

**NEW ISSUE
BOOK-ENTRY ONLY**

Ratings:	Fitch:	AAA
	Moody's:	Aaa
	S&P:	AAA

*In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants and the accuracy of certain representations and certifications made by the Town and other persons and entities described herein, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not treated as a preference item in calculating the federal alternative minimum tax on individuals. Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is also of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See "**SECTION TWO: THE BONDS – Tax Matters**" herein regarding certain other tax considerations.*

\$41,930,000
Town of Leesburg, Virginia
General Obligation Public Improvement Bonds
Series 2024

Dated: Date of Delivery

Due: January 15, as shown on inside front cover

Interest Payable: January 15 and July 15

First Interest Payment: July 15, 2024

The \$41,930,000 General Obligation Public Improvement Bonds, Series 2024 (the "Bonds"), will constitute general obligations of the Town of Leesburg, Virginia (the "Town"), to the payment of which the Town's full faith and credit and unlimited taxing power are irrevocably pledged. The Town Council of the Town is authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all local taxable property in the Town an *ad valorem* tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as the same respectively become due and payable.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, (a) references herein to the bondholder or registered owner shall mean Cede & Co. and (b) principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof. Bond certificates will be immobilized at DTC and not available for delivery to the public. See **Appendix E - "Book-Entry-Only System"**. The Bonds will bear interest from their dated date, payable semiannually on January 15 and July 15, commencing July 15, 2024.

The Bonds maturing on or after January 15, 2035, are subject to redemption prior to their stated maturities at the option of the Town as described in "**SECTION TWO - THE BONDS - Description of the Bonds**" herein.

The Bonds are offered for delivery when, as and if issued, by the Town, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the Town by the Town Attorney, Christopher Spera, Esquire, Leesburg, Virginia. It is expected that the Bonds will be available for delivery through The Depository Trust Company in New York, New York, on or about April 2, 2024.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

This Official Statement is dated March 19, 2024

TOWN OF LEESBURG, VIRGINIA
\$41,930,000
General Obligation Public Improvement Bonds,
Series 2024
(Base CUSIP: 524426)**

Maturities, Amounts, Interest Rates, Yield and Prices

<u>Maturity</u> <u>(January 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u> <u>Suffix</u>
2025	\$180,000	5.000%	3.010%	101.530%	ZK2
2026	185,000	5.000	2.790	103.820	ZL0
2027	840,000	5.000	2.630	106.322	ZM8
2028	1,375,000	5.000	2.490	109.011	ZN6
2029	1,445,000	5.000	2.450	111.446	ZP1
2030	1,515,000	5.000	2.430	113.790	ZQ9
2031	1,590,000	5.000	2.430	115.985	ZR7
2032	1,670,000	5.000	2.440	118.049	ZS5
2033	1,755,000	5.000	2.450	120.043	ZT3
2034	1,845,000	5.000	2.460	121.968	ZU0
2035	1,930,000	5.000	2.530*	121.289*	ZV8
2036	2,025,000	5.000	2.630*	120.327*	ZW6
2037	2,130,000	5.000	2.750*	119.185*	ZX4
2038	2,235,000	5.000	2.870*	118.056*	ZY2
2039	2,350,000	5.000	2.950*	117.311*	ZZ9
2040	2,470,000	5.000	3.100*	115.927*	A29
2041	2,590,000	4.000	3.540*	103.772*	A37
2042	2,700,000	4.000	3.620*	103.103*	A45
2043	2,800,000	4.000	3.700*	102.439*	A52
2044	2,910,000	4.000	3.790*	101.699*	A60

* Priced to first optional redemption date of January 15, 2034.

\$915,000 4.000% Term Bonds due January 15, 2046, Yield 3.900%, Price 100.802%*, CUSIP Suffix** A86

\$990,000 4.000% Term Bonds due January 15, 2048, Yield 4.000%, Price 100.000%, CUSIP Suffix** B28

\$1,070,000 4.000% Term Bonds due January 15, 2050, Yield 4.020%, Price 99.675%, CUSIP Suffix** B44

\$1,160,000 4.000% Term Bonds due January 15, 2052, Yield 4.060%, Price 99.000%, CUSIP Suffix** B69

\$1,255,000 4.000% Term Bonds due January 15, 2054, Yield 4.080%, Price 98.623%, CUSIP Suffix** B85

** The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Town, and the Town is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Town has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above. CUSIP is a registered trademark of the American Bankers Association ("ABA"), used by Standard & Poor's in its operation of the CUSIP Service Bureau for the ABA.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before January 15, 2034, are not subject to redemption before maturity. The Bonds maturing on or after January 15, 2035, may be redeemed before their maturities on or after January 15, 2034, at the option of the Town in whole or in part (in increments of \$5,000) at any time or from time to time, without penalty or premium upon payment of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption for Bonds. The Bonds maturing on January 15, 2046 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2045	\$450,000
2046 (maturity)	465,000

The Bonds maturing on January 15, 2048 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2047	\$485,000
2048 (maturity)	505,000

The Bonds maturing on January 15, 2050 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2049	\$525,000
2050 (maturity)	545,000

The Bonds maturing on January 15, 2052 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2051	\$570,000
2052 (maturity)	590,000

The Bonds maturing on January 15, 2054 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2053	\$615,000
2054 (maturity)	640,000

TOWN OF LEESBURG, VIRGINIA

TOWN COUNCIL

Kelly Burk, *Mayor*
Neil Steinberg, *Vice Mayor*
Ara Bagdasarian
Todd Cimino-Johnson
Zach Cummings
Kari Nacy
Patrick Wilt

TOWN OFFICIALS

Kaj H. Dentler, *Town Manager*
Christopher Spera, *Town Attorney*
Keith Markel, *Deputy Town Manager*
Eileen Boeing, *Clerk of Council*
Renée LaFollette, *Director of Public Works and Capital Projects*
Clark G. Case, *Director of Finance and Administrative Services*
Amy Wyks, *Director of Utilities*

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

FINANCIAL ADVISOR

Davenport & Company LLC
Richmond, Virginia

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.

Certain statements included in this official statement constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any results, performances or achievements express or implied by such forward-looking statements. Except as specifically set forth herein, the Town does not plan to issue any updates or revisions to those forward-looking statements due to changes in its expectations or subsequent events, conditions or circumstances on which such statements are based.

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations with respect to the Town or the Bonds other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.

Any CUSIP numbers for the Bonds included in the Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds have been assigned by an organization unaffiliated with the Town. The Town is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth on the Official Statement. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

In preparing this Official Statement, the Town has used sources that it believes are reliable, but the Town does not guarantee its accuracy or completeness. The identified source of information is the only source used regarding the applicable information. All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the Town since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) over allot in arranging the sales of the Bonds and (b) to make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the underwriters of the Bonds may determine. Such transactions, if commenced may be discontinued at any time.

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TABLE OF CONTENTS

	<u>Page</u>
SECTION ONE: INTRODUCTION	1
The Issuer	1
The Bonds	1
Optional Redemption	1
Delivery	2
Ratings	2
Additional Information	2
SECTION TWO: THE BONDS	2
Authorization	2
Purpose of the Bonds; Plan of Financing	2
Description of the Bonds	3
Optional Redemption	3
Mandatory Redemption	4
Notice of Redemption	4
Security and Sources of Payment for the Bonds	5
Bondholders' Remedies in the Event of Default	5
Approval of Legal Proceedings	6
Tax Matters	6
Opinion of Bond Counsel - Federal Income Tax Status of Interest	6
Reliance and Assumptions; Effect of Certain Changes	7
Certain Collateral Federal Tax Consequences	7
Original Issue Discount	8
Bond Premium	9
Effect of Future Enforcement, Regulatory and Legislative Actions	9
Sale at Competitive Bidding	10
Certificates of Town Officials	10
Financial Advisor	10
Relationship of Parties	11
Contemporaneous Bank Financing	11
Risks Associated with the 2024 Notes and Bank Financings Generally	11
SECTION THREE: TOWN OF LEESBURG, VIRGINIA	12
Principal Officers	12
Town of Leesburg	13
Introduction	13
Government	13
Profiles of Elected Officials	13
Certain Town Administrative and Financial Staff Members	16
Budget	17
Services Provided by the Town	17
Capital Improvements Program	18
Accounting System and Annual Audit	19
Selected Financial Information	20
Pension Plans	21
Other Post-Employment Benefits	22
Commitments and Contingent Liabilities	23
Labor Relations	23
Town Plan	23
Public Schools	24
Higher Education	24

Transportation.....	24
Leesburg Executive Airport.....	25
Community Facilities	25
Historic Preservation	25
Economic and Related Data	26
Income Profile.....	26
Business and Labor	27
Construction Activity	28
Tax Base Data	30
Debt Management	34
SECTION FOUR: MISCELLANEOUS.....	38
Ratings	38
Litigation.....	38
Continuing Disclosure.....	38
Summaries and Descriptions	38
Appendix A – Audited Financial Statements for Fiscal Year Ended June 30, 2023	A-1
Appendix B – Form of Continuing Disclosure Agreement	B-1
Appendix C – Form of Opinion of Bond Counsel Regarding Bonds	C-1
Appendix D – Utility System.....	D-1
Appendix E – Book-Entry-Only System	E-1

OFFICIAL STATEMENT

\$41,930,000
Town of Leesburg, Virginia
General Obligation Public Improvement Bonds
Series 2024

SECTION ONE: INTRODUCTION

The purpose of this Official Statement is to furnish information in connection with the sale by the Town of Leesburg, Virginia (the "Town"), of \$41,930,000 General Obligation Public Improvement Bonds, Series 2024 (the "Bonds"), dated the date of delivery. The Bonds will be general obligations of the Town to the payment of which the Town's full faith and credit are irrevocably pledged. Financial and other information contained in this Official Statement have been prepared by the Town from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the Town.

The Issuer

The Town was established in 1758 and is located in Loudoun County, Virginia, approximately 40 miles northwest of Washington, D.C. The Town has a land area of 12.39 square miles, expanded from 3.75 square miles by a 1984 annexation of 7.17 square miles and boundary line adjustments in 1985, 1990, 2000, 2002, 2006, 2008, and 2020, totaling 1.47 square miles. The Town is the county seat of Loudoun County, Virginia. The Town is a part of, and its residents are subject to taxation by Loudoun County, Virginia. In September of 2022, the Town commenced an annexation proceeding before the Virginia Commission on Local Government seeking to bring an additional area of approximately 402 acres into the Town boundaries. At the time of this statement, that matter is ongoing, but if successful, would bring additional tax resources to the Town.

The Bonds

The Bonds will be dated the date of delivery, with principal payments due annually on January 15, as provided on the inside front cover. The Bonds will be issued in authorized denominations of \$5,000 and multiples thereof and will be held by The Depository Trust Company ("DTC"), or by its nominee as securities depository with respect to the Bonds.

Interest on the Bonds will be payable on January 15 and July 15 commencing July 15, 2024, until the earlier of maturity or redemption. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date. All interest payments will be made to the registered owner as it appears on the registration books of U.S. Bank Trust Company, National Association or any successor bond registrar (the "Bond Registrar") on the January 1 or July 1 that precedes the next payment date (the "Record Date"). Interest on the Bonds will be computed on the basis of a 360-day year comprised of 12 months of 30 days each.

Optional Redemption

The Bonds maturing on or before January 15, 2034, are not subject to redemption before maturity. The Bonds maturing on or after January 15, 2035, may be redeemed before their maturities on or after January 15, 2034, at the option of the Town in whole or in part (in increments of \$5,000) at any time or from time to time, without penalty or premium upon payment of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date. Refer to the section entitled "**SECTION TWO – THE BONDS – Description**

of the Bonds – Optional Redemption" herein for a more detailed description of the redemption features of the Bonds.

Delivery

The Bonds are offered for delivery, when, as, and if issued, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the Town by the Town Attorney. It is expected that the Bonds will be available for delivery, at the expense of the Town, in New York, New York, through the facilities of DTC, on or about April 2, 2024.

Ratings

The Bonds have been rated by Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings as shown in "**SECTION FOUR – MISCELLANEOUS – Ratings**" herein.

Additional Information

Any question concerning the content of this Official Statement should be directed to the Town Manager, 25 West Market Street, Leesburg, Virginia 20176 (703-771-2700).

SECTION TWO: THE BONDS

Authorization

Issuance of the Bonds is authorized by a resolution of the Town Council of the Town (the "Town Council") adopted on February 27, 2024 (the "Resolution") pursuant to and in conformity with Article VII of the Constitution of the Commonwealth of Virginia, and pursuant to the provisions of the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the *Code of Virginia* (1950), as amended).

Purpose of the Bonds; Plan of Financing

The proceeds of the Bonds will be used to (i) finance the costs of various capital improvement projects in the Town's Capital Improvements Program and other approved capital projects, (ii) refinance interim financing on a long-term basis and (iii) pay the costs of issuance related to the Bonds.

In addition, approximately \$22,483,180.98 of the proceeds of the Bonds will be used to refinance the Town's Series 2019 General Obligation Notes (the "2019 Notes") on a long-term basis. The 2019 Notes financed the costs of certain capital projects of the Town on an interim basis.

The following table sets forth the anticipated application of the proceeds of the Bonds for the purposes described above:

Sources of Funds

Face Amount of Bonds	\$41,930,000.00
Plus Net Original Issue Premium	4,582,869.40
Equity Contribution	<u>49,473.18</u>
Total Sources	<u>\$46,562,342.58</u>

Use of Funds

Deposit to Project Fund	\$23,702,388.94
Refinance 2019 Notes	22,483,180.98
Additional Proceeds	3,657.97
Costs of Issuance ¹	<u>373,114.69</u>
Total Uses	<u>\$46,562,342.58</u>

¹ Includes underwriter's discount and other costs of issuing the Bonds, including legal, financial advisory, rating, and printing.

Description of the Bonds

The Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof and will be held by DTC, or its nominee, as securities depository with respect to the Bonds. See **Appendix E - "Book-Entry-Only System."** Purchases of beneficial ownership interests in the Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Bonds will be dated the date of delivery, will bear interest at the rates per annum set forth on the inside cover page hereof, payable on July 15, 2024, and semi-annually thereafter on January 15 and July 15 of each year (an "Interest Payment Date"), and will mature on January 15 in the years and in the principal amounts set forth on the inside cover hereof.

Optional Redemption

The Bonds maturing on or before January 15, 2034, are not subject to redemption before maturity. The Bonds maturing on or after January 15, 2035, may be redeemed before their maturities on or after January 15, 2034, at the option of the Town in whole or in part (in increments of \$5,000) at any time or from time to time, without penalty or premium upon payment of the principal of the Bonds to be redeemed plus accrued interest to the redemption date.

If less than all the Bonds are called for redemption, the Bonds to be redeemed shall be selected by the Town's Director of Finance and Administrative Services in such manner as such officer may deem to be in the best interest of the Town. If less than all of the Bonds of a particular maturity are called for redemption, the Bonds to be redeemed shall be selected by DTC or any successor securities depository, or if the book-entry-only system is discontinued, by the Bond Registrar for the Bonds by lot in such manner as the Bond Registrar in its discretion may determine.

Mandatory Redemption

The Bonds maturing on January 15, 2046 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2045	\$450,000
2046 (maturity)	465,000

The Bonds maturing on January 15, 2048 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2047	\$485,000
2048 (maturity)	505,000

The Bonds maturing on January 15, 2050 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2049	\$525,000
2050 (maturity)	545,000

The Bonds maturing on January 15, 2052 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2051	\$570,000
2052 (maturity)	590,000

The Bonds maturing on January 15, 2054 are subject to mandatory redemption in part prior to maturity by the Town, at a redemption price equal to 100% principal amount redeemed, plus accrued interest to the redemption date without premium, in the amounts and on the dates as follows:

<u>Year</u>	<u>Amount</u>
2053	\$615,000
2054 (maturity)	640,000

Notice of Redemption

The Town shall cause notice of redemption to be sent by electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner of the Bonds. The Town shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds notice of redemption shall be mailed to the registered owners of the Bonds. Each notice of redemption shall identify the Bonds or portions thereof to be redeemed. Interest shall cease to accrue

on any Bonds duly called for prior redemption, after the redemption date, if payment thereof has been duly provided. The Bond Registrar shall not be required to transfer or exchange any Bond or portion thereof after the notice of redemption has been duly provided. During the period that DTC or the DTC nominee is the registered holder of the Bonds the Bond Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Bonds. See **Appendix E - "Book-Entry-Only System."**

Any notice of optional redemption of the Bonds may state that it is conditioned upon there being available an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price if any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the Town, the corresponding notice of redemption shall be deemed to be revoked.

