

THE TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

Prepared by the
Department of Finance and Administrative Services

TOWN OF LEESBURG, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION		
Letter of Transmittal		1 – 6
Certificate of Achievement for Excellence in Financial Reporting		7
Organizational Chart		8
List of Principal Officials		9
FINANCIAL SECTION		
Independent Auditor's Report		10 – 12
Management's Discussion and Analysis		13 – 25
<i>Basic Financial Statements</i>		
Exhibit 1	Statement of net position	26
Exhibit 2	Statement of activities	27
Exhibit 3	Balance sheet – governmental funds	28
Exhibit 4	Reconciliation of the balance sheet of the governmental funds to the statement of net position	29
Exhibit 5	Statement of revenues, expenditures and changes in fund balances – governmental funds	30
Exhibit 6	Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	31
Exhibit 7	Statement of revenues, expenditures and changes in fund balances – budget and actual – general fund	32
Exhibit 8	Statement of net position – proprietary fund	33
Exhibit 9	Statement of revenues, expenses and changes in net position – proprietary funds	34
Exhibit 10	Statement of cash flows – proprietary funds	35 – 36
Exhibit 11	Statement of net position – fiduciary fund	37
Exhibit 12	Statement of changes in net position – fiduciary fund	38
	Notes to financial statements	39 – 79

FINANCIAL SECTION (continued)

Required Supplementary Information

Schedule of funding progress – Virginia Retirement System; Other Postemployment Benefits; and Schedule of Employer Contributions – Other Postemployment Benefits	80
--	----

Supplemental Schedules

General Fund:

Exhibit A-1	Comparative balance sheets	81
Exhibit A-2	Schedule of revenues and other financing sources – budget and actual	82 – 84
Exhibit A-3	Schedule of expenditures and other financing uses – budget and actual	85 – 92

Utilities Fund:

Exhibit B-1	Comparative statements of net position	93
Exhibit B-2	Comparative statements of revenues, expenses and changes in net position	94
Exhibit B-3	Comparative statements of cash flows	95

STATISTICAL SECTION

Table 1	Net position/assets by component	96
Table 2	Changes in net position/assets	97 – 99
Table 3	Program revenues by function/program	100
Table 4	Fund balances, governmental funds	101
Table 5	Changes in fund balances, governmental funds	102 – 104
Table 6	Five-year summary of revenues, expenditures, and change in fund balances – General Fund	105
Table 7	Tax revenues by source, governmental funds	106
Table 8	Assessed value all taxable property	107
Table 9	Assessed value and estimated actual value of taxable real property	108
Table 10	Direct and overlapping property tax rates	109
Table 11	Principal property taxpayers	110
Table 12	Real property tax levies and collections	111
Table 13	Ratios of outstanding debt by type and general bonded debt outstanding	112
Table 14	Direct and overlapping governmental activities debt	113
Table 15	Legal debt margin information	114
Table 16	Bond coverage	115
Table 17	Demographic and economic statistics	116
Table 18	Principal employers	117
Table 19	Full-time equivalent town government employees by function/program	118
Table 20	Operating indicators by function/program	119
Table 21	Capital asset statistics by function/program	120

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	121
Notes to Schedule of Expenditures of Federal Awards	122
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 <i>Government Auditing Standards</i>	123 – 124
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	125 – 126
Schedule of Findings and Questioned Costs	127 – 128
Summary Schedule of Prior Audit Findings	129

INTRODUCTORY SECTION

December 3, 2014

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, 2014. This report is designed to present fairly the financial position of governmental activities, business-type activities, and each major fund of the Town in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The CAFR includes all disclosures necessary to enable the reader to gain an understanding of the financial affairs of the Town. The management's discussion and analysis (MD&A) section of the CAFR summarizes the Town's financial position and activities for the fiscal year ended June 30, 2014.

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

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

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

Profile of the Town

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

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

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

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

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

Overview of Town Government

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

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

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

The operating departments of the Town are executive, finance and administrative services; police; public works; planning and zoning; plan review; economic development, town attorney, town clerk, parks and recreation; utilities; Balch Library, capital projects; and airport operations. Each department has a director or manager who reports to the Town Manager.

Local Economy Condition and Outlook

The Town's economy is slowly recovering from the economic downturn and 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 its funding sources carefully.

Falling within the Washington, D.C. metropolitan area, the Town's economic and demographic conditions reflect the prevailing conditions of the region. Though the unemployment rate for the Town has remained rather stable, only decreasing slightly over the last two years from 4.5% to 4.4%, the Town continues to be well below the Virginia and national rates of unemployment. This can be attributed in large part to Leesburg's location in Northern Virginia and its close proximity to Washington, D.C. and the federal government.

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

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

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

The importance of long-term budget sustainability was evident in light of the effects of the severe recession on our residents and its ripple impacts on the federal, state, and 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 providing Town employees with modest pay increases. During this time, the Council has provided the policy leadership that has allowed the Town to maintain most services with limited service level impacts and stabilized real estate tax bills while maintaining a healthy financial position in accordance with our fiscal policies.

Financial Condition

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

The need to 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. In an effort to meet these demands, management has developed the following initiatives for the next two years:

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

The Town's investment policy is limited by the Virginia Security for Public Deposits Act in utilizing depositories that have been qualified for investments by the Commonwealth of Virginia. Accordingly, deposits were either insured by federal depository insurance or highly collateralized. Funds are invested in cash and cash equivalents with maturities planned to coincide with cash needs. Idle funds available for longer periods of time are invested in the State-maintained Local Government Investment Pool 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 maintained by the Town include governmental funds (General Fund and Capital Projects Fund), a fiduciary fund (Other Postemployment Trust Fund) and a proprietary fund (Utilities Fund). All funds are subject to appropriation by the Town Council. The Town maintains budgetary controls designed to monitor compliance with expenditure limitations contained in annual budget appropriations approved by the Town Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by department within the General Fund. The Town Manager has authority to amend or transfer appropriations between departments. The Town also maintains an encumbrance recording system as one technique for accomplishing budgetary control. Open encumbrances for the General Fund are reported as assigned

in the fund balance at the end of the year. Capital Projects Fund balance is committed for scheduled projects and has been reported as committed in the fund balance at the end of the fiscal year.

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

Other Information

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

Certificate of Achievement for Excellence. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Town a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The GFOA awards a certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that association and various authoritative bodies.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues the 27-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 2014.

Acknowledgements. This report was prepared by the professional staff of the Department of Finance and Administrative Services. The staff's hard work, dedication and continuing efforts to improve the quality of this report directly benefit all who read and use it. Special recognition goes to Eileen Nguyen, controller; Carrie Curry, staff accountant; and Cynthia Glascock, accounting associate, for their technical expertise, review and dedicated service in the preparation of this CAFR.

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

Sincerely,



Kaj Dentler
Town Manager



Clark G. Case
Director of Finance and Administrative Services



Government Finance Officers Association

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

Presented to

**Town of Leesburg
Virginia**

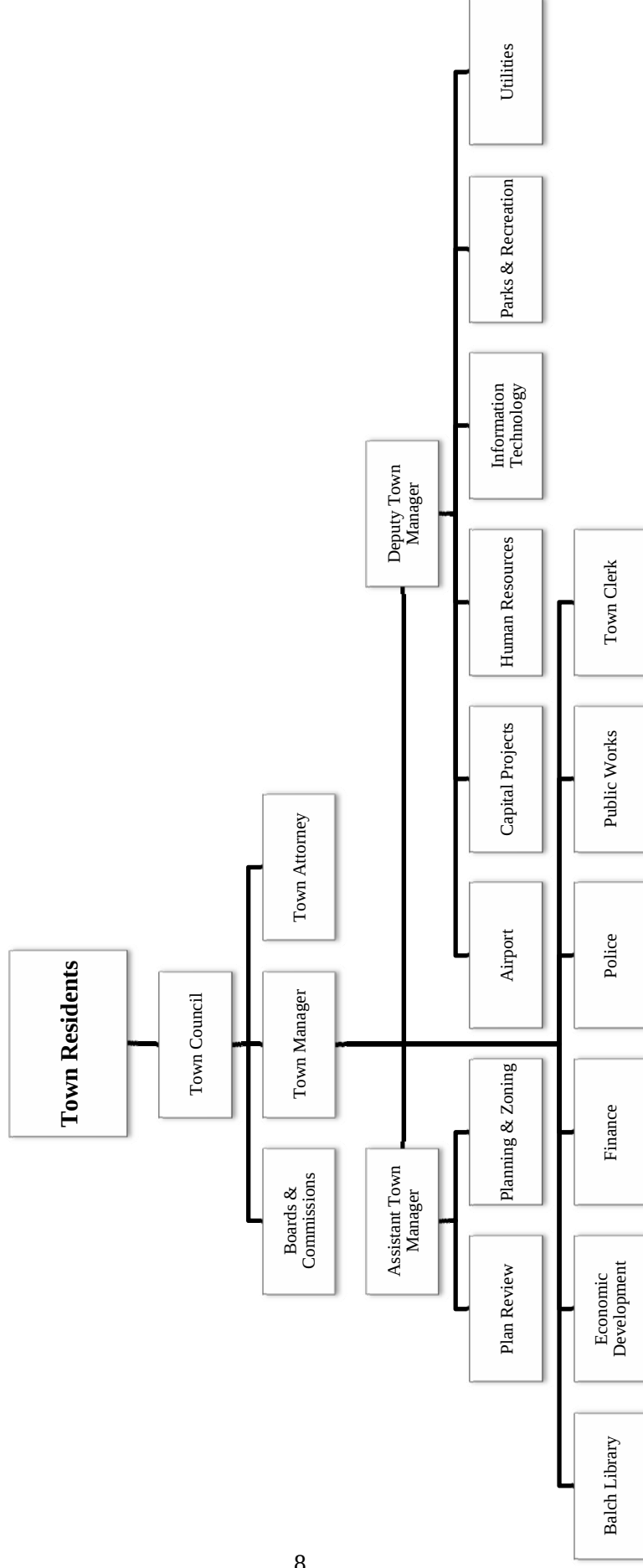
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

TOWN OF LEESBURG, VIRGINIA

ORGANIZATIONAL CHART



TOWN OF LEESBURG, VIRGINIA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

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

TOWN OFFICIALS

Kaj Dentler, Town Manager
Keith Markel, Deputy Town Manager
Scott Parker, Assistant Town Manager
Clark Case, Director of Finance and
Administrative Services
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
Amy Wyks, Director of Utilities
Rich Williams, Director of Parks and Recreation
Karen Dilley, Human Resources Manager
Annie Carlson, Information Technology Manager
Joseph R. Price, Police Chief
William Ackman, Director of Plan Review
Scott Coffman, Airport Manager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Leesburg, Virginia (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 13-25 and 80, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Town restated net position to remove bond issue costs in accordance with GASB Statement No. 65.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBMares, LLP

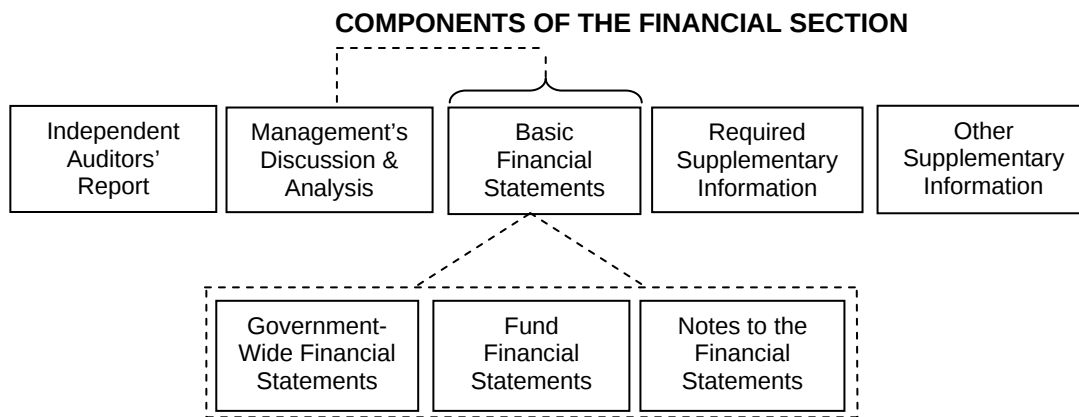
Harrisonburg, Virginia
December 3, 2014

**TOWN OF LEESBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The Town of Leesburg, Virginia (Town) presents the following management's discussion and analysis (MD&A) as an overview of the Town's financial position and activities for the fiscal year ended June 30, 2014. We encourage readers to read this discussion and analysis and the letter of transmittal from the Town Manager and the Director of Finance and Administrative Services in conjunction with the Town's basic financial statements and related notes, which are also contained in this Comprehensive Annual Financial Report (CAFR).

USING THE FINANCIAL SECTION OF THIS CAFR

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



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

GOVERNMENT-WIDE STATEMENTS

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

The Town's Net Position continues to represent the residual amount of cumulative assets, deferred outflows of resources (since the inception of the Town government) over present liabilities and deferred inflows of resources as of the fiscal year ended June 30, 2014. The revenues and expenses for the current fiscal year are the principal factors affecting the change in the Town's net position, as shown in Exhibit 2. The Town's net position is one way to measure the Town's financial health, as increases or decreases in the Town's net position are one indicator of whether its financial position is improving or declining. Further analysis can be achieved by comparing the changes in the revenue, expenses, assets and liabilities in the prior year CAFR's Statement of Activities and Statement of Net Position. Other financial reports as well as nonfinancial factors need to be considered, such as changes in the Town's property tax base, the condition of the Town's infrastructure, the Town's overall budget and capital improvement program in order to assess the overall financial health of the Town.

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

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

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

FUND FINANCIAL STATEMENTS

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

The Town has three types of funds:

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

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

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

Proprietary Fund – The Town has one proprietary fund to account for the Utilities Fund assets, deferred outflows of resources, liabilities, and the results of operations culminating in the fund's net position. The Utilities Fund operates in a manner similar to private business enterprises, where costs are recovered primarily through user charges or fees. Proprietary fund financial statements provide both short-term and long-term financial information in the Statement of Net Position (Exhibit 8), the Statements of Revenues, Expenses and Changes in Net Position (Exhibit 9) along with the Statement of Cash Flows (Exhibit 10) as the required financial statements under the accrual basis of accounting.

Because these proprietary fund statements are stated on the same basis of accounting as the governmental-wide statements, no additional information is needed for reconciliation to the governmental-wide statements. Instead, the totals of assets, deferred outflows of resources, liabilities and net position from Exhibits 8 and 9 are presented in the business type column on the Statement of Net Position (Exhibit 1), and the proprietary fund revenues and expenditures are similarly summarized in a column on the Statement of Activities (Exhibit 2).

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

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2014

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

The Town's total net position, on a government-wide basis was \$409.4 million at June 30, 2014, of which \$282.3 million is attributable to the Town's governmental activities and \$127.0 million to business type activities (Exhibit 1). The June 30, 2014 portion of government-wide net position that is unrestricted is \$11.5 million for governmental activities and \$15.9 million for business type activities. The Statement of Activities (Exhibit 2) presents all the factors attributed to the \$2.7 million, or .7 percent, increase in the Town's net position from \$406.6 million in 2013 to \$409.4 million as the combined result of governmental and business type activities. This \$2.7 million increase in net position is comprised of the following factors: \$38.4 million in government wide general revenues, plus \$35.5 million program revenues less expenditures of \$71.2 million.

The \$2.7 million net position increase is attributable to a \$4.8 million increase in governmental activities less \$2.1 million decrease in business-type activities. Similar to the Statement of Activities in Exhibit 2 for governmental wide net position, the Statement of Revenues, Expenses and Changes in Net Position (Exhibit 9) presents the details on the activities in the Utilities Fund as factors of the \$2.1 million decrease to the Utilities Fund ending net position of \$127.0 million.

For the year ended June 30, 2014, the General Fund reported a \$2.7 million increase in fund balance (Exhibit 5) compared to the prior year \$1.0 million increase. The increase is mostly attributable to the increases of general property taxes of \$0.2 million, planning and zoning permit fees of \$0.7 million and intergovernmental revenue of \$0.3 million from 2013 to 2014

The Capital Projects Fund balance decreased \$6.6 million for fiscal year 2014 (Exhibit 5) compared to a \$4.7 million decrease in fiscal year 2013. Intergovernmental revenue for capital projects totaled \$4.5 million for fiscal year 2014 compared to \$9.4 million for fiscal year 2013. Intergovernmental revenue remains the largest component of capital projects total revenue.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

Table 1 below summarizes and compares the Statements of Net Position for the Town as of June 30, 2014 and 2013.

Table 1
Summary Statement of Net Position
Comparison as of June 30, 2014 and 2013 (\$ in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
<u>Assets and Deferred Outflows</u>						
Current and Other Assets	\$ 38,025	\$ 40,505	\$ 19,830	\$ 19,108	\$ 57,855	\$ 59,613
Capital Assets	324,593	318,313	177,517	181,380	502,110	499,693
Deferred Outflows	2,112	2,229	406	421	2,518	2,650
Assets and Deferred Outflows	364,730	361,047	197,753	200,909	562,483	561,956
<u>Liabilities and Deferred Inflows</u>						
Current Liabilities	20,385	17,968	4,794	4,455	25,179	22,423
Long-term Liabilities	56,161	59,035	65,921	67,313	122,082	126,348
Deferred Inflows	5,871	6,546	-	-	5,871	6,546
Liabilities and Deferred Inflows	82,417	83,549	70,715	71,768	153,132	155,317
<u>Net Assets</u>						
Net Investment in Capital Assets	269,471	260,711	111,153	113,817	380,624	374,528
Restricted	1,367	4,756	-	-	1,367	4,756
Unrestricted	11,475	12,031	15,885	15,324	27,360	27,355
Total Net Position	\$ 282,313	\$ 277,498	\$ 127,038	\$ 129,141	\$409,351	\$406,639

Total net position for the Town's governmental activities increased approximately \$4.8 million (1.7 percent), to \$282.3 million primarily due to an \$8.7 million increase in net investment in capital assets offset by a \$3.4 million decrease in restricted net position. In comparison, net position for business-type activities decreased approximately \$2.1 million to \$127.0 million primarily due to a decrease in net investment in capital assets as a result of depreciation and amortization of \$5.1 million.

Due to the implementation of GASB Statement No. 65, fiscal year 2014 beginning net position has been restated from the amounts previously reported of \$278,153,992 and \$129,514,922 to \$277,497,656 and \$129,140,553, for governmental activities and business-type activities, respectively. Refer to Note 15 of this report.

Statement of Activities

Table 2 summarizes and compares the Statements of Activities (Exhibit 2) for the Town for the fiscal years ended June 30, 2014 and 2013.

