# 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 |
| *Basic Financial Statements* | | |
| 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 *Government Auditing Standards* | 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

Town of Leesburg Virginia

KAJ DENTLER
Town Manager

25 West Market Street ☙ Leesburg, Virginia 20176 ❧ 703-777-2420

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

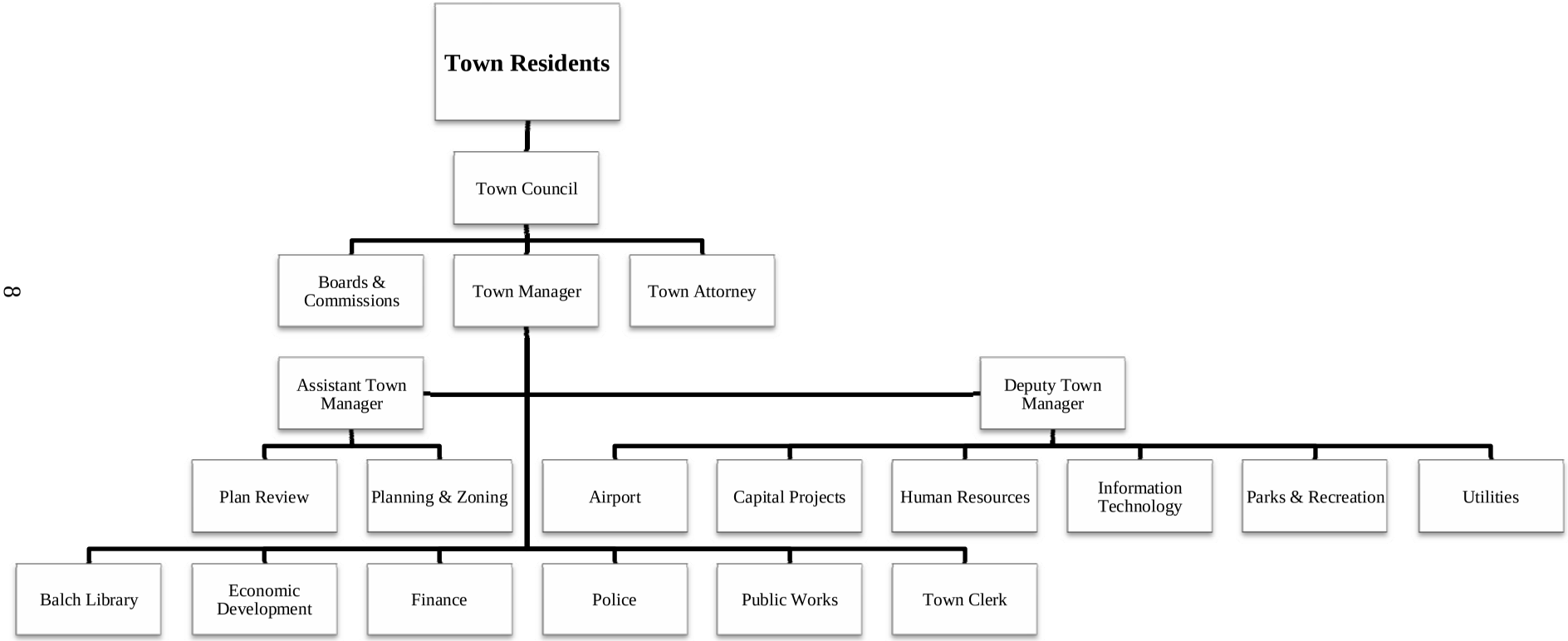
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

**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

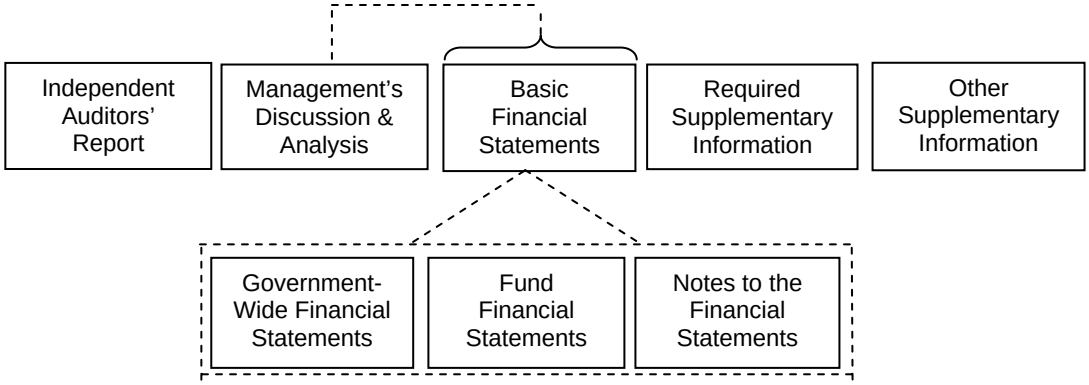
# TOWN OF LEESBURG
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# June 30, 2014

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*.