Security and Sources of Payment for the Bonds

The Bonds constitute general obligations of the Town, and the Town's full faith and credit are irrevocably pledged to the payment of principal and interest on the Bonds. The proceedings authorizing the issuance of the Bonds provide that the Town Council shall, in each year while any of the Bonds shall be outstanding, levy and collect on all property in the Town subject to local taxation an annual *ad valorem* tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and the interest on the Bonds, unless other funds are legally available and appropriated for timely payment of the Bonds.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the *Code of Virginia* (1950), as amended, provides that upon affidavit filed by or on behalf of any owner, or by any paying agent therefor, of a general obligation bond in default as to payment of principal or interest, the Governor shall forthwith conduct a summary investigation and, if such default is established to the Governor's satisfaction, the Governor shall immediately order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. Section 15.2-2659 also provides for notice to registered owners of the Bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor provisions Section 15.1-227.61 and Section 15.1-225 has ever been issued. Although neither Section 15.2-2659 nor its predecessors Section 15.1-227.61 or Section 15.1-225 has been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to that section. The Town received a total of \$16,691,940 in General Fund revenues from the Commonwealth during the fiscal year ended June 30, 2023.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the Town defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interests of the Bondholders upon the occurrence of such default. Upon any default in the payment of principal or interest, a Bondholder could, among other things, seek from an appropriate court a writ of mandamus requiring the Town Council to observe the covenants contained in the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the Town, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "generally authorized to be a debtor under Chapter 9

by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor..." (Bankruptcy Code, § 109(c)(2)). Current Virginia statutes do not expressly authorize the Town or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the Town.

Bankruptcy proceedings by the Town could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the Town after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the "indubitable equivalent" thereof, although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

The Town has never defaulted in the payment of either principal or interest on any debt obligation.

Approval of Legal Proceedings

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion will be furnished at the expense of the Town upon delivery of the Bonds. Bond Counsel has not been engaged to investigate the financial resources of the Town or its ability to provide for payment of the Bonds. Bond Counsel has not verified the accuracy, completeness, or fairness of this Official Statement. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and the opinions of Bond Counsel will be limited to matters relating to the authorization and validity of the Bonds and certain other matters described in "**THE BONDS - Tax Matters**" herein. The form of the proposed opinion of Bond Counsel for the Bonds is found in Appendix C to this Official Statement.

Tax Matters

Opinion of Bond Counsel - Federal Income Tax Status of Interest

Bond Counsel's opinion regarding the federal income tax status of the interest on the Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax under Section 55(b) of the Code. See the form of the bond counsel opinion in Appendix C hereto.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the Town or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Town has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact material to its opinion regarding the Bonds, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the Town, public officials and certain other third parties, and public officials, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the Town and certain other persons and entities. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. Prior to the issuance of the Bonds, the Town will enter into a tax certificate and related documents for the Bonds (collectively, the "Tax Certificates") that contain covenants under which the Town has agreed to comply with such requirements (the "Covenants"). A failure to comply with the Covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificates, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made to any Bond owner or to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner

who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the Bonds with OID (the "OID Bonds") is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax with respect to the Bonds and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the OID accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of such Premium Bond.

Effect of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the Town as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Bonds should consult their own

tax advisors regarding the tax status of interest on the Bonds in a particular state or local jurisdiction other than the Commonwealth.

Sale at Competitive Bidding

The Bonds were awarded to Hilltop Securities Inc. (the "Underwriter"). The bid provides that the Underwriter will purchase the Bonds at a price of \$46,414,754.71 or 110.695814% of the par amount of the Bonds. The Underwriter has supplied the information as to the interest rates and initial offering prices of the Bonds set for on the inside cover hereof. If all of the Bonds are resold to the public at such public offering prices, the Underwriter has informed the Town that it anticipates total underwriting compensation of \$98,114.69. The Underwriter may change the public offering prices or yields of the Bonds from time to time.

Certificates of Town Officials

Concurrently with the delivery of the Bonds, the Town will furnish to the Underwriter a certificate dated the date of delivery of the Bonds, signed by the appropriate Town officials and stating that the descriptions and statements in this Official Statement (except in **Appendix E - "Book-Entry-Only System"** hereto and the information as to yield or price on the inside cover page) on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the Town between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in this Official Statement. Such certificate will also state however, that such Town officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the Town and its officers but that they have no reason to believe that such information is not accurate.

The Town Attorney will also furnish to the Underwriter, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds, stating that the statements in the section entitled **"SECTION FOUR - MISCELLANEOUS - Litigation"** herein on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

Financial Advisor

Davenport & Company LLC ("Davenport") is employed as a financial advisor to the Town in connection with the issuance of the Bonds. The financial advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Davenport, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Davenport, as the financial advisor to the Town, has provided the following sentence for inclusion in this Official Statement. Although Davenport has assisted in the preparation of this Official Statement, Davenport is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Relationship of Parties

McGuireWoods LLP, Bond Counsel, represents Davenport & Company LLC, the Financial Advisor, and U.S. Bank Trust Company, National Association, the paying agent, from time to time in transactions unrelated to the Bonds.

Contemporaneous Bank Financing

Contemporaneously or shortly after the issuance of the Bonds, the Town expects to enter into interim financing facilities with JP Morgan Chase Bank, N.A. for up to \$88,600,000 (the "2024 Notes"). The 2024 Notes are expected to finance certain governmental and utility capital projects on a short-term basis in advance of permanent financing, which is expected to be secured within the next five years. The 2024 Notes are expected to (1) have a general obligation pledge securing them, (2) bear interest at a variable rate equal to 80% of 1-month SOFR plus up to 108 basis points, (3) have a maturity date of June 30, 2027, (4) have interest payable periodically with principal due at maturity, and (5) be drawn down over time as funds are needed to complete the projects. The holder of the 2024 Notes is not expected to require the Town to adhere to any specific financial covenants. Copies of the documents evidencing and securing the 2024 Notes will be made available on EMMA shortly after the closing of the 2024 Notes.

Risks Associated with the 2024 Notes and Bank Financings Generally

In addition to the 2024 Notes, the Town has in the past and may in the future incur additional debt through private placements with one or more financial institutions (each, "Bank Debt"). The terms of each Bank Debt will likely be negotiated separately and could create certain risks that could negatively affect the Town's ability to make the payments on the Bonds. The risks associated with Bank Debt include, but are not limited to, the following:

- (a) being variable rate (which the 2024 Notes are), which would subject the Town to interest rate risk, if interest rates were to increase);
- (b) having a balloon payment at maturity or call date (which the 2024 Notes have), which would subject the Town to either a large payment of cash at maturity or require the Town to obtain alternate financing, and there could be no guarantee that the Town could accomplish either; and
- (c) having financial or other covenants that are restrictive (which could result in a situation where the Town is in default of its obligations under Bank Debt but not the Bonds).

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SECTION THREE: TOWN OF LEESBURG, VIRGINIA

Principal Officers

<u>Official</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Length of Service with Town</u>
Mayor and Council Member	Kelly Burk	2 years (Elected)	15 years
Vice Mayor and Council Member	Neil Steinberg	4 years (Elected)	5 years
Council Member	Ara Bagdasarian	4 years (Elected)	3 years
Council Member	Todd Cimino-Johnson	4 years (Elected)	1 year
Council Member	Zach Cummings	4 years (Elected)	3 years
Council Member	Kari Nacy	4 years (Elected)	3 years
Council Member	Patrick Wilt	4 years (Elected)	1 year
Town Manager	Kaj H. Dentler	Appointed by Town Council	28 years
Town Attorney	Christopher Spera, Esq.	Appointed by Town Council	5 years
Deputy Town Manager	Keith Markel	Appointed by Town Manager	9 years
Assistant Town Manager	Katherine Trask	Appointed by Town Manager	20 years
Director Economic Development	Russell Seymour	Appointed by Town Manager	6 years
Clerk of Council	Eileen Boeing	Appointed by Town Manager	7 years
Public Information Officer	Kara Rodriguez	Appointed by Town Manager	2 years
Director of Public Works and Capital Projects	Renée LaFollette, P.E.	Appointed by Town Manager	23 years
Director of Finance and Administrative Services	Clark G. Case	Appointed by Town Manager	9 years
Director of Parks and Recreation	Richard Williams	Appointed by Town Manager	23 years
Director of Community Development	James David	Appointed by Town Manager	2 years
Director of Utilities	Amy Wyks, P.E.	Appointed by Town Manager	23 years
Director of Information Technology	Jakub Jedrzejczak	Appointed by Town Manager	5 years
Director of Human Resources	Josh Didawick	Appointed by Town Manager	6 years
Library Director	Alexandra Gressitt	Appointed by Town Manager	20 years
Airport Director	Scott Coffman	Appointed by Town Manager	7 years

Town of Leesburg

Introduction

The Town was established in 1758 and is located in Loudoun County, Virginia, approximately 40 miles northwest of Washington, D.C. The Town has a land area of 12.39 square miles expanded from 3.75 square miles by a 1984 annexation of 7.17 square miles and boundary line adjustments in 1985, 1990, 2000, 2002, 2006, 2008, and 2020, totaling 1.47 square miles. The Town is the county seat of Loudoun County (the "County"). The 2020 census indicated the Town's population to be 48,250 and the County's population to be 420,959. The Town's December 2023 estimate of its population was 50,225. The Town is a part of, and its residents are subject to, taxation by Loudoun County. In September of 2022, the Town commenced an annexation proceeding before the Virginia Commission on Local Government seeking to bring an additional area of approximately 402 acres into the Town boundaries. At the time of this statement, that matter is ongoing, but if successful, would bring additional tax resources to the Town.

Government

The Town has been organized under the Council-Manager form of government since 1962. The Town Council is the legislative body of the Town and is empowered by the charter to make all Town policy. The six Town Council Members are elected for four-year overlapping terms, and the Mayor, also a member of the Council, is elected for a two-year term. The Town Council, in its legislative role, adopts all ordinances and resolutions and establishes the general policies of the Town. The Council also sets the tax rate and adopts the budget.

The Town Council appoints a Town Manager to act as executive and administrative head of the Town. The Town Manager serves at the pleasure of the Town Council, carries out its policies, directs business procedures, and has the power of appointment and removal of all Town employees except the Town Attorney. Duties and responsibilities of the Town Manager include preparation, submission, and administration of the capital and operating budgets, advising the Town Council on the affairs of the Town, enforcement of the Town Charter and laws, and direction and supervision of all departments.

The Town presently has nine departments: Police; Finance and Administrative Services (composed of Finance, Human Resources, and Information Technology); Public Works and Capital Projects; Community Development; Parks and Recreation; Airport; Thomas Balch Library; Economic Development; and Utilities. Each department has a director who reports to the Town Manager or Deputy Town Manager. Offices of the Clerk of Council, Emergency Management, and Public Information are contained within the Town Manager's Office.

Profiles of Elected Officials

Kelly Burk, mayor, was first elected as Mayor in November 2016 and has been reelected each term since then. Her current term ends December 31, 2024. Previously, Ms. Burk served on Town Council from 2004 to 2007 and was elected again to the Town Council in the April 2012 special election. She served as Vice Mayor from January 2015 through December 2016.

In November 2007, while serving on the Town Council, Ms. Burk was also elected to represent the Leesburg District on the Loudoun County Board of Supervisors. She served in that role from 2008 through 2011. During her tenure with Loudoun County, Ms. Burk chaired the Board's Transportation and Land Use Committee.

Currently, Ms. Burk is one of the Town Council's two representatives to the joint Annexation Area Development Policy Committee. Ms. Burk also serves as the Council liaison to the Diversity Commission. Additionally, she represents the Town on the Loudoun County Economic Development Commission, the Northern Virginia Regional Commission, the Northern Virginia Transportation Authority Advisory Committee, and the Virginia Municipal League Executive Board.

A Leesburg resident since 1979, Ms. Burk was a special education teacher with Loudoun County Public Schools until she retired in June 2014. She holds a Bachelor's Degree in Education from George Washington University and a Master's Degree in Middle School Curriculum and Instruction from Virginia Tech. Ms. Burk is a past president of the Loudoun Education Association (1996-2000) and served on the Board of Directors of the Virginia Education Association from 1994 to 2000. In 2001, the Loudoun Commission on Women honored her as the Woman of the Year for Education and Training.

Neil Steinberg, Vice Mayor, was elected to Town Council in November 2018 and has been reelected for an additional four-year term with his current term expiring December 31, 2026. He represents the Town on the Virginia Municipal League's Infrastructure Committee. In addition, he is the Council liaison to the Town's Planning Commission and its Technology & Communications Commission.

Mr. Steinberg grew up in Fairfax County and attended Virginia Tech, where he served one year in the Corps of Cadets Army ROTC and studied engineering, political science, and theatre. Mr. Steinberg and his wife, KD Kidder, moved to Loudoun County in 1975 and relocated to Leesburg in 2008. Four years later, in 1979, they began their business, Photoworks, a photography, imaging services, and framing business. They have operated the business ever since at the same location on the corner of Loudoun and King Streets in downtown Leesburg. Photoworks was a co-founder of the Town's First Friday Gallery Walk, now the very successful event known as First Friday.

Mr. Steinberg has studied martial arts since the early 1980's and holds black belts in three disciplines, including a Master level (5th degree) in taekwondo. He has been an instructor for Grand Master Eunggil Choi at the United States Taekwondo Martial Arts Academy in Leesburg for more than twenty years. In that avocation Mr. Steinberg has taught and watched as his students have grown from young children into adults with families of their own. Over the years, he has been involved in a variety of downtown business organizations, serving as president for what was the Downtown Business Association. He is currently a member of the local branch of the NAACP.

Ara Bagdasarian, was elected to Town Council in November 2020 and his current term expires December 31, 2024. He is the Council liaison to the Town's Commission on Public Art and its Residential Traffic Commission.

Mr. Bagdasarian graduated from the State of New York College at Buffalo where he was recognized with the Young Alumnus Achievement Award in 2013.

Mr. Bagdasarian is an entrepreneur, author, and advocate for entrepreneurship education and school safety. In 2004, he founded Omnilert, which pioneered the world's first campus emergency notification system. He also founded RainedOut, the most widely used communication platform for sports organizations and parks and recreation departments. Mr. Bagdasarian also co-authored and published *The Lemonade Stand*, a book on entrepreneurship. Additionally, he is a frequent speaker and guest lecturer on entrepreneurship at Georgetown University, Shenandoah University, and George Mason University.

Mr. Bagdasarian is an active community leader, having served as president of the Board of Directors of The Arc of Loudoun, president of the Loudoun Symphony Orchestra, vice chairman of The United Way Loudoun Regional Council, and board member at Loudoun Literacy Council. He also founded BENEFIT as an organization of musicians who perform to raise funds for children in need. Mr. Bagdasarian is an active member

at St. James Episcopal Church and has lived in Leesburg since 2000 with his wife Patti, children Adrik and Ava, and dogs Auggie and Jack.

Todd Cimino-Johnson, was elected to Town Council in November 2022 and his current term expires December 31, 2026. He is the Council liaison to the Town's Economic Development Commission and its Tree Commission. He also represents Leesburg on the Virginia Municipal League Community & Economic Development Committee.

Dr. Cimino-Johnson's degrees include a Bachelor's of Science in Economics from Shepherd University, a Master's in Business Administration from Shepherd University, a Master's in History from American Public University, and a Ph.D. in Community College Leadership from Old Dominion University. At Old Dominion University, he received both the John R. Broderick Diversity Champion Award and the Community College and Higher Education Leadership Award.

Prior to joining Town Council, Dr. Cimino-Johnson served the Town of Leesburg on the Tree Commission in 2019 and Parks and Recreation Committee from 2021 to 2022. He also served the Loudoun County Communications Commission in 2022.

Dr. Cimino-Johnson was born and raised in Martinsburg, West Virginia. He is a current member of the Leesburg Daybreak Rotary and serves on the boards of Safe Space NOVA and the Board of Visitors to Mount Vernon. His past community leadership includes serving as Treasurer of Equality Loudoun, President of Martinsburg Sunrise Rotary, Board Member Martinsburg-Berkeley County Chamber of Commerce, Volunteer with Read Aloud of Berkeley County, Treasurer of Berkeley County Historical Society, Treasurer and President of Literacy Volunteers of the Eastern Panhandle, and Treasurer of CASA of the Eastern Panhandle.

Dr. Cimino-Johnson is currently the owner of impACT Tours and Travel, which designs and coordinates group travel as well as individual travel. Prior to starting his own business, he was Program Coordinator of Business and Economics at Blue Ridge Community and Technical College. Prior to that, he was Corporate Controller for Geostellar, a startup online energy marketplace, and he was an accountant at several for-profits and not-for profits.

Dr. Cimino-Johnson lives in southeast Leesburg with his husband, Tony, and their dog Luna.

Zach Cummings, was elected to Town Council in November 2020 and his current term expires December 31, 2024. He is the Council liaison to the Town's Airport Commission and its Board of Architectural Review. He also represents Leesburg on the Virginia Municipal League General Laws Committee.

Mr. Cummings is a residential Realtor. He is also involved with his son's parent teacher association, the Friends of Leesburg Public Arts, and was an active member of the committee that raised funds to erect the Stanley Caulkins Memorial in downtown Leesburg.

Mr. Cummings lives with his wife, Jeanette, their son, Jackson, and Australian Shepherd, Taylor Sniffs, in southwest Leesburg.

Kari Nacy, was elected to Town Council in November 2020 and her current term expires December 31, 2024. She is the Council liaison to the Town's Environmental Advisory Commission and its Parks & Recreation Commission. She also represents the Town on the Northern Virginia Transportation Authority Advisory Committee (NVTAA) and the NVTAA's Planning Coordination Advisory Committee.

