-	514,154	118,656	
Capital grants and contributions:										
Airport	1,426,346	1,736,596	1,357,505	3,526,284	437,514	152,703	1,618,548	1,282,262	194,898	
Water and sewer	12,118,022	11,635,342	10,788,837	5,910,107	3,683,638	5,472,516	9,325,270	5,899,418	6,239,546	
Total business-type activities program revenues	22,201,901	22,946,033	22,073,113	20,368,721	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	
Total government program revenues	33,433,270	43,500,122	46,463,637	44,707,215	33,439,429	28,782,449	33,594,644	91,055,401	39,636,171	
Net (expense) revenue:										
Governmental activities	(18,514,234)	(11,124,295)	(10,247,099)	(13,939,906)	(26,176,113)	(32,653,682)	(38,713,816)	19,004,305	(33,140,742)	
Business-type activities	8,939,152	9,414,487	7,882,027	3,001,960	(6,911)	1,018,283	5,094,525	3,117,911	2,773,023	
Total government net expense	(9,675,082)	(1,709,808)	(2,365,072)	(10,937,946)	(26,183,024)	(31,635,399)	(33,619,291)	22,122,216	(30,367,719)	
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	8,658,468	9,869,334	11,282,736	12,835,332	13,985,380	13,215,669	12,982,666	12,196,527	12,536,096	
Communication sales and use	2,934,346	3,530,722	3,781,317	3,832,615	4,993,043	6,568,099	6,228,472	6,107,069	6,412,866	
Meals	2,145,628	2,473,345	2,767,277	2,900,832	3,189,314	3,198,750	3,327,374	3,326,332	3,672,760	
Business and occupational licenses	1,985,080	2,087,754	2,402,667	2,462,835	2,395,850	2,544,890	2,669,812	2,708,180	2,880,044	
Utility	1,841,121	1,998,824	2,067,512	2,152,796	1,841,456	1,452,715	1,487,280	1,489,727	1,542,597	
Cigarette	581,567	1,065,875	1,045,229	1,017,042	825,725	871,299	860,595	805,298	872,047	
Other	1,953,268	2,143,557	1,977,744	2,465,589	2,377,995	2,106,535	2,187,760	2,429,978	2,459,485	
Intergovernmental, other than grants	1,382,750	1,556,771	1,538,060	1,557,573	1,586,492	1,543,813	1,566,515	1,567,285	1,573,674	
Use of money and property	435,263	331,183	680,601	1,651,024	2,670,151	2,261,267	1,156,355	440,731	686,183	
Miscellaneous	294,356	575,930	3,284,109	566,905	540,478	3,783,391	2,904,824	993,681	1,086,819	
Transfers	1,813,548	1,943,000	1,591,465	1,645,295	1,821,537	2,009,729	2,225,560	2,201,852	2,686,251	
Total governmental activities	24,025,395	27,576,325	32,418,717	33,087,838	36,327,421	39,556,157	37,587,213	34,266,660	36,418,832	

TOWN OF LEESBURG, VIRGINIA

Table 2
Page 3

CHANGES IN NET ASSETS (CONTINUED)

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General revenues and other changes in net assets: (Continued)									
Business-type activities:									
Use of money and property	\$ 665,283	\$ 188,239	\$ 1,003,846	\$ 1,182,818	\$ 2,306,958	\$ 1,238,869	\$ 404,523	\$ 59,215	\$ 84,837
Miscellaneous	77,854	67,730	107,047	610,433	329,545	356,163	307,473	295,623	328,773
Transfers	(1,813,548)	(1,943,000)	(1,591,465)	(1,645,295)	(1,821,537)	(2,009,729)	(2,225,560)	(2,201,852)	(2,696,261)
Total business-type activities	(1,070,411)	(1,887,031)	(480,572)	147,956	814,966	(414,697)	(1,513,564)	(1,847,014)	(2,282,651)
Total primary government	22,954,984	25,889,294	31,938,145	33,235,794	37,142,387	39,141,460	36,073,649	32,419,646	34,136,181
Changes in net assets:									
Governmental activities	5,511,161	16,452,030	22,171,618	19,147,932	10,151,308	6,902,475	(1,126,603)	53,270,965	3,278,090
Business-type activities	7,768,741	7,727,456	7,401,455	3,149,916	808,055	603,586	3,580,961	1,270,897	490,372
Total primary government	\$ 13,279,902	\$ 24,179,486	\$ 29,573,073	\$ 22,297,848	\$ 10,959,363	\$ 7,506,061	\$ 2,454,358	\$ 54,541,862	\$ 3,768,462

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

(2) 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.

TOWN OF LEESBURG, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Nine Fiscal Years (1)

(*accrual basis of accounting*)

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Governmental activities:										
Legislative	\$ 204,288	\$ 413,206	\$ 277,283	\$ 477,892	\$ 361,537	\$ 273,849	\$ 351,994	\$ 23,606	\$ -	
Planning and zoning	1,625,874	1,277,297	1,335,885	1,705,820	1,676,521	1,617,376	1,479,645	1,575,385	1,680,331	
Public safety	2,332,896	2,870,756	2,944,816	3,317,117	3,426,736	3,772,767	4,526,854	4,876,682	4,844,494	
Parks and recreation	21,365	17,000	-	-	-	-	15,500	255,000	372,994	
Balch library	7,046,946	15,975,830	19,832,540	18,837,665	11,363,085	4,080,476	2,655,440	61,627,617	10,011,472	
Public works	11,231,369	20,554,089	24,390,524	24,338,494	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	
Total governmental activities										
Business-type activities:										
Airport	2,274,867	2,603,612	2,266,324	4,441,675	1,303,769	1,130,275	2,538,870	2,503,532	1,315,085	
Water and sewer	19,927,034	20,342,421	19,806,789	15,927,046	15,307,781	17,907,706	22,026,341	19,931,309	21,150,348	
Total business-type activities	22,201,901	22,946,033	22,073,113	20,368,721	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	
Total government	\$ 33,433,270	\$ 43,500,122	\$ 46,463,637	\$ 44,707,215	\$ 33,439,429	\$ 28,782,449	\$ 33,594,644	\$ 91,055,401	\$ 39,636,171	