**COMPONENTS OF THE FINANCIAL SECTION**




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

## GOVERNMENT-WIDE STATEMENTS

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

The Town's Net Position 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 government-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)**

| | Governmental Activities | | Business-Type Activities | | Total Reporting Entity | |
|---|---|---|---|---|---|---|
| | FY 2014 | FY 2013 | FY 2014 | FY 2013 | FY 2014 | FY 2013 |
| **Assets and Deferred Outflows** | | | | | | |
| 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** |
| **Liabilities and Deferred Inflows** | | | | | | |
| 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** |
| **Net Assets** | | | | | | |
| 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.

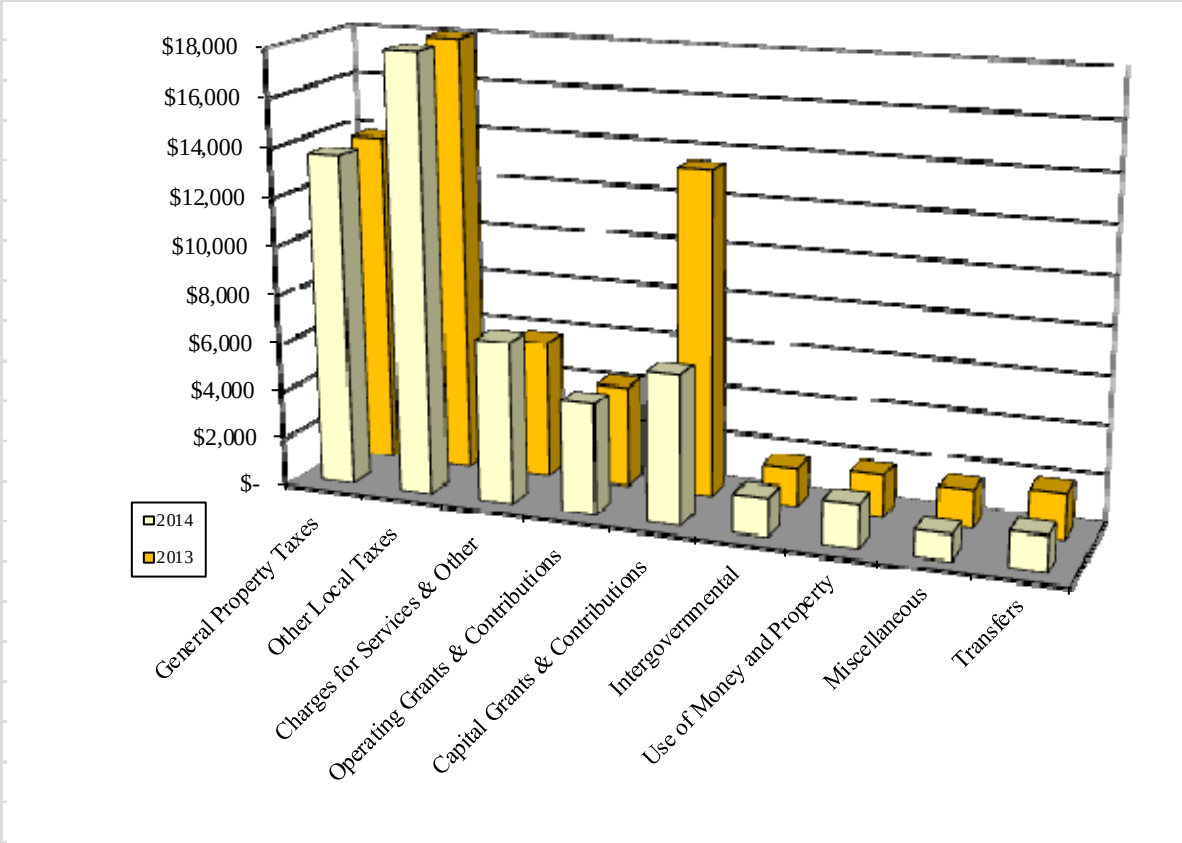
**Table 2**
**Summary of Statement of Activities**
**Comparison for the years ended June 30, 2014 and 2013 ($ in Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total Reporting Entity | |
|---|---|---|---|---|---|---|
| | FY 2014 | FY 2013 | FY 2014 | FY 2013 | FY 2014 | FY 2013 |
| **REVENUES** | | | | | | |
| **Program Revenues:** | | | | | | |
| Charges for Services | $ 6,727 | $ 5,743 | $ 15,620 | $ 15,225 | $ 22,347 | $ 20,968 |
| Operating Grants and Contributions | 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 |
| **General Revenues:** | | | | | | |
| 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:

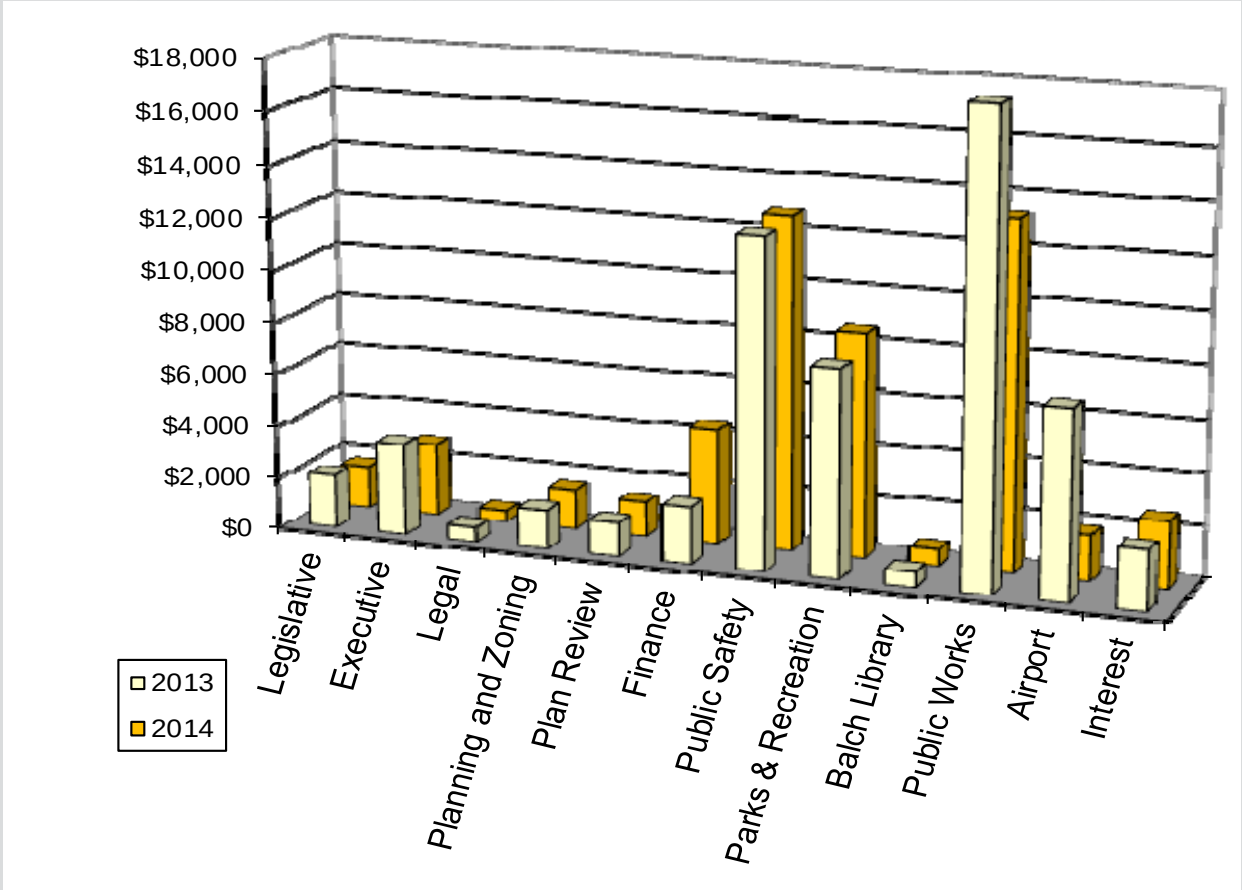
**Chart 1**
**Governmental Activities – Revenues by Source**
**Comparison for the years ended June 30, 2014 and 2013 ($ in Thousands)**