Ms. Nacy is a native of Leesburg and lives with her husband, Matt, daughter, Savannah, and their two rescue beagles in the same neighborhood she grew up in. She works as Director of Defense Intelligence

Programs for EverWatch Solutions in Reston. She and her husband also own a small watersports business on Chincoteague Island.

Ms. Nancy was named in Loudoun Times Mirror's "40 under 40" in 2017. She holds a Bachelor's of Arts in Political Science from Radford University and a Master's of Business Administration from Shenandoah University.

Patrick Wilt, was elected to Town Council in November 2022 and his current term expires December 31, 2026. He is the Council liaison to the Town's Thomas Balch Library Commission.

Mr. Wilt has been a Leesburg resident since 2014. He is married to Molly Wilt and has twin daughters and four teenage stepchildren. His education includes a Bachelor's of Science in Mechanical Engineering and a Master's in Business Administration.

Mr. Wilt began his professional career as an engineer with Ford Motor Company. Later, he worked in management consulting with Ernst & Young and other consulting firms before specializing in financial services and leading organizations at USAA, Capital One, and Fannie Mae. After leaving the corporate world in 2016, he founded Black Walnut Brewery.

Certain Town Administrative and Financial Staff Members

Kaj H. Dentler has served as the Town Manager for the Town since 2014. Prior to this position, he served as Deputy Town Manager from 2008 to 2014, and served as Director of Parks and Recreation with the Town for twelve years. Mr. Dentler has a Master's Degree in Urban Affairs from Norfolk State University and a Bachelor's of Arts from Virginia Wesleyan College.

Keith Markel has served as the Deputy Town Manager since 2014. Prior to this position, he served as Town Manager of Lovettsville, Virginia for seven years. From 2001 to 2007 he was the City Planner for the City of Harrisonburg, Virginia. Mr. Markel graduated from James Madison University with a double major in Political Science and Public Administration, with a concentration in Public Management. He is a Certified Planner with the American Planning Association.

Clark G. Case has been the Director of Finance and Administrative Services for the Town since September 2014. Prior to his service with the Town, he served 31 years in Winston-Salem, North Carolina and served as its Assistant Finance Officer/Treasurer from 2004 to September 2014. Before that, Mr. Case worked in financial management positions for the Mutual Broadcasting System, Pizza Hut, and Arthur Andersen. He holds a Bachelor's of Science and a Master's in Business Administration degree from the University of Kansas.

Christopher Spera was appointed Town Attorney by the Town Council in July 2020. He has been practicing law for over three decades and was previously the Vice President and General Counsel for the Old Dominion Transportation Group and Transportation General, Inc., a consortium of transportation companies located in Northern Virginia. Mr. Spera has extensive experience in local government work, having served for over a decade as the Deputy City Attorney for the City of Alexandria, Virginia. Prior to that, Mr. Spera's legal career was spent as a litigating attorney, both in private law firms and as in-house litigation counsel for the Federal Home Loan Mortgage Corporation. He is a 1984 graduate from the University of Virginia and a 1987 graduate of the University of Virginia, School of Law.

Eileen Boeing has served as the Clerk of Council for the Town since 2017. Prior to that position, she served as the Director of Customer Support for global aerospace supplier Zodiac Aerospace from 2014 to 2017 and as a Program Manager from 2012 to 2014. Ms. Boeing has also served as an Associate Director with the National Automobile Dealers Association, Standards Administrator with the American Society of Civil

Engineers, and was the Programs Coordinator with the Town of Purcellville's Public Works Department for six years.

Renée LaFollette was appointed Director of Public Works and Capital Projects in July 2015. She previously served as the Director of Capital Projects for three years prior to the consolidation of the two departments. Ms. LaFollette joined the Town in November 2000 as a Senior Engineer in Public Works. Prior to coming to Leesburg, she worked for the Ohio Department of Transportation. She is a licensed Professional Engineer in Ohio and Virginia. Ms. LaFollette holds a Bachelor's of Science in civil engineering with a concentration in construction and geotechnical engineering and a Master's of Science in geotechnical engineering from The Ohio State University. Ms. LaFollette is a member of the American Public Works Association.

Amy Wyks has served as Director of Utilities since April 2012. Ms. Wyks joined the Town in August 2000 as an Engineer for the Utilities Department and was promoted to Senior Engineer in May 2001. In May 2010, she transferred to the Department of Finance as Assistant Director for Operations. She graduated from Virginia Tech with a Bachelor's of Science in civil engineering in 1997 and is a licensed Professional Engineer in Virginia. In May 2006, Ms. Wyks received her Master's in Public Administration degree from George Mason University through their Northern Virginia Public Service Fellows Program. Ms. Wyks is a member of the American Water Works Association and the Water Environment Federation.

Budget

The Town Manager annually submits a budget to the Town Council at the first Town Council meeting in February and presentations and discussions take place until the last Town Council meeting in March. A public hearing on the budget is held after a budget synopsis is published in the local newspaper and after copies are made available to the public. After public hearings, the budget is adopted and tax rates for real and personal property are set. On March 28, 2023, the Town Council adopted the budget for the fiscal year ending June 30, 2024. By law, an appropriation resolution must be adopted by the Town Council prior to July 1. However, as a matter of practice the Town must adopt its tax rates before April 1 in order to comply with the Consolidated Billing Memorandum of Understanding with Loudoun County where Loudoun County bills and collects the Town's taxes on the same bills as the County's. The Town's budget is customarily adopted at the same meeting as the tax rate. The Town's budgets for the fiscal years ended June 30, 1987 through 2024 received the Government Finance Officers Association (GFOA) award for distinguished budget presentation. In order to receive this award, a governmental unit must publish a budget document that meets criteria as a policy document, operations guide, financial plan, and a communications medium.

The Town Manager presented the fiscal year 2025 budget on February 13, 2024. The proposed fiscal year 2025 budget for the General Fund was \$81.6 million and is based on maintaining the current real estate tax rate. If the fiscal year 2025 budget adopts an equalized tax rate (meaning that the tax rate is adjusted to account for the increase in assessed values), the General Fund budget would need to be reduced by approximately \$1 million. The fiscal year 2025 budget is scheduled to be considered at a meeting on March 19, 2024. There can be no assurances that the budget will be adopted as presented or that the budget will be adopted on the proposed schedule.

Services Provided by the Town

The Town provides general governmental services for its residents including police protection, collection and disposal of refuse, water and sewer services, an airport facility, and parks and recreation activities. The Town also provides maintenance of streets within its boundaries.

Other services are also provided by Loudoun County. These include fire and rescue services, public education in grades kindergarten through twelve and certain technical and special education, health and social services, mental health assistance, agricultural services, judicial activities, libraries, and correctional facilities.

Capital Improvements Program

Pursuant to Section 15.2-2239 of the *Code of Virginia* (1950), as amended, the Town annually submits a six-year capital improvements program ("CIP") for adoption by the Town Council. The CIP is a guide for financial decisions, annual budgets, and the coordination of major public investments. The CIP shows how the Town will meet its public facility needs from available resources during the applicable program period.

A five-step process is used in preparing the CIP. First, department directors identify potential capital projects for the coming years. Second, an analysis of each project is performed to identify those with the highest priority. Third, an investigation of the Town's financial capabilities is completed to determine revenue available for capital projects. Fourth, a capital projects schedule is prepared for the six-year planning period and is reviewed by the Town Manager. Finally, prior to adoption, the proposed CIP is reviewed and recommended by the Planning Commission to the Town Council.

The following is a summary of the 2024-2029 capital improvements program, which is the Town's current program:

Type	Proposed Expenditures			
	<u>Fiscal Year Ended June 30,</u>			
	<u>2024</u>	<u>2025</u>	<u>2026-2029</u>	<u>Total</u>
Administration	\$2,235,964	\$2,290,883	\$9,630,965	\$14,157,812
General Government	11,325,000	7,845,000	15,365,000	34,535,000
Parks & Recreation	1,026,000	2,819,200	7,164,000	11,009,200
Streets & Highways	17,590,000	21,605,405	181,779,000	220,974,405
Storm Drainage	1,202,300	730,000	6,755,000	8,687,300
Airport	6,741,000	1,445,000	37,517,000	45,703,000
Utilities	<u>11,123,070</u>	<u>9,246,940</u>	<u>58,920,783</u>	<u>79,290,793</u>
Total Capital Improvements Program	<u>\$51,243,334</u>	<u>\$45,982,428</u>	<u>\$317,131,748</u>	<u>\$414,357,510</u>

The proposed 2025-2030 capital improvements program totals \$308.57 million. The proposed budget includes adjusted schedules for several capital projects to ensure the Town meets its fiscal policy of maintaining an Unassigned Fund Balance of at least 20% of General Fund expenditures each year of the six-year period.

Type	Sources of Financing			
	<u>Fiscal Year Ended June 30,</u>			
	<u>2024</u>	<u>2025</u>	<u>2026-2029</u>	<u>Total</u>
Capital Projects Fund				
(Bonds and Lease Financing)	\$14,786,252	\$22,180,710	\$46,314,000	\$83,280,962
Utility Fund (Bonds and Cash)	11,123,070	9,246,940	58,920,783	79,290,793
General Fund (Cash)	2,805,964	2,300,883	9,630,965	14,737,812
NVTA ⁽¹⁾	967,810	3,547,740	2,490,500	7,006,050
Other Funds ⁽²⁾	<u>21,560,238</u>	<u>8,706,155</u>	<u>199,775,500</u>	<u>230,041,893</u>
Total Sources	<u>\$51,243,334</u>	<u>\$45,982,428</u>	<u>\$317,131,748</u>	<u>\$414,357,510</u>

Source: Town Council approved Fiscal Years 2024-2029 Capital Improvements Program.

⁽¹⁾ Provided by the Northern Virginia Transportation Authority. See "Transportation" below.

⁽²⁾ Includes proffers, gas tax (collected by Loudoun County), and funds from federal and state programs.

Accounting System and Annual Audit

The accounts of the Town are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting and reporting entity. Operations are accounted for by a separate group of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. The Town's accounting policies conform to accounting principles generally accepted in the United States of America. The Town's Annual Comprehensive Financial Report ("ACFR") for the fiscal years ended June 30, 1987 through June 30, 2022, received the Government Finance Officers Association Award for a Certificate of Achievement for Excellence in Financial Reporting. The Town's ACFR has received the award every year for 35 years. The Town started publishing its Popular Annual Financial Report ("PAFR") for the fiscal year ended June 30, 2021 for which it also receives the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting. The Town receives GFOA recognition for its budget, ACFR and PAFR thus attaining the status of a "Triple Crown" winner of all three GFOA awards for excellence in financial reporting for the last two years.

The Town Code requires an independent annual audit of all Town accounts. The certified public accounting firm of Brown Edwards & Company LLP, was retained to perform the annual audit for fiscal year 2023. The results were an unmodified "clean" audit report for both the ACFR and the federal single audit for federal grants compliance. Audited financial statements for the fiscal year ended June 30, 2023, the notes thereto, and the report of the independent auditors are presented in Appendix A. **Brown Edwards & Company LLP has neither reviewed nor participated in the preparation of this Official Statement.**

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Selected Financial Information

The financial data shown in the following table presents a summary for the five fiscal years ended June 30, 2023, of the General Fund revenues, expenditures, and fund balances. The summaries for the fiscal years 2019 through 2023 have been compiled by the Town from audited financial statements and other sources.

Five-Year Summary of Revenues, Expenditures and Fund Balances - General Fund

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:					
General property taxes	\$16,763,012	\$16,540,635	\$18,814,097	\$20,170,491	\$22,236,816
Other local taxes	15,419,538	14,140,990	15,012,966	17,561,322	17,862,301
Permits, fees and licenses	1,368,371	1,582,992	1,607,244	1,161,209	1,197,015
Fines and forfeitures	558,857	426,867	252,776	291,303	300,383
Use of money and property	3,072,979	2,684,432	2,050,266	2,067,931	3,560,212
Charges for services	5,422,620	3,556,896	3,285,712	4,610,543	5,413,376
Contributions and proffers	362,744	356,045	319,188	306,983	51,302
Miscellaneous	259,645	82,409	129,480	27,084	17,099
Intergovernmental	15,487,579	16,725,951	25,104,481	19,531,074	20,415,509
Loan proceeds	201,441	176,898	202,011	39,818	-
Transfer from other funds	<u>2,713,486</u>	<u>3,044,383</u>	<u>6,093,703</u>	<u>4,126,022</u>	<u>3,659,253</u>
Total Revenues	<u>\$61,630,272</u>	<u>\$59,317,999</u>	<u>\$72,871,924</u>	<u>\$69,893,780</u>	<u>\$74,713,266</u>
Expenditures:					
Legislative	255,452	280,031	266,202	347,356	295,327
Executive	1,886,653	2,368,301	3,087,773	2,323,690	2,731,957
Legal	1,449,337	1,283,155	1,073,543	1,597,631	1,785,037
Finance and administrative services	5,540,062	5,806,893	6,158,087	6,865,230	7,746,091
Public safety	14,069,073	13,813,223	13,243,794	13,459,096	13,657,147
Public works	14,360,321	14,455,259	14,255,891	14,542,898	16,291,434
Parks and recreation	7,701,535	6,597,044	5,939,831	7,218,136	7,933,830
Balch Library	512,893	492,145	457,314	550,510	626,206
Planning and zoning	1,881,100	2,128,753	1,942,018	2,132,944	131,517
Plan review	1,464,977	1,426,408	1,490,510	1,526,324	4,932
Community development	-	-	-	-	3,871,071
Airport	750,389	705,488	737,823	851,403	1,073,301
Townwide	-	84,100	5,484,709	-	-
Debt Service:					
Principal retirement	5,582,241	5,871,207	2,469,961	6,658,834	8,075,637
Interest payments & other fiscal charges	2,484,035	1,960,834	1,881,416	2,070,717	2,066,537
Transfers to other funds	<u>6,722,398</u>	<u>2,077,580</u>	<u>1,464,000</u>	<u>2,622,692</u>	<u>1,900,967</u>
Total Expenditures	<u>\$64,660,466</u>	<u>\$59,350,421</u>	<u>\$59,952,872</u>	<u>\$62,767,461</u>	<u>\$68,190,991</u>
Net change in fund balances	(3,030,194)	(32,422)	12,919,052	7,126,319	6,522,275
Fund balance, beginning of year	<u>29,498,536</u>	<u>26,468,342</u>	<u>26,435,920</u>	<u>39,354,972</u>	<u>46,481,291</u>
Fund balance, end of year	<u>\$26,468,342</u>	<u>\$26,435,920</u>	<u>\$39,354,972</u>	<u>\$46,481,291</u>	<u>\$53,003,566</u>

Sources: 2023 ACFR and Department of Finance and Administrative Services, Town of Leesburg, Virginia.

Pension Plans

All full-time, permanent Town employees are covered by the Virginia Retirement System ("VRS"). Benefits vest after five years of service. Employees earn one month of service credit for each month they are employed and the Town pays into the VRS. Employees are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers three retirement plans for Town employees. Two plans are defined benefit plans (known as Plan 1 and Plan 2). The third is known as the Hybrid Plan which is a combination defined benefit and defined contribution plan.

Defined Benefit Plans 1 and 2

Employees hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire early with a reduced benefit at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

Employees hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty employees (sworn police officers) in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of their employee plans apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty employees is 1.70%. The retirement multiplier for sworn police officers is 1.7%. The multiplier for Plan 2 for other Town employees was reduced to 1.65% effective January 1, 2013. At retirement, employees can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, Advanced Pension Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 3%. During years of no inflation or deflation, the COLA is 0%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. 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 total contribution rate for the fiscal year ended June 30, 2023 was 12.22% of annual covered payroll, not including the employee portion of 5%. For fiscal year 2023, the Town's

annual pension contribution of \$3,664,402 was equal to the Town's required and actual contributions, which includes the employee portion of 5%.

The fiscal year 2023 required contribution was determined as part of the June 30, 2022 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 6.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.50% to 5.35% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, and (c) cost of living adjustments equal to 2.5% per year. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2023, for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

For more information on the Town's defined benefit plan, see Note 12 in the Notes to Financial Statements in Appendix A to this Official Statement.

Hybrid Plan

The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. The plan applies to most employees hired on or after January 1, 2014, and to VRS Plan 1 and Plan 2 employees who opted into the plan during a special election window. The defined benefit portion of the Hybrid Plan is based on the employee's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution portion depends upon the contributions made to the plan and the investment performance of those contributions.

The Hybrid Plan retirement benefit is funded through mandatory and voluntary contributions made by the employees and the Town to both the defined benefit and 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 employee and the Town. Additionally, the employee may choose to make voluntary contributions of more than the mandatory amount to the defined contribution component of the plan, and the Town is required to match those voluntary contributions according to specified percentages.

Other Post-Employment Benefits

Employees hired after April 1, 2016 are eligible to participate in the Town's Health Insurance program at full cost to the employee.