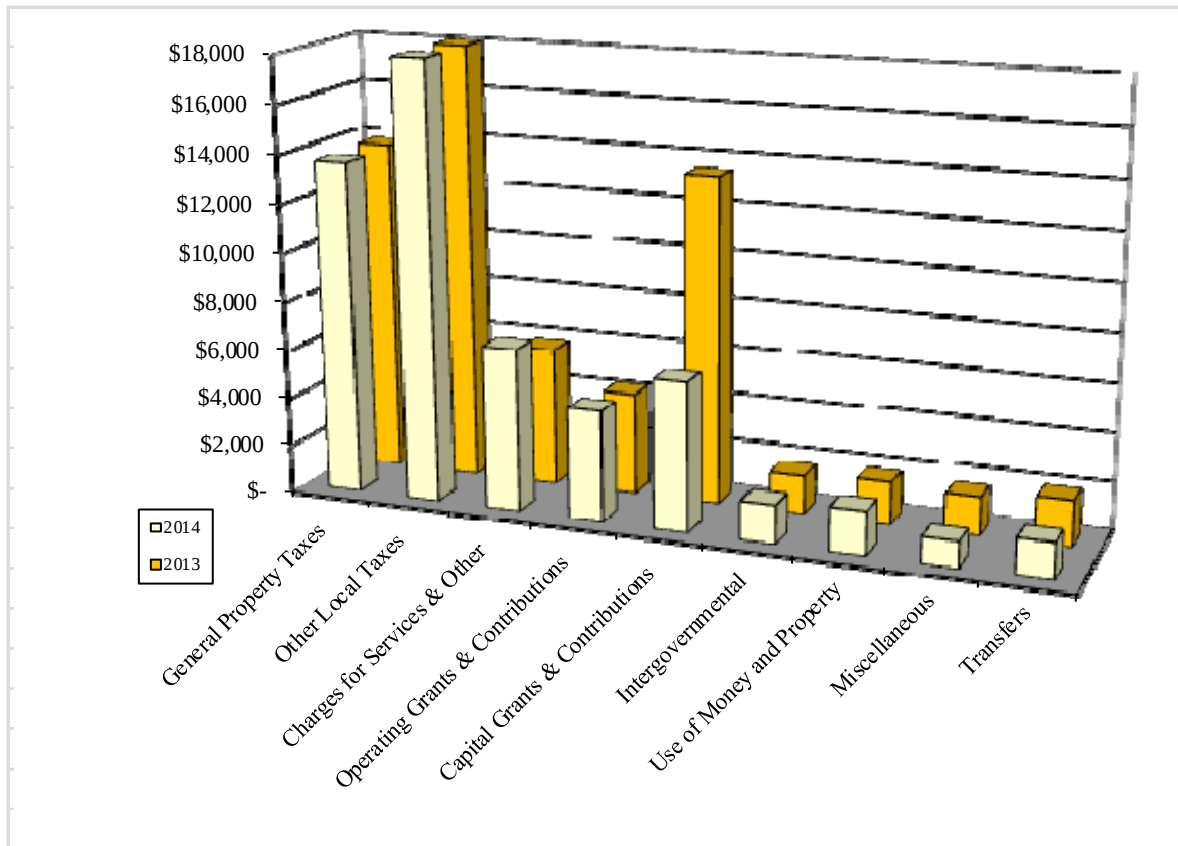
Table 2
Summary of Statement of Activities
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
REVENUES						
<u>Program Revenues:</u>						
Charges for Services	\$ 6,727	\$ 5,743	\$ 15,620	\$ 15,225	\$ 22,347	\$ 20,968
Operating Grants and Contribution:	4,556	4,219	410	-	4,966	4,219
Capital Grants and Contributions	6,136	13,456	2,038	4,417	8,174	17,873
<u>General Revenues:</u>						
Property Taxes	13,665	13,724	-	-	13,665	13,724
Other Local Taxes	19,794	19,541	-	-	19,794	19,541
Other	4,205	4,973	743	974	4,948	5,947
Total Revenues	55,083	61,656	18,811	20,616	73,894	82,272
EXPENSES						
Legislative	1,648	2,063	-	-	1,648	2,063
Executive	5,102	3,537	-	-	5,102	3,537
Legal	428	557	-	-	428	557
Planning and zoning	1,544	1,498	-	-	1,544	1,498
Plan Review	1,332	1,303	-	-	1,332	1,303
Finance	2,122	2,187	-	-	2,122	2,187
Public Safety	12,761	12,565	-	-	12,761	12,565
Parks and Recreation	8,545	7,906	-	-	8,545	7,906
Balch Library	639	586	-	-	639	586
Public Works	13,281	17,834	-	-	13,281	17,834
Airport	1,784	7,238	-	-	1,784	7,238
Interest	2,575	2,313	-	-	2,575	2,313
Water and Sewer	-	-	19,421	17,842	19,421	17,842
Total Expenses	51,761	59,587	19,421	17,842	71,182	77,429
Change in Net Position before transfers	3,322	2,069	(610)	2,774	2,712	4,843
Transfers in (out)	1,493	1,907	(1,493)	(1,907)	-	-
Increase (Decrease) in Net Position	4,815	3,976	(2,103)	867	2,712	4,843
Net Position Beginning of Year, as restated	277,498	273,522	129,141	128,274	406,639	401,796
Net Position End of Year	\$ 282,313	\$ 277,498	\$ 127,038	\$ 129,141	\$409,351	\$406,639

Governmental Activities

Total revenue for the Town's governmental activities was \$55.1 million for fiscal year 2014 compared to \$61.7 million for fiscal year 2013 (Table 2). In addition to this revenue, there were transfers of \$1.5 million to the General Fund in 2014. All governmental sources of revenue for fiscal years 2014 and 2013 are comprised of the following items:

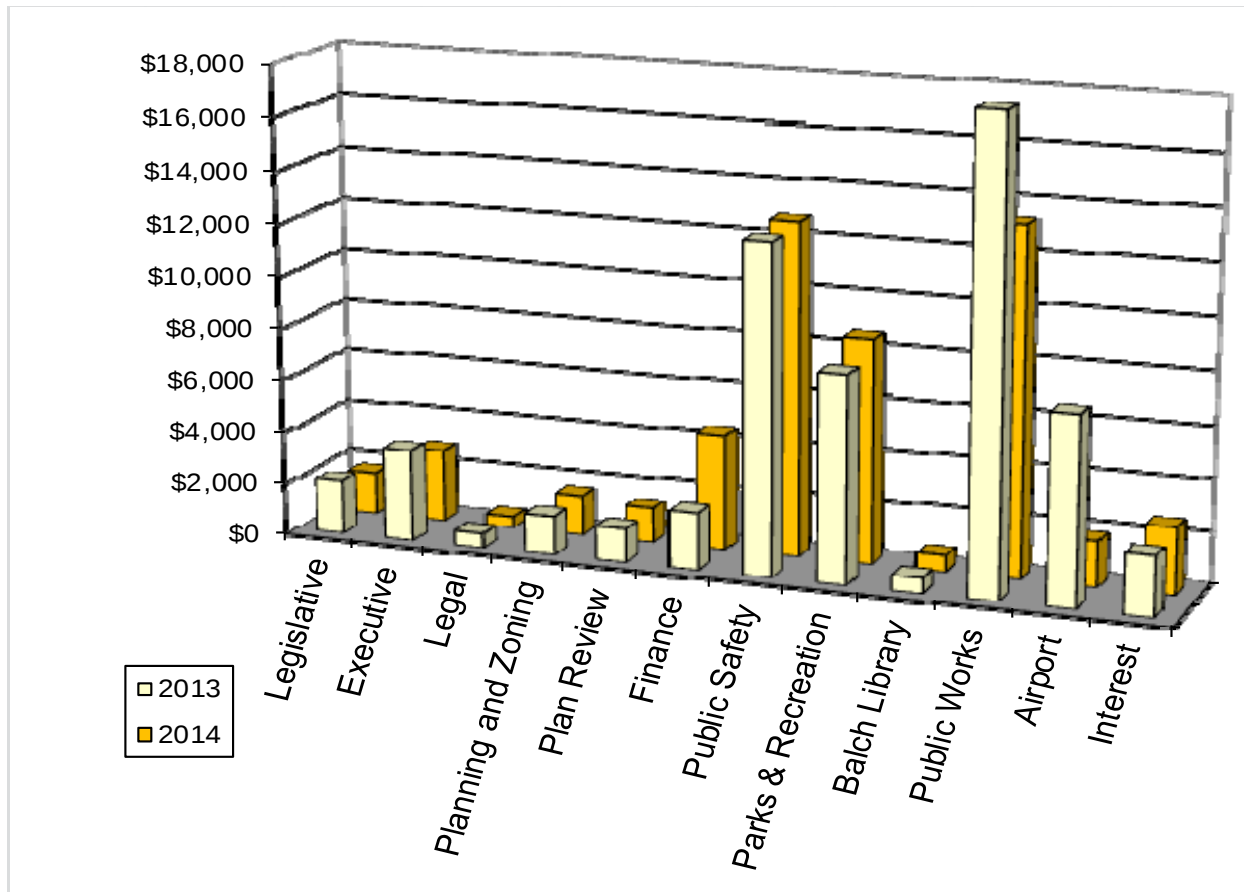
Chart 1
Governmental Activities – Revenues by Source
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)



Taxes constitute the largest source of Town revenue, with general property taxes of \$13.7 million in 2014 and 2013 (Table 2). Other local taxes, \$19.8 million in 2014 and \$19.5 in 2013, are generated through business and occupational licenses and consumption based taxes such as taxes on meals, sales and use, cigarettes and utilities.

As shown in Table 2, total expenses for governmental activities for fiscal year 2014 were \$51.8 million, compared to \$60.2 million in fiscal year 2013. Table 2 and the following chart illustrates total expenses by function. Public works continues to be the Town's largest function with the Town's cost of service totaling \$13.3 million or 25.7 percent of total expenses. Public safety expenses, which total \$12.8 million, or 24.7 percent, represent the second largest expense category for governmental activities. Expenses decreased by \$8.5 million due in large part to the change in estimated useful service life of the Town's runways maintained at the airport from 50 to 20 years resulted in an additional \$5.6 million of depreciation expense being recognized in the governmental activities in fiscal year 2013.

Chart 2
Governmental Activities – Expenses by Function
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)



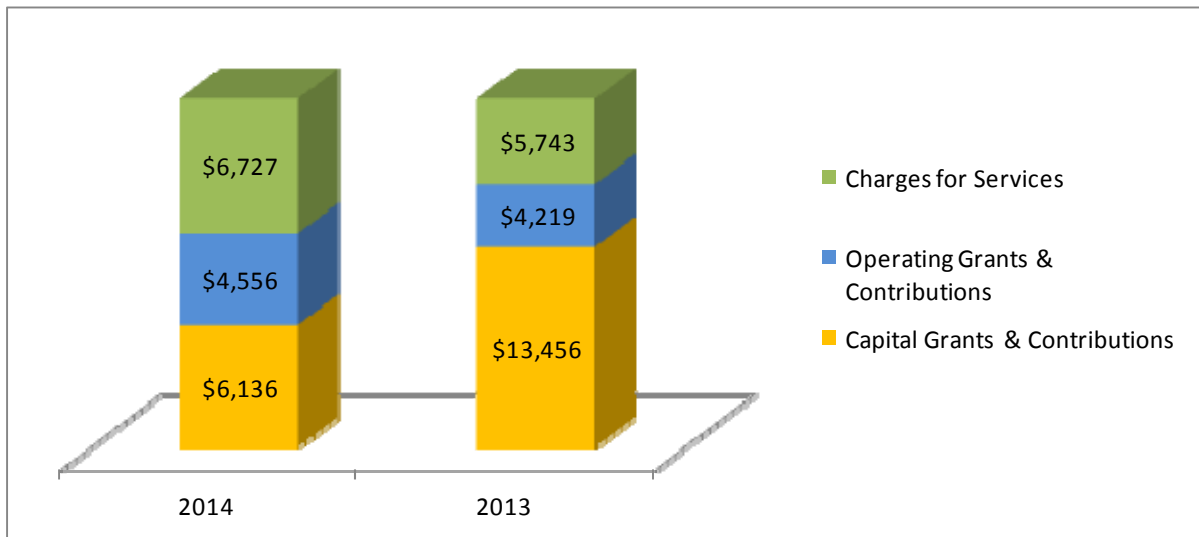
General revenue, primarily in the form of taxes and state aid, is essential to providing support for the services offered by the Town. As illustrated in Table 3, governmental activities generate revenue that helps offset the cost of these services. The table presents the total cost of services and the net costs after fees generated by the activities and allowances for program-specific governmental aid as an integral part of the Town's governmental activities. The Town generates charges for services primarily from fees for parks and recreation memberships and classes, public safety fees, zoning fees and permits. The Town obtains grants and contributions primarily for public safety, airport, and public works. After recognizing the total revenue from these fees, grants, and contributions of \$17.4 million in 2014, the net cost of governmental activities was \$34.3 million, compared to total costs of \$51.8 million.

Table 3
Net Cost of Governmental Activities
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)

Function:	Total Cost of Services		Net Cost of Services	
	FY 2014	FY 2013	FY 2014	FY 2013
Legislative	\$ 1,648	\$ 2,063	\$ 1,648	\$ 2,063
Executive	5,102	3,537	4,964	3,537
Legal	428	557	428	557
Planning and Zoning	1,544	1,498	838	1,261
Plan Review	1,332	1,303	1,332	1,303
Finance	2,122	2,187	2,122	2,187
Public Safety	12,761	12,565	11,026	10,971
Parks and Recreation	8,545	7,906	3,626	3,118
Balch Library	639	586	626	581
Public Works	13,281	17,835	4,389	5,134
Airport	1,784	7,238	768	3,145
Interest	2,575	2,313	2,575	2,313
Totals	\$ 51,761	\$ 59,588	\$ 34,342	\$ 36,170

The change in program revenues including charges for services, contributions and grants is illustrated in Chart 3. Revenue from charges for services increased by \$984 thousand in fiscal year 2014. Program revenue for operating grants and contributions increased \$337 thousand. Capital grants and contributions decreased \$7.3 million in fiscal year 2014 primarily from a decrease in federal funding received for the airport and developer contributions received for public works.

Chart 3
Governmental Activities – Program Revenue
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)



Business-type Activities

Business-type activities are generally intended to be self-supporting as fees are established to recover the cost associated with providing the service. Exhibit 8 presents the Statement of Net Position for the Utilities Fund. In fiscal year 2014, the Utilities Fund's total assets, deferred outflows of resources and liabilities were \$197.3 million, \$406 thousand and \$70.7 million, respectively. Total net position for fiscal year 2014 was \$127.0 of which \$15.9 million is unrestricted.

Table 2 summarizes the business-type activities for 2014 showing that the Utilities Fund decreased government-wide net position by \$2.1 million after the \$1.5 million transfer from the Utilities Fund to the

Ninety-seven percent of utility fees were generated by charges for services including water and sewer fixed charges and usage fees, penalties, service charges, and other user fees. Operating revenue for fiscal year 2014 was \$16.2 million compared to \$15.6 million for fiscal year 2013.

Total operating expenses increased \$1.8 million to \$16.5 million. When combined with the \$532 thousand increase in operating revenue the Utilities Fund incurred an operating loss of \$327 thousand for fiscal year 2014. Non-operating revenues and expenses resulted in a net decrease of \$555 thousand. The \$2.1 million change in net position primarily due to a decrease in developer donated assets of \$2.6 million from the prior fiscal year.

FINANCIAL ANALYSIS OF THE TOWN'S GOVERNMENTAL FUNDS

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

The Town has two governmental funds, the General Fund and the Capital Projects Fund with fund balances of \$20.8 million and (\$5.1) million, respectively, for a net total of \$15.8 million for fiscal year 2014. A decrease of \$3.9 million from \$19.7 million in 2013 was due to \$5.8 million of excess expenditures over revenue in the Capital Projects Fund as detailed in Exhibit 5. Fund balances are required by GASB to be classified as non-spendable, restricted, committed, assigned, and unassigned for better management of the governmental funds current resources. Table 4 is an excerpt from the Balance Sheet (Exhibit 3) and illustrates the components of the Town's governmental fund balances as of June 30, 2014 and 2013.

Table 4
Governmental Fund Balances
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)

	FY 2014	FY 2013	Change
Non-Spendable			
Lease deposit	\$ 155	\$ 153	\$ 2
Restricted			
Balch Library	741	731	10
Parks and Recreation	51	51	-
Police	182	50	132
Bond proceeds	393	3,726	(3,333)
Committed			
Capital projects - Road	6,424	5,531	893
Capital projects - Storm Drainage	225	529	(304)
Capital projects - General Government	280	287	(7)
Capital projects - Airport	349	294	55
Capital projects - Parks and Recreation	413	3	410
Capital projects - Administration	59	29	30
Assigned			
Debt Service Reserve	5,734	4,353	1,381
Capital Asset Reserve	1,667	1,465	202
Designated for Future Years	1,347	1,326	21
Unassigned	(2,241)	1,177	(3,418)
Total Fund Balances	\$ 15,779	\$ 19,705	\$ (3,926)

The General Fund is the main operating fund of the Town, and its fund balance increased \$2.7 million to \$20.8 million for fiscal year 2014 (Exhibit 5). Of this total, unassigned fund balance was \$11.0 million (Exhibit 3) or 22.6 percent of total General Fund expenditures of \$48.5 million for fiscal year 2014. In comparison, at the end of fiscal year 2013, the unassigned fund balance was \$10.0 million, equal to 20.7 percent of total General Fund expenditures.

The Capital Projects Fund accounts for financial resources to be used for the acquisition and/or construction of Town infrastructure including facilities, streets, curbs, sidewalks, and other capital projects other than those financed by the Utility Fund. As of June 30, 2014 the Capital Projects fund balance was a deficit of (\$5.1) million (Exhibit 3) compared to \$1.5 million in 2013. Fund balances are used in conjunction with a variety of revenues to begin, continue and complete projects included in the six-year capital improvements program.

Five categories of fund balances were adopted in fiscal year 2011 based on GASB Statement No. 54. The assigned fund balance for debt service reserve increased \$1.4 million, capital asset replacement reserves increased \$202 thousand, and money designated for future years increased \$21 thousand. Unassigned fund balances decreased \$6.8 million primarily due to funds committed for capital projects. There were minimal changes in the restricted fund balances for the library, parks and recreation, police departments, and the non-spendable fund balance.

BUDGETARY HIGHLIGHTS

General Fund

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

Table 5
Condensed Budgetary Comparison
Years ended June 30, 2014 (\$ in Thousands)

	Fiscal Year 2014		
	Original Budget	Amended Budget	Actual
<u>Revenues:</u>			
Taxes	\$ 31,193	\$ 31,193	\$ 31,433
Intergovernmental	7,943	7,943	8,319
Other	8,216	8,231	9,159
Total Revenues	47,352	47,367	48,911
<u>Expenditures:</u>			
Expenditures	47,824	50,717	48,508
Excess (Deficiency) of Revenue over Expenditures	(472)	(3,350)	403
<u>Other Financing Sources:</u>			
Transfers	2,063	3,289	2,262
Change in fund balance	\$ 1,591	\$ (61)	\$ 2,665

Overall, General Fund revenues exceeded budget by \$1.5 million. Revenues collected exceeded budget projections for planning and zoning permits and intergovernmental revenue by approximately \$635 thousand and \$376 thousand, respectively (Exhibit 7). General Fund expenditures were under the amended budget by \$2.2 million. The General Fund fund balance increased by \$2.7 million.

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

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

The original budgeted expenditures increased by \$2.9 million for the fiscal year (Exhibit 7). This increase is a result of supplemental appropriations throughout the year. The most significant supplemental appropriation approved Town Council was to increase expenditures by \$1.2 million for capital asset replacement and repair. The budget for any 2014 uncompleted contractual services and projects will be carried forward to fiscal year 2015.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Table 6 provides information on the changes in the capital assets of the governmental activities and the business-type activities as of June 30, 2014 and 2013.

Table 6
Capital Assets
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	FY 2014	FY 2013	Change	FY 2014	FY 2013	Change
Land	\$ 54,390	\$ 53,538	\$ 852	\$ 1,577	\$ 1,586	\$ (9)
Buildings and improvement	77,063	77,137	(74)	-	-	-
Water and sewer plant	-	-	-	115,856	115,856	-
Water and sewer lines	-	-	-	115,228	114,784	444
Equipment and software	9,551	9,068	483	1,213	1,154	59
Vehicles	5,180	5,149	31	2,677	2,501	176
Infrastructure & street	234,063	230,530	3,533	-	-	-
Hangars	6,057	6,057	-	-	-	-
Terminals	6,678	6,678	-	-	-	-
Runway	15,688	15,688	-	-	-	-
Construction in progress	19,788	9,844	9,944	5,952	5,536	416
Total Capital Assets	428,458	413,689	14,769	242,503	241,417	1,086
Accumulated depreciation and amortization	(103,865)	(95,376)	(8,489)	(64,985)	(60,037)	(4,948)
Total Capital Assets, Net	\$ 324,593	\$ 318,313	\$ 6,280	\$ 177,518	\$ 181,380	\$ (3,862)

The Town's governmental activities capital assets (net of accumulated depreciation and amortization) as of June 30, 2014 and 2013 amounted to approximately \$324.6 million and \$318.3 million, respectively. The net increase in capital assets (including additions, retirements, depreciation and amortization) was \$6.3 million for governmental activities. The additional increase is attributed to \$3.5 million in infrastructure as well as ongoing developer contributions of streets, sidewalks, gutters, and storm drainage.

The business-type activities capital assets (net of accumulated depreciation and amortization) as of June 30, 2014 amounted to approximately \$177.5 million for the Utilities Fund compared to \$181.4 million in 2013, a difference predominantly due to the depreciation and amortization of the existing capital assets.