Note:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

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

	Fiscal Year June 30,				
	2002	2003	2004	2005	2006
General Fund:					
Reserved	\$ 1,570,564	\$ 1,769,740	\$ 2,455,054	\$ 2,674,514	\$ 2,037,545
Unreserved	4,182,399	5,567,239	7,964,324	9,612,504	13,609,805
Total general fund	\$ 5,752,963	\$ 7,336,979	\$ 10,419,378	\$ 12,287,018	\$ 15,647,350
All Other Governmental Funds:					
Unreserved, reported in:					
Capital projects fund	\$ 13,795,035	\$ 4,916,177	\$ 5,917,608	\$ 12,831,551	\$ 14,101,892
Special revenue funds	-	1,900,925	1,430,704	3,971,380	3,960,862
Total all other government funds	\$ 13,795,035	\$ 6,817,102	\$ 7,348,312	\$ 16,802,931	\$ 18,062,754

	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:					
Unreserved, reported in:					
Capital projects fund	\$ 15,688,090	\$ 13,684,106	\$ 17,946	\$ -	\$ -
Special revenue funds	4,088,949	6,697,221	6,065,247	-	-
Committed, reported in:					
Capital projects fund	-	-	-	12,939,512	2,878,070
Total all other government funds	\$ 19,777,039	\$ 20,381,327	\$ 6,083,193	\$ 12,939,512	\$ 2,878,070

Notes:

(1) In fiscal year 2003, the Irwin W. Uran Trust Fund and Balch Library Fund were reclassified from fiduciary funds to special revenue fund types. This reclassification was done due to the adoption of GASB 34. Therefore, for the years 2002 and 2003, those funds are not reflected in this table.

(2) 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.

TOWN OF LEESBURG, VIRGINIA

Table 5
Page 1

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues:				
General property taxes	\$ 7,370,961	\$ 8,722,873	\$ 9,936,500	\$ 11,282,678
Other local taxes	9,409,649	8,784,696	13,300,107	14,041,746
Permits, fees and licenses	2,835,808	3,049,254	804,774	528,334
Fines and forfeitures	193,034	246,496	295,941	276,772
Use of money and property	810,224	461,603	331,183	680,601
Charges for services	1,513,834	2,336,501	2,778,627	2,959,750
Contributions and proffers	-	-	-	-
Miscellaneous	527,948	519,356	575,930	3,284,109
Intergovernmental	6,369,785	5,988,544	6,226,911	6,050,709
Total revenues	29,031,243	30,109,323	34,249,973	39,104,699
Expenditures:				
Legislative	215,002	231,213	267,332	416,139
Executive	2,218,957	2,441,878	2,477,650	3,801,866
Legal	208,859	187,628	192,706	299,025
Planning and zoning	1,185,866	1,429,837	1,616,587	1,808,797
Plan review	-	-	-	-
Finance	1,353,870	1,630,812	1,796,403	1,880,370
Public safety	5,534,672	6,851,092	6,858,428	7,626,031
Parks and recreation	3,373,971	4,137,877	4,471,020	4,820,263
Balch library	323,143	346,935	314,349	456,790
Public works	7,297,184	7,700,347	8,617,698	8,732,078
Nondepartmental	636,178	-	-	-
Capital projects	11,436,646	7,491,861	2,883,035	2,461,344
Debt service:				
Principal	2,233,343	4,825,475	2,674,443	2,873,315
Interest and fiscal charges	2,243,106	2,103,052	1,784,228	1,930,130
Total expenditures	38,260,797	39,377,807	33,953,879	37,106,148
Excess of revenues over (under) expenditures	(9,229,554)	(9,268,484)	296,094	1,998,551
Other financing sources (uses):				
Transfers in	-	14,050,077	2,716,900	2,446,596
Transfers out	-	(12,236,529)	(773,900)	(855,131)
Issuance of debt	-	-	-	9,190,000
Proceeds of refunding bonds	-	5,606,510	4,008,329	-
Proceeds to refunded bond escrow agent	-	(5,780,087)	(2,633,814)	-
Premium on issuance debt	-	248,788	-	106,294
Total other financing sources (uses), net	-	1,888,759	3,317,515	10,887,759
Net changes in fund balances	\$ (9,229,554)	\$ (7,379,725)	\$ 3,613,609	\$ 12,886,310
Debt service as a percentage of noncapital expenditures:				
Total debt service	\$ 4,476,449	\$ 6,928,527	\$ 4,458,671	\$ 4,803,445
Total expenditures	\$ 38,260,797	\$ 39,377,807	\$ 33,953,879	\$ 37,106,148
Less: capital outlay	(7,151,971)	(7,111,053)	(3,150,882)	(3,159,233)
Noncapital expenditures	\$ 31,108,826	\$ 32,266,754	\$ 30,802,997	\$ 33,946,915
Debt service as a percentage of noncapital expenditures	14.39%	21.47%	14.47%	14.15%