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)**



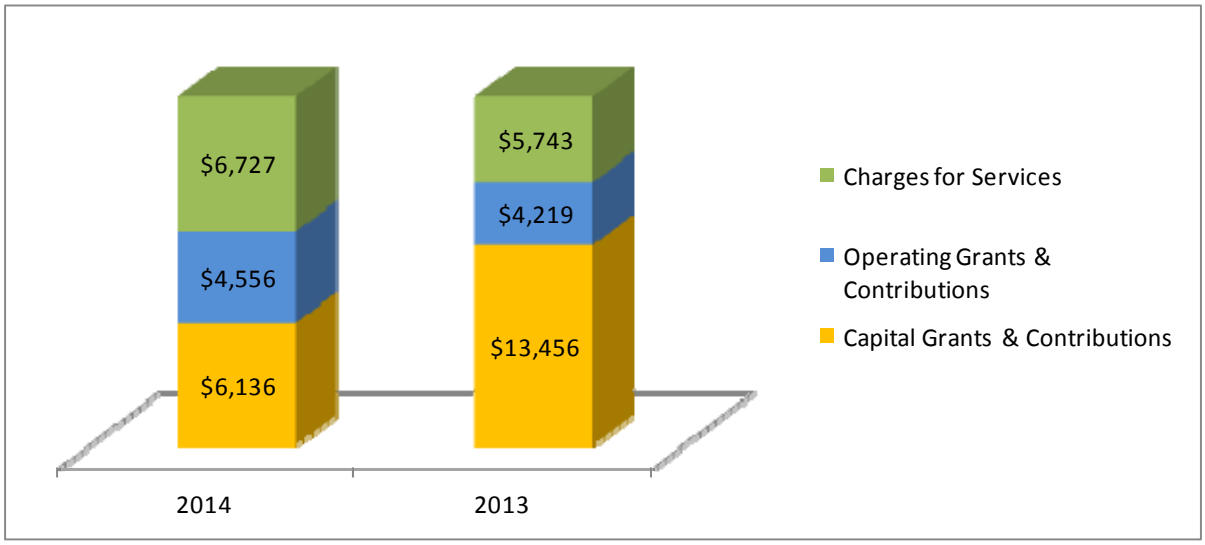

General revenue, primarily in the form of taxes and state aid, is essential to providing support for the services offered by the Town. As illustrated in Table 3, governmental activities generate revenue that helps offset the cost of these services. The table presents the total cost of services and the 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)**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| **Function:** | **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 Savety | 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 Budge** | **Actual** |
| **Revenues:** | | | |
| 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 |
| **Expenditures:** | | | |
| Expenditures | 47,824 | 50,717 | 48,508 |
| **Excess (Deficiency) of Revenue over Expenditures** | **(472)** | **(3,350)** | **403** |
| **Other Financing Sources:** | | | |
| 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:

    - Debt service expenditures as a percentage of governmental funds expenditures will not exceed 15 percent. For fiscal year 2014, this percentage was 7.3%.

    - 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

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 1**

## 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 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 2**

## STATEMENT OF ACTIVITIES
## Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Totals |
|---|---|---|---|---|---|---|---|
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| Legislative | $ 1,647,737 | $ - | $ - | $ - | $ (1,647,737) | $ - | $ (1,647,737) |
| Executive | 5,101,778 | - | - | 137,400 | (4,964,378) | - | (4,964,378) |
| Legal | 428,396 | - | - | - | (428,396) | - | (428,396) |
| Planning and zoning | 1,544,011 | 706,135 | - | - | (837,876) | - | (837,876) |
| Plan review | 1,332,438 | - | - | - | (1,332,438) | - | (1,332,438) |
| Finance | 2,122,300 | - | - | - | (2,122,300) | - | (2,122,300) |
| Public safety | 12,760,923 | 733,367 | 1,002,002 | - | (11,025,554) | - | (11,025,554) |
| Parks and recreation | 8,545,134 | 4,919,355 | - | - | (3,625,779) | - | (3,625,779) |
| Balch Library | 638,586 | - | 12,379 | - | (626,207) | - | (626,207) |
| Public works | 13,281,259 | 368,345 | 3,442,583 | 5,081,809 | (4,388,522) | - | (4,388,522) |
| Airport | 1,784,308 | - | 99,197 | 916,850 | (768,261) | - | (768,261) |
| Interest | 2,574,971 | - | - | - | (2,574,971) | - | (2,574,971) |
| **Total governmental activities** | 51,761,841 | 6,727,202 | 4,556,161 | 6,136,059 | (34,342,419) | - | (34,342,419) |
| Business-type activities: | | | | | | | |
| Utilities | 19,421,203 | 15,620,127 | 409,765 | 2,038,406 | - | (1,352,905) | (1,352,905) |
| **Total business-type activities** | 19,421,203 | 15,620,127 | 409,765 | 2,038,406 | - | (1,352,905) | (1,352,905) |
| **Total government** | $ 71,183,044 | $ 22,347,329 | $ 4,965,926 | $ 8,174,465 | (34,342,419) | (1,352,905) | (35,695,324) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| General property taxes, including penalties | | | | | 13,665,498 | - | 13,665,498 |
| Other local taxes: | | | | | | | |
| Communication sales and use | | | | | 6,343,455 | - | 6,343,455 |
| Meals | | | | | 4,827,853 | - | 4,827,853 |
| Business and occupational licenses | | | | | 3,292,385 | - | 3,292,385 |
| Utility | | | | | 1,564,500 | - | 1,564,500 |
| Cigarette | | | | | 980,759 | - | 980,759 |
| Other | | | | | 2,785,727 | - | 2,785,727 |
| Intergovernmental, non-categorical aid | | | | | 1,594,257 | - | 1,594,257 |
| Use of money and property | | | | | 1,796,693 | 194,274 | 1,990,967 |
| Miscellaneous | | | | | 813,747 | 548,717 | 1,362,464 |
| Transfers | | | | | 1,492,850 | (1,492,850) | - |
| Total general revenues and transfers, net | | | | | 39,157,724 | (749,859) | 38,407,865 |
| **Change in net position** | | | | | 4,815,305 | (2,102,764) | 2,712,541 |
| Net position, beginning, as restated | | | | | 277,497,656 | 129,140,553 | 406,638,209 |
| Net position, ending | | | | | $ 282,312,961 | $ 127,037,789 | $ 409,350,750 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 3**