Eligible employees who retire under the state retirement system with 20 years or more of Town service shall be required to pay ten percent (10%) of the monthly individual health insurance premium and the supplemental Medicare insurance. Eligible employees who retire under the state retirement system with at least 15 but less than 20 years of Town service are required to pay fifty percent (50%) of the monthly individual health insurance premium and supplemental Medicare insurance. Eligible employees who retire under the state retirement system with at least 10 years but less than 15 years of Town service are required to pay seventy-five percent (75%) of their own health insurance premiums and supplemental Medicare insurance. Retired eligible employees participating in the plan pay all additional premiums for spouse or other dependent coverage requested by the retiree. A surviving spouse of a retired eligible Town employee may continue to participate in the Town's health insurance program entirely at his/her own expense until he/she remarries or is eligible to convert to Medicare coverage. Upon retirement, an eligible employee must be actively enrolled in the Town's health insurance program in order to continue health insurance coverage.

The retiring eligible employee has a one-time only option to continue participation in the Town's health care insurance plan and such option must be exercised within 30 days of retirement from the Town. The retired eligible employee's participation in the Town's health care insurance plan is limited to the plan or plans that are in effect for the Town's active employees. When a retired eligible employee meets the eligibility requirements for enrollment in Medicare, that employee is required to enroll in the Medicare program. The Town also provides health care benefits to the survivors of deceased employees and retired employees, but those survivors pay 100% of the premium cost.

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.

For more information on the Town's OPEB, see Notes 10 and 11 in the Notes to Financial Statements in Appendix A to this Official Statement.

Commitments and Contingent Liabilities

Annual leave, including sick leave, earned but not taken by Town employees as of June 30, 2023 (on a preliminary and unaudited basis), totaled \$4,065,467 based on the average annual rate of full-time employees on that date. In the event of termination or retirement, an employee is reimbursed for all accumulated annual leave.

Under the Town's sick leave policy, employees are not restricted as to the amount of leave that can be accrued. Employees are not paid for accrued sick leave upon termination; however, retiring employees are reimbursed for 25% of their total accumulated sick leave.

Labor Relations

At the present time, there are no strikes or work stoppages by employees of the Town either in progress or threatened. Pursuant to changes to Section 40.1-57.2 of the Code of Virginia (1950), made in 2020, the Town's employees are permitted to seek to collective bargaining representation. In 2021, the Town authorized collective bargaining pursuant to specific policies and procedures. Those policies and procedures limit collective bargaining to wages and benefits only, and designate three bargaining units that the Town will recognize – (i) Police, (ii) Labor and Trades and (iii) Administrative and Professional. As of the date of this statement, no organization has sought to become the bargaining agent for any of the designated bargaining units. Accordingly, the Town has not negotiated with nor bargained with its employees in collective bargaining agreements in any manner concerning any aspect of the terms and conditions of the employment of its employees.

Town Plan

The Town Plan is one of the Town's most important documents, providing the Town Council's vision for Leesburg's future growth and development. The Town Plan is the framework employed by the Council and Planning Commission as well as the Town staff in evaluating development applications and decisions on capital projects. The plan outlines public policy on land use, housing, historic preservation, community design, transportation, public utilities and services, economic development, and the environment. Development policies are also recommended for the greater Leesburg area so that the Town can guide growth decisions outside its borders and within its utility service area.

The Town currently operates under the 2022 Legacy Leesburg Town Plan, which Town Council adopted in March of 2022. The Legacy Leesburg Town Plan seeks to continue to create an environment that benefits residents and attracts renowned businesses that serve the community and beyond. This involves promoting a unique sense of place by creating authentic places that promote diversity and an all-inclusive environment. It means that Leesburg will strive to be at the forefront of technology and innovation and that it will foster an environment of technology that benefits the residents and promotes economic development. It means ensuring

efficient multi-modal transportation that provides connectivity across the town and moves all people with a focus on walkability and cycling. It means prioritizing new amenities and facilities for Leesburg and its visitors like a variety of open spaces and a range of opportunities to experience art, culture, and entertainment. And finally, it means ensuring preservation of the environment and natural resources.

The Code of Virginia requires that comprehensive plans be updated regularly and the Town has met this requirement by adopting the 2022 Town Plan.

Public Schools

Primary and secondary education is provided by the Loudoun County schools. The Town has no responsibility to finance or operate the public schools although residents of the Town do assist in financing the schools through payment of taxes to Loudoun County.

Higher Education

The Town is fortunate to have a variety of accessible and well-known colleges and universities located in Loudoun County: The George Washington University Virginia Campus, The Graduate School of Islamic and Social Sciences, Mary Baldwin College in Northern Virginia, Marymount University's Loudoun Academic Center, Northern Virginia Community College's Loudoun Campus, Old Dominion University's Northern Virginia Center, Patrick Henry College, Shenandoah University's Northern Virginia Campus, and Strayer University. Other nearby colleges and universities with undergraduate and graduate programs include: George Mason University, Shepherd University, Virginia Commonwealth University School of Social Work, Virginia Tech University, and the University of Virginia. Just 40 miles away in Washington, D.C. are many other outstanding public and private higher education opportunities including: Catholic University, American University, Howard University, George Washington University, and Georgetown University.

Transportation

The Town is located at the intersection of U.S. 15 and State Route 7. Route 7 provides a four-lane highway between the Town and the Washington, D.C. area. The Town is within 40 miles of interchanges for Interstate 95 and Interstate 81, major north-south routes, Interstate 66, Interstate 270, and U.S. 29. These highways provide access to most areas along the eastern seaboard. A private toll-road (The Dulles Greenway) extends the Dulles Toll Road to the Town, providing a direct limited-access highway between the Town and Washington, D.C.

Air transportation is provided primarily at Dulles International Airport, located in eastern Loudoun County, approximately 15 miles from the Town. Dulles provides both national and international flights as well as charter service.

The Northern Virginia Transportation Authority ("NVTA") was created effective July 1, 2002, as a political subdivision of the Commonwealth in accordance with the provisions of Chapter 25, Title 33.2 of the Virginia Code (the "NVTA Act"). NVTA's purposes include assessment and prioritization of regional transportation projects to be funded with, among other potential sources of funds, the Northern Virginia Transportation Authority Fund (the "NVTA Fund"). The NVTA Fund is a fund generated by the assessment and collection of an incremental increase the sales and use tax, an incremental increase in the grantors tax, a transfer from the Northern Virginia Transportation District, and revenues generated by the Interstate Operations Enhancement Program. A portion of the NVTA Fund revenues are provided to the localities within NVTA's borders to fund transportation projects as provided by the NVTA Act. NVTA also has the authority to fund projects of regional significance with the other portion of the NVTA Fund revenues. The Town holds and accounts for NVTA grant funding in the Capital Projects Fund of the Town.

Leesburg Executive Airport

Town-owned and operated, the Leesburg Executive Airport is located at the southern edge of the Town's corporate limits. Designated as a general aviation reliever airport, the facility hosts over 110,000 annual aircraft operations by single engine piston, light twin engine, turbo-prop, and jet turbine aircraft. A U.S. Customs General Aviation Clearance Facility, opened in February 2019, provides customs clearance for international flights arriving at the airport. There are no air carrier operations at the airport.

The Federal Aviation Administration (FAA) has approved Leesburg Executive Airport as a candidate in the Federal Contract Tower program and is providing air traffic control (ATC) services at the airport from a temporary tower on the airfield. The Town is in the process of conducting a siting study for a future, permanent ATC tower. The siting study, which is expected to be completed in June 2024, is the first phase of the four-phase process of constructing a permanent tower. The entire process is estimated to take five to seven years. The FAA has agreed to fund ATC services until the permanent tower is constructed, with the Town funding the lease of the temporary tower.

The Leesburg Executive Airport has a single 5,500 by 100-foot paved runway with a full parallel taxiway and three high-speed exits. Five flight schools, two full service fixed-base operators, aircraft maintenance, and charter operators offer a host of aviation support services to the flying public. Additionally, helicopter medevac services are based at the airport and provide air ambulance services within the Washington D.C. metropolitan area. A total of 245 aircraft are based at the airport.

An FAA support division is located at Leesburg Executive Airport within a 15,000 square-foot facility owned by the Town and leased to the FAA.

The Leesburg Executive Airport is a transport reliever facility according to Virginia's Air Transportation System Plan and is the second busiest general aviation airport in the Commonwealth of Virginia. As one of 84 major satellite reliever airports in the nation and one of five in Virginia, the Town's federal and state grant funding opportunities for major airport improvements are substantially enhanced.

Community Facilities

Located five miles east of Leesburg, Inova Loudoun Hospital is a 267-bed nationally recognized hospital committed to providing comprehensive, compassionate care for the entire family. Inova Loudoun Hospital is ranked among the top hospitals in the country for nursing excellence, emergency care services, and patient safety. Inova Loudoun Hospital is also a Joint Commission Center of Excellence for Hip and Knee Replacement, Spinal Surgery, and Stroke Care. Inova Loudoun Hospital offers family-centered care with its children's emergency room, children's inpatient unit, NICU, and hospital-based natural birth center and is home to Loudoun County's only designated trauma center. The Inova Loudoun Medical Campus in Leesburg includes a 24/7 emergency room that is a Joint Commission Certified Acute Stroke Ready Hospital, as well as centers for nursing and rehabilitation, imaging, diabetes services, HIV/AIDS services, and behavioral health services. In addition, Heritage Hall is a 120-bed private intermediate care nursing facility, located in the Town.

Historic Preservation

Leesburg is committed to identifying, documenting and preserving historic resources throughout the Town. These resources include the cultural and architectural heritage embodied in the Historic Downtown. The Town's Old and Historic District, which includes the Historic Downtown, was created in 1963 and encompasses the 1878 corporate limits as its boundary. The Town's Old and Historic District was placed on the Virginia Landmarks Registry in 1969 and was included in the National Register of Historic Places in 1970.

Other significant historic resources located within the Town include Dodona Manor, which was built in 1786 by George Washington Ball, nephew of George Washington, and later was the home of General George C. Marshall. Also of note is Carlheim or the Paxton House, a Second Empire mansion built in 1872 by industrialist Charles Paxton that, today, serves as an educational facility for individuals of all ages with special needs.

Economic and Related Data

Population

<u>Year</u>	<u>Population</u>
1990	16,202
2000	28,311
2010	43,067
2020	48,250
2021	49,116
2022	49,516
2023	48,974

Source: 1990, 2000, 2010, and 2020 U.S. Decennial Census; 2021, 2022, and 2023 Leesburg Town Manager's Offices estimates based on estimated occupied housing units.

Income Profile

Per Capita Personal Income

<u>Year</u>	<u>Loudoun County Per Capita Income⁽¹⁾</u>	<u>Virginia Per Capita Income</u>	<u>U.S. Per Capita Income</u>
2013	\$67,601	\$48,198	\$44,401
2014	68,707	49,764	46,287
2015	71,069	51,620	48,060
2016	73,857	52,659	48,971
2017	75,632	54,380	51,004
2018	78,609	56,133	53,309
2019	81,966	58,368	55,547
2020	85,393	61,474	59,153
2021	92,163	66,838	64,430
2022	96,862	68,985	65,470

Source: United States Department of Commerce, Bureau of Economic Analysis, Federal Economic Statistics Advisory Committee. 2022 is the most recent available data for Virginia and U.S.

⁽¹⁾ Per capita personal income information is not available for the Town. Amounts are shown for Loudoun County, within which the Town lies.

Business and Labor

The Town's economy is enhanced by its proximity to the Washington, D.C. area, Dulles Airport, and its being the county seat for one of the fastest growing jurisdictions in the Washington Metropolitan Statistical Area. The following are the ten principal private and public employers in the area as of the end of the 2nd Quarter of 2023.

<u>Company Name</u>	<u>Industry Description</u>	<u>Employment Range</u>
Loudoun County Government	Local Government	2,500 – 5,000
Loudoun County Public Schools	Education	1,000 – 2,500
Federal Aviation Administration	Federal Government	500 – 1,000
Town of Leesburg	Local Government	250 - 500
Wegman's	Retail	250 - 500
Commonwealth of Virginia	State Government	250 - 500
Stryker (formerly K2M)	Medical Device Manufacturing	250 - 500
Target	Retail	250 - 500
Costco	Retail	250 - 500
EIT	Manufacturing	100 - 250

Source: Town of Leesburg, Virginia.

Unemployment Rate

<u>Year</u>	<u>Loudoun County⁽¹⁾</u>	<u>Virginia</u>	<u>United States</u>
2015	3.70%	4.45%	5.30%
2016	3.40	4.10	4.90
2017	2.90	3.70	4.35
2018	2.70	3.05	3.90
2019	2.30	2.80	3.65
2020	7.10	6.00	7.70
2021	3.1	3.0	5.35
2022	2.4	3.1	3.61
2023	2.5	3.0	3.7

Source: United States Labor Department, Bureau of Labor Statistics.

⁽¹⁾ Unemployment rate information is not available for the Town. Unemployment rates shown are for Loudoun County, within which the Town lies.

Taxable Sales
Loudoun County (including Leesburg)

<u>Calendar Year</u>	<u>Taxable Retail Sales</u>
2013	\$4,756,079,724
2014	4,895,326,421
2015	5,235,770,159
2016	5,433,123,925
2017	5,543,140,210
2018	5,705,682,023
2019	5,987,195,189
2020	5,674,901,800
2021	6,389,283,770
2022	7,110,765,954

Source: Virginia Department of Taxation.

Construction Activity

The following data is presented to illustrate construction activity in the Town:

New Construction and 2024 Assessed Value

<u>Year Completed</u> ⁽¹⁾	<u>Residential Units</u> ⁽²⁾		<u>Business and Commercial</u> ⁽³⁾			<u>Total</u>	
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Square Footage</u>	<u>Value</u> ⁽³⁾	<u>No.</u>	<u>Value</u> ⁽³⁾
2014	101	\$76,021,170	4	33,100	\$17,017,192	105	\$193,038,362
2015	81	62,417,920	4	153,900	46,413,160	85	108,831,080
2016	86	57,547,270	7	268,300	42,296,720	93	99,843,990
2017	150	109,916,380	4	242,500	30,624,471	154	140,540,851
2018	158	127,367,300	2	45,000	16,456,150	160	143,823,450
2019	150	128,053,530	7	324,600	43,816,904	157	171,870,434
2020	261	200,185,220	1	22,9003	8,118,880	262	208,304,100
2021	146	139,062,110	10	121,400	27,720,530	156	166,782,640
2022	150	145,902,930	10	163,800	31,996,700	160	177,899,630
2023	147	105,002,620	4	142,900	21,252,660	151	126,255,280
2024 ⁽⁴⁾							

Source: Loudoun County Commissioner of Revenue.

⁽¹⁾ In general, year reflects when the occupancy permit was issued, not the building permit.

⁽²⁾ Apartments are not included in the Residential columns (condominiums are). The assessed value and square footage of apartments are included in the Commercial table. In 2019, 42 apartments, in two buildings, were constructed.

⁽³⁾ Business and Commercial columns do not include new tax-exempt construction (schools, churches, government buildings, etc.).

⁽⁴⁾ As of January 31, 2024, 62 housing units and one 140,000 square foot commercial building were under construction.

The following data is presented to illustrate the character of housing in the Town, as of December 31, 2023:

Housing Stock by Type

<u>Type of Structure</u>	<u>No.</u>	<u>%</u>
Single Family:		
Detached	7,183	43%
Attached ⁽¹⁾	4,738	28%
Multi-Family:		
Condominiums ⁽²⁾	2,189	13%
Apartments	<u>2,784</u>	<u>16%</u>
Total ⁽³⁾	<u>16,894</u>	<u>100%</u>

Housing Stock by Age of Unit

<u>Year Built</u>	<u>No.</u>	<u>%</u>
Pre-1960	613	4%
1960-1969	684	4%
1970-1979	1,996	12%
1980-1989	3,536	21%
1990-1999	3,970	23%
2000-2009	4,200	25%
2010-2019	1,184	7%
2020-2023	<u>711</u>	<u>4%</u>
Total ⁽³⁾	<u>16,894</u>	<u>100%</u>

Source: Town Manager's Office, Town of Leesburg, Virginia.

⁽¹⁾ Townhouses and duplexes.

⁽²⁾ Includes stacked townhouses.

⁽³⁾ Does not include manufactured housing.

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Tax Base Data

Real estate and personal property taxes are assessed annually by Loudoun County for all property of record as of January 1 of the tax year. Loudoun County bills and collects the Town's property taxes based on the assessed values set by the County under a Consolidated Billings and Collections Memorandum of Understanding. Real property taxes are levied annually on January 1 and are due by June 5 and December 5, while personal property taxes are due May 5 and October 5. Taxes that remain unpaid after the due date are subject to a late payment penalty of 10% of the taxes due with a minimum penalty equal to the amount of the taxes due for tax bills less than \$2.00. Interest of 10% per annum is assessed on delinquent taxes plus penalties that remain unpaid after the following January 1.