Table 5
Page 2

June 30,					
2006	2007	2008	2009	2010	2011
\$ 13,056,041	\$ 13,527,146	\$ 13,417,267	\$ 12,922,835	\$ 12,363,461	\$ 12,503,998
14,831,709	15,723,383	16,742,288	16,761,293	16,866,584	15,585,903
904,354	544,017	413,676	500,858	437,125	432,971
408,909	414,413	326,047	364,573	402,164	576,328
1,651,024	2,670,151	2,261,267	1,156,355	440,731	686,183
3,327,178	3,441,037	3,786,888	4,439,527	4,879,989	4,796,131
-	-	-	18,500	2,139,318	1,853,390
566,905	540,478	3,783,391	2,902,824	993,681	1,086,819
9,985,690	6,316,664	6,761,670	5,264,490	9,170,344	8,715,734
44,731,810	43,177,289	47,492,494	44,331,255	47,693,397	46,237,457
1,160,599	1,136,512	1,106,290	1,039,363	1,103,242	919,953
4,047,661	3,037,734	3,406,632	3,543,409	3,395,350	3,431,910
379,431	387,754	400,430	364,257	411,839	401,794
1,929,431	2,430,327	2,393,972	1,541,570	1,720,029	1,938,591
-	-	-	1,757,767	1,679,684	1,566,111
1,929,461	2,231,605	2,341,358	2,388,845	2,360,863	2,252,013
7,920,259	8,810,930	9,623,503	10,186,786	11,140,380	10,883,307
5,174,870	5,881,329	6,557,497	7,065,803	7,418,434	7,321,436
389,536	469,278	488,190	517,850	457,606	449,682
9,889,450	10,862,879	11,367,908	11,377,958	11,456,058	11,385,261
-	-	-	-	-	-
4,398,391	9,327,869	11,259,727	14,724,486	8,458,203	11,072,955
2,675,299	2,969,395	3,224,456	3,207,919	3,156,627	3,187,341
1,862,562	2,000,143	2,138,018	2,048,205	2,256,417	2,523,094
41,756,950	49,545,755	54,307,981	59,764,218	55,014,732	57,333,448
2,974,860	(6,368,466)	(6,815,487)	(15,432,963)	(7,321,335)	(11,095,991)
2,208,225	3,359,800	3,660,720	2,887,982	2,730,718	3,687,699
(562,930)	(1,538,263)	(1,650,991)	(662,422)	(528,866)	(1,671,281)
-	17,850,025	5,000,000	-	22,540,000	-
-	1,103,977	-	-	-	-
-	(11,022,011)	-	-	(7,428,090)	-
-	-	-	-	321,752	-
1,645,295	9,753,528	7,009,729	2,225,560	17,635,514	2,016,418
\$ 4,620,155	\$ 3,385,062	\$ 194,242	\$ (13,207,403)	\$ 10,314,179	\$ (9,079,573)
\$ 4,537,861	\$ 4,969,538	\$ 5,362,474	\$ 5,256,124	\$ 5,413,044	\$ 5,710,435
\$ 41,756,950	\$ 49,545,755	\$ 54,307,981	\$ 59,764,218	\$ 55,014,732	\$ 57,333,448
(4,890,383)	(7,762,053)	(13,349,968)	(14,847,451)	(8,290,088)	(10,821,569)
\$ 36,866,567	\$ 41,783,702	\$ 40,958,013	\$ 44,916,767	\$ 46,724,644	\$ 46,511,879
12.31%	11.89%	13.09%	11.70%	11.58%	12.28%

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Notes:

- (1) For the years 2002 and 2003, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the new reporting model. For fiscal years 2004 through 2011, 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.
- (2) Prior to the adoption of GASB Statement No. 34, the Town did not capitalize additions to or major repairs of infrastructure assets. Therefore, for fiscal years 2002 and 2003, additions to infrastructure were not subtracted from total expenditures to calculate the debt service as a percentage of noncapital expenditures.

TOWN OF LEESBURG, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property Including Interest and Penalty	Utility	Cable TV Franchise	Sales and Use	Communication Sales and Use	Bank Franchise	Cigarette	Meals	Transient Occupancy	Business and Occupational Licenses	Motor Vehicle Licenses	Other	Totals
2002	\$ 7,370,961	\$ 1,818,538	\$ 241,753	\$ 2,781,417	\$ -	\$ 299,268	\$ 578,836	\$ 2,049,676	\$ 411,081	\$ 1,785,499	\$ 629,897	\$ 177,149	\$ 18,144,075
2003	8,722,873	1,841,121	238,039	2,934,346	-	353,900	581,567	2,145,628	417,256	1,985,080	671,234	170,839	20,061,883
2004	9,936,500	1,998,824	321,855	3,530,722	-	357,555	1,065,875	2,473,345	556,151	2,087,754	696,918	206,108	23,231,607
2005	11,282,678	2,067,512	285,519	3,781,317	-	376,799	1,045,229	2,767,277	675,205	2,402,667	477,593	162,628	25,324,424
2006	13,056,041	2,152,796	335,136	3,832,615	-	527,109	1,017,042	2,900,832	678,470	2,482,835	751,405	173,469	27,887,750
2007	13,527,146	1,841,456	187,913	3,928,453	1,064,590	523,776	925,725	3,189,314	803,554	2,395,850	695,848	166,904	29,250,529
2008	13,417,267	1,452,715	42,071	4,085,457	2,482,642	464,023	871,299	3,198,750	681,540	2,544,890	754,651	164,250	30,159,555
2009	12,922,835	1,487,280	77,164	3,972,769	2,255,703	575,105	860,595	3,327,374	595,434	2,669,812	779,781	160,276	29,684,128
2010	12,363,461	1,489,727	104,425	3,841,961	2,265,108	763,421	805,298	3,326,332	567,223	2,708,180	781,127	213,782	29,230,045
2011	12,503,998	1,542,597	136,471	4,158,970	2,253,896	734,655	872,047	3,672,760	628,452	2,880,044	792,369	167,538	30,343,797
Change 2002-2011	69.64%	-15.17%	-43.55%	49.53%	100.00%	145.48%	50.66%	79.19%	52.88%	61.30%	25.79%	-5.43%	67.24%