**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 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 4**

**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 | (103,865,130) | |
| 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 | (1,041,002) | |
| | | (60,662,093) |
| **Net position of governmental activities** | | $ 282,312,961 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 5**

**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 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**Year Ended June 30, 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 | (9,105,667) | |
| 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 | (117,348) | |
| | | 810,638 |
| **Change in net position of governmental activities** | | $ 4,815,305 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 7**

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (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 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 8**

**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 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 9**

**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 | 548,717 |
| **Total operating revenues** | 16,168,844 |
| 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 | 802,403 |
| **Total operating expenses** | 16,495,540 |
| **Operating loss** | (326,696) |
| 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 | (2,925,663) |
| **Total nonoperating expenses, net** | (554,977) |
| **Loss before contributions and transfers** | (881,673) |
| Contributions and Transfers | |
| Developer donated assets | 271,759 |
| Transfers out | (1,492,850) |
| **Total contributions and transfers, net** | (1,221,091) |
| **Change in net position** | (2,102,764) |
| Net Position, beginning, as restated | 129,140,553 |
| Net Position, ending | $ 127,037,789 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA**

**Exhibit 10**
**Page 1**

**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 |
| **Net cash provided by operating activities** | 4,804,450 |
| Cash Flows From Noncapital and Related Financing Activities: | |
| Transfers out | (1,492,850) |
| **Cash used in noncapital and related financing activities** | (1,492,850) |
| 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** | (2,603,848) |
| Cash Flows From Investing Activities: | |
| Interest on investments | 43,582 |
| **Cash provided by investing activities** | 43,582 |
| **Net increase in cash and cash equivalents** | 751,334 |
| Cash and Cash Equivalents | |
| Beginning | 15,433,319 |
| Ending | $ 16,184,653 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA**

**Exhibit 10**
**Page 2**

**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) |
| Prepaids | 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 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 11**

**STATEMENT OF NET POSITION**
**FIDUCIARY FUND**
**June 30, 2014**

| | OPEB Trust Fund |
|---|---|
| **ASSETS** | |
| Investments held in trust | $ 8,213,798 |
| **Total assets** | 8,213,798 |
| **NET POSITION** | |
| Held in trust for other postemployment benefits (OPEB) | $ 8,213,798 |

See Notes to Financial Statements.

**TOWN OF LEESBURG, VIRGINIA** **Exhibit 12**

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

| | OPEB Trust Fund |
|---|---|
| Additions: | |
| Contributions | $ 1,622,188 |
| **Total contributions** | 1,622,188 |
| 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 | 824,618 |
| **Total income from investment activities** | 825,946 |
| Deductions: | |
| Administrative fees | 8,448 |
| **Total deductions** | 8,448 |
| **Change in net position** | 2,439,686 |
| Net Position, beginning | 5,774,112 |
| Net Position, ending | $ 8,213,798 |

See 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.

## 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.

**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.

## 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.

## 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.

## 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:

| | Years |
|---|---|
| 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.

## 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.

## 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.

## 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.

## 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 catergory.

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 catergory. 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.

## 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.

## 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.

## 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.

## 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.

### 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.

## 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 | $ 8,414,510 | $ 95,108 | $ 3,449,446 | $ 11,959,064 |

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 |
| | $ 6,361,752 | $ 3,436,619 |

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.

## 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 |
| | 1,231,942 |
| Northern Virginia Cigarette Tax Board | 83,392 |
| **Total General Fund** | $ 1,315,334 |
| Capital Projects Fund: | |
| Commonwealth of Virginia: | |
| Virginia Department of Transportation | $ 1,245,508 |
| Department of Aviation | 22,418 |
| | 1,267,926 |
| Federal government: | |
| Department of Aviation | 58,600 |
| **Total Capital Projects Fund** | $ 1,326,526 |

## 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 | 161,314,408 | 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 | $ 318,313,050 | $ 6,380,272 | $ (100,510) | $ - | $ 324,592,812 |

## 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 |

## 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 |

## 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 |
| | $ 66,769,772 | $ 57,234,740 | $ 124,004,512 |

## 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 | $ 61,221,101 | $ 1,816,349 | $ (3,558,622) | $ 59,478,828 | $ 3,460,178 |

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

| Year Ending June 30, | Bonded Obligations Principal | Bonded Obligations Interest | Totals |
|---|---|---|---|
| 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 |
| | $ 55,090,000 | $ 20,823,621 | $ 75,913,621 |

| | 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 | $ 68,199,207 | $ 525,405 | $ (1,305,252) | $ 67,419,360 | $ 1,574,922 |

## Note 7. Long-Term Debt (Continued)

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

| Year Ending June 30, | Bonded Obligations Principal | Bonded Obligations Interest | Totals |
|---|---|---|---|
| 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 |
| | $ 65,509,897 | $ 34,810,763 | $ 100,320,660 |