The Town's fiscal year 2014 – 2019 Capital Improvement Program (CIP), approved by Town Council, sets forth a six-year, \$56.5 million program of public improvements for the Town. This six year plan includes \$8.4 million in water and sewer projects and \$48.1 million in governmental activity projects including \$1.3 million in storm drainage, \$37 million in streets and highways, \$2.5 million in airport projects, and \$6.6 million in general projects such as downtown improvements and lighting. 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 was \$6.5 billion in fiscal year 2014, and \$6.2 billion in 2013. The Town's total long-term obligations of \$119.8 million as of June 30, 2014 and \$120.0 million as of June 30, 2013, are well within the limits set by the Constitution of the Commonwealth of Virginia. Revenue bonds are not included in calculating the legal limit.

Table 7
Outstanding Long-Term Bonded Debt
Comparison for the years ended June 30, 2014 and 2013 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	FY 2014	FY 2013	Change	FY 2014	FY 2013	Change
General Obligation Bonds	\$ 55,090	\$ 56,889	\$ (1,799)	\$ 61,305	\$ 62,095	\$ (790)
Revenue Bonds	-	-	-	4,205	4,205	-
Totals	\$ 55,090	\$ 56,889	\$ (1,799)	\$ 65,510	\$ 66,300	\$ (790)

In the governmental activities, total long-term debt as of June 30, 2014 and 2013 was \$55.1 million and \$56.9 million, respectively. Outstanding long-term debt for business activities decreased from \$66.3 million as of June 30, 2013 to \$65.5 million as of June 30, 2014. The decreases are due to normal retirement of principal.

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

- The Town will not fund current operations from the proceeds of borrowed funds and will confine long-term borrowing and capital leases to capital improvement projects, or equipment that cannot be financed from current financial resources.
- The goal of the Town is to finance at least 25 percent of the cost of capital improvements (in excess of proffers) from non-debt resources.
- The Town will, when financing capital improvements or other projects or equipment by issuing bonds or entering capital leases, repay the debt within a period not to exceed the expected useful life of the project or equipment. Debt related to equipment ancillary to a construction project may be amortized over a period less than that of the primary project.
- The Town is cognizant of its higher than average debt burden and will continue to offset its impact through rapid payback. An average payback of at least 60 percent in ten years will be maintained, except for projects with a known revenue stream.
- The Town will annually calculate target debt ratios. The Town's debt capacity will be maintained within the following primary goals:
 - o Debt service expenditures as a percentage of governmental funds expenditures will not exceed 15 percent. For fiscal year 2014, this percentage was 7.3%.
 - o Bonded debt (General Obligation Debt) of the Town will not exceed 1.5 percent of the total assessed value of taxable property in the Town. For fiscal year 2014, this percentage was 0.84%.

- The Town will follow a policy of full disclosure in every annual financial report and financing official statement/offering document.
- The Town will maintain good communications about its financial condition with bond holders and credit rating institutions.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

- The average unemployment rate for the County of Loudoun, in which the Town of Leesburg resides, decreased slightly to 4.4 percent in June 2014 compared to 4.5 percent in 2013. This compares favorably to the State's rate of 5.3 percent and the national rate of 6.1 percent.
- The Town's population was estimated to be 43,996. Population estimates for the last ten years are provided in the statistical section of this report at Table 17.
- Per capita personal income is not kept on a Town basis. However, the County of Loudoun's per capita personal income was \$60,036, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Loudoun County is considered one of the wealthiest counties in the nation.
- The Town government's full-time equivalency (FTE) employment decreased in fiscal year 2014 by 0.7 FTE positions to a total of 410.2. Workforce numbers by department for the last ten years are provided in the statistical section of this report at Table 19.

Fiscal Year 2015 Budget and Rates

- For fiscal year 2015, the adopted budget for the General Fund is \$49.1 million, consistent with fiscal year 2014 expenditures. Revenues are comprised primarily of general taxes at 57.7 percent, other local taxes at 5.7 percent, charges for services at 9.8 percent, donations and transfers at 5.9 percent, intergovernmental assistance at 20.9 percent.
- In fiscal year 2015, the Town continues to prioritize its services. Public safety accounts for \$13.7 million or 16.2 percent of the budgeted expenditures. The public works department is a close second, accounting for \$13.2 million or 15.6 percent of budgeted expenditures.
- Tax rate for real property was lowered from \$0.192 for tax year 2013 to \$0.183 per \$100 of assessed value for tax year 2014. The personal property tax rate remained unchanged at \$1.00 per \$100 of assessed value. Detail on the tax rates is provided in Table 10 of the statistical section of this report.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 24,913,940	\$ 16,184,653	\$ 41,098,593
Receivables, net:			
Property taxes, including penalties	6,411,240	-	6,411,240
Utility taxes	132,781	-	132,781
Local taxes	1,617,984	-	1,617,984
Trade and other accounts	347,613	3,449,446	3,797,059
Accrued interest	14,480	4,440	18,920
Inventory	-	191,092	191,092
Prepaid items and deposit	155,411	-	155,411
Due from other governments	2,641,860	-	2,641,860
Restricted cash	1,789,201	-	1,789,201
Capital assets:			
Land	54,389,967	1,577,329	55,967,296
Construction in progress	19,787,511	5,951,455	25,738,966
Buildings and improvements	77,063,485	-	77,063,485
Water and sewer plant	-	115,855,797	115,855,797
Water and sewer lines	-	115,228,364	115,228,364
Furniture, equipment and software	6,557,957	1,212,905	7,770,862
Computer equipment and software	2,992,874	-	2,992,874
Vehicles	5,180,041	2,676,433	7,856,474
Infrastructure	70,644,017	-	70,644,017
Streets	163,419,095	-	163,419,095
Hangars	6,057,289	-	6,057,289
Runway	15,687,713	-	15,687,713
Terminals	6,677,993	-	6,677,993
Less: accumulated depreciation and amortization	(103,865,130)	(64,985,336)	(168,850,466)
Total assets	362,617,322	197,346,578	559,963,900
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	2,112,411	406,197	2,518,608
LIABILITIES			
Accounts payable	2,112,928	440,167	2,553,095
Due to other governments	42,213	-	42,213
Accrued payroll	1,213,103	344,388	1,557,491
Other accrued liabilities	146,884	-	146,884
Accrued interest	1,041,002	1,411,103	2,452,105
Retainage payable	169,407	100,376	269,783
Customer deposits	146,054	922,802	1,068,856
Performance bonds	1,730,997	-	1,730,997
Reserve for proffers	6,885,076	-	6,885,076
Unearned revenue	3,436,619	-	3,436,619
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,575,178	471,974	2,047,152
Bonds payable	1,885,000	1,102,948	2,987,948
Due in more than one year:			
Other postemployment benefits	142,263	76,790	219,053
Compensated absences	668,910	177,614	846,524
Bonds payable	55,349,740	65,666,824	121,016,564
Total liabilities	76,545,374	70,714,986	147,260,360
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,871,398	-	5,871,398
NET POSITION			
Net investment in capital assets	269,470,483	111,153,372	380,623,855
Restricted			
Balch Library	741,309	-	741,309
Parks and recreation (Symmington)	50,521	-	50,521
Police	181,969	-	181,969
Bond proceeds	393,124	-	393,124
Unrestricted	11,475,555	15,884,417	27,359,972
Total net position	\$ 282,312,961	\$ 127,037,789	\$ 409,350,750

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government:						
Governmental activities:						
Legislative	\$ 1,647,737	\$ -	\$ -	\$ -	\$ (1,647,737)	\$ -
Executive	5,101,778	-	-	137,400	(4,964,378)	-
Legal	428,396	-	-	-	(428,396)	-
Planning and zoning	1,544,011	706,135	-	-	(837,876)	-
Plan review	1,332,438	-	-	-	(1,332,438)	-
Finance	2,122,300	-	-	-	(2,122,300)	-
Public safety	12,760,923	733,367	1,002,002	-	(11,025,554)	-
Parks and recreation	8,545,134	4,919,355	-	-	(3,625,779)	-
Balch Library	638,586	-	12,379	-	(626,207)	-
Public works	13,281,259	368,345	3,442,583	5,081,809	(4,388,522)	-
Airport	1,784,308	-	99,197	916,850	(768,261)	-
Interest	2,574,971	-	-	-	(2,574,971)	-
Total governmental activities	51,761,841	6,727,202	4,556,161	6,136,059	(34,342,419)	-
Business-type activities:						
Utilities	19,421,203	15,620,127	2,176,412	271,759	-	(1,352,905)
Total business-type activities	19,421,203	15,620,127	2,176,412	271,759	-	(1,352,905)
Total government	\$ 71,183,044	\$ 22,347,329	\$ 6,732,573	\$ 6,407,818	(34,342,419)	(1,352,905)
General Revenues:						
Taxes:						
General property taxes, including penalties					13,665,498	-
Other local taxes:						
Communication sales and use					6,343,455	-
Meals					4,827,853	-
Business and occupational licenses					3,292,385	-
Utility					1,564,500	-
Cigarette					980,759	-
Other					2,785,727	-
Intergovernmental, non-categorical aid					1,594,257	-
Use of money and property					1,796,693	194,274
Miscellaneous					813,747	548,717
Transfers					1,492,850	(1,492,850)
Total general revenues and transfers, net					39,157,724	(749,859)
Change in net position					4,815,305	(2,102,764)
Net position, beginning, as restated					277,497,656	129,140,553
Net position, ending					\$ 282,312,961	\$ 127,037,789
						\$ 409,350,750

See Notes to Financial Statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash, cash equivalents, and temporary cash investments	\$ 20,488,295	\$ 4,425,645	\$ 24,913,940
Receivables, net			
Property taxes, including penalties	6,411,240	-	6,411,240
Utility taxes	132,781	-	132,781
Local taxes	1,617,984	-	1,617,984
Accounts	252,505	95,108	347,613
Accrued interest	14,480	-	14,480
Due from other governments	1,315,334	1,326,526	2,641,860
Deposit	155,411	-	155,411
Restricted cash	1,010,311	778,890	1,789,201
Total assets	\$ 31,398,341	\$ 6,626,169	\$ 38,024,510
LIABILITIES			
Accounts payable	\$ 789,584	\$ 1,323,344	\$ 2,112,928
Due to other governments	42,213	-	42,213
Accrued payroll	1,167,992	45,111	1,213,103
Other accrued liabilities	146,884	-	146,884
Retainage payable	-	169,407	169,407
Customer deposits	146,054	-	146,054
Performance bonds	1,730,997	-	1,730,997
Reserve for proffers	-	6,885,076	6,885,076
Unearned revenues	177,579	3,259,040	3,436,619
Total liabilities	4,201,303	11,681,978	15,883,281
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	6,361,752	-	6,361,752
Total deferred inflows of resources	6,361,752	-	6,361,752
FUND BALANCES			
Nonspendable			
Lease deposit	155,411	-	155,411
Restricted			
Balch Library	741,309	-	741,309
Parks and recreation (Symmington)	50,521	-	50,521
Police	181,969	-	181,969
Bond proceeds	-	393,124	393,124
Committed			
Capital projects - streets and highways	-	6,424,482	6,424,482
Capital projects - storm drainage	-	224,941	224,941
Capital projects - general government	-	279,702	279,702
Capital projects - airport	-	349,320	349,320
Capital projects - parks and recreation	-	412,496	412,496
Capital projects - administration	-	59,232	59,232
Assigned			
Debt service reserve	5,733,535	-	5,733,535
Capital asset reserve	1,667,234	-	1,667,234
Expenditures designated for future years	1,346,947	-	1,346,947
Unassigned	10,958,360	(13,199,106)	(2,240,746)
Total fund balances	20,835,286	(5,055,809)	15,779,477
Total liabilities, deferred inflows of resources and fund balances	\$ 31,398,341	\$ 6,626,169	\$ 38,024,510

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balances - governmental funds	\$ 15,779,477
--	---------------

Amounts reported for governmental activities
in the Statement of Net Position are different because:

Capital assets used in governmental activities
are not current financial resources and, therefore,
not reported in the governmental funds.

Governmental capital assets	\$ 428,457,942	
Less: accumulated depreciation and amortization	<u>(103,865,130)</u>	
Net capital assets		324,592,812

Deferred revenue represents amounts that
were not available to fund current expenditures
and, therefore, is not reported as revenue in the
governmental funds.

490,354

For debt refunding resulting in defeasance of debt, the
difference between the reacquisition price and the net
carrying amount of the old debt should be reported as a
deferred outflow of resources:

Deferred loss on refunding of debt	2,112,411
------------------------------------	-----------

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	(57,234,740)	
Compensated absences	(2,244,088)	
Other postemployment benefits	(142,263)	
Interest payable	<u>(1,041,002)</u>	
		<u>(60,662,093)</u>

Net position of governmental activities	<u>\$ 282,312,961</u>
--	------------------------------

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 13,814,622	\$ -	\$ 13,814,622
Other local taxes	17,618,402	-	17,618,402
Permits, fees and licenses	1,073,586	-	1,073,586
Fines and forfeitures	718,350	-	718,350
Use of money and property	1,518,555	278,138	1,796,693
Charges for services	4,935,266	-	4,935,266
Contributions and proffers	144,779	1,502,122	1,646,901
Miscellaneous	767,665	46,082	813,747
Intergovernmental	8,319,316	4,496,537	12,815,853
Total revenues	48,910,541	6,322,879	55,233,420
Expenditures:			
Current:			
Legislative	1,645,525	-	1,645,525
Executive	4,065,619	-	4,065,619
Legal	470,940	-	470,940
Planning and zoning	1,562,694	-	1,562,694
Plan review	1,384,016	-	1,384,016
Finance	1,985,483	-	1,985,483
Public safety	12,507,687	-	12,507,687
Parks and recreation	7,833,710	-	7,833,710
Balch Library	457,866	-	457,866
Public works	11,494,248	-	11,494,248
Airport	688,604	-	688,604
Capital projects	-	12,144,131	12,144,131
Debt service:			
Principal	1,799,341	-	1,799,341
Interest and fiscal charges	2,611,718	-	2,611,718
Total expenditures	48,507,451	12,144,131	60,651,582
Revenues over (under) expenditures	403,090	(5,821,252)	(5,418,162)
Other Financing Sources (Uses):			
Transfers in	2,262,085	30,238	2,292,323
Transfers out	-	(799,473)	(799,473)
Other financing sources (uses), net	2,262,085	(769,235)	1,492,850
Net change in fund balances	2,665,175	(6,590,487)	(3,925,312)
Fund Balances, beginning	18,170,111	1,534,678	19,704,789
Fund Balances, ending	\$ 20,835,286	\$ (5,055,809)	\$ 15,779,477

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	Governmental Funds
Net change in fund balances - total governmental funds	\$ (3,925,312)
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	\$ 15,485,939
Less: depreciation and amortization expense	<u>(9,105,667)</u>
Excess of capital outlay over depreciation and amortization	6,380,272
The net effect of various miscellaneous transactions involving capital assets. (i.e. donations, disposals and transfers)	(100,510)
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	(149,124)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal repayments:	
General obligation debt	1,799,341
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	11,858
Compensated absences	(199,305)
Other postemployment benefits	973,196
Amortization of premiums	142,237
Amortization of deferred losses	<u>(117,348)</u>
	<u>810,638</u>
Change in net position of governmental activities	<u>\$ 4,815,305</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 13,621,703	\$ 13,621,703	\$ 13,814,622	\$ 192,919
Other local taxes	17,571,616	17,571,616	17,618,402	46,786
Permits, fees and licenses	438,100	438,100	1,073,586	635,486
Fines and forfeitures	480,000	480,000	718,350	238,350
Use of money and property	1,466,500	1,466,500	1,518,555	52,055
Charges for services	4,992,220	4,992,220	4,935,266	(56,954)
Contributions	137,400	138,420	144,779	6,359
Miscellaneous	700,895	714,895	767,665	52,770
Intergovernmental	7,943,129	7,943,129	8,319,316	376,187
Total revenues	47,351,563	47,366,583	48,910,541	1,543,958
Expenditures:				
Current:				
Legislative	1,706,035	1,793,377	1,645,525	(147,852)
Executive	3,715,740	4,230,157	4,065,619	(164,538)
Legal	481,697	479,221	470,940	(8,281)
Finance	1,959,819	2,024,873	1,985,483	(39,390)
Public safety	12,499,672	12,815,356	12,507,687	(307,669)
Public works	11,488,747	12,359,161	11,494,248	(864,913)
Parks and recreation	7,564,864	8,281,225	7,833,710	(447,515)
Balch Library	445,502	462,473	457,866	(4,607)
Planning and zoning	1,599,217	1,576,885	1,562,694	(14,191)
Plan review	1,344,674	1,544,738	1,384,016	(160,722)
Airport	606,929	738,442	688,604	(49,838)
Debt service:				
Principal	1,800,000	1,800,000	1,799,341	(659)
Interest and fiscal charges	2,611,059	2,611,059	2,611,718	659
Total expenditures	47,823,955	50,716,967	48,507,451	(2,209,516)
Revenues over (under) expenditures	(472,392)	(3,350,384)	403,090	3,753,474
Other Financing Sources:				
Transfers in	2,062,948	2,094,085	2,262,085	168,000
Capital fund draw	-	1,195,039	-	(1,195,039)
Other financing sources	2,062,948	3,289,124	2,262,085	(1,027,039)
Net change in fund balance	1,590,556	(61,260)	2,665,175	2,726,435
Fund Balance, beginning	(1,590,556)	61,260	18,170,111	18,108,851
Fund Balance, ending	\$ -	\$ -	\$ 20,835,286	\$ 20,835,286

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	Business-type Activities - Enterprise Fund Utilities
ASSETS	
Current Assets:	
Cash, cash equivalents, and temporary cash investments	\$ 16,184,653
Accounts receivables, net	3,449,446
Inventory	191,092
Accrued interest	4,440
Total current assets	19,829,631
Noncurrent Assets:	
Capital assets:	
Land	1,577,329
Water and sewer plant	115,855,797
Water and sewer lines	115,228,364
Furniture, equipment and software	1,212,905
Vehicles	2,676,433
Construction in progress	5,951,455
Less: accumulated depreciation and amortization	(64,985,336)
Total capital assets, net	177,516,947
Total noncurrent assets	177,516,947
Total assets	197,346,578
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charge of Refunding	406,197
Total assets and deferred outflows of resources	197,752,775
LIABILITIES	
Current Liabilities:	
Accounts payable	440,167
Accrued payroll	344,388
Accrued interest	1,411,103
Compensated absences	471,974
Retainage payable	100,376
Bonds payable	1,102,948
Customer deposits and contingent charges	922,802
Total current liabilities	4,793,758
Noncurrent Liabilities:	
Compensated absences	177,614
Other postemployment benefits	76,790
Bonds payable, net	65,666,824
Total noncurrent liabilities	65,921,228
Total liabilities	70,714,986
NET POSITION	
Net investment in capital assets	111,153,372
Unrestricted	15,884,417
Total net position	\$ 127,037,789

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2014

	Business-type Activities - Enterprise Fund Utilities
Operating Revenues:	
Charges for services	\$ 15,620,127
Other	<u>548,717</u>
Total operating revenues	<u>16,168,844</u>
Operating Expenses:	
Personnel service	7,334,039
Contractual services	736,878
Depreciation and amortization	5,110,051
Materials and supplies	1,276,826
Continuous charges	1,235,343
Capital outlay	<u>802,403</u>
Total operating expenses	<u>16,495,540</u>
Operating loss	<u>(326,696)</u>
Nonoperating Revenues (Expenses):	
Contributions from Loudoun County	409,765
Gain on sale of assets	146,252
Interest on investments	48,022
Installation and connection charges	1,766,647
Interest and fiscal charges	<u>(2,925,663)</u>
Total nonoperating expenses, net	<u>(554,977)</u>
Loss before contributions and transfers	<u>(881,673)</u>
Contributions and Transfers	
Developer donated assets	271,759
Transfers out	<u>(1,492,850)</u>
Total contributions and transfers, net	<u>(1,221,091)</u>
Change in net position	(2,102,764)
Net Position, beginning, as restated	<u>129,140,553</u>
Net Position, ending	<u><u>\$ 127,037,789</u></u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	Business-type Activities - Enterprise Fund Utilities
Cash Flows From Operating Activities:	
Receipts from customers	\$ 15,609,107
Payments to suppliers for goods and services	(3,958,964)
Payments to employees for services	(7,394,410)
Other receipts	548,717
	<u>4,804,450</u>
Net cash provided by operating activities	<u>4,804,450</u>
Cash Flows From Noncapital and Related Financing Activities:	
Transfers out	(1,492,850)
Cash used in noncapital and related financing activities	<u>(1,492,850)</u>
Cash Flows From Capital and Related Financing Activities:	
Installation and connection charges	1,766,647
Acquisition and construction of capital assets	(1,130,450)
Proceeds from sale of assets	155,279
Interest and fiscal charges	(2,605,731)
Principal paid on bonds	(789,593)
Net cash used in capital and related financing activities	<u>(2,603,848)</u>
Cash Flows From Investing Activities:	
Interest on investments	43,582
Cash provided by investing activities	<u>43,582</u>
Net increase in cash and cash equivalents	751,334
Cash and Cash Equivalents	
Beginning	<u>15,433,319</u>
Ending	<u><u>\$ 16,184,653</u></u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