Note:

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

TOWN OF LEESBURG, VIRGINIA

Table 7

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
2002	\$ -	\$ -	\$ -	\$ -	\$ 3,172,644,974	\$ 3,172,644,974	18.0%	0.22	\$ 3,172,644,974	100%
2003	-	-	-	-	3,661,931,906	3,661,931,906	15.4%	0.22	3,661,931,906	100%
2004	3,444,254,600	726,891,900	81,530,419	479,727,000	4,732,403,919	4,252,676,919	16.1%	0.22	4,252,676,919	100%
2005	4,352,319,759	856,160,300	78,883,670	490,852,500	5,778,216,229	5,287,363,729	24.3%	0.21	5,287,363,729	100%
2006	5,795,382,450	1,069,788,100	92,228,313	573,376,500	7,530,775,363	6,957,398,863	31.6%	0.18	6,957,398,863	100%
2007	5,511,505,030	1,208,117,300	101,465,225	685,382,800	7,506,470,355	6,821,087,555	-2.0%	0.18	6,821,087,555	100%
2008	5,131,033,763	1,385,297,600	106,302,605	746,271,100	7,368,905,068	6,622,633,968	-2.9%	0.18	6,622,633,968	100%
2009	4,178,757,280	1,450,034,838	108,156,220	777,473,500	6,514,421,838	5,736,948,338	-13.4%	0.195	5,736,948,338	100%
2010	4,099,937,100	1,457,252,200	109,697,434	725,232,500	6,392,119,234	5,666,886,734	-1.2%	0.195	5,666,886,734	100%
2011	4,225,241,300	1,450,475,800	109,444,884	817,713,100	6,602,875,084	5,785,161,984	2.1%	0.195	5,785,161,984	100%

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) For 2002 and 2003 the data is presented on a fiscal year basis, not a tax year basis.
- (3) The tax rate presented here is for Real property only, as personal property assessments are not a major revenue source.

TOWN OF LEESBURG, VIRGINIA

Table 8

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
2002	\$ 0.22	\$ 1.00	\$ 1.05	\$ 4.20	\$ 1.27	\$ 5.20
2003	0.22	1.00	1.11	4.20	1.33	5.20
2004	0.22	1.00	1.11	4.20	1.33	5.20
2005	0.21	1.00	1.04	4.20	1.25	5.20
2006	0.18	1.00	0.97	4.20	1.15	5.20
2007	0.18	1.00	0.96	4.20	1.14	5.20
2008	0.18	1.00	1.14	4.20	1.32	5.20
2009	0.195	1.00	1.245	4.20	1.44	5.20
2010	0.195	1.00	1.300	4.20	1.50	5.20
2011	0.195	1.00	1.285	4.20	1.48	5.20

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

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(Unaudited)

Table 9

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Chelsea GSA Realty	\$ 124,401,300	1	2.15%	\$ 72,325,200	1	2.28%
Carlyle/Cypress Leesburg LLC	123,500,000	2	2.13%	-	-	-
C H Realty III/Battlefield LLC	48,317,600	3	0.84%	-	-	-
Battlefield FE LP	47,517,500	4	0.82%	-	-	-
Windsor at Fieldstone Ltd Partnership	42,760,900	5	0.74%	26,063,600	3	0.82%
Fund IX CB Leesburg LLC	32,755,000	6	0.57%	-	-	-
Potomac Station (E&A) LLC	26,898,400	7	0.46%	-	-	-
NA Properties Inc	20,969,800	8	0.36%	-	-	-
Cornwall Pavilion LP	16,862,800	9	0.29%	-	-	-
Neuman-Bellewood LLC	16,470,300	10	0.28%	-	-	-
Verizon	-	-	-	32,839,255	2	1.04%
Edwards Ferry LP	-	-	-	25,429,500	4	0.80%
Dominion Virginia Power	-	-	-	22,942,974	5	0.72%
GRK Battlefield LLC	-	-	-	22,103,800	6	0.70%
A S N Multifamily LP	-	-	-	20,903,100	7	0.66%
Arcadia Development	-	-	-	20,370,600	8	0.64%
Fort Evans Plaza	-	-	-	19,652,200	9	0.62%
Leesburg Plaza	-	-	-	19,040,000	10	0.60%
Total	\$ 500,453,600		8.65%	\$ 281,670,229		8.88%

Note:

(1) 2011 Taxable Assessed Value is calculated for the tax year. However, 2002 is calculated on the fiscal year.

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
2002	\$6,914,631	\$ 6,411,881	92.73%	\$ 501,525	\$ 6,913,406	99.98%
2003	7,813,582	7,289,322	93.29%	505,367	7,794,689	99.76%
2004	9,030,212	8,598,753	95.22%	408,538	9,007,291	99.75%
2005	10,845,860	10,118,996	93.30%	700,043	10,819,039	99.75%
2006	12,083,858	11,869,671	98.23%	187,808	12,057,479	99.78%
2007	11,720,928	11,459,214	97.77%	232,146	11,691,360	99.75%
2008	11,343,814	11,149,611	98.29%	140,122	11,289,733	99.52%
2009	10,608,616	10,449,784	98.50%	82,789	10,532,573	99.28%
2010	10,452,506	10,310,140	98.64%	95,942	10,406,082	99.56%
2011	(1) 10,767,125	5,408,354	50.23%	-	5,408,354	50.23%

Note:

(1) The amounts for 2011 reflect only the first half of the collections. The second half is due December 5.