Assessed Value of All Taxable Property

Tax Year Ending December 31	<u>Public Service Corporations⁽³⁾</u>				
	<u>Real Property⁽¹⁾</u>	<u>Personal Property⁽²⁾</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Total Assessed Valuation</u>
2013	\$6,085,462,040	\$481,548,404	\$105,809,512	\$737,446	\$6,678,792,661
2014	6,438,888,020	447,867,148	111,087,100	695,117	6,995,849,656
2015	6,643,105,870	388,770,026	108,441,453	653,035	7,140,970,384
2016	6,718,865,180	428,519,647	117,080,280	549,045	7,265,014,152
2017	7,081,200,240	412,219,300	116,315,393	426,223	7,610,161,156
2018	7,529,930,110	385,548,796	117,980,215	514,888	8,033,974,009
2019	7,889,996,600	409,437,516	120,153,718	549,604	8,420,137,438
2020	8,316,479,500	409,424,939	133,146,343	217,917	8,859,268,699
2021	8,766,130,579	417,083,220	142,329,848	183,069	9,325,726,716
2022	9,946,385,010	526,527,939	147,413,050	156,589	10,620,482,588
2023	10,815,278,020	602,929,115	149,255,277	103,159	11,567,565,571

Source: ACFR 2023, Department of Finance and Administrative Services, Town of Leesburg, Virginia.

⁽¹⁾ Real property assessments are made by the Commissioner of the Revenue of Loudoun County for concurrent use of County and the Town. Real property assessed at 100% of its fair market value.

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

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

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Ten Largest Taxpayers 2023

<u>Taxpayer</u>	<u>2023 Assessed Value</u>	<u>Rank</u>	<u>% Total Assessed Value</u>
Chelsea GCA Realty Partnership LP	\$200,207,170	1	1.73%
CRP/TRC Leesburg Retail Owner LLC	108,840,060	2	0.94
Stanley Martin Homes LLC ⁽¹⁾	97,199,030	3	0.84
KJ Met Leesburg Property LLC	89,144,480	4	0.77
GEP X Fieldstone LLC	85,981,970	5	0.74
CS 1031 Bellmeade Farms Apartments DST	65,571,790	6	0.57
CH Realty III/Battlefield LLC	55,514,190	7	0.48
RPAI Leesburg Fort Evans LLC	46,095,620	8	0.40
Fairfield Leesburg II LLC	40,999,760	9	0.35
AGNL SPINE LLC	<u>39,510,410</u>	<u>10</u>	<u>0.34</u>
Total	\$829,064,480		7.17%

Source: 2023 ACFR and the Department of Finance and Administrative Services, Town of Leesburg, Virginia.

⁽¹⁾ Stanley Martin Homes' property is vacant land in three residential developments in the pipeline (Tuscarora Village, White Oak, and Crescent Parke).

Vehicle License Tag and Business License Receipts

<u>Fiscal Year</u>	<u>Vehicle License Receipts</u>	<u>Business License Receipts</u>
2014.....	\$806,461	\$3,292,385
2015.....	843,185	3,326,739
2016.....	829,452	3,152,175
2017.....	897,488	3,389,293
2018.....	890,662	3,620,884
2019.....	1,086,694	3,727,985
2020.....	1,009,152	3,793,027
2021.....	1,051,741	4,031,292
2022.....	898,095	4,361,698
2023.....	892,637	4,752,232

Source: 2023 ACFR and the Department of Finance and Administrative Services, Town of Leesburg, Virginia.

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**Sales and Use Tax
and Meals Tax Receipts**

<u>Fiscal Year</u>	<u>Sales and Use Tax Receipts</u>	<u>Meals Tax Receipts⁽¹⁾</u>
2014.....	\$4,167,178	\$4,827,853
2015.....	4,610,450	5,021,455
2016.....	5,141,458	5,247,114
2017.....	5,384,169	5,368,976
2018.....	5,252,089	5,841,127
2019.....	5,693,638	5,939,892
2020.....	6,088,771	5,175,671
2021.....	6,401,152	5,540,382
2022.....	7,135,552	7,545,383
2023.....	7,382,899	7,378,289

Source: 2023 ACFR and the Department of Finance and Administrative Services, Town of Leesburg, Virginia.

(1) Includes penalties and interest.

**Tax Rates
(Per \$100 Assessment)**

	<u>Town of Leesburg</u>		<u>County of Loudoun</u>	
<u>Calendar Year</u>	<u>Real Estate Taxes</u>	<u>Personal Property Taxes</u>	<u>Real Estate Taxes</u>	<u>Personal Property Taxes</u>
2014.....	\$0.183	\$1.00	\$1.155	\$4.20
2015.....	0.183	1.00	1.135	4.20
2016.....	0.186	1.00	1.145	4.20
2017.....	0.184	1.00	1.125	4.20
2018.....	0.184	1.00	1.085	4.20
2019.....	0.184	1.00	1.045	4.20
2020.....	0.184	1.00	1.035	4.20
2021.....	0.184	1.00	0.980	4.20
2022.....	0.1774	1.00	0.890	4.20
2023.....	0.1774	1.00	0.875	4.15

Source: 2023 ACFR and adopted budgets for fiscal years ending June 30, 2023, and 2024, Town of Leesburg, Virginia.

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Real Property and Personal Property Tax Levies and Collections ⁽¹⁾⁽²⁾

Tax Year (ending December 31)	Taxes Levied for the Calendar Year	Collected Within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
<u>Real Property:</u>						
2014	\$11,648,515	\$11,448,839	98.29%	\$135,563	\$11,646,373	99.98%
2015	12,010,263	11,821,082	98.42	129,030	11,950,112	99.50
2016	12,377,675	12,121,029	97.93	176,987	12,298,015	99.36
2017	12,935,963	12,653,736	97.82	198,970	12,852,706	99.36
2018	13,654,178	13,428,080	98.34	199,490	13,627,570	99.81
2019	14,268,863	7,144,734 ⁽¹⁾	50.07	7,129,447	14,274,182	100.04
2020	15,009,175	7,500,786	49.79	7,509,394	15,000,298	99.94
2021	15,782,021	7,980,455	50.57	7,777,667	15,732,463	99.69
2022	17,258,677	8,678,825	50.29	8,522,203	17,201,028	99.67
2023	18,743,422	9,448,976	50.41	N/A	N/A	N/A
<u>Personal Property:</u>						
2014	\$ 284,978 ⁽²⁾	\$ 269,307	94.50%	\$ 15,725	\$ 285,033	100.02%
2015	2,854,269 ⁽³⁾	2,679,717	93.88	208,739	2,888,456	101.20
2016	2,937,351	2,753,137	93.73	227,971	2,981,108	101.49
2017	3,195,029	2,746,748	85.97	481,235	3,227,982	101.03
2018	3,207,577	2,840,544	88.56	368,685	3,209,229	100.05
2019	3,265,622	2,911,200	89.15	324,025	3,235,225	99.07
2020	2,641,697	1,058,894	40.08	1,446,639	2,505,533	94.85
2021	2,913,457 ⁽⁴⁾	1,358,901	46.64	1,505,681	2,864,583	98.32
2022	3,717,762 ⁽⁴⁾	1,797,992	48.36	1,841,992	3,639,985	97.91
2023	3,877,870	1,962,143	50.60	N/A	N/A	N/A

Sources: 2023 ACFR and Department of Finance and Administrative Services, Town of Leesburg, Virginia.

⁽¹⁾ The amounts for calendar year 2019 and subsequent years reflect only collections for the first half of the year. The second half is due December 5. As of January 1, 2019, Loudoun County is billing and collecting real estate taxes for the Town. The Town pays the County 1.15% of actual taxes collected for performing the consolidated billing and collections of both real estate and personal property taxes.

⁽²⁾ There was no personal property tax levied in calendar year 2014. The due date was moved from October to May 2015 by Town Council action. Levies and collections were made in fiscal year 2015. In 2020, the Town contracted with Loudoun County to bill and collect its personal property taxes due in two payments in May and November on consolidated bills with the County.

⁽³⁾ The Real Estate portion of Public Service Corporation is included in years 2012-2020 under Personal Property tax levied and collected.

⁽⁴⁾ 2021-2022 collections are through June 30 of that year. Prior years have been through September 30 of that year.

Debt Management
Statement of General Obligation Debt
as of June 30, 2023^{(1) (2) (3) (4) (5)}

General Fund	\$59,337,040 ⁽³⁾
Utility	<u>54,038,950</u>
Total Bonded Debt Prior to this Issue.....	\$113,375,900

Sources: 2023 ACFR and Department of Finance and Administrative Services, Town of Leesburg, Virginia.

- ⁽¹⁾ Although the Utility Bonds are General Obligations of the Town, the entire principal and interest on the Utility Bonds historically have been paid from the revenues of the respective systems and no tax revenue has been applied to such payments.
- ⁽²⁾ Figures do not include the Bonds.
- ⁽³⁾ General Fund includes debt formerly associated with the airport.
- ⁽⁴⁾ General Obligation debt amounts reflected include unamortized premium and exclude subscription liability amounts.
- ⁽⁵⁾ Excludes liabilities related to technology subscriptions, which is shown as debt in the Town's 2023 ACFR in accordance with GASB Statement No. 96.

Overlapping Debt
as of June 30, 2023^{(1) (3) (4)}

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Governmental Unit⁽²⁾</u>	<u>Share of Debt</u>
Direct General Obligation Debt:			
Town of Leesburg:			
General Bonded Debt.....	\$115,446,976	100%	\$115,446,976
Overlapping Debt:			
Loudoun County:			
General Bonded Debt.....	\$1,939,129,289	8.32%	<u>\$161,355,028</u>
Total Direct and Overlapping Debt			<u>\$276,802,004</u>

Sources: 2023 ACFR and Department of Finance and Administrative Services, Town of Leesburg, Virginia.

- ⁽¹⁾ Overlapping debt is not bonded debt of the Town on either a direct or contingent basis but represents the share of debt of Loudoun County which the residents of the Town are obligated to pay through direct tax levies of Loudoun County. The Loudoun County debt is a direct general obligation debt of the County which provides facilities that benefit all county residents including incorporated towns.
- ⁽²⁾ Based on the Town's assessed valuation as a percentage of the County's assessed valuation.
- ⁽³⁾ General Obligation debt amounts reflected include unamortized premium.
- ⁽⁴⁾ Town debt figures include \$2,070,986 of liabilities related to technology subscriptions in accordance with GASB Statement No. 96, but those liabilities are not secured by a general obligation pledge of the Town.

Legal Debt Margin ⁽¹⁾

	<u>As of</u> <u>June 30, 2023</u>
Assessed Value of Real Estate	\$11,443,561,697
Legal Debt Limit - 10% of Total Assessed Value of Real Estate	1,144,356,170
Total amount of debt applicable to debt margin	<u>113,375,900</u>
Legal Margin for Creation of Additional Debt	<u>\$1,030,980,270</u>

Sources: 2023 ACFR and Department of Finance and Administrative Services, Town of Leesburg, Virginia.

- ⁽¹⁾ Excludes liabilities related to technology subscriptions, which is shown as debt in the Town's 2023 ACFR in accordance with GASB Statement No. 96.

Schedule of General Obligation Bonds to Maturity ^{(1) (2) (3)}

Fiscal Year	GENERAL FUND			UTILITY FUND			TOTAL REQUIREMENTS		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$6,810,102	\$1,825,206	\$8,635,307	\$3,462,794	\$1,822,464	\$5,285,258	\$10,272,896	\$3,647,670	\$13,920,566
2025	6,088,303	2,516,005	8,604,307	3,538,469	1,873,733	5,412,202	9,626,771	4,389,738	14,016,509
2026	5,494,383	2,572,219	8,066,602	3,538,268	1,802,081	5,340,349	9,032,651	4,374,300	13,406,951
2027	5,105,914	2,367,870	7,473,783	3,603,266	1,642,793	5,246,059	8,709,180	4,010,663	12,719,842
2028	4,921,263	2,143,013	7,064,276	3,395,842	1,479,999	4,875,842	8,317,105	3,623,013	11,940,118
2029	5,122,643	1,932,633	7,055,276	3,327,462	1,352,922	4,680,384	8,450,105	3,285,555	11,735,660
2030	5,029,952	1,733,043	6,762,995	3,223,048	1,229,345	4,452,393	8,253,000	2,962,388	11,215,388
2031	4,032,134	1,540,360	5,572,494	2,953,866	1,120,411	4,074,277	6,986,000	2,660,771	9,646,771
2032	3,259,000	1,409,325	4,668,325	3,025,000	1,023,556	4,048,556	6,284,000	2,432,881	8,716,881
2033	3,378,000	1,288,003	4,666,003	3,125,000	920,359	4,045,359	6,503,000	2,208,363	8,711,363
2034	3,510,000	1,163,037	4,673,037	3,230,000	812,481	4,042,481	6,740,000	1,975,518	8,715,518
2035	2,955,000	1,032,656	3,987,656	2,625,000	700,738	3,325,738	5,580,000	1,733,394	7,313,394
2036	2,298,000	916,885	3,214,885	2,710,000	606,884	3,316,884	5,008,000	1,523,769	6,531,769
2037	2,397,000	821,828	3,218,828	2,810,000	510,381	3,320,381	5,207,000	1,332,209	6,539,209
2038	2,495,000	722,132	3,217,132	855,000	408,294	1,263,294	3,350,000	1,130,426	4,480,426
2039	2,600,000	617,814	3,217,814	895,000	372,506	1,267,506	3,495,000	990,320	4,485,320
2040	2,714,000	508,592	3,222,592	705,000	334,725	1,039,725	3,419,000	843,317	4,262,317
2041	2,823,000	393,982	3,216,982	735,000	301,994	1,036,994	3,558,000	695,976	4,253,976
2042	2,930,000	296,283	3,226,283	505,000	277,363	782,363	3,435,000	573,646	4,008,646
2043	2,385,000	194,600	2,579,600	525,000	257,556	782,556	2,910,000	452,156	3,362,156
2044	2,480,000	99,200	2,579,200	545,000	236,969	781,969	3,025,000	336,169	3,361,169
2045	-	-	-	450,000	215,600	665,600	450,000	215,600	665,600
2046	-	-	-	465,000	197,600	662,600	465,000	197,600	662,600
2047	-	-	-	485,000	179,000	664,000	485,000	179,000	664,000
2048	-	-	-	505,000	159,600	664,600	505,000	159,600	664,600
2049	-	-	-	525,000	139,400	664,400	525,000	139,400	664,400
2050	-	-	-	545,000	118,400	663,400	545,000	118,400	663,400
2051	-	-	-	570,000	96,600	666,600	570,000	96,600	666,600
2052	-	-	-	590,000	73,800	663,800	590,000	73,800	663,800
2053	-	-	-	615,000	50,200	665,200	615,000	50,200	665,200
2054	-	-	-	<u>640,000</u>	<u>25,600</u>	<u>665,600</u>	<u>640,000</u>	<u>25,600</u>	<u>665,600</u>
TOTAL	\$78,828,692	\$26,094,685	\$104,923,378	\$54,723,015	\$20,343,355	\$75,066,370	\$133,551,708	\$46,438,040	\$179,989,748

Source: Director of Finance and Administrative Services, Town of Leesburg, Virginia.

⁽¹⁾ General Fund Debt Includes debt formerly associated with the Airport.

⁽²⁾ All existing debt service calculated as of June 30, 2023.

⁽³⁾ Includes interest, but not principal, on the outstanding principal balance as of June 30, 2023, of the 2019 Notes, which will be refinanced with the proceeds of the Bonds. Does not include any debt service on the 2024 Notes.