Business-type
 Activities -
Enterprise Fund
Utilities

Reconciliation of Operating Loss to Net Cash Provided By

Operating Activities:

Operating loss	\$ (326,696)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	5,110,051
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(83,710)
Prepays	2,967
Inventory	114,530
Increase (decrease) in:	
Accounts payable	(22,044)
Accrued liabilities	147,514
Other post employment benefits	(271,923)
Compensated absences	61,071
Customer deposits and contingent charges	72,690

Net cash provided by operating activities

\$ 4,804,450

Supplemental Disclosure of Noncash Capital and Related

Financing Activities:

Developer donated capital improvements \$ 271,759

Capital assets acquired through incurrence of accounts
and retainage payable

\$ 108,934

STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2014

	OPEB Trust Fund
ASSETS	
Investments held in trust	<u>\$ 8,213,798</u>
Total assets	<u>8,213,798</u>
NET POSITION	
Held in trust for other postemployment benefits (OPEB)	<u><u>\$ 8,213,798</u></u>

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2014

	OPEB Trust Fund
Additions:	
Contributions	\$ 1,622,188
Total contributions	<u>1,622,188</u>
Investment Income:	
From investment activities:	
Realized gain on sale of investments	1,316
Interest and dividends earned on investments	12
Net increase in fair value of investments	<u>824,618</u>
Total income from investment activities	<u>825,946</u>
Deductions:	
Administrative fees	<u>8,448</u>
Total deductions	<u>8,448</u>
Change in net position	2,439,686
Net Position, beginning	<u>5,774,112</u>
Net Position, ending	<u><u>\$ 8,213,798</u></u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting

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

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

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

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Fund Accounting (Continued)

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

E. Budgetary Data

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

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

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

Expenditures may not legally exceed budgeted appropriations at the department level. The Town Manager has authority to amend or transfer appropriations within the department level. During the year ended June 30, 2014, General Fund supplemental appropriations totaling \$2,893,012 were authorized by Town Council.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

1. Cash and Cash Equivalents

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

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

2. Restricted Cash

Restricted cash was \$1,789,201 for governmental activities at June 30, 2014 and is comprised of unspent debt proceeds, proffer reserves, performance bonds, police forfeitures, and funds to be used for Balch Library.

3. Investments

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

4. Property Taxes

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia (County), for all property of record as of January 1. The Town bills and collects its property taxes based on the assessed values provided by the County. Real estate taxes are levied annually on January 1 and are due in semi-annual installments on June 5 and December 5. Personal property taxes are levied annually on January 1 and are due October 5 with pro-ration of personal property taxes throughout the year. Prorated personal property taxes levied after June 15 are due March 5.

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

5. Prepaid Items

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

6. Inventory

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

7. Capital Assets

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

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

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

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

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies

8. Unearned Revenue

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

9. Inter-fund Transactions

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

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

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

10. Compensated Absences

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

11. Long-Term Obligations

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

12. Bond Premiums and Discounts

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

13. Performance Bonds

In the fund financial statements, the General Fund reports approximately \$1.7 million liability for performance bonds. The Town requires contractors or developers to provide the Town with a performance bond (safety bond) in order to guarantee that the value of the work will not be lost in the case of an event that permits the contractor/developer from completing the project. Upon completion of the work and satisfactory inspection, the performance bond is refunded to the contractor/developer.

14. Reserve for Proffers

In the fund financial statements, the Capital Projects Fund reports a liability for proffers of approximately \$6.9 million. The Commonwealth of Virginia grants localities the ability to seek voluntary proffers from developers to offset costs for infrastructure and public services generated by development through the rezoning process. The Town's most common proffered cash contributions are those to offset future capital costs associated with schools, fire and rescue, parks and recreation, specific transportation improvements, and/or general transportation improvements.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

15. Fund Equity

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

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

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

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

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

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

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General Fund encumbrances totaling approximately \$1.3 million have been classified as assigned under fund balance. Capital Projects Fund encumbrances totaling approximately \$7.8 million have been classified as committed under fund balance.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

16. Net Position

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

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

17. 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.

18. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Town currently has one item that qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

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

Investment Policy:

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

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

1. Treasury Securities

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

2. Agency Securities

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

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 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. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less and seeks to maintain a constant net value (NAV) per share of \$1.00. The Commonwealth of Virginia's Treasury Board has contracted with PFM Asset Management, LLC, Wells Fargo, N.A., U.S. Bank, N.A., and the Bank of New York Mellon Corporation to provide professional services and regulating oversight to the SNAP Program.

11. Federally Insured Certificates of Deposit (CDARS)

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy: (Continued)

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

Investments in VML/VACo are used for funding Other Postemployment Benefits (OPEB). The VML/VACo Trust is the only pooled OPEB trust offered in Virginia. Trust participants receive professional investment management on par with the services provided by major pension funds. Investment decisions are made by the Board of Trustees.

The Town currently has \$8,213,798 invested with the VML/VACo OPEB Trust. The trust has not been assigned a rating as of June 30, 2014.

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, 2014, 35% of the Town's investments were invested in "AAAm" rated Money Market Funds. All credit ratings presented in this paragraph are Standard & Poor's ratings. The Town does not have a policy that addresses investment credit risk.

Interest Rate Risk:

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

	Fair Value	Less Than 1 Year
LGIP	\$ 5,597,413	\$ 5,597,413
Certificates of deposit	15,700,000	15,700,000
SNAP	2,910,878	2,910,878

Note 3. Estimated Unbilled Revenue

Utilities Fund revenues are estimated at year-end for unbilled services rendered. The amounts are determined by estimating services rendered based on past services provided. At June 30, 2014, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$2.5 million.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Receivables

Receivables at June 30, 2014 for the Town's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Utilities Fund	Totals
Property taxes, including penalties	\$ 6,661,240	\$ -	\$ -	\$ 6,661,240
Utility taxes	132,781	-	-	132,781
Local taxes	1,617,984	-	-	1,617,984
Accounts	293,675	95,108	3,524,446	3,913,229
Gross receivables	8,705,680	95,108	3,524,446	12,325,234
Less allowance for uncollectible accounts	291,170	-	75,000	366,170
Net receivables	<u>\$ 8,414,510</u>	<u>\$ 95,108</u>	<u>\$ 3,449,446</u>	<u>\$ 11,959,064</u>

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

	Unavailable	Unearned
Second half real estate billed in advance	\$ 5,638,318	\$ -
Delinquent property taxes receivable	723,434	-
Prepaid property taxes	-	120,146
Lease revenue	-	57,433
Capital projects	-	3,259,040
	<u>\$ 6,361,752</u>	<u>\$ 3,436,619</u>

The Capital Projects Fund reported unearned revenue of \$3,259,040 in connection with contributions received in advance from Virginia Department of Transportation and Loudoun County for the County's share of capital projects undertaken by the Town.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Due From Other Governments

At June 30, 2014, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:

Local sales tax	\$ 769,563
Other taxes and grants	77,474
Car rental tax	18,187
Communication sales and use	366,718
	<u>1,231,942</u>

Northern Virginia Cigarette Tax Board	<u>83,392</u>
---------------------------------------	---------------

Total General Fund	<u>\$ 1,315,334</u>
---------------------------	----------------------------

Capital Projects Fund:

Commonwealth of Virginia:

Virginia Department of Transportation	\$ 1,245,508
Department of Aviation	22,418
	<u>1,267,926</u>

Federal government:

Department of Aviation	<u>58,600</u>
------------------------	---------------

Total Capital Projects Fund	<u>\$ 1,326,526</u>
------------------------------------	----------------------------

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 53,537,871	\$ 852,096	\$ -	\$ -	\$ 54,389,967
Construction in progress	9,844,389	10,265,543	(584)	(321,837)	19,787,511
Total capital assets, not being depreciated or amortized	63,382,260	11,117,639	(584)	(321,837)	74,177,478
Capital assets, being depreciated or amortized:					
Buildings and improvements	77,136,486	3,800	(76,801)	-	77,063,485
Furniture, equipment and software	6,501,712	108,856	(52,611)	-	6,557,957
Computer equipment and software	2,566,411	426,463	-	-	2,992,874
Vehicles	5,148,998	618,344	(587,301)	-	5,180,041
Infrastructure	69,216,030	1,106,150	-	321,837	70,644,017
Streets	161,314,008	2,104,687	-	-	163,419,095
Hangers	6,057,289	-	-	-	6,057,289
Runways	15,687,713	-	-	-	15,687,713
Terminals	6,677,993	-	-	-	6,677,993
Total capital assets being depreciated or amortized	350,307,040	4,368,300	(716,713)	321,837	354,280,464
Less accumulated depreciation and amortization for:					
Buildings and improvements	(22,222,462)	(2,308,300)	4,008	-	(24,526,754)
Furniture, equipment and software	(3,930,950)	(574,317)	52,611	-	(4,452,656)
Computer equipment and software	(2,004,870)	(322,748)	-	-	(2,327,618)
Vehicles	(3,390,060)	(381,009)	560,168	-	(3,210,901)
Infrastructure	(17,840,300)	(1,419,216)	-	-	(19,259,516)
Streets	(31,112,046)	(3,280,387)	-	-	(34,392,433)
Hangers	(1,724,434)	(181,958)	-	-	(1,906,392)
Runway	(11,017,329)	(489,906)	-	-	(11,507,235)
Terminals	(2,133,799)	(147,826)	-	-	(2,281,625)
Total accumulated depreciation and amortization	(95,376,250)	(9,105,667)	616,787	-	(103,865,130)
Total capital assets being depreciated or amortized, net	254,930,790	(4,737,367)	(99,926)	321,837	250,415,334
Governmental activities capital assets, net	<u>\$ 318,313,050</u>	<u>\$ 6,380,272</u>	<u>\$ (100,510)</u>	<u>\$ -</u>	<u>\$ 324,592,812</u>

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	\$	4,675
Executive		274,414
Finance		191,785
Public safety		681,270
Parks and recreation		870,694
Balch Library		188,343
Planning and zoning		21,591
Public works		5,764,661
Airport		1,108,234
Total depreciation and amortization expense - governmental activities	\$	9,105,667

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated or amortized:					
Land	\$ 1,586,356	\$ -	\$ (9,027)	\$ -	\$ 1,577,329
Construction in progress	5,536,248	415,207	-	-	5,951,455
Total capital assets, not being depreciated or amortized	7,122,604	415,207	(9,027)	-	7,528,784
Capital assets, being depreciated or amortized:					
Water and sewer plant	115,855,797	-	-	-	115,855,797
Water and sewer lines	114,784,135	444,229	-	-	115,228,364
Furniture, equipment and software	1,154,199	58,706	-	-	1,212,905
Vehicles	2,500,524	337,815	(161,906)	-	2,676,433
Total capital assets being depreciated or amortized	234,294,655	840,750	(161,906)	-	234,973,499
Less accumulated depreciation and amortization for:					
Water and sewer plant	(26,953,391)	(2,323,796)	-	-	(29,277,187)
Water and sewer lines	(30,050,061)	(2,649,416)	-	-	(32,699,477)
Furniture, equipment and software	(1,066,691)	(38,070)	-	-	(1,104,761)
Vehicles	(1,967,048)	(98,769)	161,906	-	(1,903,911)
Total accumulated depreciation and amortization	(60,037,191)	(5,110,051)	161,906	-	(64,985,336)
Total capital assets being depreciated and amortized, net	174,257,464	(4,269,301)	-	-	169,988,163
Business-type activities capital assets, net	\$ 181,380,068	\$ (3,854,094)	\$ (9,027)	\$ -	\$ 177,516,947

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

General Obligation Bonds

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

Outstanding long-term debt at June 30, 2014 includes the following bond issues:

General Obligation Bonds:

\$9,190,000, 2005 General Obligation Bonds, due in annual principal payments of \$455,000 to \$665,000 through January 2026, plus interest at 4.00% to 5.00%	\$ 5,530,000
\$20,035,000, 2006 General Obligation Refunding Bond Series B, due in annual installments of \$445,000 to \$2,295,000 through September 2026, plus interest at 4.125% to 5.00%	13,355,000
\$55,660,000, 2006 "Double Barrel" General Obligation Public Utility Bonds, due in annual installments of \$565,000 to \$3,030,000 through July 2036, plus interest at 4.00% to 5.00%	45,510,000
\$21,695,000, 2009 Build America Bonds (BABS) Taxable, due in annual installments of \$210,000 to \$1,300,000 through February 2039, plus interest at 3.44% to 6.31%	18,665,000
\$6,320,000 2009 Build America Bonds (BABS) Tax-Exempt Refunding, due in annual installments of \$850,000 to \$935,000 through February 2017, plus interest at 3.50% to 4.00%	2,700,000
\$26,990,000 2011 Series A General Obligation Tax-Exempt, due in annual installments of \$195,000 to \$4,040,000 through January 2041, plus interest at 2.00% to 5.00%	26,755,000
\$3,880,000 2011 Series B General Obligation Taxable, due in annual installments of \$695,000 to \$1,250,000 through January 2020, plus interest at 2.585% to 3.721%	3,880,000

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Revenue Bonds:

\$11,000,000, VRA 1999 Utility System Revenue Bonds, due in semi-annual installments of \$391,534 beginning June 2015 through January 2021, including interest at 3.50%

\$ 4,204,897

Plus unamortized premiums, net

3,404,615

Total bonded debt

\$ 124,004,512

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

The Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond covenants collateralizes the bonds. The covenants provide the revenue of the system to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be retained in a surplus account. The covenants also contain certain provisions, which require the Town to maintain revenues, as defined in the covenants, of at least 1.25 times the annual debt service requirements. For fiscal year 2014, 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 and discount is as follows:

Description	Business-Type Activities	Governmental Activities	Totals
Bonded Long-term Debt:			
1999 VRA utility revenue	\$ 4,204,897	\$ -	\$ 4,204,897
2005 General obligation	-	5,530,000	5,530,000
2006 General obligation, Series B	-	13,355,000	13,355,000
2006 General obligation, Public Utility	45,510,000	-	45,510,000
2009 BABS, taxable	4,770,000	13,895,000	18,665,000
2009 BABS, tax-exempt	-	2,700,000	2,700,000
2011 Series A General obligation	11,025,000	15,730,000	26,755,000
2011 Series B General obligation	-	3,880,000	3,880,000
Total bonds payable	65,509,897	55,090,000	120,599,897
Plus: unamortized premiums	1,259,875	2,144,740	3,404,615
	<u>\$ 66,769,772</u>	<u>\$ 57,234,740</u>	<u>\$ 124,004,512</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

The following is a summary of long-term liability activity of the Town for the year ended June 30, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 56,889,341	\$ -	\$ (1,799,341)	\$ 55,090,000	\$ 1,885,000
Unamortized premiums	2,286,977	-	(142,237)	2,144,740	-
Compensated absences	2,044,783	1,816,349	(1,617,044)	2,244,088	1,575,178
Governmental activities long-term activities	<u>\$ 61,221,101</u>	<u>\$ 1,816,349</u>	<u>\$ (3,558,622)</u>	<u>\$ 59,478,828</u>	<u>\$ 3,460,178</u>

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

Year Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2015	\$ 1,885,000	\$ 2,557,199	\$ 4,442,199
2016	1,740,000	2,488,951	4,228,951
2017	4,400,000	2,384,101	6,784,101
2018	4,590,000	2,187,151	6,777,151
2019	4,750,000	1,987,437	6,737,437
2020-2024	22,940,000	6,758,838	29,698,838
2025-2029	11,930,000	2,286,244	14,216,244
2030-2033	2,855,000	173,700	3,028,700
	<u>\$ 55,090,000</u>	<u>\$ 20,823,621</u>	<u>\$ 75,913,621</u>

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 66,299,490	\$ -	\$ (789,593)	\$ 65,509,897	\$ 1,102,948
Unamortized premiums	1,311,200	-	(51,325)	1,259,875	-
Compensated absences	588,517	525,405	(464,334)	649,588	471,974
Business-type activities long-term liabilities	<u>\$ 68,199,207</u>	<u>\$ 525,405</u>	<u>\$ (1,305,252)</u>	<u>\$ 67,419,360</u>	<u>\$ 1,574,922</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

Year Ending June 30,	Bonded Obligations		Totals
	Principal	Interest	
2015	\$ 1,102,948	\$ 2,948,744	\$ 4,051,692
2016	3,372,666	2,869,555	6,242,221
2017	3,495,730	2,747,911	6,243,641
2018	3,619,587	2,600,413	6,220,000
2019	3,669,296	2,445,856	6,115,152
2020-2024	18,459,670	9,879,355	28,339,025
2025-2029	11,220,000	6,399,807	17,619,807
2030-2034	11,045,000	3,765,192	14,810,192
2035-2039	8,980,000	1,072,680	10,052,680
2040-2041	545,000	81,250	626,250
	<u>\$ 65,509,897</u>	<u>\$ 34,810,763</u>	<u>\$ 100,320,660</u>

Advanced Refunding

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

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

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$654.7 million, which is computed based upon 10% of the assessed value on real estate subject to taxation less applicable bonded debt.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Interfund Transfers

	General	Capital Projects	Total Transferred Out
Transfer from fund:			
Governmental activities:			
Capital Projects	\$ 799,473	\$ -	\$ 799,473
Business-type activities:			
Utilities	1,462,612	30,238	1,492,850
Total transferred in	\$ 2,262,085	\$ 30,238	\$ 2,292,323

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

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

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

Note 9. Commitments and Contingent Liabilities

Federal and State-Assisted Programs

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

At June 30, 2014, the Town was contractually obligated for \$7.7 million to complete various construction projects within the Town. The funds for these improvements are expected to come from fund balance reserves, the issuance of debt and state funding.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits

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

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

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

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

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

Annual OPEB cost and Net OPEB Obligation: In 2014, the Town had an actuarial valuation of post employment benefits performed as of July 1, 2013. The annual cost of the OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The phase-in of full funding cost for OPEB benefits is \$1,171,800 and the annual benefit cost is \$1,188,798 for 2014. The percentage of the annual OPEB cost contributed is 155.27%.

GASB Statement No. 45 does not require pre-funding of the OPEB liability. The Town has elected not to pre-fund all of the OPEB liability at this time. The Town anticipates continuing to fully fund the annual required contribution. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not pre-funded. At June 30, 2014, the Town has recorded a liability of \$219,053 on the Statement of Net Position for the governmental and business-type activities.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

The Town is not required to contribute the ARC of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows a calculation of the net OPEB obligation at June 30, 2014:

	Governmental Activities	Business-type Activities	Totals
ARC	\$ 918,827	\$ 252,973	\$ 1,171,800
Interest on net OPEB obligation	82,751	22,783	105,534
Adjustment to ARC	(69,423)	(19,113)	(88,536)
Annual OPEB cost	932,155	256,643	1,188,798
Actuarial adjustment	(466,115)	(121,983)	(588,098)
Contributions made	(1,439,236)	(406,583)	(1,845,819)
Decrease in net OPEB obligation	(973,196)	(271,923)	(1,245,119)
Net OPEB obligation, beginning of year	1,115,459	348,713	1,464,172
Net OPEB obligation, end of year	\$ 142,263	\$ 76,790	\$ 219,053

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, 2014	\$ 1,188,798	155.27%	\$ 219,053
June 30, 2013	1,749,303	101.52%	1,464,172
June 30, 2012	1,703,759	100.51%	1,490,818

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

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

The following table shows the funding progress for the Town.