### 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.

## 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.

## 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.

## 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.

## 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.

## 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.

**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**<br>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**<br>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**<br>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")<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• 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.<br>• 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. |

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

## VRS Plan 1

### 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.

### Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

## VRS Plan 2

### 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.

### 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.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

## Hybrid Retirement Plan

### Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- 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

***Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- 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.

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

| VRS Plan 1 | VRS Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| | | ***Non-Eligible Members (Continued)**<br>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**<br>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**<br>Same as VRS Plan 1. | **Retirement Contributions**<br>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. |

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

| VRS Plan 1 | VRS Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Creditable Service**<br>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**<br>Same as VRS Plan 1. | **Creditable Service**<br>**Defined Benefit Component**<br>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.<br><br>**Defined Contributions Component**<br>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan. |
| **Vesting**<br>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**<br>Same as VRS Plan 1. | **Vesting**<br>**Defined Benefit Component**<br>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. |

**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. | | **Defined Contributions Component**<br>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.<br><br>Members are always 100% vested in the contributions they make.<br><br>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.<br><br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.<br><br>Distribution is not required by law until age 70 1/2. |

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

| VRS Plan 1 | VRS Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Calculating the Benefit**<br>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.<br><br>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**<br>See definition under VRS Plan 1. | **Calculating the Benefit**<br><br>**Defined Benefit Component**<br>See definition under VRS Plan 1.<br><br>**Defined Contribution Component**<br>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**<br>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee. | **Average Final Compensation**<br>Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| **Service Retirement Multiplier**<br>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**<br>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**<br>The retirement multiplier is 1.0%.<br><br>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. |

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

| VRS Plan 1 | VRS Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Normal Retirement Age**<br>Age 65. | **Normal Retirement Age**<br>Normal Social Security retirement age. | **Normal Retirement Age**<br><br>**Defined Benefit Component:**<br>Same as VRS Plan 2.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Earliest Unreduced Retirement Eligibility**<br><br>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.<br><br>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**<br><br>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.<br><br>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**<br><br>**Defined Benefit Component:**<br>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.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

| VRS Plan 1 | VRS Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Earliest Reduced Retirement Eligibility**<br>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**<br>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**<br>**Defined Benefit Component:**<br>Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.<br><br>**Defined Contribution Component:**<br>Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>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.<br><br>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. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>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%.<br><br>**Eligibility:**<br>Same as VRS Plan 1. | **Cost-of-Living Adjustment (COLA) in Retirement**<br>**Defined Benefit Component:**<br>Same as VRS Plan 2.<br><br>**Defined Contribution Component:**<br>Not applicable.<br><br>**Eligibility:**<br>Same as VRS Plan 1 and VRS Plan 2. |

**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)** |
| **Exceptions to COLA Effective Dates:**<br>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<br>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.<br>• The member retires on disability.<br>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).<br>• 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.<br>• 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. | **Exceptions to COLA Effective Dates:**<br>Same as VRS Plan 1. | **Exceptions to COLA Effective Dates:**<br>Same as VRS Plan 1 and VRS Plan 2. |

**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. |

**Note 12 Pension Plan (Continued)**

Plan Description (Continued)

| VRS Plan 1 | VRS Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Purchase of Prior Service**<br>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**<br>Same as VRS Plan 1. | **Purchase of Prior Service**<br>**Defined Benefit Component:**<br>Same as VRS Plan 1.<br>**Defined Contribution Component:**<br>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.

## 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.

## 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 |
| | $ | 2,059,713 |

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 |
| | $ | 279,626 |

## 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 | $ 277,497,656 | $ 129,140,553 | $ 406,638,209 |

# 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

**TOWN OF LEESBURG, VIRGINIA** **Exhibit A-1**

**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 |

**TOWN OF LEESBURG, VIRGINIA**

**Exhibit A-2**
**Page 1**

**GENERAL FUND**
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL**
**Year Ended June 30, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (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 Final Budget Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (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 Final Budget Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (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 |

**TOWN OF LEESBURG, VIRGINIA**

**Exhibit A-3**
**Page 1**

**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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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 Final Budget Over |
|---|---|---|---|---|
| | Original | Final | Amounts | (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 |
|---|---|---|---|---|
| | Original | Final | Amounts | (Under) |
| 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) |

**TOWN OF LEESBURG, VIRGINIA** **Exhibit B-1**

**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 |

**TOWN OF LEESBURG, VIRGINIA** **Exhibit B-2**

**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 |

**TOWN OF LEESBURG, VIRGINIA** **Exhibit B-3**

## 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 | $ 16,184,653 | $ 15,433,319 |
| 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 |
| Prepaids | 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 | $ 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 |
| Restricted | 54,245 | 54,245 | 9,905,713 | 53,499 | 32,228 | 32,228 | 5,852,078 | 827,452 | 4,756,210 | 1,366,923 |
| Unrestricted | 28,123,822 | 32,303,535 | 26,195,217 | 35,468,057 | 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 | $ 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 |
| Unrestricted | 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 | $ 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 |
| Restricted | 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 |
| Unrestricted | 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**