**Debt Service Requirements on
Currently Outstanding General Obligation Debt and the Bonds ^{(1) (2) (3)}**

Fiscal Year	Outstanding Debt Service	<u>Plus the Bonds</u>			<u>Total Outstanding Debt Service</u>		
	<u>Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$13,920,566	\$ -	\$ -	\$ -	\$10,272,896	\$3,647,670	\$13,920,566
2025	12,317,271	180,000	1,519,238	1,699,238	9,626,771	4,389,738	14,016,509
2026	11,298,351	185,000	1,923,600	2,108,600	9,032,651	4,374,300	13,406,951
2027	9,965,492	840,000	1,914,350	2,754,350	8,709,180	4,010,663	12,719,842
2028	8,692,768	1,375,000	1,872,350	3,247,350	8,317,105	3,623,013	11,940,118
2029	8,487,060	1,445,000	1,803,600	3,248,600	8,450,105	3,285,555	11,735,660
2030	7,969,038	1,515,000	1,731,350	3,246,350	8,253,000	2,962,388	11,215,388
2031	6,401,171	1,590,000	1,655,600	3,245,600	6,986,000	2,660,771	9,646,771
2032	5,470,781	1,670,000	1,576,100	3,246,100	6,284,000	2,432,881	8,716,881
2033	5,463,763	1,755,000	1,492,600	3,247,600	6,503,000	2,208,363	8,711,363
2034	5,465,668	1,845,000	1,404,850	3,249,850	6,740,000	1,975,518	8,715,518
2035	4,070,794	1,930,000	1,312,600	3,242,600	5,580,000	1,733,394	7,313,394
2036	3,290,669	2,025,000	1,216,100	3,241,100	5,008,000	1,523,769	6,531,769
2037	3,294,359	2,130,000	1,114,850	3,244,850	5,207,000	1,332,209	6,539,209
2038	1,237,076	2,235,000	1,008,350	3,243,350	3,350,000	1,130,426	4,480,426
2039	1,238,720	2,350,000	896,600	3,246,600	3,495,000	990,320	4,485,320
2040	1,013,217	2,470,000	779,100	3,249,100	3,419,000	843,317	4,262,317
2041	1,008,376	2,590,000	655,600	3,245,600	3,558,000	695,976	4,253,976
2042	756,646	2,700,000	552,000	3,252,000	3,435,000	573,646	4,008,646
2043	118,156	2,800,000	444,000	3,244,000	2,910,000	452,156	3,362,156
2044	119,169	2,910,000	332,000	3,242,000	3,025,000	336,169	3,361,169
2045	-	450,000	215,600	665,600	450,000	215,600	665,600
2046	-	465,000	197,600	662,600	465,000	197,600	662,600
2047	-	485,000	179,000	664,000	485,000	179,000	664,000
2048	-	505,000	159,600	664,600	505,000	159,600	664,600
2049	-	525,000	139,400	664,400	525,000	139,400	664,400
2050	-	545,000	118,400	663,400	545,000	118,400	663,400
2051	-	570,000	96,600	666,600	570,000	96,600	666,600
2052	-	590,000	73,800	663,800	590,000	73,800	663,800
2053	-	615,000	50,200	665,200	615,000	50,200	665,200
2054	-	640,000	25,600	665,600	640,000	25,600	665,600
Totals	\$111,599,109	\$41,930,000	\$26,460,638	\$68,390,638	\$133,551,708	\$46,438,040	\$179,989,748

Source: Director of Finance and Administrative Services, Town of Leesburg, Virginia

⁽¹⁾ Figures may not sum due to rounding.

⁽²⁾ All existing debt service calculated as of June 30, 2023.

⁽³⁾ Includes interest, but not principal, on the outstanding principal balance as of June 30, 2023, of the 2019 Notes, which will be refinanced with the proceeds of the Bonds. Does not include any debt service on the 2024 Notes.

**Historical Ratio of Net General Bonded Debt to Assessed Real Estate Valuation
and Net General Bonded Debt per Capita**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Assessed Real Estate Valuation</u>	<u>Gross Bonded Debt⁽¹⁾</u>	<u>Less: Debt Payable From Enterprise Revenues⁽²⁾</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net General Bonded Debt To Assessed Valuation</u>	<u>Net General Bonded Debt Per Capita</u>
2014	43,966	\$6,549,975,120	\$124,004,512	\$4,204,897	\$119,799,615	1.83%	\$2,725
2015	44,247	6,751,547,323	135,881,950	3,886,950	131,995,000	1.96	2,983
2016	44,522	6,835,945,460	140,664,098	3,234,264	137,429,834	2.01	3,087
2017	44,841	7,197,515,633	134,370,972	2,558,534	131,812,438	1.83	2,940
2018	45,149	7,647,910,325	126,761,041	1,858,946	124,346,107	1.63	2,754
2019	47,046	8,010,150,318	119,890,069	1,134,659	117,052,675	1.46	2,488
2020	48,250	8,449,625,843	114,169,108	384,800	111,391,262	1.32	2,309
2021	49,116	9,469,858,988	115,482,710	-	110,933,333	1.17	2,259
2022	49,516	10,566,622,280	115,825,977	-	110,653,294	1.05	2,235
2023	48,974	11,443,561,697	115,446,976	-	108,336,283	0.95	2,212

Sources: 2023 ACFR, Department of Finance and Administrative Services, Town of Leesburg, Virginia, and the Public Information Office of the Town of Leesburg, Virginia.

⁽¹⁾ Includes general obligation debt and revenue bonds.

⁽²⁾ Includes the Town's revenue bonds but excludes general obligation debt expected to be repaid with self-supporting enterprise revenues.

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SECTION FOUR: MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa," S&P Global Ratings ("S&P") has assigned a rating of "AAA" and Fitch Ratings has assigned a rating of "AAA" to the Bonds as set forth on the cover page of this Official Statement. The Town requested that the Bonds be rated and provided information to Fitch, Moody's and S&P, including certain information that may not be included in this Official Statement.

Such ratings reflect only the respective views of such organizations. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. The Town has furnished information to the rating agencies, including information not contained in this Official Statement. There is no assurance that such ratings will be continued for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies, if in their judgment, the circumstances so warrant. A downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

Litigation

During the normal course of business, the Town or its officers or employees are or may be named as defendants in litigation involving personal injury, property damage, or other matters, which are defended by the Town Attorney and associated counsel. The Town's potential liability is protected partially by insurance. It is the opinion of the Town Attorney that any possible losses in connection with any such pending or threatened litigation will not materially affect the Town's financial condition or operations. There is no litigation pending against the Town which would in any way affect the validity of the Bonds or the ability of the Town to levy or collect ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds or the interest thereon.

Continuing Disclosure

The Town will execute and deliver, in connection with the Bonds, a Continuing Disclosure Agreement, the form of which is set forth as Appendix B to this Official Statement, pursuant to which the Town will covenant and agree to provide certain annual financial information and operating data and notice of the events specified in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). As described in Appendix B, such undertaking requires the Town to provide only limited information at specified times.

The Continuing Disclosure Agreement requires the Town to provide only limited information at specific times and the information may not constitute all of the information necessary to value the Bonds at any particular time. The Town may provide from time to time certain information and data in addition to that required by the Continuing Disclosure Agreement. If the Town chooses to provide such information and data, it has no obligation to update such information or data or to include it in a future disclosure.

Summaries and Descriptions

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth of Virginia, statutes of the Commonwealth of Virginia, resolutions or ordinances of the Town, or other documents and instruments and of the Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

This Official Statement has been authorized by the Town for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement has been prepared by the Town from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the Town.

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

The execution and delivery of this Official Statement has been authorized by the Town.

TOWN OF LEESBURG, VIRGINIA

By: /s/ Kaj H. Dentler
Town Manager

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APPENDIX A

**Audited Financial Statements of the Town of Leesburg, Virginia
for the Fiscal Year Ended June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Leesburg, Virginia (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 6 and 7 to the financial statements, in 2023, the Town adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

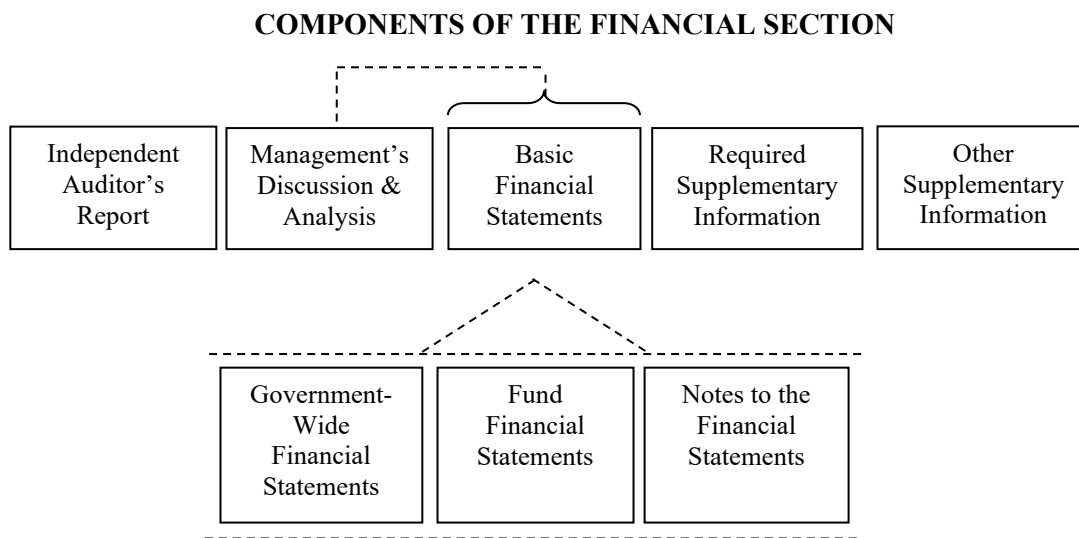
Roanoke, Virginia
December 6, 2023

TOWN OF LEESBURG
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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, 2023. Readers are encouraged 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 Annual Comprehensive Financial Report (ACFR).

USING THE FINANCIAL SECTION OF THIS ACFR

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



The Town's financial statements present two perspectives of the Town's finances, one for the Town as a whole (government-wide) and the second based on the Fund Financial Statements. The Government-Wide Financial Statements provide information on an accrual basis and focus on both long-term and short-term information concerning the Town's overall financial condition. The Fund Financial Statements provide information on a current financial resources 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 entire Town using accounting methods like 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.

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The Town's net position represents the residual amount of cumulative assets, deferred outflows of resources over present liabilities and deferred inflows of resources as of the fiscal year ended June 30, 2023. The revenues and expenses for the current fiscal year are the principal factors affecting the change in the Town's net position, as shown in Exhibit 2. The Town's net position is one way to measure the Town's financial health, as increases or decreases in net position are one indicator of whether its financial position is improving or declining. Further analysis can be achieved by comparing the changes in the revenue, expenses, assets, and liabilities to the prior year ACFR'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 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; townwide council; airport, and public works. Capital improvement projects are accounted for in the Capital Projects Fund. 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 most or all costs for water and sewer services in the Utilities Fund and premiums to cover self-insurance costs in the Internal Service Fund. As such, these services are reported as a business-type activity in the ACFR showing results of activities as self-supporting operations.

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 ACFR 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 Division of Capital Projects in the Department of Public Works & Capital Projects including the design, architecture, and construction of major capital projects and provides control over the resources that have been segregated for those projects.

The Other Governmental Special Revenue Fund is a non-major governmental fund established for the purchase of collecting contributions and providing to support special library programs for the Thomas Balch Library.

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 expenses. Consequently, the governmental fund statements provide a detailed short-term view that assists the reader in understanding the financial resources available to be spent soon to support the Town's operations.

FUND FINANCIAL STATEMENTS (CONTINUED)

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

Proprietary Funds – The Town has two proprietary funds for fiscal year 2023 comprised of one enterprise fund, the Utilities Fund to account for water and sewer services, and one internal service fund, Self-Insurance Fund. Both the enterprise fund and the internal service fund operate in a manner like private business enterprises, where costs are recovered primarily through user charges or fees. However, the funds are distinguished by the type of user – external versus internal. Whereas an enterprise fund is used to account for any activity for which a fee is charged to external users for goods or services, an internal service fund is used to account for the provision of goods or services by one department to another department.

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

Fiduciary Fund – The Other Postemployment Benefits (OPEB) Trust Fund is the Town's fiduciary fund. The fund accumulates resources to cover health and life insurance costs for retired employees. All 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 proprietary funds, fiduciary funds are not required to report a statement of cash flows.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023

The Town's fiscal policy provides a framework for measuring the impact of services against fiscal guidelines established by the Town Council and Town Manager. These guidelines are designed to promote the fiscal well-being of the Town through management objectives to maximize efficiencies in accounting, financial reporting, safeguarding assets, budgeting revenues and expenses, risk management and planning for the use of debt, and cash and reserve funds 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-term and long-term credit availability while helping to achieve and maintain the highest credit and bond ratings possible.

Total net position of the Town on a government-wide basis is \$603.1 million as of June 30, 2023, of which \$404.0 million is attributable to the Town's governmental activities and \$199.1 million to business type activities (Exhibit 1). The government-wide total net position that is unrestricted is \$91.1 million, of which \$38.4 million is unrestricted for governmental activities and \$52.7 million is unrestricted for business-type activities. The Statement of Activities (Exhibit 2) presents all the factors attributed to the \$34.6 million or 6.1 percent increase in the Town's restated beginning net position from \$568.5 million in fiscal year 2022 to \$603.1 million in fiscal year 2023. The restatement of the beginning fund balance for the general fund from \$381.4 million to \$380.3 million was due to several prior period adjustments, including an adjustment for depreciation expenses from a reassessment of vehicles useful lives of \$.9 million and a prior period revenue adjustment of \$.2 million, to reverse an accrual for unpaid claims in the Internal Service Fund

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2023 (CONTINUED)

that was not properly adjusted in the succeeding fiscal year. The restatement of the beginning fund balance for the business-type activities from \$188.6 million to \$188.2 million or \$.4 million was due to a similar prior period adjustment for depreciation expenses noted above for governmental activities.

The total increase in net position is \$34.6 million, composed of an increase of \$23.7 million in governmental activities and an increase of \$10.9 million in business-type activities. The increases in governmental net position were largely due to an increase in General Property Taxes, excluding penalties of \$3.3 million, an increase of \$1.9 million in Use of Money and Property, and a decrease in Public Works' expenses of \$55.7 million. The fiscal year 2023 expenses for Public Works of \$23.5 million more closely represent the normal activity for that functional area. In fiscal year 2022, \$55.0 million in expenses were incurred, due to the development and completion of the Route 7 and Battlefield Highway Interchange.

Total fund balance of the Town's governmental funds is \$66.8 million as of June 30, 2023, of which \$53.0 million is attributable to the Town's General Fund; \$12.6 million is attributable to the Town's Capital Projects and \$1.2 million is attributable to Other Governmental Funds (Exhibit 3). During fiscal year 2023, the Town merged the Northern Virginia Transportation Authority (NVTa) Special Revenue Fund into the Capital Projects Fund, thus eliminating the NVTa Special Revenue Fund. The NVTa Special Revenue Fund was created when it was believed that a separate fund was required to be maintained to account for revenue and expenses; however, it was determined that a separate fund was not required, and all capital projects could be accounted for in a singular capital projects fund. NVTa revenue is shown separately within the Capital Projects Fund to be compliant with NVTa grant agreements.

The General Fund's unassigned fund balance is \$28.3 million (Exhibit 3) an increase of \$6.0 million from fiscal year 2022 was largely due to operating revenues exceeding operating expenses by \$4.8 million and operating and nonoperating expenses and transfers adding a net \$1.8 million. The increase was largely due to better-than-expected general property taxes, investment income, and sales taxes along with well controlled operating expenses. The Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit 5) presents all the factors attributed to the \$5.2 million increase in the total Governmental Funds fund balance from \$61.6 million to \$66.8 million. This increase of \$5.2 million is due to an increase of \$6.5 million in the fund balance of the General Fund, a decrease of \$1.3 million in the Capital Projects Fund and an increase of \$.1 million in Other Government Funds. As noted above, during fiscal year 2023, the NVTa fund balance was transferred into the Capital Projects fund, thus creating a decrease of \$65 thousand and eliminating the NVTa fund.

The total net position of the Town's enterprise funds is \$200.1 million of which \$199.1 million is attributable to the Town's Utilities Fund and \$1.0 million is attributable to the Town's Internal Service Fund on June 30, 2023 (Exhibit 8). The Utilities Fund's unrestricted net position is \$52.7 million, and the Internal Service Fund's unrestricted net position is \$1.0 million. The Statement of Revenue, Expenses, and Changes in Net Position (Exhibit 9) presents all the factors attributed to the Utilities Fund's \$10.9 million or 5.8 percent increase from restated net beginning balance of \$188.2 million in fiscal year 2022 to \$199.1 million in fiscal year 2023. This increase in net position was mainly due to a \$7.1 million increase in capital contributions; an increase in net operations of \$2.4 million; a net increase in non-operating income of \$3.3 million, and net transfers out of \$1.9 million. In fiscal year 2023, the Internal Service Fund net position decreased by \$.5 million, due to an excess of expenses over revenue or income. This was a planned reduction to return outperformance from prior years to employees, retirees, and the Town with lower premiums in fiscal year 2023, while still maintaining sufficient fund balance against unexpected future cost increases.

In fiscal year 2023, an adjustment was made to the beginning fund balance in the amount of \$.4 million and \$.2 million to the Utilities Fund and the Internal Service Fund respectively. The adjustment made to the Utilities Fund was made due to prior period adjustments for depreciation expenses and the adjustment to the Internal Service Fund was made due to the reversal of an accrual for unpaid claims in the Internal Service Fund that was not properly adjusted in succeeding fiscal years.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

Table 1 below summarizes and compares the Statement of Net Position (Exhibit 1) for the Town as of June 30, 2023 and 2022.

Table 1
Summary Statement of Net Position
Comparison as of June 30, 2023 and 2022 (\$ in Thousands)

The total net position for the Town's governmental activities increased approximately \$22.7 million or 5.9%, to \$404.0 million. This net increase is comprised predominantly of an increase in Net Investment in Capital Assets of \$12.4 million and an increase in Unrestricted Net Position of \$10.3 million. In comparison, net position for business-type activities increased approximately \$10.4 million to \$199.1 million when compared to the opening balance of \$188.6 million. This increase is comprised predominantly of an increase in Unrestricted Net Position of \$2.5 million largely resulting from net operating and nonoperating income and donations of assets from developers.