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

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

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

Note 11. 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management (Continued)

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

The Town also has coverage with the Virginia Municipal League (VML) for workers' compensation. Each member jointly and severally agrees to assume, pay and discharge any liability. The Town pays VML contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of VML 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.

Note 12. Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About VRS Plan 2 VRS Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership data is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Eligible Members Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	Eligible Members Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Hybrid Opt-In Election VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	• State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	• Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.
Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.	

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
---------------	---------------	---------------------------

Retirement Contributions

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Retirement Contributions

Same as VRS Plan 1.

***Non-Eligible Members
(Continued)**

Those employees eligible for an Optional Retirement Plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as VRS Plan 1.	Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.	Vesting Same as VRS Plan 1.	Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Vesting (Continued)	Vesting (Continued)	Vesting (Continued)
Members are always 100% vested in the contributions they make.		<u>Defined Contributions Component</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under VRS Plan 1.	Calculating the Benefit <u>Defined Benefit Component</u> See definition under VRS Plan 1. <u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)
<u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:	<u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1.	<u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.
• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Disability Coverage	Disability Coverage	Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted.	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.	Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.	State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP and VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as VRS Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1. <u>Defined Contribution Component:</u> Not applicable.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS web site at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. 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. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Town elected to not phase in the increase, but rather provided a 5% salary increase to all employees on July 1, 2012. 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 2014 was 13.00% of annual covered payroll.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12 Pension Plan (Continued)

Plan Description (Continued)

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$3,050,270 was equal to the Town's required and actual contributions, which includes the employee portion of 5%.

Three-Year Trend Information for the Town

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 2,680,338	100%	\$ -
June 30, 2013	2,970,877	100%	-
June 30, 2014	3,050,270	100%	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (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 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. 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 payrolls on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 75.32% funded. The actuarial accrued liability for benefits was \$77,281,617, and the actuarial value of assets was \$58,210,450, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$19,071,167. The covered payroll (annual payroll of active employees covered by the plan) was \$22,838,322, and ratio of the UAAL to the covered payroll was 83.51%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear 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.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Operating Leases

The Town leases various owned airport properties under non-cancelable operating leases. The leases provide for annual rental increases and pass-through of certain maintenance costs. The Town was contracted at June 30, 2014 with six significant leases expiring at various dates; one in April 2018, two in June 2019, one in September 2023, one in December 2025, and one in May 2046.

Year Ending June 30,	Rental Income
2015	\$ 218,450
2016	218,450
2017	224,698
2018	213,009
2019	144,148
2020-2024	308,597
2025-2029	193,531
2030-2034	159,260
2035-2039	159,260
2040-2044	159,260
2045-2046	61,050
	<u>\$ 2,059,713</u>

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

As of June 30, 2014, the minimum long-term lease commitment is shown below:

Year Ending June 30,	Rental Expense
2015	\$ 223,373
2016	56,253
	<u>\$ 279,626</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, requires a state or local government employer (or nonemployer contributing entity in a special funding situation), to recognize a net pension liability measured as of a date (the measurement date), no earlier than the end of its prior fiscal year. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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

Note 15. Restatement

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

	Governmental Activities	Business-type Activities	Totals
Beginning net position, as reported	\$ 278,153,992	\$ 129,514,922	\$ 407,668,914
Adjustment to present the effect of No. 65 – Items Previously Reported as Assets and Liabilities	(656,336)	(374,369)	(1,030,705)
Beginning net position, as restated	<u>\$ 277,497,656</u>	<u>\$ 129,140,553</u>	<u>\$ 406,638,209</u>

REQUIRED SUPPLEMENTARY INFORMATION

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, 2013	\$ 58,210,450	\$ 77,281,617	\$ 19,071,167	75.32%	\$ 22,838,322	83.51%
June 30, 2012	54,626,621	73,022,589	18,395,968	74.81%	20,699,700	88.86%
June 30, 2011	52,990,905	68,374,294	15,383,389	77.50%	21,930,184	70.15%

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 1,188,798	155.27%
2013	1,749,303	101.52%
2012	1,703,759	100.51%

SUPPLEMENTAL SCHEDULES

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2014
(With Comparative Totals for 2013)**

	2014	2013
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 20,488,295	\$ 17,716,512
Receivables, net:		
Property taxes, including penalties	6,411,240	6,730,783
Utility taxes	132,781	254,865
Local taxes	1,617,984	1,442,338
Accounts	252,505	207,163
Accrued interest	14,480	6,136
Due from other governments	1,315,334	1,423,962
Lease deposit	155,411	153,473
Restricted cash	1,010,311	867,790
Total assets	\$ 31,398,341	\$ 28,803,022
LIABILITIES		
Accounts payable	\$ 789,584	\$ 920,423
Due to other governments	42,213	-
Accrued payroll	1,167,992	868,476
Other accrued liabilities	146,884	141,888
Customer deposits	146,054	224,335
Performance bonds	1,730,997	1,736,878
Unearned revenues	177,579	195,301
Total liabilities	4,201,303	4,087,301
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	6,361,752	6,545,611
Total deferred inflows of resources	6,361,752	6,545,611
FUND BALANCE		
Nonspendable		
Lease deposit	155,411	153,473
Restricted		
Balch Library	741,309	730,755
Parks and recreation (Symmington)	50,521	50,521
Police	181,969	50,040
Assigned		
Debt service reserve	5,733,535	4,352,804
Capital asset reserve	1,667,234	1,464,809
Expenditures designated for future years	1,346,947	1,326,596
Unassigned	10,958,360	10,041,113
Total fund balance	20,835,286	18,170,111
Total liabilities, deferred inflows of resources and fund balance	\$ 31,398,341	\$ 28,803,023

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources:				
General property taxes:				
Real estate taxes:				
Current	\$ 11,543,303	\$ 11,543,303	\$ 11,522,443	\$ (20,860)
Delinquent	-	-	5,427	5,427
Personal property taxes:				
Current	1,707,000	1,707,000	1,889,899	182,899
Delinquent	-	-	43,566	43,566
Public service corporation taxes	221,400	221,400	220,238	(1,162)
Penalties and interest	150,000	150,000	133,049	(16,951)
Total general property taxes	13,621,703	13,621,703	13,814,622	192,919
Other local taxes:				
Utility	1,540,000	1,540,000	1,564,500	24,500
Daily rental	7,000	7,000	5,210	(1,790)
Cable TV franchise	155,800	155,800	252,006	96,206
Meals	4,506,360	4,506,360	4,827,853	321,493
Bank franchise	806,820	806,820	875,046	68,226
Telecommunication	136,000	136,000	157,226	21,226
Cigarette	1,150,000	1,150,000	980,759	(169,241)
Sales and use	4,779,676	4,779,676	4,167,178	(612,498)
Business and occupational licenses	3,017,160	3,017,160	3,292,385	275,225
Motor vehicle licenses	812,800	812,800	806,461	(6,339)
Transient occupancy	660,000	660,000	689,778	29,778
Total other local taxes	17,571,616	17,571,616	17,618,402	46,786
Permits, fees and licenses:				
Zoning, subdivision and development fees	438,100	438,100	736,691	298,591
Permits	-	-	336,895	336,895
Total permits, fees and licenses	438,100	438,100	1,073,586	635,486
Fines and forfeitures:				
Police forfeiture	7,000	7,000	131,575	124,575
Traffic fines	354,000	354,000	475,713	121,713
Parking fines	119,000	119,000	111,062	(7,938)
Total fines and forfeitures	480,000	480,000	718,350	238,350
Use of money and property:				
Interest	130,700	130,700	52,835	(77,865)
Parking meters	60,000	60,000	51,832	(8,168)
Sales of surplus property	70,000	70,000	147,479	77,479
Parking facility revenues	96,000	96,000	106,572	10,572
Rentals and fees	1,109,800	1,109,800	1,159,837	50,037
Total use of money and property	1,466,500	1,466,500	1,518,555	52,055

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenue from local sources: (Continued)				
Charges for services:				
Publications	\$ 2,100	\$ 2,100	\$ 894	\$ (1,206)
Fingerprinting	4,000	4,000	4,652	652
Extradition	5,500	5,500	10,365	4,865
Parks and recreation user fees	4,980,620	4,980,620	4,919,355	(61,265)
Total charges for services	4,992,220	4,992,220	4,935,266	(56,954)
Contributions	137,400	138,420	144,779	6,359
Miscellaneous	700,895	714,895	767,665	52,770
Total revenues from local sources	39,408,434	39,423,454	40,591,225	1,167,771
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Motor vehicles tax	-	-	133	133
Rental car tax	92,000	92,000	124,463	32,463
Mobile home titling tax	-	-	720	720
Personal property tax relief	1,468,941	1,468,941	1,468,941	-
Communication sales and use	2,208,000	2,208,000	2,176,277	(31,723)
Total non-categorical aid	3,768,941	3,768,941	3,770,534	1,593
Categorical aid:				
VA Commission for the Arts	5,000	5,000	5,000	-
State fire programs funds	113,900	113,900	127,989	14,089
Law enforcement assistance	829,288	829,288	829,288	-
Highway maintenance	3,087,000	3,087,000	3,270,283	183,283
Department of Aviation	100,000	100,000	99,197	(803)
Department of Rail and Public Transportation	-	-	172,300	172,300
Internet crimes	-	-	9,354	9,354
Disaster Grant - Public Assistance	10,000	10,000	-	(10,000)
Total categorical aid	4,145,188	4,145,188	4,513,411	368,223
Total revenue from the Commonwealth	7,914,129	7,914,129	8,283,945	369,816
Revenue from the federal government:				
Categorical aid:				
Bulletproof Vest Grant	-	-	2,415	2,415
Gang Officer	18,000	18,000	32,956	14,956
Byrne Formula Grant	11,000	11,000	-	(11,000)
Total categorical aid	29,000	29,000	35,371	6,371
Total revenue from the federal government	29,000	29,000	35,371	6,371
Total intergovernmental	7,943,129	7,943,129	8,319,316	376,187
Total revenues	47,351,563	47,366,583	48,910,541	1,543,958

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Other financing sources:				
Transfers in	\$ 2,062,948	\$ 2,094,085	\$ 2,262,085	\$ 168,000
Capital fund draw	-	1,195,039	-	(1,195,039)
Total other financing sources	2,062,948	3,289,124	2,262,085	(1,027,039)
Total General Fund revenues and other financing sources	\$ 49,414,511	\$ 50,655,707	\$ 51,172,626	\$ 516,919

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Legislative:				
Town council:				
Personnel services	\$ 106,600	\$ 131,565	\$ 131,378	\$ (187)
Contractual services	120,916	101,092	101,091	(1)
Materials and supplies	1,200	1,200	990	(210)
Transfer payments	1,334,025	1,416,025	1,276,118	(139,907)
Continuous charges	16,119	14,809	12,761	(2,048)
Total town council	1,578,860	1,664,691	1,522,338	(142,353)
Clerk of council:				
Personnel services	112,763	112,763	110,700	(2,063)
Contractual services	12,291	12,089	9,330	(2,759)
Materials and supplies	1,200	2,874	2,380	(494)
Continuous charges	921	960	777	(183)
Total clerk of council	127,175	128,686	123,187	(5,499)
Total legislative	1,706,035	1,793,377	1,645,525	(147,852)
Executive:				
Town manager:				
Personnel services	977,746	975,746	976,748	1,002
Contractual services	74,155	143,775	124,195	(19,580)
Materials and supplies	8,076	9,806	9,719	(87)
Transfer payments	50,000	1	-	(1)
Continuous charges	8,451	6,993	6,209	(784)
Capital outlay	-	900	900	-
Total town manager	1,118,428	1,137,221	1,117,771	(19,450)
Public arts commission:				
Personnel services	4,520	7,099	7,098	(1)
Contractual services	1,850	1,850	871	(979)
Materials and supplies	150	150	-	(150)
Capital outlay	-	5,000	663	(4,337)
Total public arts commission	6,520	14,099	8,632	(5,467)
Economic development operations:				
Personnel services	223,168	234,172	235,197	1,025
Contractual services	104,265	92,308	83,961	(8,347)
Materials and supplies	17,400	11,505	8,504	(3,001)
Continuous charges	312,640	312,640	308,136	(4,504)
Capital outlay	-	1,295	1,294	(1)
Total economic development operations	657,473	651,920	637,092	(14,828)
Economic development commission:				
Personnel services	4,520	4,520	4,061	(459)
Contractual services	1,200	1,200	-	(1,200)
Total economic development commission	5,720	5,720	4,061	(1,659)
Non-departmental				
Salary savings	53,000	293	-	(293)
Total non-departmental	53,000	293	-	(293)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Executive: (Continued)				
Human resources:				
Personnel services	\$ 412,511	\$ 437,024	\$ 438,902	\$ 1,878
Contractual services	87,885	62,228	53,456	(8,772)
Materials and supplies	5,213	5,213	2,688	(2,525)
Continuous charges	5,834	6,122	5,005	(1,117)
Capital outlay	-	11,000	-	(11,000)
Total human resources	511,443	521,587	500,051	(21,536)
Information technology operations:				
Personnel services	643,187	645,487	648,225	2,738
Contractual services	442,048	532,175	497,877	(34,298)
Materials and supplies	18,800	14,973	14,973	-
Continuous charges	3,101	2,207	2,179	(28)
Capital outlay	249,500	697,955	628,792	(69,163)
Total information technology operations	1,356,636	1,892,797	1,792,046	(100,751)
Information technology commission:				
Personnel services	4,520	5,967	5,966	(1)
Contractual services	1,900	453	-	(453)
Materials and supplies	100	100	-	(100)
Total information technology commission	6,520	6,520	5,966	(554)
Total executive	3,715,740	4,230,157	4,065,619	(164,538)
Legal:				
Town attorney:				
Personnel services	432,263	431,813	430,765	(1,048)
Contractual services	42,293	36,329	29,462	(6,867)
Materials and supplies	5,300	5,777	5,777	-
Continuous charges	1,841	1,919	1,554	(365)
Capital outlay	-	3,383	3,382	(1)
Total legal	481,697	479,221	470,940	(8,281)
Finance:				
Personnel services	1,631,700	1,670,010	1,676,750	6,740
Contractual services	293,865	277,362	241,422	(35,940)
Materials and supplies	19,700	14,996	14,096	(900)
Continuous charges	14,554	15,388	13,790	(1,598)
Capital outlay	-	47,117	39,425	(7,692)
Total finance	1,959,819	2,024,873	1,985,483	(39,390)
Public Safety:				
Administrative support:				
Personnel services	1,151,800	1,168,581	1,096,219	(72,362)
Contractual services	469,335	434,567	367,440	(67,127)
Materials and supplies	75,500	62,948	61,179	(1,769)
Continuous charges	196,884	196,784	174,811	(21,973)
Capital outlay	15,000	193,344	177,364	(15,980)
Total administrative support	1,908,519	2,056,224	1,877,013	(179,211)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Public Safety: (Continued)				
Patrol operations:				
Personnel services	\$ 5,751,259	\$ 5,569,384	\$ 5,578,954	\$ 9,570
Contractual services	24,603	29,781	20,191	(9,590)
Materials and supplies	112,950	128,502	81,533	(46,969)
Capital outlay	-	51,855	51,855	-
Total patrol operations	5,888,812	5,779,522	5,732,533	(46,989)
Criminal investigations:				
Personnel services	1,338,265	1,569,580	1,575,656	6,076
Contractual services	21,686	40,166	38,262	(1,904)
Materials and supplies	15,000	10,615	8,575	(2,040)
Continuous charges	47,171	45,542	32,194	(13,348)
Capital outlay	-	43,394	42,193	(1,201)
Total criminal investigations	1,422,122	1,709,297	1,696,880	(12,417)
Community services:				
Personnel services	1,547,223	1,440,783	1,435,831	(4,952)
Contractual services	7,716	11,026	6,096	(4,930)
Materials and supplies	27,450	27,400	21,340	(6,060)
Continuous charges	7,754	47,754	46,057	(1,697)
Capital outlay	17,000	40,000	39,162	(838)
Total community services	1,607,143	1,566,963	1,548,486	(18,477)
Information services:				
Personnel services	1,459,746	1,459,746	1,450,530	(9,216)
Contractual services	172,912	184,088	153,908	(30,180)
Materials and supplies	8,650	8,650	3,562	(5,088)
Continuous charges	6,623	6,623	5,681	(942)
Capital outlay	22,000	41,098	37,480	(3,618)
Total information services	1,669,931	1,700,205	1,651,161	(49,044)
Citizens' support team:				
Materials and supplies	1,545	1,545	74	(1,471)
Continuous charges	1,600	1,600	1,540	(60)
Total citizens' support team	3,145	3,145	1,614	(1,531)
Total public safety	12,499,672	12,815,356	12,507,687	(307,669)
Public Works:				
Public works administration:				
Personnel services	565,081	565,081	566,522	1,441
Contractual services	6,930	7,130	4,551	(2,579)
Materials and supplies	2,100	2,300	2,183	(117)
Continuous charges	34,510	27,711	14,861	(12,850)
Public works administration	608,621	602,222	588,117	(14,105)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Public Works: (Continued)				
Engineering and inspections:				
Personnel services	\$ 539,342	\$ 542,242	\$ 544,471	\$ 2,229
Contractual services	41,790	97,519	59,048	(38,471)
Materials and supplies	4,935	6,755	6,227	(528)
Capital outlay	-	1,900	1,885	(15.00)
Total engineering and inspections	586,067	648,416	611,631	(36,785)
Streets and grounds maintenance:				
Personnel services	2,373,259	2,378,259	2,386,330	8,071
Contractual services	1,071,630	1,125,988	987,765	(138,223)
Materials and supplies	199,695	443,349	302,476	(140,873)
Continuous charges	117,040	136,990	133,212	(3,778)
Capital outlay	205,000	682,018	603,855	(78,163)
Total streets and grounds maintenance	3,966,624	4,766,604	4,413,638	(352,966)
Building maintenance:				
Personnel services	409,101	411,901	413,552	1,651
Contractual services	372,440	372,803	345,457	(27,346)
Materials and supplies	53,100	86,530	71,075	(15,455)
Continuous charges	154,054	158,160	127,400	(30,760)
Capital outlay	-	206,851	77,949	(128,902)
Total building maintenance	988,695	1,236,245	1,035,433	(200,812)
Fleet maintenance:				
Personnel services	691,377	722,377	725,181	2,804
Contractual services	43,900	45,394	45,290	(104)
Materials and supplies	208,610	216,225	214,993	(1,232)
Claims and settlements	10,000	31,478	30,696	(782)
Continuous charges	612,744	473,502	456,518	(16,984)
Total fleet maintenance	1,566,631	1,488,976	1,472,678	(16,298)
Refuse collection and recycling:				
Contractual services	2,769,983	2,553,584	2,408,372	(145,212)
Materials and supplies	9,000	9,635	9,635	-
Total refuse collection and recycling	2,778,983	2,563,219	2,418,007	(145,212)
Street lighting:				
Personnel services	355,437	338,805	291,426	(47,379)
Contractual services	71,600	69,281	65,166	(4,115)
Materials and supplies	29,300	55,846	54,425	(1,421)
Continuous charges	490,789	527,380	517,589	(9,791)
Capital outlay	46,000	62,167	26,138	(36,029)
Total street lighting	993,126	1,053,479	954,744	(98,735)
Total public works	11,488,747	12,359,161	11,494,248	(864,913)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Parks and Recreation:				
Parks and recreation administration:				
Personnel services	\$ 619,987	\$ 619,987	\$ 619,947	\$ (40)
Contractual services	19,670	71,282	59,168	(12,114)
Materials and supplies	3,000	3,000	2,312	(688)
Continuous charges	27,059	36,627	33,211	(3,416)
Total parks and recreation administration	669,716	730,896	714,638	(16,258)
Parks:				
Personnel services	723,621	805,718	808,709	2,991
Contractual services	102,715	70,107	59,965	(10,142)
Materials and supplies	124,820	114,868	99,068	(15,800)
Continuous charges	186,160	187,715	173,618	(14,097)
Capital outlay	10,000	301,838	96,315	(205,523)
Total parks	1,147,316	1,480,246	1,237,675	(242,571)
Recreation programs administration:				
Personnel services	210,359	215,664	216,563	899
Contractual services	90,013	91,529	75,759	(15,770)
Materials and supplies	1,000	1,000	801	(199)
Total recreation programs administration	301,372	308,193	293,123	(15,070)
Ida Lee recreation center:				
Personnel services	1,194,047	1,207,029	1,210,263	3,234
Contractual services	338,071	438,813	353,152	(85,661)
Materials and supplies	61,518	66,018	65,878	(140)
Continuous charges	268,176	247,056	246,115	(941)
Capital outlay	-	10,500	2,221	(8,279)
Total Ida Lee recreation center	1,861,812	1,969,416	1,877,629	(91,787)
Fitness programs:				
Personnel services	403,828	436,160	436,466	306
Contractual services	31,132	23,402	20,764	(2,638)
Materials and supplies	6,600	8,100	7,726	(374)
Total fitness programs	441,560	467,662	464,956	(2,706)
Community outreach:				
Personnel services	160,339	156,839	156,923	84
Contractual services	16,330	15,763	13,471	(2,292)
Materials and supplies	5,500	7,300	5,741	(1,559)
Total community outreach	182,169	179,902	176,135	(3,767)
Aquatics:				
Personnel services	1,131,226	1,092,526	1,093,563	1,037
Contractual services	8,095	12,715	11,894	(821)
Materials and supplies	47,930	43,760	40,705	(3,055)
Capital outlay	-	65,040	63,210	(1,830)
Total aquatics	1,187,251	1,214,041	1,209,372	(4,669)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Parks and Recreation: (Continued)				
Sport programs:				
Personnel services	\$ 189,022	\$ 184,022	\$ 183,647	\$ (375)
Contractual services	466	431	427	(4)
Materials and supplies	18,800	24,719	24,364	(355)
Total sport programs	208,288	209,172	208,438	(734)
Recreation classes:				
Personnel services	116,354	114,254	112,785	(1,469)
Contractual services	5,441	10,965	10,781	(184)
Materials and supplies	6,625	2,065	2,060	(5)
Total recreation classes	128,420	127,284	125,626	(1,658)
Special events:				
Personnel services	88,478	90,483	91,935	1,452
Contractual services	180,765	218,538	191,934	(26,604)
Materials and supplies	43,879	78,035	64,558	(13,477)
Contributions	-	8,300	8,300	-
Total special events	313,122	395,356	356,727	(38,629)
Tennis court complex:				
Personnel services	396,859	411,109	411,801	692
Contractual services	18,225	14,149	8,220	(5,929)
Materials and supplies	19,800	24,506	24,199	(307)
Continuous charges	58,760	58,830	50,415	(8,415)
Capital outlay	-	57,950	57,950	-
Total tennis court complex	493,644	566,544	552,585	(13,959)
Camp programs:				
Personnel services	89,254	80,254	79,800	(454)
Contractual services	15,200	16,200	15,289	(911)
Materials and supplies	7,500	6,500	4,943	(1,557)
Total camp programs	111,954	102,954	100,032	(2,922)
Preschool childcare programs:				
Personnel services	109,325	88,937	89,098	161
Contractual services	2,016	2,224	2,058	(166)
Materials and supplies	3,570	3,570	3,336	(234)
Total preschool childcare programs	114,911	94,731	94,492	(239)
Outdoor pool:				
Personnel services	308,374	318,235	318,235	-
Contractual services	21,435	14,105	12,775	(1,330)
Materials and supplies	34,480	50,560	48,777	(1,783)
Capital outlay	-	15,000	13,538	(1,462)
Continuous charges	25,000	18,000	11,750	(6,250)
Total outdoor pool	389,289	415,900	405,075	(10,825)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Parks and Recreation: (Continued)				
Parks and recreation commission:				
Personnel services	\$ 4,520	\$ 6,298	\$ 6,297	\$ (1)
Total parks and recreation commission	4,520	6,298	6,297	(1)
Tree commission:				
Personnel services	4,520	7,630	7,629	(1)
Contractual services	5,000	5,000	3,281	(1,719)
Total tree commission	9,520	12,630	10,910	(1,720)
Total parks and recreation	7,564,864	8,281,225	7,833,710	(447,515)
Balch Library:				
Library operations:				
Personnel services	336,772	361,172	362,374	1,202
Contractual services	38,586	33,951	30,476	(3,475)
Materials and supplies	40,074	35,306	35,303	(3)
Continuous charges	24,200	22,605	21,328	(1,277)
Capital outlay	-	1,769	1,769	-
Total library operations	439,632	454,803	451,250	(3,553)
Library advisory commission:				
Personnel services	4,520	6,320	6,297	(23)
Contractual services	1,000	1,000	131	(869)
Materials and supplies	350	350	188	(162)
Total library advisory commission	5,870	7,670	6,616	(1,054)
Total Balch Library	445,502	462,473	457,866	(4,607)
Planning and Zoning:				
Planning and zoning operations:				
Personnel services	1,484,048	1,460,048	1,466,619	6,571
Contractual services	32,870	25,685	16,542	(9,143)
Materials and supplies	8,605	6,230	5,589	(641)
Continuous charges	9,644	9,809	7,747	(2,062)
Capital outlay	500	500	450	(50)
Total planning and zoning operations	1,535,667	1,502,272	1,496,947	(5,325)
Planning commission:				
Personnel services	22,775	27,126	27,126	-
Contractual services	3,000	2,971	838	(2,133)
Materials and supplies	250	279	279	-
Total planning commission	26,025	30,376	28,243	(2,133)
Board of zoning appeals:				
Personnel services	3,230	3,230	646	(2,584)
Contractual services	500	500	-	(500)
Total board of zoning appeals	3,730	3,730	646	(3,084)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
Planning and Zoning: (Continued)				
Board of architectural review:				
Personnel services	\$ 22,775	\$ 28,957	\$ 28,956	\$ (1)
Contractual services	2,000	2,000	1,115	(885)
Materials and supplies	500	500	139	(361)
Total board of architectural review	25,275	31,457	30,210	(1,247)
Environmental advisory commission:				
Personnel services	4,520	5,050	5,049	(1)
Contractual services	3,500	3,500	1,599	(1,901)
Materials and supplies	500	500	-	(500)
Total environmental advisory commission	8,520	9,050	6,648	(2,402)
Total planning and zoning	1,599,217	1,576,885	1,562,694	(14,191)
Plan Review:				
Personnel services	1,274,022	1,298,990	1,302,978	3,988
Contractual services	55,189	229,116	70,304	(158,812)
Materials and supplies	7,385	7,827	3,789	(4,038)
Continuous charges	8,078	8,205	6,345	(1,860)
Capital outlay	-	600	600	-
Total plan review	1,344,674	1,544,738	1,384,016	(160,722)
Airport:				
Personnel services	298,981	304,456	305,681	1,225
Contractual services	170,743	290,630	262,625	(28,005)
Materials and supplies	22,900	26,740	23,598	(3,142)
Continuous charges	114,305	116,616	96,700	(19,916)
Total airport	606,929	738,442	688,604	(49,838)
Debt Service:				
Principal	1,800,000	1,800,000	1,799,341	(659)
Interest and fiscal charges	2,611,059	2,611,059	2,611,718	659
Total debt service	4,411,059	4,411,059	4,411,059	-
Total expenditures	47,823,955	50,716,967	48,507,451	(2,209,516)
Total General Fund expenditures and other financing uses	\$ 47,823,955	\$ 50,716,967	\$ 48,507,451	\$ (2,209,516)