TOWN OF LEESBURG, VIRGINIA

Table 11

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

(Unaudited)

Fiscal Year June 30,	Governmental Activities				Business-Type Activities				Total		Percentage of		Outstanding		Percentage of		General Bonded Debt
	General Obligation Bonds	Note Payable	Capital Leases	Revenue Bonds	Capital Leases	General Obligation Bonds	Primary Government	Debt Per Capita	Income	Personal	Debt Per Capita	Value of Property	General Obligation Bonds	Debt Per Capita	Actual Taxable Value of Property		
2002	\$ 43,962,288	\$ 80,000	\$ 677,775	\$ 31,952,673	\$ -	\$ 6,813,417	\$ 83,486,153	\$	6.53%		2,561	1.60%	\$ 50,775,705		\$	1,558	
2003	39,570,118	40,000	359,681	31,059,421	-	8,266,007	79,295,227		5.86%		2,369	1.31%	47,836,125			1,429	
2004	38,462,843	40,000	179,833	30,751,492	-	7,616,910	77,051,078		5.21%		2,216	1.08%	46,079,753			1,325	
2005	45,127,687	-	-	30,358,367	-	6,951,618	82,437,672		4.90%		2,308	0.98%	52,079,305			1,458	
2006	42,482,465	-	-	12,330,995	-	62,668,859	117,482,319		6.22%		3,217	1.51%	105,151,324			2,783	
2007	47,462,800	-	-	11,959,468	-	61,995,928	121,418,196		5.89%		3,195	1.60%	109,458,728			2,880	
2008	48,843,551	-	-	10,873,269	-	60,451,545	120,168,365		5.64%		3,148	1.65%	109,295,096			2,863	
2009	45,635,632	-	-	9,406,325	-	59,218,255	114,260,212		5.29%		2,983	1.83%	104,853,887			2,758	
2010	58,871,267	-	-	7,876,307	-	63,712,373	130,459,947		5.83%		3,065	2.16%	122,583,640			3,162	
2011	55,683,926	-	-	6,282,575	-	62,361,383	124,327,884		5.45%		2,896	2.04%	118,045,309			2,750	

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 15.
- (3) See Table 7 for property value data.
- (4) The outstanding amounts of the bonds are presented exclusive of any premiums, discounts and losses due to refundings.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
Year Ended June 30, 2011
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Loudoun County, Virginia	\$ 1,152,064,449	10.42%	\$ 120,045,116
Town Direct Debt			55,683,926
Total direct and overlapping debt			\$ 175,729,042

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.

Table 13

Last Ten Fiscal Years

	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 317,264,497	\$ 366,193,191	\$ 413,188,582	\$ 525,204,154	\$ 698,592,661	\$ 682,108,756	\$ 662,283,397	\$ 573,694,834	\$ 566,688,673	\$ 578,516,198
Total net debt applicable to limit	43,962,288	39,570,118	38,462,843	45,127,687	42,482,465	47,462,800	48,843,551	45,635,632	58,871,267	55,683,926
Available local debt margin	\$ 273,302,209	\$ 326,623,073	\$ 374,725,739	\$ 480,076,467	\$ 656,110,196	\$ 634,645,956	\$ 613,419,846	\$ 528,059,202	\$ 507,817,406	\$ 522,832,272

9.63%

\$ 124,327,884
68,643,958

Less: enterprise debt

\$ 55,683,926

1. *Chlorophyll a* (Chl *a*)

(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,	Airport Fund						
	Airport Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2002	\$ 759,211	\$ 426,156	\$ 333,055	\$ 169,896	\$ 133,305	\$ 303,201	1.10
2003	868,311	442,950	425,361	171,777	262,527	434,304	0.98
2004	867,739	549,155	318,584	203,075	228,476	431,551	0.74
2005	912,585	593,997	318,588	205,713	235,680	441,393	0.72
2006	913,391	558,475	354,916	229,088	217,737	446,825	0.79
2007	866,255	715,744	150,511	214,417	165,427	379,844	0.40
2008	977,572	713,682	263,890	260,396	192,786	453,182	0.58
2009	920,322	784,219	136,103	192,513	179,348	371,861	0.37
2010	716,920	652,983	63,937	191,795	198,935	390,730	0.16
2011	1,092,572	692,630	399,942	338,700	209,252	547,952	0.73

Fiscal Year June 30,	Water and Sewer Fund						Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest	Total	
2002	\$ 19,920,534	\$ 6,335,898	\$ 13,584,636	\$ 1,332,710	\$ 1,744,678	\$ 3,077,388	4.41
2003	19,538,112	7,675,843	11,862,269	1,467,401	1,745,030	3,212,431	3.69
2004	19,335,408	7,709,490	11,625,918	879,899	1,776,894	2,656,793	4.38
2005	17,011,225	8,170,669	8,840,556	975,918	1,743,788	2,719,706	3.25
2006	14,807,353	8,972,607	5,834,746	1,757,438	2,321,601	4,079,039	1.43
2007	16,001,587	9,148,988	6,852,599	936,674	2,960,168	3,896,842	1.76
2008	16,308,332	10,395,918	5,912,414	1,960,097	2,900,936	4,861,033	1.22
2009	20,036,243	10,604,076	9,432,167	2,507,721	2,795,787	5,303,508	1.78
2010	15,878,286	10,278,205	5,600,081	2,665,601	2,751,430	5,417,031	1.03
2011	16,434,880	10,140,178	6,294,702	2,606,022	2,851,913	5,457,935	1.15