	Governmental Activities		Business-Type Activities		Total Reporting Entity	
	2023	2022	2023	2022	2023	2022
<u>Assets and Deferred Outflows of Resources</u>						
Current and Other Assets	\$ 114,713	\$ 104,623	\$ 63,865	\$ 63,508	\$ 178,578	\$ 168,131
Capital Assets, net	414,982	397,859	199,838	192,477	614,820	590,336
Total Assets	529,695	502,482	263,703	255,985	793,398	758,467
Deferred Outflows of Resources	9,711	11,911	3,937	4,599	13,648	16,510
Total Assets and Deferred Outflow of Resources	539,406	514,393	267,640	260,584	807,046	774,977
<u>Liabilities and Deferred Inflows of Resources</u>						
Current Liabilities	16,825	15,279	4,193	9,038	21,018	24,317
Long-term Liabilities	79,347	72,025	58,838	54,348	138,185	126,373
Total Liabilities	96,172	87,304	63,031	63,386	159,203	150,690
Deferred Inflows of Resources	39,206	45,727	5,551	8,572	44,757	54,299
Total Liabilities and Deferred Inflows of Resources	135,378	133,031	68,582	71,958	203,960	204,989
<u>Net Position</u>						
Net Investment in Capital Assets	354,835	342,443	146,393	138,503	501,228	480,946
Restricted	10,748	10,766	-	-	10,748	10,766
Unrestricted	38,445	28,153	52,664	50,123	91,109	78,276
Total Net Position	\$ 404,028	\$ 381,362	\$ 199,057	\$ 188,626	\$ 603,085	\$ 569,988

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

The General Fund is the main operating fund of the Town; its total fund balance increased to \$53.0 million in fiscal year 2023 from \$46.5 million in fiscal year 2022 (Exhibit A-1). Of this total, the unassigned fund balance was \$28.3 million, an increase of \$6.0 million or 26.9% from fiscal year 2022. At the end of fiscal year 2023, the unassigned fund balance of \$28.3 million was 42.7% of General Fund expenses of \$66.3 million. In comparison, at the end of fiscal year 2022, the unassigned fund balance was \$22.3 million, equal to 37.1% percent of total General Fund expenses of \$60.1 million. The Assigned Fund Balance Designated for Future Years Expenditures increased \$.9 million, due to an increase in the amount of open purchase orders and contractual expenses carried over to fiscal year 2024.

The Capital Projects Fund accounts for financial resources to be used for the acquisition and/or construction of Town infrastructure including facilities, streets, curbs, sidewalks, and other capital projects. As of June 30, 2023, the Capital Projects fund balance was \$12.6 million (Exhibit 3) compared to \$13.9 million in 2022. Fund balances are used in conjunction with a variety of revenues to begin, continue and complete projects included in the six-year capital improvements program. Unassigned fund balance for fiscal year 2023 was a deficit of \$24.9 million, due to contract commitments on capital projects that were not yet fully funded, since all funding was fully committed to future projects and the Town has moved to the use of a line of credit for funding projects and capital is only borrowed when needed to reimburse for actual spending.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Statement of Activities

Table 2 summarizes and compares the Statement of Activities (Exhibit 2) for the Town for the fiscal years ended June 30, 2023 and 2022.

Table 2
Summary of Statement of Activities
Comparison for the years ended June 30, 2023 and 2022 (\$ in Thousands)

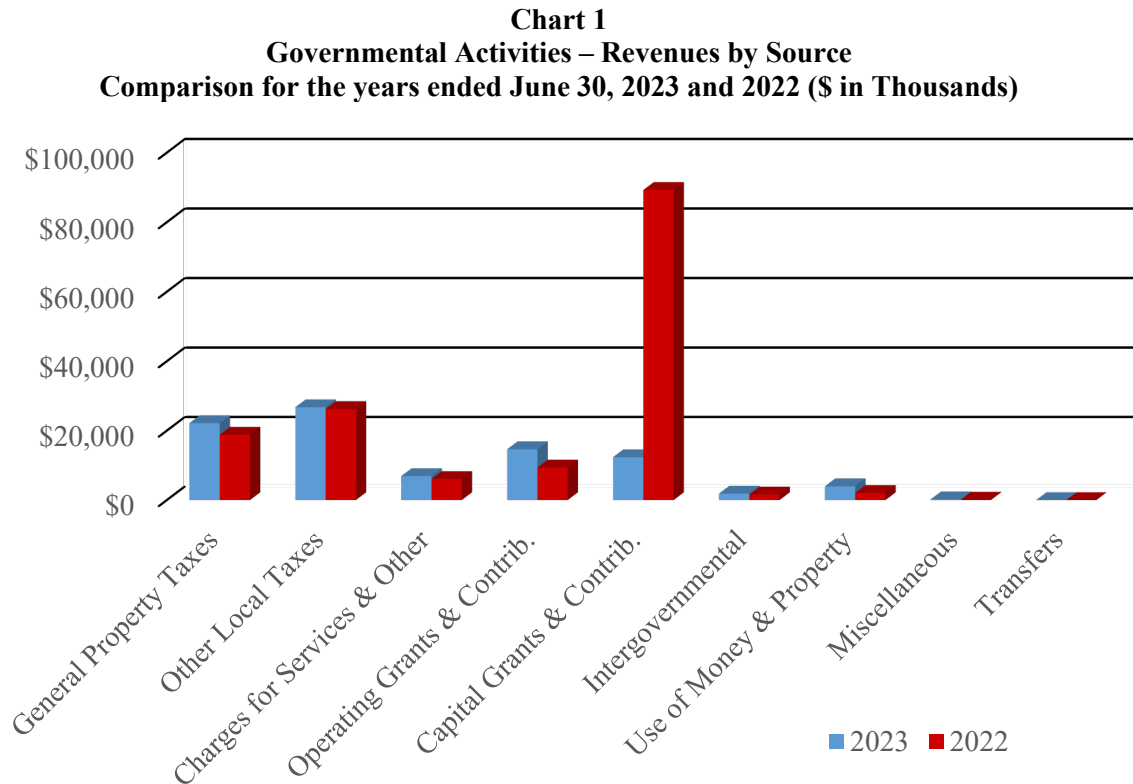
Governmental Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Reporting Entity</u>	
	2023	2022	2023	2022	2023	2022
REVENUES						
<u>General Revenues:</u>						
Property Taxes	\$ 22,171	\$ 18,835	\$ -	\$ -	\$ 22,171	\$ 18,835
Other Local Taxes	26,746	26,242	-	-	26,746	26,242
Other	6,209	3,870	2,738	681	8,947	4,551
<u>Program Revenues:</u>						
Charges for Services	6,911	6,063	29,578	34,666	36,489	40,729
Operating Grants and Contributions	14,647	9,371	-	-	14,647	9,371
Capital Grants and Contributions	12,355	89,273	7,058	2,394	19,413	91,667
Total Revenues	89,039	153,654	39,374	37,741	128,413	191,395
EXPENSES						
Legislative	320	393	-	-	320	393
Executive	3,115	2,594	-	-	3,115	2,594
Legal	1,802	1,616	-	-	1,802	1,616
Parks and Recreation	8,730	7,871	-	-	8,730	7,871
Finance	7,994	6,497	-	-	7,994	6,497
Balch Library	651	580	-	-	651	580
Planning and Zoning	-	2,124	-	-	-	2,124
Plan Review	-	1,535	-	-	-	1,535
Community Development	3,869	-	-	-	3,869	-
Public Works	23,529	79,248	-	-	23,529	79,248
Public Safety	13,623	12,970	-	-	13,623	12,970
Airport	1,977	2,171	-	-	1,977	2,171
Townwide	-	-	-	-	-	-
Interest	1,590	1,805	-	-	1,590	1,805
Water and Sewer	-	-	26,616	23,383	26,616	23,383
Total Expenses	67,200	119,404	26,616	23,383	93,816	142,787
Change in Net Position before transfers	21,839	34,250	12,758	14,358	34,597	48,608
Transfers In (Out)	1,893	1,764	(1,893)	(1,764)	-	-
Increase in Net Position	23,732	36,014	10,865	12,594	34,597	48,608
Net Position, Beginning of Year (Restated)	380,296	345,348	188,192	176,032	568,488	521,380
Net Position, End of Year	\$ 404,028	\$ 381,362	\$ 199,057	\$ 188,626	\$ 603,085	\$ 569,988

As shown in Table 2 above, total revenue for the Town's governmental activities was \$89.0 million for fiscal year 2023 compared to \$153.6 million for fiscal year 2022. Table 2 also shows total expenses for governmental activities for fiscal year 2023 were \$67.2 million, compared to \$119.4 million in fiscal year 2022. The drastic variance in revenue and expenses in fiscal year 2022 as compared to fiscal year 2023 was mainly due to the \$55 million impact for the Route 7 and Battlefield Parkway Interchange NVTa project that was completed and recorded in fiscal year 2022.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

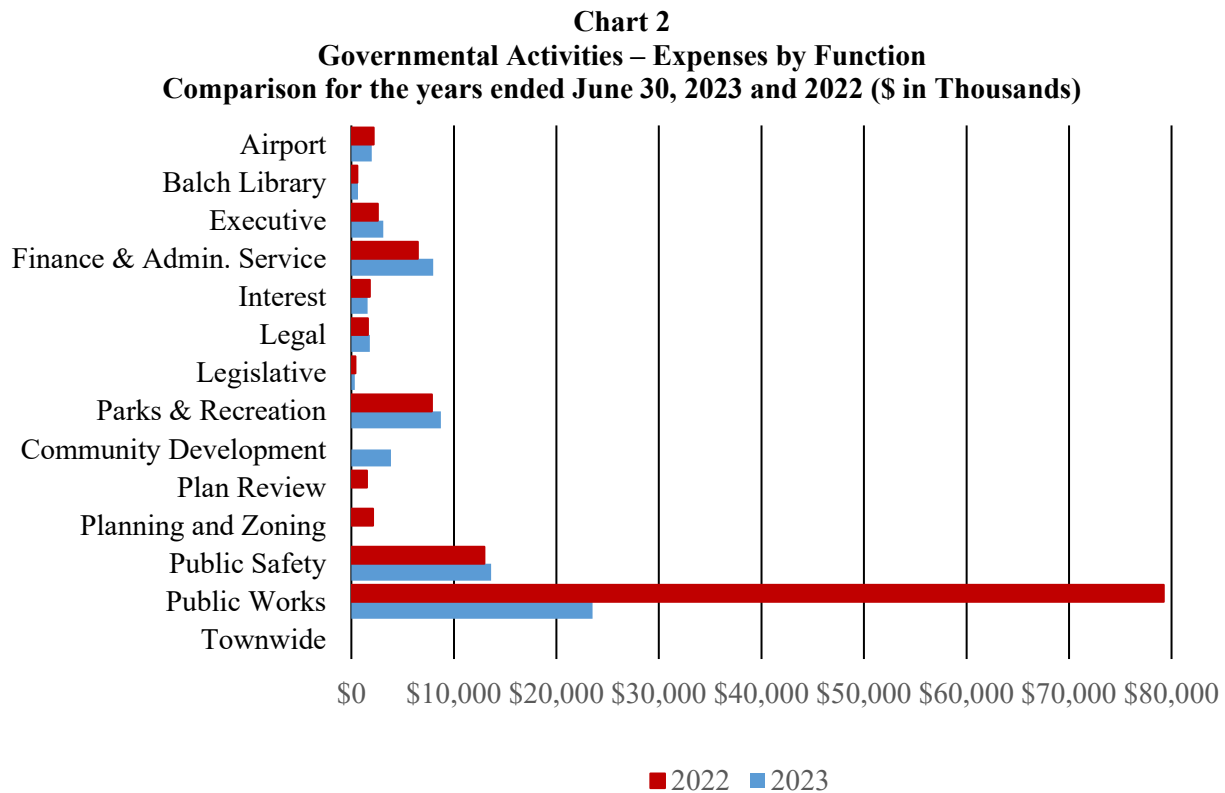
Chart 1 below shows the sources of all governmental revenue for fiscal years 2023 and 2022:



Taxes constitute one the largest sources of Town revenue totaling approximately \$48.9 million, with general property taxes of \$22.2 million in 2023 and \$18.8 million in 2022 (Table 2). As of fiscal year 2020, Loudoun County began billing and collecting local property taxes including real estate and personal property. As a result of aligning practices with Loudoun County, the Town began to concentrate more specifically on collection procedures for older tax balances and commercial taxes. Other local taxes, \$26.7 million in 2023 and \$26.2 million in 2022, are generated through business and occupational licenses and consumption-based taxes such as taxes on meals, sales and use, cigarettes and utilities. The Town saw an increase of \$.8 million in the Charges for Services from \$6.1 million in 2022 to \$6.9 million in 2023 largely due to inflation and a return to more normal levels of activity post-covid.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Chart 2 below illustrates total expenses by function.



Overall, expenses for fiscal year 2023 were comparable to those for fiscal year 2022, except for Public Works. During fiscal year 2022, the increase in expenses was due to the \$55 million grant expenses issued to VDOT for the development and completion of the Route 7 and Battlefield Highway Interchange project.

During fiscal year 2023, the Plan Review function and Planning and Zoning functions were combined to create Community Development. The graph above shows the expenses for expenditures related to Planning and Zoning and Plan Review for fiscal year 2022, however for fiscal year 2023, those expenses were combined and recorded under Community Development.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Table 3 below illustrates that general revenue, primarily in the form of taxes, charges for services, and state aid, is essential to providing support for the services offered by the Town. These governmental activities generate revenue that assists in offsetting the cost of these services. Table 3 presents the total cost of services and the net cost after fees generated by the activities and allowances for program-specific governmental aid as an integral part of the Town's governmental activities. The Town generates charges for services primarily from fees for parks and recreation memberships and classes, public safety fines, and zoning fees and permits. The Town utilizes grants and contributions primarily for public safety, airport, and public works as much as possible. After recognizing the total revenue from these fees, grants, and contributions of \$33.9 million in 2023, the net cost of governmental activities was \$33.3 million. In comparison, in fiscal year 2022, total costs was \$119.4 million and the Town recognized revenue from fees, grants, and contributions of \$104.7 million, resulting in a net cost of governmental activities of \$14.7 million.

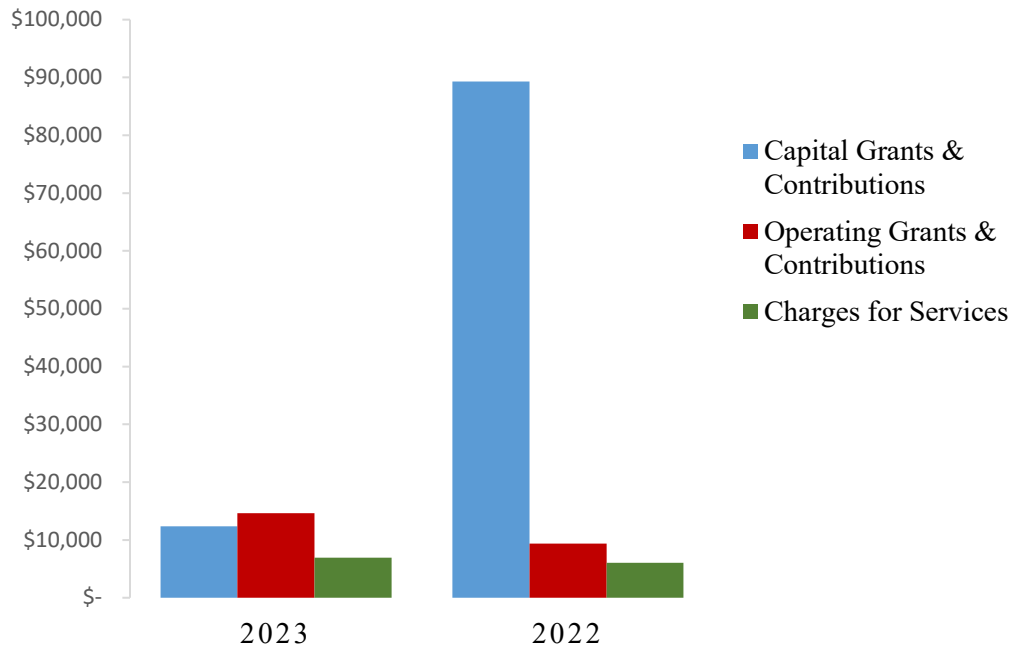
Table 3
Net Cost of Governmental Activities
Comparison for the years ended June 30, 2023 and 2022 (\$ in Thousands)

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
<u>Function:</u>				
Legislative	\$ 320	\$ 393	\$ 320	\$ 393
Executive	3,115	2,594	2,551	1,967
Legal	1,802	1,616	1,802	1,616
Parks & Recreation	8,730	7,871	3,447	3,445
Finance & Admin. Services	7,994	6,497	7,994	6,497
Balch Library	651	580	651	580
Planning & Zoning	-	2,124	-	1,747
Plan Review	-	1,535	-	858
Community Development	3,869	-	2,873	-
Public Works	23,529	79,248	6,359	(14,219)
Public Safety	13,624	12,970	11,960	11,354
Airport	1,977	2,171	(3,253)	1,625
Townwide	-	-	(3,005)	(2,971)
Interest	1,590	1,805	1,590	1,805
Totals	\$ 67,201	\$ 119,404	\$ 33,289	\$ 14,697

Chart 3 below shows a comparison of program revenue and the three main components: Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions. Revenue from Charges for Services increased by \$.8 million, program revenue for Operating Grants and Contributions increased by \$5.3 million and Capital Grants and Contributions decreased by \$76.9 million. The increase in Operating Grants and Contributions was due to \$4.6 million in grants received from FAA to support the Airport North Hangar Project and increases in grants funding for Public Safety from the US Department of Justice. The decrease in Capital Grants and Contributions was mainly due to NVTA funding for the Route 7 and Battlefield Parkway Interchange project that was funded in fiscal year 2022.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Chart 3
Governmental Activities – Program Revenue
Comparison for the years ended June 30, 2023 and 2022 (\$ in Thousands)



Business-type Activities

Table 2 summarizes the business-type activities for fiscal year 2023 and indicates the Utilities Fund's Net Position increased by \$10.9 million of which \$2.4 million was generated by net income from operations, \$7.1 million from capital contributions; \$2.4 million from operating income and \$3.3 million total non-operating income. In fiscal year 2023, total transfers were \$1.9 million. The Statement of Revenue, Expense, and Changes in Net Position (Exhibit 9) details operating and non-operating income and expense factors, as well as capital grants, contributions, and transfers for fiscal year 2023 for both the Utilities Fund and the Internal Service Fund.