UTILITIES FUND
COMPARATIVE STATEMENTS OF NET POSITION
June 30, 2014
(With Comparative Totals for 2013)

	2014	2013
ASSETS		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 16,184,653	\$ 15,433,319
Accounts receivable, net	3,449,446	3,365,736
Inventory	191,092	305,622
Prepaid health insurance	-	2,967
Accrued interest	4,440	-
Total current assets	19,829,631	19,107,644
Noncurrent Assets:		
Capital assets:		
Land	1,577,329	1,586,356
Water and sewer plant	115,855,797	115,855,797
Water and sewer lines	115,228,364	114,784,135
Furniture, equipment and software	1,212,905	1,154,199
Vehicles	2,676,433	2,500,524
Construction in progress	5,951,455	5,536,248
Less: accumulated depreciation and amortization	(64,985,336)	(60,037,191)
Total capital assets, net	177,516,947	181,380,068
Total noncurrent assets	177,516,947	181,380,068
Total assets	197,346,578	200,487,712
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge of refunding	406,197	421,477
Total assets and deferred outflows of resources	197,752,775	200,909,189
LIABILITIES		
Current Liabilities:		
Accounts payable	440,167	507,277
Accrued payroll	344,388	196,874
Accrued interest	1,411,103	1,424,993
Compensated absences	471,974	444,758
Retainage payable	100,376	241,460
Bonds payable	1,102,948	790,000
Customer deposits and contingent charges	922,802	850,112
Total current liabilities	4,793,758	4,455,474
Noncurrent Liabilities:		
Compensated absences	177,614	143,759
Other postemployment benefits	76,790	348,713
Bonds payable, net	65,666,824	66,820,690
Total noncurrent liabilities	65,921,228	67,313,162
Total liabilities	70,714,986	71,768,636
NET POSITION		
Net investment in capital assets	111,153,372	113,816,486
Unrestricted	15,884,417	15,324,067
Total net position	\$ 127,037,789	\$ 129,140,553

UTILITIES FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2014

(With Comparative Totals for 2013)

	2014	2013
Operating Revenues:		
Charges for services	\$ 15,620,127	\$ 15,225,178
Other	548,717	411,370
Total operating revenues	16,168,844	15,636,548
Operating Expenses:		
Personnel services	7,334,039	7,090,894
Contractual services	736,878	520,673
Depreciation and amortization	5,110,051	4,427,936
Materials and supplies	1,276,826	1,209,920
Continuous charges	1,235,343	1,258,384
Claims and settlements	-	882
Capital outlay	802,403	137,969
Total operating expenses	16,495,540	14,646,658
Operating income (loss)	(326,696)	989,890
Nonoperating Revenues (Expenses):		
Contributions from Loudoun County	409,765	-
Gain on sale of assets	146,252	500,000
Interest on investments	48,022	62,996
Interest and fiscal charges	(2,925,663)	(3,196,019)
Installation and connection charges	1,766,647	1,532,142
Total nonoperating expenses, net	(554,977)	(1,100,881)
Loss before contributions and transfers	(881,673)	(110,991)
Contributions and Transfers:		
Developer donated assets	271,759	2,885,146
Transfers out	(1,492,850)	(1,907,496)
Total contributions and transfers, net	(1,221,091)	977,650
Change in net position	(2,102,764)	866,659
Net Position, beginning, as restated	129,140,553	128,273,894
Net Position, ending	\$ 127,037,789	\$ 129,140,553

UTILITIES FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Year Ended June 30, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities:		
Receipts from customers	\$ 15,609,107	\$ 15,409,174
Payments to suppliers for goods and services	(3,958,964)	(2,912,521)
Payments to employees for services	(7,394,410)	(7,085,624)
Other receipts	548,717	411,370
Net cash provided by operating activities	4,804,450	5,822,399
Cash Flows From Noncapital and Related Financing Activities:		
Transfers out	(1,492,850)	(1,907,496)
Cash used in noncapital and related financing activities	(1,492,850)	(1,907,496)
Cash Flows From Capital and Related Financing Activities:		
Installation and connection charges	1,766,647	1,532,142
Acquisition and construction of capital assets	(1,130,450)	(5,712,125)
Proceeds from the sale of capital assets	155,279	500,000
Interest and fiscal charges	(2,605,731)	(2,501,032)
Principal paid on bonds	(789,593)	(715,000)
Net cash used in capital and related financing activities	(2,603,848)	(6,896,015)
Cash Flows From Investing Activities:		
Interest on investments	43,582	62,996
Cash provided by investing activities	43,582	62,996
Net increase (decrease) in cash and cash equivalents	751,334	(2,918,116)
Cash and Cash Equivalents:		
Beginning	15,433,319	18,351,435
Ending	<u>\$ 16,184,653</u>	<u>\$ 15,433,319</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (326,696)	\$ 989,890
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,110,051	4,427,936
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(83,710)	179,986
Prepays	2,967	(2,967)
Inventory	114,530	(20,540)
Increase (decrease) in:		
Accounts payable	(22,044)	235,847
Accrued liabilities	147,514	(10,994)
Other postemployment benefits	(271,923)	(18,450)
Compensated absences	61,071	37,681
Customer deposits and contingent charges	72,690	4,010
Net cash provided by operating activities	\$ 4,804,450	\$ 5,822,399
Supplemental Disclosure of Noncash Capital and Related Financing Activities:		
Developer donated capital improvements	\$ 271,759	\$ 2,885,146
Capital assets acquired through incurrence of accounts and retainage payable	\$ 108,934	\$ 295,084

STATISTICAL SECTION

TOWN OF LEESBURG, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

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

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

TOWN OF LEESBURG, VIRGINIA

Table 1

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets										
Restricted	\$ 115,237,852	\$ 130,206,071	\$ 136,614,229	\$ 149,797,357	\$ 162,651,222	\$ 219,771,450	\$ 223,911,574	\$ 262,169,923	\$ 260,710,155	\$ 269,470,483
Unrestricted	54,245	54,245	9,905,713	53,499	32,228	32,228	5,852,078	827,452	4,756,210	1,366,923
	28,123,822	32,303,535	26,195,217	35,488,057	21,508,860	17,659,597	10,977,713	11,180,851	12,031,291	11,475,555
Total governmental activities net assets	\$ 143,415,919	\$ 162,563,851	\$ 172,715,159	\$ 185,318,913	\$ 184,192,310	\$ 237,463,275	\$ 240,741,365	\$ 274,178,226		
Total governmental activities net position									\$ 277,497,656	\$ 282,312,961
Business-type activities:										
Net investment in capital assets										
Unrestricted	\$ 106,396,589	\$ 126,737,856	\$ 134,115,046	\$ 133,010,793	\$ 136,681,741	\$ 144,847,942	\$ 145,743,065	\$ 111,237,616	\$ 113,816,486	\$ 111,153,372
	39,110,889	21,919,538	15,350,403	17,058,242	16,968,255	10,072,951	9,668,200	17,410,647	15,324,067	15,884,417
Total business-type activities net assets	\$ 145,507,478	\$ 148,657,394	\$ 149,465,449	\$ 150,069,035	\$ 153,649,996	\$ 154,920,893	\$ 155,411,265	\$ 128,648,263		
Total business-type activities net position									\$ 129,140,553	\$ 127,037,789
Primary government:										
Net investment in capital assets										
Restricted	\$ 221,634,441	\$ 256,943,927	\$ 270,729,275	\$ 270,729,275	\$ 277,106,871	\$ 364,619,392	\$ 369,654,639	\$ 373,407,539	\$ 374,526,641	\$ 380,623,855
Unrestricted	54,245	54,245	9,905,713	9,905,713	53,499	32,228	5,852,078	827,452	4,756,210	1,366,923
	67,234,711	54,223,073	41,545,620	41,545,620	52,526,299	27,732,548	20,645,913	28,591,498	27,355,358	27,359,972
Total primary government net assets	\$ 288,923,397	\$ 311,221,245	\$ 322,180,608	\$ 322,180,608	\$ 329,686,669	\$ 392,384,168	\$ 396,152,630	\$ 402,826,489		
Total primary government net position									\$ 406,638,209	\$ 409,350,750

Note:

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

TOWN OF LEESBURG, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 2
Page 1

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
Legislative	\$ 418,924	\$ 1,164,044	\$ 1,136,512	\$ 1,106,290	\$ 1,047,565	\$ 1,108,873	\$ 1,929,726	\$ 2,242,274	\$ 2,063,474	\$ 1,647,737
Executive	4,102,665	4,372,185	3,351,521	5,148,154	5,056,434	5,214,847	4,193,418	3,709,476	3,536,663	5,101,778
Legal	278,430	385,981	390,433	388,672	375,101	423,836	405,086	416,116	556,900	428,396
Planning and zoning	1,860,246	1,992,843	3,351,224	2,525,842	1,699,231	1,773,789	1,914,347	1,395,917	1,498,275	1,544,011
Plan review	-	-	-	-	1,799,399	1,697,742	1,569,932	1,216,828	1,303,118	1,332,438
Finance	1,925,483	1,935,299	2,191,973	2,194,675	2,411,130	2,379,609	2,262,397	2,082,232	2,187,457	2,122,300
Public safety	7,783,515	8,102,218	8,772,457	9,297,712	10,344,403	11,040,678	11,365,062	11,701,344	12,564,971	12,760,923
Parks and recreation	5,252,179	5,639,649	6,139,620	7,418,433	7,885,338	7,875,032	8,002,606	7,721,607	7,905,724	8,545,134
Balch Library	597,816	561,907	643,858	628,177	705,512	641,171	627,711	596,845	586,263	638,586
Public works	10,627,982	12,182,219	15,129,697	11,515,670	14,366,433	15,021,938	15,522,536	15,319,444	17,834,560	13,281,259
Airport	-	-	-	-	-	-	-	2,444	7,237,878	1,784,308
Interest	1,790,383	1,942,055	1,896,697	2,174,525	2,052,703	2,438,740	2,518,659	2,746,447	2,312,731	2,574,971
Total governmental activities	34,637,623	38,278,400	43,003,992	42,398,150	47,743,249	49,616,255	50,311,480	49,150,974	59,588,014	51,761,841
Business-type activities:										
Airport	1,449,880	1,439,677	1,542,397	1,564,363	1,698,660	1,709,784	1,803,947	1,660,120	-	-
Utilities	12,741,206	15,927,084	15,076,064	16,455,335	17,772,026	17,607,146	17,888,463	18,063,523	17,842,677	19,421,203
Total business-type activities	14,191,086	17,366,761	16,618,461	18,019,698	19,470,686	19,316,930	19,692,410	19,723,643	17,842,677	19,421,203
Total government	48,828,709	55,645,161	59,622,453	60,417,848	67,213,935	68,933,185	70,003,890	68,874,617	77,430,691	71,183,044
Program revenue:										
Governmental activities:										
Charges for services:										
Planning and zoning	277,283	477,892	332,876	260,438	351,994	262,270	261,447	283,241	237,689	706,135
Public safety	282,206	413,979	422,635	334,960	372,441	408,032	595,640	498,411	563,856	733,367
Parks and recreation	2,944,816	3,317,117	3,426,736	3,772,767	4,427,429	4,871,682	4,772,869	4,670,693	4,785,743	4,919,355
Public works	260,551	431,453	217,220	158,446	153,094	177,294	175,474	154,495	155,931	368,345
Operating grants and contributions:										
Legislative	-	-	-	-	-	23,606	-	-	-	-
Planning and zoning	-	-	28,661	13,411	-	-	-	-	-	-
Public safety	1,053,679	1,291,841	1,253,886	1,282,416	1,107,204	1,167,353	1,084,691	988,734	1,030,390	1,002,002
Parks and recreation	-	-	-	-	99,425	-	-	-	1,843	-
Balch Library	-	-	-	-	15,500	5,000	372,994	5,500	5,000	12,379
Public works	1,906,536	2,117,122	2,201,552	2,478,332	2,502,346	2,633,224	3,052,260	2,987,613	3,046,021	3,442,583
Airport	-	-	-	-	-	-	-	-	135,711	99,197
Capital grants and contributions:										
Executive	-	-	-	-	-	-	-	-	-	137,400
Balch Library	-	-	-	-	-	250,000	-	-	-	-
Parks and recreation	-	-	-	-	-	5,000	71,625	8,000	-	-
Public works	17,665,453	16,289,090	8,944,313	1,443,698	-	58,817,099	6,783,738	9,163,209	9,498,970	5,081,809
Airport	-	-	-	-	-	-	-	-	3,957,230	916,850
Total governmental activities program revenue	24,390,524	24,338,494	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422