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

TOWN OF LEESBURG, VIRGINIA

Table 15

**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
2002	33,598	\$ 1,277,524,877	\$ 38,024	4.30%
2003	35,512	1,352,243,638	38,079	3.80%
2004	37,390	1,479,501,680	39,569	3.10%
2005	39,265	1,682,396,015	42,847	2.50%
2006	40,447	1,890,052,426	46,729	2.20%
2007	41,188	2,059,780,918	50,009	2.00%
2008	41,366	2,130,654,557	51,507	2.80%
2009	41,796	2,161,552,833	51,717	4.70%
2010	42,616	2,237,886,689	52,513	4.40%
2011	42,924	2,279,973,876	53,117	4.10%

Notes:

- (1) Population numbers came from the Loudoun County Department of Management and Financial Services, October 2010 estimate series and US Census Bureau Census 2000.
- (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' April 23, 2011 release for 2002 to 2009 and the Loudoun County Department of Management and Financial Services forecasts for 2010 to 2011. Personal income is sourced from the Loudoun County Department of Management and Financial Services.
- (3) Unemployment rates are not available for the towns in Virginia. The unemployment rate data is representative of the County of Loudoun, Virginia, which the Town lies within. The information provided comes from the Virginia Employment Commission as of October 25, 2011. The 2002 to 2010 data are annual figures and the 2011 figure represents July 2011 because annual data is not available for 2011 as of the date of this publication.

TOWN OF LEESBURG, VIRGINIA

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago
(Unaudited)

Table 16

Employer	2011			2006 (1)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	
Loudoun County Government	2,000-2,500	1	12%	1,000-1,500	2	
Loudoun County Public Schools	1,500-2,000	2	9%	1,500-2,000	1	
Federal Aviation Administration	500-1,000	3	3%	500-1,000	3	
Town of Leesburg	500-1,000	4	3%	250-500	4	
Wegmans	250-500	5	2%	-	-	
Mastec Services	250-500	6	2%	-	-	
Target	250-500	7	2%	-	-	
Costco	100-250	8	1%	250-500	5	
K2M	100-250	9	1%	-	-	
Walmart	100-250	10	1%	100-250	10	
Giant Food	-	-		100-250	7	
Southern Electric	-	-		250-500	6	
Draper & Goldberg	-	-		100-250	8	
Tuscarora Title	-	-		100-250	9	

Note:

(1) Information was not maintained for towns prior to 2006.

Sources: Town of Leesburg Economic Development Department

TOWN OF LEESBURG, VIRGINIA

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES

BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Table 17

Function/Program	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Legislative:										
Clerk of council	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	1.5	1.0
Executive:										
Town manager	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.5	8.5	9.0
Human resources	5.0	5.0	6.0	7.0	8.0	8.0	10.5	9.5	7.5	6.5
Information technology	4.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
Economic development	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	2.0	2.0
Capital projects management	-	-	-	6.5	7.0	9.0	9.0	10.0	11.0	10.0
Legal:										
Town attorney	2.0	2.0	1.5	1.5	1.5	2.0	2.0	2.6	3.0	3.0
Community Development:										
Plan review	-	-	-	-	-	-	-	13.0	14.0	12.0
Planning & zoning	16.0	21.0	20.0	21.0	23.0	23.0	23.0	16.0	16.0	16.0
Finance	17.0	17.0	16.0	19.0	20.0	19.5	19.5	19.5	19.5	19.5
Public safety	71.0	77.0	80.0	85.0	92.0	93.0	95.0	96.0	98.0	101.0
Engineering and public works:										
Engineering	16.0	18.0	18.0	15.0	16.0	13.0	13.0	7.0	6.0	6.0
Administration	5.0	5.0	5.0	4.5	5.0	5.0	5.0	4.0	4.0	4.0
Traffic management and street lights	-	-	-	-	-	3.0	3.0	3.0	3.0	3.0
Street maintenance	26.0	26.0	26.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Parking meters and lots	1.5	1.0	1.0	-	-	-	-	-	-	-
Building maintenance	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Equipment maintenance	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
Parks, recreation and cultural	53.56	72.25	74.15	74.15	91.6	95.1	96.8	109.8	112.2	111.0
Balch library	4.93	4.93	4.93	4.93	5.6	6.0	6.0	6.2	6.2	6.2
Water and Sewer:										
Administration	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Utility lines (maintenance)	22.0	27.0	29.0	31.0	31.0	31.0	31.0	35.0	35.0	35.0
Water supply	14.0	15.0	16.6	17.6	17.6	17.0	17.0	17.0	17.0	15.5
Utility maintenance	3.0	4.0	4.0	5.0	5.0	5.0	5.0	-	-	-
Water pollution control	21.0	23.0	25.0	27.0	27.0	26.0	26.0	26.0	25.0	23.0
Airport	4.0	4.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0
Total	311.0	353.2	363.2	385.2	418.3	423.6	429.8	443.6	446.4	440.7

Source: Town of Leesburg Fiscal Year Budgets

Note:

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

TOWN OF LEESBURG, VIRGINIA

Table 18

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Calendar Years

(Unaudited)