**Table 2**
**Page 1**

**CHANGES IN NET POSITION/ASSETS**
**Last Ten Fiscal Years**
***(accrual basis of accounting)***
**(Unaudited)**

| | 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**

**Table 2**
**Page 2**

**CHANGES IN NET POSITION/ASSETS (CONTINUED)**
**Last Ten Fiscal Years**
***(accrual basis of accounting)***
**(Unaudited)**

| | 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 | - | 409,765 |
| 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 | 2,038,406 |
| **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**

**Table 2**
**Page 3**

**CHANGES IN NET POSITION/ASSETS (CONTINUED)**
**Last Ten Fiscal Years**
***(accrual basis of accounting)***
**(Unaudited)**

| | 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)**

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental activities: | | | | | | | | | | |
| Legislative | $ - | $ - | $ - | $ - | $ - | $ 23,606 | $ - | $ - | $ - | $ - |
| Executive | - | - | - | - | - | - | - | - | - | 137,400 |
| Planning and zoning | 277,283 | 477,892 | 361,537 | 273,849 | 351,994 | 262,270 | 261,447 | 283,241 | 237,689 | 706,135 |
| 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 | 1,735,369 |
| 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 | 4,919,355 |
| Balch Library | - | - | - | - | 15,500 | 255,000 | 372,994 | 5,500 | 5,000 | 12,379 |
| 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 | 8,892,737 |
| Airport | - | - | - | - | - | - | - | - | 4,092,941 | 1,016,047 |
| **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.

**TOWN OF LEESBURG, VIRGINIA** **Table 4**

**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.

**TOWN OF LEESBURG, VIRGINIA**

**Table 5**
**Page 1**

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

| | Fiscal Year 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% |

| 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** | **2014** |
| **Revenues** | | | | | |
| General Property Taxes | $ 12,363,461 | $ 12,503,998 | $ 12,854,369 | $ 13,606,085 | $ 13,814,622 |
| Other Local Taxes | 16,866,584 | 15,585,903 | 16,981,945 | 17,327,161 | 17,618,402 |
| Permits, Fees and Licenses | 437,125 | 432,971 | 435,554 | 391,407 | 1,073,586 |
| Fines & Forfeitures | 402,164 | 576,328 | 482,049 | 544,411 | 718,350 |
| Use of Money and Property | 282,243 | 347,553 | 330,208 | 1,445,303 | 1,518,555 |
| Charges for Services | 4,879,989 | 4,796,131 | 4,689,237 | 4,807,401 | 4,935,266 |
| Contributions and Proffers | - | 439,619 | 8,500 | 1,843 | 144,779 |
| Miscellaneous | 902,141 | 981,939 | 893,025 | 945,249 | 767,665 |
| Intergovernmental | 5,396,468 | 7,969,521 | 7,751,751 | 8,026,851 | 8,319,316 |
| Transfer from other funds | 2,390,988 | 3,609,021 | 2,564,883 | 2,455,864 | 2,262,085 |
| **Total Revenues** | 43,921,163 | 47,242,984 | 46,991,521 | 49,551,575 | 51,172,626 |
| **Expenditures** | | | | | |
| Legislative | 1,103,242 | 919,953 | 960,836 | 949,680 | 1,645,525 |
| Executive | 3,395,350 | 3,431,910 | 3,127,240 | 3,345,634 | 4,065,619 |
| Legal | 411,839 | 401,794 | 412,454 | 517,214 | 470,940 |
| Planning and Zoning | 1,720,029 | 1,938,591 | 1,382,400 | 1,489,006 | 1,562,694 |
| Plan Review | 1,679,684 | 1,566,111 | 1,248,341 | 1,295,785 | 1,384,016 |
| Finance | 2,360,863 | 2,252,013 | 2,073,242 | 2,196,207 | 1,985,483 |
| Public Safety | 11,140,380 | 10,883,307 | 11,262,769 | 12,551,566 | 12,507,687 |
| Parks and Recreation | 7,418,434 | 7,321,436 | 6,916,341 | 7,462,632 | 7,833,710 |
| Balch Library | 457,606 | 449,682 | 454,610 | 440,057 | 457,866 |
| Public Works | 11,456,058 | 11,385,261 | 11,590,650 | 11,851,505 | 11,494,248 |
| Airport | - | - | 2,444 | 706,939 | 688,604 |
| **Debt Service** | | | | | |
| Principal Retirement | 3,156,627 | 3,187,341 | 8,184,465 | 3,026,278 | 1,799,341 |
| Interest Payments & Other Fiscal Charges | 1,842,688 | 2,523,094 | 2,319,700 | 2,698,505 | 2,611,718 |
| Transfers to other funds | - | 622 | 2,345,026 | - | - |
| **Total Expenditures** | 46,142,800 | 46,261,115 | 52,280,518 | 48,531,008 | 48,507,451 |
| **Net change in fund balances** | (2,221,637) | 981,869 | (5,288,997) | 1,020,567 | 2,665,175 |
| **Fund balance, beginning of year** | 17,998,812 | 21,456,672 | 22,438,541 | 17,149,544 | 18,170,111 |
| **Fund balance, end of year** | $ 15,777,175 | $ 22,438,541 | $ 17,149,544 | $ 18,170,111 | $ 20,835,286 |

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 December 31 | Real Property[1] | Personal Property[2] | Public Service Corporations[3] Real Property | Public Service Corporations[3] Personal Property | Total Assessed Valuation |
|---|---|---|---|---|---|
| 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.