TOWN OF LEESBURG, VIRGINIA

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 2
Page 2

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Airport	\$ 908,819	\$ 913,391	\$ 866,255	\$ 977,572	\$ 920,322	\$ 716,920	\$ 1,092,572	\$ 1,182,366	\$ -	\$ -
Utilities	9,017,952	10,016,939	11,624,143	12,435,190	12,701,071	13,517,737	14,792,146	15,053,935	15,225,178	15,620,127
Operating grants and contributions:										
Airport	-	-	-	-	-	504,350	27,615	65,443	-	-
Utilities	-	-	-	-	-	514,154	118,656	69,245	-	2,176,412
Capital grants and contributions:										
Airport	1,357,505	3,528,284	437,514	152,703	1,618,548	1,282,262	194,898	633,503	-	-
Utilities	10,788,837	5,910,107	3,683,638	5,472,516	9,325,270	5,899,418	6,239,546	4,066,836	4,417,288	271,759
Total business-type activities program revenues	22,073,113	20,368,721	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298
Total government program revenues	46,463,637	44,707,215	33,439,429	28,782,449	33,594,644	91,055,401	39,636,171	39,831,224	43,060,850	35,487,720
Net (expense) revenue:										
Governmental activities	(10,247,099)	(13,939,906)	(26,176,113)	(32,653,682)	(38,713,816)	19,004,305	(33,140,742)	(30,391,078)	(36,169,630)	(34,342,419)
Business-type activities	7,882,027	3,001,960	(6,911)	1,018,283	5,094,525	3,117,911	2,773,023	1,347,685	1,799,789	(1,352,905)
Total government net expense	(2,365,072)	(10,937,946)	(26,183,024)	(31,635,399)	(33,619,291)	22,122,216	(30,367,719)	(29,043,393)	(34,369,841)	(35,695,324)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	11,282,736	12,835,332	13,985,380	13,215,669	12,982,666	12,196,527	12,536,096	12,943,508	13,723,821	13,665,498
Communication sales and use	3,781,317	3,832,615	4,993,043	6,568,099	6,228,472	6,107,069	6,412,866	6,717,220	6,621,637	6,343,455
Meals	2,767,277	2,900,832	3,189,314	3,198,750	3,327,374	3,326,332	3,672,760	4,418,067	4,695,048	4,827,853
Business and occupational licenses	2,402,667	2,462,835	2,395,850	2,544,890	2,669,812	2,708,180	2,880,044	2,860,659	3,072,266	3,292,385
Utility	2,067,512	2,152,796	1,841,456	1,452,715	1,487,280	1,489,727	1,542,597	1,495,345	1,546,528	1,564,500
Cigarette	1,045,229	1,017,042	925,725	871,299	860,595	805,298	872,047	1,133,071	1,047,206	980,759
Other	1,977,744	2,465,589	2,377,995	2,106,535	2,187,760	2,429,978	2,459,485	2,565,675	2,558,425	2,785,727
Intergovernmental, other than grants	1,538,060	1,557,573	1,586,492	1,543,813	1,556,515	1,567,285	1,573,674	1,562,312	1,595,780	1,594,257
Use of money and property	680,601	1,651,024	2,670,151	2,261,267	1,156,355	440,731	686,183	514,491	1,768,730	1,796,693
Miscellaneous	3,284,109	566,905	540,478	3,783,391	2,904,824	993,681	1,086,819	901,963	1,608,459	813,747
Transfers	1,591,465	1,645,295	1,821,537	2,009,729	2,225,560	2,201,852	2,696,261	28,715,628	1,907,496	1,492,850
Total governmental activities	32,418,717	33,087,838	36,327,421	39,556,157	37,587,213	34,266,660	36,418,832	63,827,939	40,145,396	39,157,724

TOWN OF LEESBURG, VIRGINIA

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 2
Page 3

	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues and other changes in net assets: (Continued)										
Business-type activities:										
Use of money and property	\$ 1,003,846	\$ 1,182,818	\$ 2,306,958	\$ 1,238,869	\$ 404,523	\$ 59,215	\$ 84,837	\$ 254,237	\$ 562,996	\$ 194,274
Miscellaneous	107,047	610,433	329,545	356,163	307,473	295,623	328,773	350,704	411,370	548,717
Transfers	(1,591,465)	(1,645,295)	(1,821,537)	(2,009,729)	(2,225,560)	(2,201,852)	(2,696,261)	(28,715,628)	(1,907,496)	(1,492,850)
Total business-type activities	(480,572)	147,956	814,966	(414,697)	(1,513,564)	(1,847,014)	(2,282,651)	(28,110,687)	(933,130)	(749,859)
Total primary government	31,938,145	33,235,794	37,142,387	39,141,460	36,073,649	32,419,646	34,136,181	35,717,252	39,212,266	38,407,865
Changes in net assets/net position:										
Governmental activities	22,171,618	19,147,932	10,151,308	6,902,475	(1,126,603)	53,270,965	3,278,090	33,436,861	3,975,766	4,815,305
Business-type activities	7,401,455	3,149,916	808,055	603,586	3,580,961	1,270,897	490,372	(26,763,002)	866,659	(2,102,764)
Total primary government	\$ 29,573,073	\$ 22,297,848	\$ 10,959,363	\$ 7,506,061	\$ 2,454,358	\$ 54,541,862	\$ 3,768,462	\$ 6,673,859	\$ 4,842,425	\$ 2,712,541

Notes:

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

TOWN OF LEESBURG, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(*accrual basis of accounting*)

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,606	\$ -	\$ -	\$ -	\$ -
Executive	-	-	-	-	-	-	-	-	-	-
Planning and zoning	277,283	477,892	361,537	273,849	351,994	262,270	261,447	283,241	237,689	137,400
Public safety	1,335,885	1,705,820	1,676,521	1,617,376	1,479,645	1,575,385	1,680,331	1,487,145	1,594,246	706,135
Parks and recreation	2,944,816	3,317,117	3,426,736	3,772,767	4,526,854	4,876,682	4,844,494	4,678,693	4,787,586	1,735,369
Balch Library	-	-	-	-	15,500	255,000	372,994	5,500	5,000	4,919,355
Public works	19,832,540	18,837,665	11,363,085	4,080,476	2,655,440	61,627,617	10,011,472	12,305,317	12,700,922	12,379
Airport	-	-	-	-	-	-	-	-	4,092,941	8,892,737
Total governmental activities	24,390,524	24,338,494	16,827,879	9,744,468	9,029,433	68,620,560	17,170,738	18,759,896	23,418,384	17,419,422
Business-type activities:										
Airport	2,266,324	4,441,675	1,303,769	1,130,275	2,538,870	2,503,532	1,315,085	1,881,312	-	-
Utilities	19,806,789	15,927,046	15,307,781	17,907,706	22,026,341	19,931,309	21,150,348	19,190,016	19,642,466	18,068,298
Total business-type activities	22,073,113	20,368,721	16,611,550	19,037,981	24,565,211	22,434,841	22,465,433	21,071,328	19,642,466	18,068,298
Total government	\$ 46,463,637	\$ 44,707,215	\$ 33,439,429	\$ 28,782,449	\$ 33,594,644	\$ 91,055,401	\$ 39,636,171	\$ 39,831,224	\$ 43,060,850	\$ 35,487,720

Note:

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

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

	June 30,				
	2005	2006	2007	2008	2009
General Fund:					
Reserved	\$ 2,674,514	\$ 2,037,545	\$ 1,591,499	\$ 2,232,532	\$ 2,129,964
Unreserved	9,612,504	13,609,805	15,726,628	14,675,549	15,868,848
Total general fund	\$ 12,287,018	\$ 15,647,350	\$ 17,318,127	\$ 16,908,081	\$ 17,998,812
All Other Governmental Funds:					
Unreserved, reported in:					
Capital projects fund	\$ 12,831,551	\$ 14,101,892	\$ 15,688,090	\$ 13,684,106	\$ 17,946
Special revenue funds	3,971,380	3,960,862	4,088,949	6,697,221	6,065,247
Total all other government funds	\$ 16,802,931	\$ 18,062,754	\$ 19,777,039	\$ 20,381,327	\$ 6,083,193

	June 30,				
	2010	2011	2012	2013	2014
General Fund:					
Nonspendable	\$ 3,756,141	\$ 3,365,873	\$ 151,402	\$ 153,473	\$ 155,411
Restricted	5,711,725	5,852,078	827,452	831,316	973,799
Committed	1,400,000	1,400,000	-	-	-
Assigned	2,059,742	2,717,261	6,774,757	7,144,209	8,747,716
Unassigned	8,529,064	9,103,329	9,395,933	10,041,113	10,958,360
Total general fund	\$ 21,456,672	\$ 22,438,541	\$ 17,149,544	\$ 18,170,111	\$ 20,835,286
All Other Governmental Funds:					
Committed, reported in:					
Capital projects fund	\$ 12,939,512	\$ 2,878,070	\$ 5,299,780	\$ 6,672,522	\$ 7,750,173
Assigned, reported in:					
Capital projects fund	-	-	945,427	-	-
Unassigned, reported in:					
Capital projects fund	-	-	-	(5,137,844)	(12,805,982)
Total all other government funds	\$ 12,939,512	\$ 2,878,070	\$ 6,245,207	\$ 1,534,678	\$ (5,055,809)

Note:

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

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

	Fiscal Year June 30,			
	2005	2006	2007	2008
Revenues:				
General property taxes	\$ 11,282,678	\$ 13,056,041	\$ 13,527,146	\$ 13,417,267
Other local taxes	14,041,746	14,831,709	15,723,383	16,742,288
Permits, fees and licenses	528,334	904,354	544,017	413,676
Fines and forfeitures	276,772	408,909	414,413	326,047
Use of money and property	680,601	1,651,024	2,670,151	2,261,267
Charges for services	2,959,750	3,327,178	3,441,037	3,786,888
Contributions and proffers	-	-	-	-
Miscellaneous	3,284,109	566,905	540,478	3,783,391
Intergovernmental	6,050,709	9,985,690	6,316,664	6,761,670
Total revenues	39,104,699	44,731,810	43,177,289	47,492,494
Expenditures:				
Legislative	416,139	1,160,599	1,136,512	1,106,290
Executive	3,801,866	4,047,661	3,037,734	3,406,632
Legal	299,025	379,431	387,754	400,430
Planning and zoning	1,808,797	1,929,431	2,430,327	2,393,972
Plan review	-	-	-	-
Finance	1,880,370	1,929,461	2,231,605	2,341,358
Public safety	7,626,031	7,920,259	8,810,930	9,623,503
Parks and recreation	4,820,263	5,174,870	5,881,329	6,557,497
Balch Library	456,790	389,536	469,278	488,190
Public works	8,732,078	9,889,450	10,862,879	11,367,908
Airport	-	-	-	-
Capital projects	2,461,344	4,398,391	9,327,869	11,259,727
Debt service:				
Principal	2,873,315	2,675,299	2,969,395	3,224,456
Interest and fiscal charges	1,930,130	1,862,562	2,000,143	2,138,018
Total expenditures	37,106,148	41,756,950	49,545,755	54,307,981
Excess of revenues over (under) expenditures	1,998,551	2,974,860	(6,368,466)	(6,815,487)
Other financing sources (uses):				
Transfers in	2,446,596	2,208,225	3,359,800	3,660,720
Transfers out	(855,131)	(562,930)	(1,538,263)	(1,650,991)
Issuance of debt	9,190,000	-	17,850,025	5,000,000
Proceeds of refunding bonds	-	-	1,103,977	-
Proceeds to refunded bond escrow agent	-	-	(11,022,011)	-
Premium on issuance debt	106,294	-	-	-
Total other financing sources	10,887,759	1,645,295	9,753,528	7,009,729
Net changes in fund balances	\$ 12,886,310	\$ 4,620,155	\$ 3,385,062	\$ 194,242
Debt service as a percentage of noncapital expenditures:				
Total debt service	\$ 4,803,445	\$ 4,537,861	\$ 4,969,538	\$ 5,362,474
Total expenditures	\$ 37,106,148	\$ 41,756,950	\$ 49,545,755	\$ 54,307,981
Less: capital outlay	(3,159,233)	(4,890,383)	(7,762,053)	(13,349,968)
Noncapital expenditures	\$ 33,946,915	\$ 36,866,567	\$ 41,783,702	\$ 40,958,013
Debt service as a percentage of noncapital expenditures	14.15%	12.31%	11.89%	13.09%

Table 5
Page 2

Fiscal Year June 30,					
2009	2010	2011	2012	2013	2014
\$ 12,922,835	\$ 12,363,461	\$ 12,503,998	\$ 12,854,369	\$ 13,606,085	\$ 13,814,622
16,761,293	16,866,584	15,585,903	16,981,945	17,327,161	17,618,402
500,858	437,125	432,971	435,554	391,407	1,073,586
364,573	402,164	576,328	482,049	544,411	718,350
1,156,355	440,731	686,183	514,491	1,768,730	1,796,693
4,439,527	4,879,989	4,796,131	4,689,237	4,807,401	4,935,266
18,500	2,139,318	1,853,390	342,739	594,544	1,646,901
2,902,824	993,681	1,086,819	901,963	1,608,459	813,747
5,264,490	9,170,344	8,715,734	12,354,864	17,460,860	12,815,853
44,331,255	47,693,397	46,237,457	49,557,211	58,109,058	55,233,420
1,039,363	1,103,242	919,953	960,836	949,680	1,645,525
3,543,409	3,395,350	3,431,910	3,127,240	3,345,634	4,065,619
364,257	411,839	401,794	412,454	517,214	470,940
1,541,570	1,720,029	1,938,591	1,382,400	1,489,006	1,562,694
1,757,767	1,679,684	1,566,111	1,248,341	1,295,785	1,384,016
2,388,845	2,360,863	2,252,013	2,073,242	2,196,207	1,985,483
10,186,786	11,140,380	10,883,307	11,262,769	12,551,566	12,507,687
7,065,803	7,418,434	7,321,436	6,916,341	7,462,632	7,833,710
517,850	457,606	449,682	454,610	440,057	457,866
11,377,958	11,456,058	11,385,261	11,590,650	11,851,505	11,494,248
-	-	-	2,444	706,939	688,604
14,724,486	8,458,203	11,072,955	9,673,741	15,175,508	12,144,131
3,207,919	3,156,627	3,187,341	8,184,465	3,026,278	1,799,341
2,048,205	2,256,417	2,523,094	2,544,404	2,698,505	2,611,718
59,764,218	55,014,732	57,333,448	59,833,937	63,706,516	60,651,582
(15,432,963)	(7,321,335)	(11,095,991)	(10,276,726)	(5,597,458)	(5,418,162)
2,887,982	2,730,718	3,687,699	2,648,127	2,489,417	2,292,323
(662,422)	(528,866)	(1,671,281)	(3,206,258)	(581,921)	(799,473)
-	22,540,000	-	8,253,567	-	-
-	-	-	10,251,077	-	-
-	(7,428,090)	-	(10,980,442)	-	-
-	321,752	-	1,388,795	-	-
2,225,560	17,635,514	2,016,418	8,354,866	1,907,496	1,492,850
\$ (13,207,403)	\$ 10,314,179	\$ (9,079,573)	\$ (1,921,860)	\$ (3,689,962)	\$ (3,925,312)
\$ 5,256,124	\$ 5,413,044	\$ 5,710,435	\$ 10,728,869	\$ 5,724,783	\$ 4,411,059
\$ 59,764,218	\$ 55,014,732	\$ 57,333,448	\$ 59,833,937	\$ 63,706,516	\$ 60,651,582
(14,847,451)	(8,290,088)	(10,821,569)	(9,801,397)	(15,621,225)	(15,485,939)
\$ 44,916,767	\$ 46,724,644	\$ 46,511,879	\$ 50,032,540	\$ 48,085,291	\$ 45,165,643
11.70%	11.58%	12.28%	21.44%	11.91%	9.77%

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

Note:

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

TOWN OF LEESBURG, VIRGINIA

Table 6

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

(Unaudited)

	Fiscal Year June 30,			
	2010	2011	2012	2013
Revenues				
General Property Taxes	\$ 12,363,461	\$ 12,503,998	\$ 12,854,369	\$ 13,606,085
Other Local Taxes	16,866,584	15,585,903	16,981,945	17,327,161
Permits, Fees and Licenses	437,125	432,971	435,554	391,407
Fines & Forfeitures	402,164	576,328	482,049	544,411
Use of Money and Property	282,243	347,553	330,208	1,445,303
Charges for Services	4,879,989	4,796,131	4,689,237	4,807,401
Contributions and Proffers	-	439,619	8,500	1,843
Miscellaneous	902,141	981,939	893,025	945,249
Intergovernmental	5,396,468	7,969,521	7,751,751	8,026,851
Transfer from other funds	2,390,988	3,609,021	2,564,883	2,455,864
Total Revenues	43,921,163	47,242,984	46,991,521	49,551,575
Expenditures				
Legislative	1,103,242	919,953	960,836	949,680
Executive	3,395,350	3,431,910	3,127,240	3,345,634
Legal	411,839	401,794	412,454	517,214
Planning and Zoning	1,720,029	1,938,591	1,382,400	1,489,006
Plan Review	1,679,684	1,566,111	1,248,341	1,295,785
Finance	2,360,863	2,252,013	2,073,242	2,196,207
Public Safety	11,140,380	10,883,307	11,262,769	12,551,566
Parks and Recreation	7,418,434	7,321,436	6,916,341	7,462,632
Batch Library	457,606	449,682	454,610	440,057
Public Works	11,456,058	11,385,261	11,590,650	11,851,505
Airport	-	-	2,444	706,939
Debt Service				
Principal Retirement	3,156,627	3,187,341	8,184,465	3,026,278
Interest Payments & Other Fiscal Charges	1,842,688	2,523,094	2,319,700	2,698,505
Transfers to other funds	-	622	2,345,026	-
Total Expenditures	46,142,800	46,261,115	52,280,518	48,531,008
Net change in fund balances	(2,221,637)	981,869	(5,288,997)	1,020,567
Fund balance, beginning of year	17,998,812	21,456,672	22,438,541	17,149,544
Fund balance, end of year	\$ 15,777,175	\$ 22,438,541	\$ 17,149,544	\$ 18,170,111

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

TOWN OF LEESBURG, VIRGINIA

Table 7

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property Including Interest and Penalty	Utility	Cable TV Franchise	Sales and Use	Communication Sales and Use	Bank Franchise	Cigarette	Meals	Transient Occupancy	Business and Occupational Licenses	Motor Vehicle Licenses	Other	Totals
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	2,462,835	751,405	173,469	27,887,750
2007	13,527,146	1,841,456	187,913	3,928,453	1,064,590	523,776	925,725	3,189,314	803,554	2,395,850	695,848	166,904	29,250,529
2008	13,417,267	1,452,715	42,071	4,085,457	2,482,642	464,023	871,299	3,198,750	681,540	2,544,890	754,651	164,250	30,159,555
2009	12,922,835	1,487,280	77,164	3,972,769	2,255,703	575,105	860,595	3,327,374	595,434	2,669,812	779,781	160,276	29,684,128
2010	12,363,461	1,489,727	104,425	3,841,961	2,265,108	763,421	805,298	3,326,332	567,223	2,708,180	781,127	213,782	29,230,045
2011	12,503,998	1,542,597	136,471	4,158,970	2,253,896	734,655	872,047	3,672,760	628,452	2,880,044	792,369	167,538	30,343,797
2012	12,854,369	1,495,345	155,894	4,509,128	2,208,092	791,656	1,133,071	4,418,067	661,939	2,860,659	812,863	143,323	32,044,406
2013	13,606,085	1,546,528	170,620	4,407,688	2,213,949	744,156	1,047,206	4,695,048	671,353	3,072,266	753,280	219,016	33,147,195
2014	13,814,622	1,564,500	252,006	4,167,178	2,176,277	875,046	980,759	4,827,853	689,778	3,292,385	806,461	162,436	33,609,301
Change 2005-2014	22.44%	-24.33%	-11.74%	10.20%	-	132.23%	-6.17%	74.46%	2.16%	37.03%	68.86%	-0.12%	32.71%

Note:

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

TOWN OF LEESBURG, VIRGINIA

Table 8

ASSESSED VALUE OF ALL TAXABLE PROPERTY

Last Ten Calendar Years

(Unaudited)