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	(1) 2011
Police:										
Calls for service	47,822	49,749	52,298	52,039	56,682	54,438	56,786	54,235	45,236	38,307
Adult arrest	1,449	1,448	1,664	1,669	1,562	1,510	1,400	1,324	1,302	934
Juvenile arrest	360	405	339	339	342	289	155	220	286	195
Speeding citations only	1,758	1,469	1,395	1,396	1,660	1,433	1,525	1,570	1,636	1,662
Traffic citations	3,596	3,473	3,531	4,038	6,244	5,547	6,238	5,751	7,328	6,173
Administration:										
Applications processed (full and part-time)	2,676	2,432	2,607	2,300	1,745	2,262	2,106	1,983	1,244	1,574
Positions advertised (full and part-time)	98	161	175	49	50	44	49	9	16	17
New hires (full and part-time)	162	148	141	200	115	187	165	98	133	124
Reportable accidents	-	-	-	-	37	55	24	25	76	35
All town training sessions	-	-	-	33	22	20	45	27	34	18
Public service:										
Garbage collected (ton)	11,684	13,462	16,883	19,880	20,039	20,662	21,105	17,407	16,829	13,859
Recycle collected (ton)	4,212	4,738	5,631	7,624	7,956	6,460	7,096	7,580	8,396	7,874
Parks and recreation:										
Recreation program attendance	-	-	-	-	9,324	12,968	18,682	13,901	15,161	11,348
Aquatics program attendance	-	-	-	-	5,492	6,374	5,989	7,915	10,650	7,898
Water and sewer:										
New water connections	1,113	917	896	606	513	90	100	93	67	32
New wastewater connections	1,113	917	896	606	513	90	100	93	67	32
Average daily water consumption (mgd)	4.00	3.80	4.07	4.40	4.40	4.64	4.21	4.22	4	6
Average daily sewage treatment (mgd)	3.17	4.15	3.58	3.70	3.59	3.71	4.99	4.40	5	6
Airport:										
Number of hangers rented	51	51	51	51	51	50	40	41	41	55
Number of tie-downs rented	146	146	146	146	146	146	108	125	122	120
Number of incidents on airport property	-	11	3	2	2	-	3	-	-	-

Note:

(1) Through October 15.

Source: Various Town departments

TOWN OF LEESBURG, VIRGINIA

Table 19

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Primary (miles)	11	11	11	12	12	12	13	14	15	15
Secondary (miles)	75	75	80	83	83	89	90	91	91	91
Traffic signals	27	29	32	34	35	36	42	49	50	51
Number of street lights	1,758	1,809	1,855	1,905	1,970	2,070	2,179	2,479	2,614	2,654
Parks and recreation:										
Parks - number of acres*	361	361	361	361	361	361	361	361	361	361
Major parks - number of acres*	265	265	265	265	265	265	265	265	265	265
Neighborhood parks - number of acres	96	96	96	96	96	96	96	96	96	96
Baseball/softball diamonds	2	6	6	6	6	6	6	6	6	6
Soccer/football fields	4	4	4	4	4	3	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	7	7	7	7	7	7	11	11	11	11
Swimming pools	1	1	1	1	1	2	2	3	3	3
Parks with playground equipment	5	5	5	5	5	6	6	5	5	5
Picnic shelters	4	4	4	5	5	6	6	4	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	-	9,109	10,006	11,268	28,380	30,029	32,474	37,194	41,227	59,423
Water:										
Wells	3	3	3	1	1	1	1	1	1	1
Water lines (miles)	199.0	202	203	203	205	206	208	209	215	218
Fire hydrants	1,996	2,056	2,129	2,178	2,200	2,234	2,332	2,347	2,367	2,459
Storage capacity (mgd)	5	5	5	5	5	5	5	6.5	8.0	8.0
Number of customers	11,297	12,214	13,110	13,716	14,229	14,785	15,035	15,120	15,142	15,159
Sewers:										
Sanitary sewers (miles)	166	167	168	170	171	172	171	172	175	169
Storm sewers (miles)	-	-	-	-	115.0	120	127	129	131	134
Number of customers	11,297	12,214	13,110	13,716	14,229	14,953	15,139	15,155	15,039	15,178
Airport:										
Hangers	51	51	51	51	51	51	41	41	57	57
Tie-downs	146	146	146	146	146	146	116	131	133	122

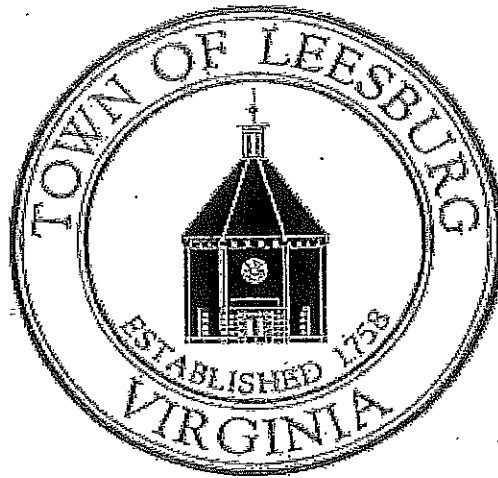
Notes:

(1) Prior to 2003 the number of volumes was maintained by Loudoun County Public Libraries and has been purged.

(2) Prior to 2006 the storm sewer miles were not maintained by the Town of Leesburg.