**TOWN OF LEESBURG, VIRGINIA** **Table 10**

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

| | Tax Rates - Town | | Tax Rates - County | | Tax Rates - Combined | |
|---|---|---|---|---|---|---|
| Tax Year | 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 | 1.55% |
| 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 | 0.67% |
| 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 | 0.72% |
| Fairfield | - | | - | 29,917,155 | 4 | 0.57% |
| Dominion | - | | - | 26,689,700 | 5 | 0.50% |
| GRK Battlefield LLC | - | | - | 26,342,800 | 6 | 0.50% |
| Fort Evans Plaza Ltmd Partnership | - | | - | 24,683,183 | 7 | 0.47% |
| Edwards Ferry LP | - | | - | 24,488,200 | 8 | 0.46% |
| Rehau | - | | - | 18,431,000 | 9 | 0.35% |
| Arcadia Development | - | | - | 10,762,000 | 10 | 0.20% |
| **Total** | $ 675,205,310 | | 10.31% | $ 317,145,738 | | 5.99% |

**TOWN OF LEESBURG, VIRGINIA** **Table 12**

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

| | | Collected Within the Calendar Year of the Levy | | | Total Collections to Date | |
|---|---|---|---|---|---|---|
| Calendar Year | Taxes Levied for the Calendar Year | Amount | Percentage of Levy | Collections in Subsequent Years | Amount | Percentage of Levy |
| 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% | 170,513 | 10,480,653 | 98.17% |
| 2011 | 10,894,456 | 10,524,694 | 96.61% | 191,882 | 10,716,576 | 98.37% |
| 2012 | 11,191,318 | 10,801,017 | 96.51% | 160,481 | 10,961,498 | 97.95% |
| 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% |

Note:

(1) The amounts for 2014 reflect only the first half of the collections. The second half is due December 5.

**TOWN OF LEESBURG, VIRGINIA** **Table 13**

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

| | Governmental Activities | Business-Type Activities | | | | | General Bonded Debt Outstanding | | General Bonded Debt Outstanding |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year June 30, | General Obligation Bonds | Revenue Bonds | General Obligation Bonds | Total Primary Government | Percentage of Per Capita Personal Income | Debt Per Capita | General Obligation Bonds | Percentage of Actual Taxable Value of Property | Debt Per Capita |
| 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 | | | 57,234,740 |
| **Total direct and overlapping debt** | | | $ 169,263,224 |

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 | $ 6,547,329,473 |
| Debt limit (10% of assessed value) | $ 654,732,947 |
| Debt applicable to limit: | |
| Net direct debt outstanding | 57,234,740 |
| Available legal debt margin | $ 597,498,207 |

| Summary of outstanding debt: | |
|---|---|
| Gross bonded debt | $ 124,004,512 |
| Less: enterprise debt | 66,769,772 |
| General obligation debt: | $ 57,234,740 |

Note:

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

**TOWN OF LEESBURG, VIRGINIA** **Table 16**

## BOND COVERAGE
## Last Ten Fiscal Years
## (Unaudited)

| | Utilities Fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Debt Service | | | |
| Fiscal Year June 30, | Utility Service Charges | Operating Expenses | Net Available Revenue | Principal | Interest | Total | Coverage |
| 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.

**TOWN OF LEESBURG, VIRGINIA** **Table 17**

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

| Fiscal Year June 30, | (1) Population | (2) Personal Income | (2) Per Capita Personal Income | (3) Unemployment Rate |
|---|---|---|---|---|
| 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)**

| | 2014 | | | 2006 (1) | |
|---|---|---|---|---|---|
| Employer | 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 |
| Balch 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 | (1) 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 tiedowns 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)

| | Fiscal Year June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Function/Program | 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 | 3 | 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 | | | 35,371 |
| **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 | 58,760 |
| Total Department of Transportation | | | 659,324 |
| **Total Federal Expenditures** | | | $ 694,695 |

## 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 | __√__ No |
| Significant deficiencies identified that are not considered to be material weaknesses | _____ Yes | __√__ No |
| Noncompliance material to financial statements noted | _____ Yes | __√__ No |

Federal awards:

Internal control over major programs:

| | | |
|---|---|---|
| Material weaknesses identified | _____ Yes | __√__ No |
| Significant 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.