Tax Year Ending <u>December 31</u>	Real <u>Property¹</u>	Personal <u>Property²</u>	<u>Public Service Corporations³</u>		Total Assessed <u>Valuation</u>
			Real <u>Property</u>	Personal <u>Property</u>	
2005	\$ 5,208,480,059	\$ 363,841,522	\$ 78,836,670	\$ 1,081,091	\$ 5,652,239,342
2006	6,865,170,550	409,145,346	92,228,313	2,094,340	7,368,638,549
2007	6,719,622,330	398,908,199	99,644,933	1,820,292	7,219,995,754
2008	6,516,331,363	399,053,977	104,417,085	1,885,520	7,021,687,945
2009	5,628,792,118	381,809,520	106,393,774	1,762,446	6,118,757,858
2010	5,557,189,300	425,625,374	108,083,816	1,613,618	6,092,512,108
2011	5,675,717,100	498,450,685	108,553,642	891,242	6,283,612,669
2012	5,802,517,900	528,113,712	105,809,512	737,446	6,437,178,570
2013	6,085,462,040	481,548,404	111,087,100	695,117	6,678,792,661
2014	6,438,888,020	447,867,148	108,441,453	653,035	6,995,849,656

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

Notes:

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

TOWN OF LEESBURG, VIRGINIA

Table 9

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

Tax Year January 1,	Residential Property	Commercial Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value	Percent Change	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
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%
2012	4,344,339,200	1,458,178,700	106,547,458	811,703,300	6,720,768,658	5,909,065,358	2.1%	0.195	5,909,065,358	100%
2013	4,549,312,500	1,536,149,540	111,503,098	811,261,540	7,008,226,678	6,196,965,138	4.9%	0.192	6,196,965,138	100%
2014	4,896,036,280	1,542,851,740	108,441,453	848,001,120	7,395,330,593	6,547,329,473	5.7%	0.183	6,547,329,473	100%

Notes:

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

DIRECT AND OVERLAPPING PROPERTY TAX RATES**Last Ten Tax Years****(Unaudited)**

Tax Year	Tax Rates - Town		Tax Rates - County		Tax Rates - Combined	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
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
2012	0.195	1.00	1.235	4.20	1.43	5.20
2013	0.192	1.00	1.205	4.20	1.40	5.20
2014	0.183	1.00	1.155	4.20	1.34	5.20

Notes:

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

TOWN OF LEESBURG, VIRGINIA

Table 11

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

	2014			2005		
	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank
						Percentage of Total Town Taxable Assessed Value
	Carlyle/Cypress Leesburg LLC	\$ 181,191,290	1	2.77%	-	-
	Chelsea GSA Realty	151,818,300	2	2.32%	82,082,700	1
	F R Leesburg Plaza LP	56,362,630	3	0.86%	-	-
	Battlefield FE LP	56,098,730	4	0.86%	-	-
	C H Realty III/Battlefield LLC	45,370,620	5	0.69%	-	-
	Windsor at Fieldstone Ltd Partnership	43,154,860	6	0.66%	-	-
	Potomac Station (E&A) LLC	40,176,950	7	0.61%	35,577,000	3
	Fund IX CB Leesburg LLC	38,390,010	8	0.59%	-	-
	NA Properties Inc	32,401,960	9	0.49%	-	-
	GTIS-HOV Festival Lakes LLC	30,239,960	10	0.46%	-	-
	Verizon	-		-	38,172,000	2
	Fairfield	-		-	29,917,155	4
	Dominion	-		-	26,689,700	5
	GRK Battlefield LLC	-		-	26,342,800	6
	Fort Evans Plaza Ltmd Partnership	-		-	24,683,183	7
	Edwards Ferry LP	-		-	24,488,200	8
	Rehau	-		-	18,431,000	9
	Arcadia Development	-		-	10,762,000	10
	Total	\$ 675,205,310		10.31%	\$ 317,145,738	5.99%

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

Calendar Year	Taxes Levied for the Calendar Year	Collected Within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Amount	Percentage of Levy	
<u>Real Estate:</u>							
2005	\$ 10,819,039	\$ 10,118,996	93.53%	\$ 700,043	\$ 10,819,039	100.00%	
2006	12,057,479	11,869,671	98.44%	187,808	12,057,479	100.00%	
2007	11,691,741	11,459,214	98.01%	232,527	11,691,741	100.00%	
2008	11,290,166	11,149,611	98.76%	140,555	11,290,166	100.00%	
2009	10,538,879	10,449,784	99.15%	89,095	10,538,879	100.00%	
2010	10,675,514	10,310,140	96.58%	154,879	10,465,019	98.03%	
2011	10,894,456	10,524,694	96.61%	180,786	10,705,481	98.27%	
2012	11,191,318	10,801,017	96.51%	167,031	10,968,048	98.00%	
2013	11,586,281	11,238,476	97.00%	112,046	11,350,522	97.97%	
2014	11,785,028 (1)	5,903,993	50.10%	-	5,903,993	50.10%	
<u>Personal Property:</u>							
2005	2,881,330	2,288,609	79.43%	394,714	2,683,323	93.13%	
2006	3,038,914	2,422,468	79.71%	544,024	2,966,492	97.62%	
2007	3,014,074	2,632,809	87.35%	267,600	2,900,409	96.23%	
2008	3,082,562	2,868,479	93.06%	43,029	2,911,508	94.45%	
2009	3,617,762	3,052,346	84.37%	414,722	3,467,068	95.83%	
2010	3,836,033	3,214,465	83.80%	458,527	3,672,992	95.75%	
2011	3,678,977	2,933,507	79.74%	602,001	3,535,508	96.10%	
2012	2,938,951	2,228,032	75.81%	416,515	2,644,547	89.98%	
2013	3,081,437	2,516,946	81.68%	310,552	2,827,498	91.76%	
2014	- (2) (3)	43,155	-	-	43,155	-	

Notes:

- (1) The amounts for 2014 reflect only the first half of the collections. The second half is due December 5.
- (2) There was no personal property tax levied in calendar year 2014. The due date was moved from October 2014 to May 2015 by Town Council action. Levies and collections will be made in fiscal year 2015.
- (3) The Real Estate portion of Public Service Corporation is included in years 2012-2014 under Personal Property Tax levied and collected.

TOWN OF LEESBURG, VIRGINIA

Table 13

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

**Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Governmental Activities		Business-Type Activities			Percentage of			Outstanding		Percentage of		General Bonded Debt	
	General Obligation Bonds	Revenue Bonds	General Obligation Bonds	Total		Per Capita Personal Income	Debt Per Capita	General Obligation Bonds	Actual Taxable Value of Property	General Bonded Debt	Outstanding Debt Per Capita			
				Primary Government										
2005	\$ 45,127,687	\$ 30,358,367	\$ 6,951,618	\$ 82,437,672	4.93%	\$ 2,308	\$ 52,079,305	0.98%	\$ 1,458					
2006	42,482,465	12,330,995	62,668,859	117,482,319	6.26%	3,217	105,151,324	1.51%	2,783					
2007	47,462,800	11,959,468	61,995,928	121,418,196	5.94%	3,195	109,458,728	1.60%	2,880					
2008	49,247,926	10,873,269	60,946,132	121,067,327	5.65%	3,148	109,295,096	1.65%	2,863					
2009	46,049,215	9,406,325	59,794,989	115,250,529	5.46%	2,983	105,844,204	1.83%	2,758					
2010	58,356,575	7,876,307	64,372,534	130,605,416	5.69%	3,065	122,729,109	2.17%	3,162					
2011	55,175,219	6,282,575	62,995,669	124,453,463	5.01%	2,867	118,170,888	2.04%	2,722					
2012	59,994,727	4,204,897	63,735,361	127,934,985	5.08%	2,937	123,730,088	2.09%	2,841					
2013	56,946,559	4,204,897	63,074,316	124,225,772	4.88%	2,831	120,020,875	1.94%	2,735					
2014	57,234,740	4,204,897	62,564,875	124,004,512	4.69%	2,819	119,799,615	1.83%	2,723					

Notes:

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2014

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Loudoun County, Virginia	\$ 1,085,547,330	10.32%	\$ 112,028,484
Town Direct Debt			<u>57,234,740</u>
Total direct and overlapping debt			<u><u>\$ 169,263,224</u></u>

Notes:

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

TOWN OF LEESBURG, VIRGINIA

Table 15

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year June 30.									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 525,204,154	\$ 698,592,661	\$ 682,108,756	\$ 662,263,397	\$ 573,694,834	\$ 566,688,673	\$ 578,516,198	\$ 590,906,536	\$ 619,696,514	\$ 654,732,947
Total net debt applicable to limit	45,127,687	42,482,465	47,462,800	48,843,551	45,635,632	58,871,267	55,683,926	59,915,619	56,946,559	57,234,740
Available legal debt margin	\$ 480,076,467	\$ 656,110,196	\$ 634,645,956	\$ 613,419,846	\$ 528,059,202	\$ 507,817,406	\$ 522,832,272	\$ 530,990,917	\$ 562,749,955	\$ 597,498,207
Total net debt applicable to the limit as a percentage of debt limit	8.59%	6.08%	6.96%	7.38%	7.95%	10.39%	9.63%	10.14%	9.19%	8.74%
Legal debt margin calculation for fiscal year 2014										
Assessed value of real estate	<u>\$ 6,547,329,473</u>									
Debt limit (10% of assessed value)	\$ 654,732,947									
Debt applicable to limit:										
Net direct debt outstanding	<u>57,234,740</u>									
Available legal debt margin	\$ 597,498,207									

BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Utilities Fund							Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service				
				Principal	Interest	Total		
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	
2012	17,110,830	10,282,888	6,827,942	2,050,000	2,705,326	4,755,326	1.44	
2013	17,231,686	10,218,722	7,012,964	715,000	3,216,795	3,931,795	1.78	
2014	17,983,513	11,385,489	6,598,024	789,593	2,961,708	3,751,301	1.76	

Notes:

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) Unemployment Rate
2005	39,265	\$ 1,671,990,737	\$ 42,582	2.50%
2006	40,447	1,876,259,965	46,388	2.20%
2007	41,188	2,043,223,260	49,607	2.00%
2008	41,366	2,141,657,995	51,773	2.80%
2009	41,796	2,111,481,478	50,519	4.80%
2010	42,616	2,293,763,584	53,824	4.80%
2011	43,406	2,484,646,252	57,242	4.40%
2012	43,557	2,519,249,766	57,838	4.00%
2013	43,879	2,547,921,893	58,067	4.50%
2014	43,996	2,641,323,046	60,036	4.40%

Notes:

- (1) 2010: US Bureau of Census, 2010 Decennial Census.
2005-2009, 2011-2014: Loudoun County Department of Planning April 16, 2014.
- (2) Per capita and personal Income information is not maintained for towns in Virginia. The amounts used here are for the County of Loudoun, Virginia, which the Town lies within. Information for per capita personal income is sourced from the Bureau of Economic Analysis' November 21, 2013 release for 2000 to 2012. 2013 and 2014 values are estimates from the Loudoun County Department of Management and Financial Services.
- (3) Unemployment rates are available for some towns in Virginia, including Leesburg. The information provided is sourced from the Bureau of Labor Statistics, Local Area Unemployment Statistics, October 20, 2014, month of June each year.

PRINCIPAL EMPLOYERS
Current Year and Eight Years Ago
(Unaudited)

Employer	2014			2006 (1)	
	Employees	Rank	Percentage of Total Employment	Employees	Rank
Loudoun County Government	2,000-2,500	1	10.6%	1,000-1,500	2
Loudoun County Public Schools	1,500-2,000	2	9.1%	1,500-2,000	1
Federal Aviation Administration	500-1,000	3	2.5%	500-1,000	3
Town of Leesburg	250-500	4	2.5%	250-500	4
Wegmans	250-500	5	1.8%	-	-
Mastec Services	250-500	6	1.8%	-	-
Target	250-500	7	1.3%	-	-
Commonwealth of Virginia	250-500	8	1.2%	-	-
K2M	100-250	9	1.1%	-	-
Costco	100-250	10	1.0%	250-500	5
Walmart	-	-		100-250	10
Giant Food	-	-		100-250	7
Southern Electric	-	-		250-500	6
Draper & Goldberg	-	-		100-250	8
Tuscarora Title	-	-		100-250	9

Note:

(1) Information was not maintained for towns prior to 2006 and percentage of total employment for 2006.

Sources: Town of Leesburg Economic Development Department

TOWN OF LEESBURG, VIRGINIA

Table 19

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

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legislative:										
Clerk of council	2.0	2.0	2.0	2.0	1.5	1.5	1.0	1.0	1.0	1.0
Executive:										
Town manager	6.0	6.0	6.0	6.0	6.5	8.5	9.0	6.0	6.0	6.0
Human resources	7.0	8.0	8.0	10.5	9.5	7.5	6.5	4.0	4.0	4.0
Information technology	5.0	5.0	5.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0
Economic development	3.0	3.0	3.0	3.0	4.0	2.0	2.0	2.0	2.0	2.0
Capital projects management	6.5	7.0	9.0	9.0	10.0	11.0	10.0	10.6	10.6	9.4
Legal:										
Town attorney	1.5	1.5	2.0	2.0	2.6	3.0	3.0	3.0	3.0	3.0
Community Development:										
Plan review	-	-	-	-	13.0	14.0	12.0	9.0	9.0	9.0
Planning & zoning	21.0	23.0	23.0	23.0	16.0	16.0	16.0	11.0	11.0	12.0
Finance	19.0	20.0	19.5	19.5	19.5	19.5	19.5	17.8	16.0	15.5
Public safety	85.0	92.0	93.0	95.0	96.0	98.0	101.0	101.0	101.0	101.0
Engineering and public works:										
Engineering	15.0	16.0	13.0	13.0	7.0	6.0	6.0	4.0	4.0	4.0
Administration	4.5	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
Traffic management and street lights	-	-	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Street maintenance	30.0	30.0	30.0	30.0	30.0	30.0	30.0	28.0	28.0	28.0
Building maintenance	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Equipment maintenance	5.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Parks, recreation and cultural	74.15	91.6	95.1	96.8	109.8	112.2	111.0	105.1	107.1	107.1
Batch Library	4.93	5.6	6.0	6.0	6.2	6.2	6.2	5.2	5.2	5.2
Utilities:										
Administration	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	9.0	8.0
Utility lines (maintenance)	31.0	31.0	31.0	31.0	35.0	35.0	35.0	33.0	31.0	32.0
Water supply	17.6	17.6	17.0	17.0	17.0	17.0	15.5	15.5	15.0	15.0
Utility maintenance	5.0	5.0	5.0	5.0	-	-	-	-	-	-
Water pollution control	27.0	27.0	26.0	26.0	26.0	25.0	23.0	22.0	23.0	23.0
Airport	5.0	5.0	5.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Total	385.2	418.3	423.6	429.8	443.6	446.4	440.7	410.2	410.9	410.2

Source: Town of Leesburg Fiscal Year Budgets

Note:

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

TOWN OF LEESBURG, VIRGINIA

Table 20

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (1)
Police:										
Calls for service	52,039	56,682	54,438	56,786	54,235	45,236	50,832	47,864	37,311	38,052
Adult arrest	1,669	1,562	1,510	1,400	1,324	1,302	1,468	1,244	1,063	930
Juvenile arrest	339	342	289	155	220	286	319	237	121	122
Speeding citations only	1,396	1,660	1,433	1,525	1,570	1,636	1,662	1,736	1,764	1,080
Traffic citations	4,038	6,244	5,547	6,238	5,751	7,328	6,795	5,567	5,580	4,554
Administration:										
Applications processed (full and part-time)	2,300	1,745	2,262	2,106	1,983	1,244	1,712	1,879	1,276	1,908
Positions advertised (full and part-time)	49	50	44	49	9	16	42	70	56	77
New hires (full and part-time)	200	115	187	165	98	133	130	142	124	132
Reportable accidents	-	37	55	24	25	76	37	25	24	19
All town training sessions	33	22	20	45	27	34	20	47	38	29
Public service:										
Garbage collected (ton)	19,880	20,039	20,662	21,105	17,407	16,829	18,024	18,185	13,639	9,469
Recycle collected (ton)	7,624	7,956	6,460	7,096	7,580	8,396	9,776	10,355	7,766	3,885
Parks and recreation:										
Recreation program attendance	-	9,324	12,968	18,682	13,901	15,161	23,306	14,883	11,160	9,832
Aquatics program attendance	-	5,492	6,374	5,989	7,915	10,650	9,902	7,781	5,835	6,563
Utilities:										
New water connections	606	513	90	100	93	67	94	116	87	96
New wastewater connections	606	513	90	100	93	67	85	100	84	89
Average daily water consumption (mgd)	4.40	4.40	4.64	4.21	4.22	4.30	4.30	4.29	4.28	4.32
Average daily sewage treatment (mgd)	3.70	3.59	3.71	4.99	4.40	5.00	4.88	4.46	4.42	4.37
Airport:										
Number of hangers rented	51	51	50	40	41	41	57	57	57	57
Number of tie-downs rented	146	146	146	108	125	122	120	110	102	104
Number of incidents on airport property	2	2	-	3	-	-	1	1	-	1

Note:

(1) Through September 30.

Source: Various Town departments

TOWN OF LEESBURG, VIRGINIA

Table 21

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

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Streets:										
Primary (miles)	12	12	12	13	14	15	15	15	15	15
Secondary (miles)	83	83	89	90	91	91	91	92	92	92
Traffic signals	34	35	36	42	49	50	51	52	54	56
Number of street lights	1,905	1,970	2,070	2,179	2,479	2,614	2,654	2,700	2,791	2,920
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	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	4	4	4	3	3	3	3	3	3	3
Basketball courts	4	4	4	4	4	4	4	4	4	4
Tennis courts	7	7	7	11	11	11	11	11	11	11
Swimming pools	1	1	2	2	3	3	3	3	3	3
Parks with playground equipment	5	5	6	6	5	5	5	5	5	6
Picnic shelters	5	5	6	6	4	4	4	4	4	5
Community centers	1	1	1	1	1	1	1	1	1	1
Balch Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	11,268	28,380	30,029	32,474	37,194	41,227	59,423	61,377	70,717	74,262
Water:										
Wells	1	1	1	1	1	1	1	1	1	1
Water lines (miles)	203	205	206	208	209	215	218	217	218	218
Fire hydrants	2,178	2,200	2,234	2,332	2,347	2,367	2,459	2,589	2,598	2,595
Storage capacity (mgd)	5	5	5	5	6.5	8	8	8	8	8
Number of customers	13,716	14,229	14,785	15,035	15,120	15,142	15,159	15,292	15,509	15,553
Sewers:										
Sanitary sewers (miles)	170	171	172	171	172	175	169	172	172	172
Storm sewers (miles)	-	115.0	120	127	129	131	134	134	137	137
Number of customers	13,716	14,229	14,953	15,139	15,155	15,039	15,178	15,347	15,391	15,453
Airport:										
Hangers	51	51	51	41	41	57	57	57	57	57
Tie-downs	146	146	146	116	131	133	122	120	120	120

Note:

(1) 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

COMPLIANCE SECTION

TOWN OF LEESBURG, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE			
Pass-Through Payments:			
Town of Vienna, Virginia			
Gang-Free Schools and Communities-Community Based			
Gang Intervention	2010-DD-BX-0483	16.544	\$ 32,956
Direct Payments:			
Bulletproof Vest Partnership Program	2014BUBX14075177	16.607	2,415
Total Department of Justice			<u>35,371</u>
DEPARTMENT OF TRANSPORTATION			
Direct Payments:			
Airport Improvement Program	3-51-0027-037-2013	20.106	600,564
Pass-Through Payments:			
Virginia Department of Transportation			
ARRA - Highway Planning and Construction	015-253-308	20.205	<u>58,760</u>
Total Department of Transportation			<u>659,324</u>
Total Federal Expenditures			<u><u>\$ 694,695</u></u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

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

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

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

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

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

Note 2. Relationship to the Basic Financial Statements

For fiscal year 2014, 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, \$43,084 of prior year expenditures related to the Aiprot Improvement Grant (CFDA #20.106) was included in the SEFA. The Airport Improvement Grant expenditures were not included in the prior year SEFA due to the Town's 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.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Leesburg, Virginia (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 3, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
December 3, 2014



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Leesburg, Virginia's (Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2014. The Town's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

PBMares, LLP

Harrisonburg, Virginia
December 3, 2014

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal awards:

Internal control over major 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: Unmodified

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

Identification of major programs:

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

20.106	Airport Improvement Program
--------	-----------------------------

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, 2014**

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

None

- III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

TOWN OF LEESBURG, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

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