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

Source: Various Town departments



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COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE		
Direct Payments:		
Federal Bureau of Investigations - Child Exploitation Task Force	16.000	\$ 254
Pass-Through Payments:		
County of Loudoun, Virginia		
Gang-Free Schools and Communities-Community Based Gang Intervention	16.544	75,566
Pass-Through Payments:		
City of Manassas Park, Virginia		
Gang-Free Schools and Communities-Community Based Gang Intervention	16.544	35,461
Pass-Through Payments:		
County of Loudoun, Virginia		
The Community-Defined Solutions to Violence Against Women Grant Program	16.590	12,076
Direct Payments:		
Bulletproof Vest Partnership Program	16.607	3,964
Direct Payments:		
Byrne Justice Assistance Grant	16.738	14,186
Total Department of Justice		<u>141,507</u>
DEPARTMENT OF TRANSPORTATION		
Direct Payments:		
ARRA - Airport Improvement Program	20.106	116,163
Pass-Through Payments:		
Virginia Department of Transportation		
ARRA - Highway Planning and Construction	20.205	184,521
Total Department of Transportation		<u>300,684</u>
NATIONAL ENDOWMENT FOR THE ARTS		
Pass-Through Payments:		
Commonwealth of Virginia, Virginia Commission for the Arts Promotion of the Arts Partnership Agreements	45.025	<u>5,000</u>
DEPARTMENT OF ENERGY		
Direct Payments:		
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	<u>95,455</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY		
Pass-Through Payments:		
New Mexico Tech		
Emergency Management Institute - Training Assistance	97.026	\$ 1,978
Pass-Through Payments:		
Commonwealth of Virginia, Department of Emergency Services		
Disaster Grants - Public Assistance	97.036	268,356
Total Department of Transportation		<u>270,334</u>
Total Federal Expenditures		<u>\$ 812,980</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

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

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

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

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

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

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

Note 2. Relationship to the Basic Financial Statements

For fiscal year 2011, the Town recognized amounts in the Schedule of Expenditures of Federal Awards (SEFA) associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$16,771 and \$268,356 of prior year expenditures related to the Airport Improvement Grant (CFDA #20.106) and Disaster Grants – Public Assistance (CFDA #97.306) were included in the SEFA. Prior year expenditures associated with the Disaster Grants were reflected in the current year due to the grant application and funds not being approved by the Federal Emergency Management Agency until fiscal year 2011. The Airport Improvement Grant expenditures were not included in the prior year SEFA due to Town failure to properly record the expenditures in the prior year. The expenditures had been incurred and reported in the Town's financial statements but were not reflected in the prior year SEFA. As a result of this omission, the Town included the expenditures in the current year SEFA.



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**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 the basic financial statements of the Town of Leesburg, Virginia, (Town) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as 11-01 that we consider to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 and specifications 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*.

We noted certain matters that we reported to management of the Town in a separate letter dated December 9, 2011.

The Town's response to the findings 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.

This report is intended solely for the information of the Town Council, management, the Auditor of Public Accounts and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
December 9, 2011



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Town of Leesburg, Virginia, (Town) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. The Town's major Federal programs are identified in the Summary of Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, circular, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Town Council, management, the Auditor of Public Accounts and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
December 9, 2011

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

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 programs:

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 programs: Unqualified

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction (including ARRA Funds)
20.106	Airport Improvement Program (including ARRA Funds)
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes √ No

TOWN OF LEESBURG, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

**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. Material Weakness in Internal Control

11-01

During the course of our audit, it was noted that management improperly recognized as revenue the full amount of the County of Loudoun's contributions related to construction projects currently ongoing by the Town. As a result of not properly recognizing a portion of the contributions as deferred revenue, the Town materially overstated revenues in the Capital Projects Fund for fiscal year 2011. We recommend that management implement a policy to ensure that capital contribution revenue is properly recognized by the Town.

Management's Response:

The Department of Finance will implement a procedure to ensure that capital contribution revenue is properly recognized.

B. Compliance Findings

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

TOWN OF LEESBURG, VIRGINIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

The Town has taken the following corrective action on findings from the prior year's audit.

Identifying Number

10-01 Other Postemployment Benefits

During the course of our audit, it was noted that management did not properly calculate the liability for other postemployment benefits (OPEB). As a result of not properly calculating the liability, the Town's liability for OPEB was significantly misstated at year end resulting in an understatement of the liability. We recommend that management implement a policy to ensure that the liability is correctly calculated and reported at the close of each fiscal year.

Corrective Action Taken

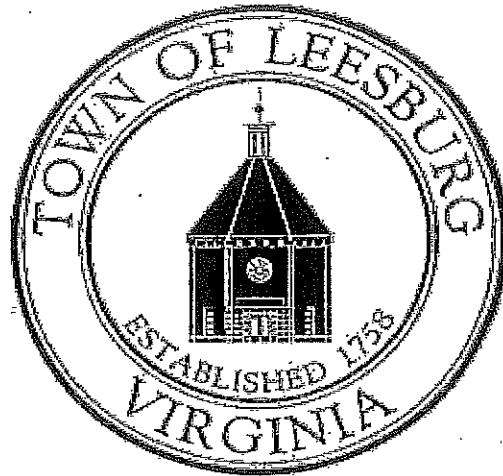
The Department of Finance has implemented a procedure to calculate the OPEB liability at year end. This calculation is reviewed by the Director of Finance.

10-02 Recording of Debt Related Balances

During the course of our audit, it was noted that management did not properly account for deferred charges related to the issuance of the new debt. As a result, the costs associated with the cost of issuing debt were not properly capitalized. We recommend that management implement a policy to ensure that the deferred charges associated with new debt issuances are properly accounted for.

Corrective Action Taken

The Department of Finance has implemented a procedure to ensure that debt is properly recorded. All new debt issuance journal entries and year end reconciliations and journal entries are reviewed by the Director of Finance.



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