Business-type activities are generally intended to be self-supporting as fees are established to recover the costs associated with providing the service. Exhibit 8 presents the Statement of Net Position for the Utilities Fund and the Internal Service Fund. In fiscal year 2023, the Utilities Fund's total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources were \$263.7 million, \$3.9 million, \$63.0 million, and \$5.6 million, respectively. Total Net Position for fiscal year 2023 was \$199.1 million of which \$52.7 million is unrestricted. In fiscal year 2023, the Internal Service Fund's total assets and liabilities were \$2.0 million and \$.9 million, respectively. Total net position for fiscal year 2023 was \$1.0 million, all of which was unrestricted. This change in net position in the Self Insurance Fund was the result of reclassifying certain contingent costs of health insurance plans from a liability to an unrestricted net position and \$.7 million above expected health insurance costs.

Utilities operating revenues were generated by Charges for Services including water and sewer fixed charges and usage fees, penalties, service charges, and other user fees. Operating revenue for the Utilities Fund for fiscal year 2022 was \$26.9 million compared to \$27.4 million for fiscal year 2023.

Total operating expenses increased by \$2.9 million to \$24.9 million in the fiscal year 2023 due to a 4.5% increase in pricing rates. The Utilities Fund recognized operating income of \$2.4 million for fiscal year 2023. Non-operating revenues and expenses provided a net increase of \$3.3 million. The \$10.9 million increase in net position is due to non-operating revenues of \$3.3 million and Capital contributions of \$7.1 million.

FINANCIAL ANALYSIS OF THE TOWN'S GOVERNMENTAL FUNDS

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

The Town has two major governmental funds; the General Fund and the Capital Projects Fund, with fund balances of \$53.0 million and \$12.6 million, respectively. With a fund balance of \$1.2 million for the non-major fund, the governmental funds total fund balance of \$66.8 million for fiscal year 2023 (Exhibit 3) is an increase of \$5.2 million from \$61.6 million in 2022.

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, 2023, and 2022.

Table 4
Governmental Fund Balances
Comparison for the years ended June 30, 2023 and 2022 (\$ in Thousands)

	2023	2022	Change
Non-Spendable			
Lease deposit	\$ 117	\$ 167	\$ (50)
Inventory	3	3	-
Prepaid Expenses	463	338	125
Restricted			
Balch Library	1,198	1,083	115
Parks and Recreation	51	51	-
NVTA	-	65	(65)
Police	147	147	-
Bond Proceeds	4,318	4,226	92
Proffers	6,012	5,707	305
Gas Tax	2,443	2,971	(528)
Parking-in-lieu	517	390	127
Esummons	380	352	28
Committed			
Capital Projects - Road	6,459	1,953	4,506
Capital Projects - Storm Drainage	-	269	(269)
Capital Projects - General Governmental	20,407	1,678	18,729
Capital Projects - Airport	222	8,505	(8,283)
Capital Projects - Parks and Recreation	53	130	(77)
Capital Projects - Administration			-
Assigned			
Debt Service Reserve	9,754	9,754	-
Other Reserves	7,327	7,494	(167)
Designated for Future Years	3,464	2,518	946
Unassigned	3,464	13,750	(10,286)
Total Fund Balances	\$ 66,799	\$ 61,551	\$ 5,248

The fiscal year 2023 governmental fund balances of \$66.8 million represents an increase of \$5.2 million from fiscal year 2022. The General Fund is the main operating fund of the Town. Its total fund balance increased during fiscal year 2023 by 14 percent or \$6.5 million to \$53.0 million (Exhibit 5). Of this total, the unassigned fund balance was \$28.3 million (Exhibit 3) or 53.5 percent of the total fund balance of the General Fund. In comparison, at the end of fiscal year 2022, the unassigned fund balance was \$22.3 million or 48.0 percent of the total fund balance of the General Fund. The relative increase in unassigned fund balance brings enhanced financial resilience to the Town. The assigned fund balance designated for future years increased by \$.9 million.

FINANCIAL ANALYSIS OF THE TOWN'S GOVERNMENTAL FUNDS (CONTINUED)

The Capital Projects Fund accounts for financial resources to be used for the acquisition and/or construction of Town infrastructure including facilities, streets, curbs, sidewalks, and other capital projects. As of June 30, 2023, the Capital Projects fund balance was \$12.6 million (Exhibit 3) compared to \$13.9 million in 2022. Fund balances are used in conjunction with a variety of revenues to begin, continue and complete projects included in the six-year capital improvements program. Unassigned fund balance for fiscal year 2022 had a deficit balance of \$8.6 million and unassigned fund balance for fiscal year 2023 had a deficit of \$24.9 million, due to the Town's use of a line of credit to just-in-time finance capital construction, so project commitments open at year end are not fully funded until payment is ready to be made.

The NVTA fund accounted for financial resources awarded to the Town for transportation projects including construction of streets and other required infrastructure to handle the transportation needs of the Town. As of June 30, 2023, the NVTA projects were recategorized into the Capital Projects Fund, thus eliminating the NVTA fund.

BUDGETARY HIGHLIGHTS

General Fund

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

Table 5
Condensed Budgetary Comparison
Year ended June 30, 2023 (\$ in Thousands)

	<u>Original Budget</u>	<u>Fiscal Year 2023 Amended Budget</u>	<u>Actual</u>
<u>Revenues:</u>			
Taxes	\$ 37,119	\$ 37,119	\$ 40,099
Intergovernmental	15,974	15,974	20,415
Other	9,160	9,229	10,540
Total Revenues	<u>62,253</u>	<u>62,322</u>	<u>71,054</u>
<u>Expenditures:</u>			
Expenditures	<u>71,024</u>	<u>74,718</u>	<u>66,290</u>
Deficiency of Revenue under Expenditures	(8,771)	(12,396)	4,764
<u>Other Financing Sources:</u>			
Transfers, net	1,843	1,768	1,758
Use of fund balance	6,928	8,290	-
Total Revenues	<u>8,771</u>	<u>10,058</u>	<u>1,758</u>
Change in Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ (2,338)</u></u>	<u><u>\$ 6,522</u></u>

General Fund revenues were higher than the amended budget by \$8.8 million. Revenues collected exceeded budget projections for General Property Taxes, Other Local Taxes, and Intergovernmental by \$1.3 million, \$1.7 million, and \$4.4 million, respectively (Exhibit 7). Use of Money and Property, which includes interest revenue, commercial tenant lease revenue, and hanger tenants lease revenue, exceeded budget by \$1.5 million.

BUDGETARY HIGHLIGHTS (CONTINUED)

General Fund (Continued)

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

- Amendments for projects that were incomplete in the prior fiscal year and subsequently re-appropriated in the new fiscal year.
- Amendments for supplemental appropriations for new projects, and/or change orders for prior approved projects and contracts.

The original budgeted expenses increased by \$3.7 million for fiscal year 2023 (Exhibit 7). This increase is mainly a result of supplemental appropriation approved by the Town Council throughout the fiscal year and from encumbrance carryovers related to purchase orders not completed during the prior fiscal year.

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, 2023 and 2022.

Table 6
Capital Assets
Comparison as of June 30, 2023 and 2022 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2023	2022	Change	2023	2022	Change
Land	\$ 65,746	\$ 64,788	\$ 958	\$ 1,577	\$ 1,577	\$ -
Buildings and improvement	91,617	87,124	4,493	-	-	-
Water and sewer plant	-	-	-	129,239	127,319	1,920
Water and sewer lines	-	-	-	167,461	158,862	8,599
Equipment and software	13,109	12,465	644	7,157	5,955	1,202
Vehicles	8,357	7,680	677	3,806	3,996	(190)
Infrastructure and street	363,727	357,288	6,439	-	-	-
Hangars	6,057	6,057	-	-	-	-
Terminals	16,414	6,678	9,736	-	-	-
Runway	16,570	16,570	-	-	-	-
Subscription assets, less amortization	2,101	-	2,101	-	-	-
Construction in progress	18,010	14,671	3,339	6,597	3,862	2,735
Total Capital Assets	601,708	573,321	28,387	315,837	301,571	14,266
Accumulated depreciation and amortization	(186,726)	(175,461)	(11,265)	(116,000)	(109,094)	(6,906)
Total Capital Assets, Net	\$ 414,982	\$ 397,860	\$ 17,122	\$ 199,837	\$ 192,477	\$ 7,360

CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

Capital Assets (Continued)

The Town's Governmental Activities Capital Assets (net of accumulated depreciation and amortization) as of June 30, 2023, and 2022 (adjusted fiscal year-end balance) amounted to approximately \$415.0 million and \$397.9 million, respectively. The net increase in capital assets (including additions, retirements, depreciation, and amortization) was \$15.2 million for governmental activities with the largest increases in building and improvements at \$4.5 million; infrastructure at \$3.7 million and terminals at \$9.7 million.

The Business-type Activities Capital Assets (net of accumulated depreciation and amortization) as of June 30, 2023, amounted to approximately \$199.8 million for the Utilities Fund compared to \$192.0 million in 2022 (adjusted fiscal year and balance). The largest impact regarding the fiscal year 2023 increase of \$7.8 million were with construction in progress at \$2.7 million: water and sewer lines at \$8.6 million and water and sewer plant at \$1.9 million.

The Town Council approved Fiscal Year 2023 – 2028 Capital Improvement Program (CIP) is a six-year, \$229.0 million program of public improvements for the Town including \$56.6 million in streets and highways improvements, \$33.9 million in general government improvements, \$6.1 million in storm drainage improvements, \$33.8 million in airport improvements, \$6.3 million in parks improvements, \$82.0 million in water and sewer improvements, and \$10.2 million for associated administrative costs. Additional information pertaining to the Town's capital assets can be found in Note 6 of the notes to the financial statements.

Long-term Debt

The Town's current bond ratings are as follows:

- Moody's Investors Services, Inc. Aaa
- Standard and Poor's AAA
- Fitch Credit Rating Services AAA

The Town's legal limit for outstanding general obligation debt is 10.0 percent of total assessed real property within the Town, which was \$11.4 billion in fiscal year 2023, compared with \$10.6 billion in fiscal year 2022. The Town's total long-term obligations of \$61.4 million as of June 30, 2023, and \$60.4 million as of June 30, 2022, are well within the limits set by the Constitution of the Commonwealth of Virginia. Revenue bonds are not included in calculating the legal limit.

Table 7 summarizes the Town's outstanding long-term bonded debt.

Table 7
Outstanding Long-Term Bonded Debt
Comparison as of June 30, 2023 and 2022 (\$ in Thousands)

	Governmental Activities			Business-Type Activities		
	2023	2022	Change	2023	2022	Change
General Obligation Bonds	\$ 50,109	\$ 50,624	\$ (515)	\$ 49,786	\$ 50,833	\$ (1,047)
Totals	\$ 50,109	\$ 50,624	\$ (515)	\$ 49,786	\$ 50,833	\$ (1,047)

CAPITAL ASSETS AND LONG-TERM DEBT (CONTINUED)

Long-term Debt (Continued)

Outstanding long-term debt for governmental activities as of June 30, 2023, is \$64.6 million reflecting a restatement of beginning balance for subscription liability implementation as of July 1, 2022, of \$2.8 million and a net debt reduction during the fiscal year of \$1.7 million. The reduction consisted of a net pay-off of \$.5 million in bonds payable; \$.5 million reduction in amortization of bond premiums; \$.1 million deduction in notes payable financing and \$.7 million deduction in net subscription liability, partially off-set by a \$.2 million increase in compensated absences. Outstanding long-term debt for business activities decreased from \$56.3 million as of June 30, 2022, to \$54.9 million as of June 30, 2023 (See Note 7). The total net reduction was \$1.3 million, which primarily consisted of a net pay-off of \$1.0 million for bonds payable and a \$.3 million reduction in the amortization of bond premiums. Additionally, the Town has notes payable of \$7.1 million drawn from the 2019 Series A General Obligation Bond Anticipation Note Line of Credit which was established to align with the long-range sustainability plan.

In making debt decisions, the Town adheres to the following as part of its Council Approved Fiscal Policy:

- The Town will not fund current operations from the proceeds of borrowed funds and will confine long-term borrowing and 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 (more than proffers) from non-debt resources.
- The Town will, when financing capital improvements or other projects or equipment by issuing bonds or entering into 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 predominant 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's current amortization will retire over 85.1% of debt within 10 years.
- The Town will annually calculate target debt ratios. The Town's debt capacity will be maintained within the following predominately goals:
 - Debt service expenses as a percentage of general fund expenses will not exceed 15 percent. For fiscal year 2023, this percentage was 13.70 percent. For fiscal year 2022 this percentage was 14.51 percent due to a COVID-19 related restructuring and refinancing of the General Fund debt service. It returned to prior levels in fiscal year 2023 and as well as beyond and the restructuring savings were reserved for use in fiscal years 2023, 2024 and 2025 by Town Council.
 - Bonded debt (General Obligation Debt) of the Town will not exceed 2.5 percent of the total assessed value of taxable property in the Town. For fiscal year 2023, this percentage was .946 percent.
 - The Town will follow a policy of full disclosure in every annual financial report and financing official statement/offering document. The Town has a Council approved policy of complying with all continuing disclosure requirements under SEC Rule 15c2-12.
- 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

- Unemployment rates are not maintained on a town basis. The unemployment rate for the County of Loudoun on June 30, 2023, was 2.4 percent. The rate remained the same as June 30, 2022. This rate compares to Virginia's rate of 2.8 percent and the national rate of 3.6 percent as of June 30, 2023. Loudoun County's unemployment rate peaked in April 2020 at 9.9 percent due to the COVID-19 pandemic and has steadily declined since then. The Town's population was estimated by the US Census Bureau in 2022 to be 49,516. The actual 2022 US Census Bureau official count was 48,974. Other towns in Loudoun County saw similar overestimates in population growth due to the Census Bureau's flawed methodology, which tied town growth to county growth. Population estimates for the last ten years are provided in the statistical section of this report in Table 17. The current population estimate is 48,974.
- Per capita personal income is not kept on a town basis. However, estimated by the County of Loudoun's per capita personal income as of 2023 was \$101,500. Based on household income, Loudoun County was ranked one of the wealthiest counties in the nation in 2021.
- The Town government's full-time equivalency (FTE) employment increased in fiscal year 2023 by 13.5 FTE positions to a total of 399.5. Workforce numbers by department for the last ten years are provided in the statistical section of this report in Table 19.

Fiscal Year 2024 Budget and Rates

- For fiscal year 2024, the adopted budget for the General Fund is \$78.4 million, an increase of \$5.7 million or 7.8 percent, over fiscal year 2023. Revenues are comprised predominately of general taxes at 55.4 percent, intergovernmental assistance at 20.7 percent, other financing sources at 11.8 percent, charges for services at 6.7 percent, use of money & property at 3.4 percent, and other miscellaneous revenue at 2.0 percent.
- In fiscal year 2024, the Town continues to prioritize its services. In the General Fund, the public works department accounts for \$20.3 million and public safety accounts for \$18.1 million or 25.9 and 23.1 percent of the budgeted expenses respectively.
- Tax rate for real property for tax year 2023 is 17.74¢ per \$100 of assessed value. The personal property tax rate remained unchanged at \$1.00 per \$100 of assessed value. Detail on the tax rates is provided in Table 10 of the statistical section of this report.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents (Note 2)	\$ 74,207,557	\$ 53,503,720	\$ 127,711,277
Receivables, net (Note 3)			
Property taxes	11,716,103	-	11,716,103
Utility taxes	166,670	-	166,670
Local taxes	1,079,019	-	1,079,019
Trade and other accounts	481,547	6,245,644	6,727,191
Accrued interest	28,468	17,330	45,798
Due from other governments (Note 5)	15,362,699	-	15,362,699
Inventories	2,972	803,301	806,273
Prepaid items and deposit	579,986	12,532	592,518
Restricted cash (Note 2)	7,100,406	-	7,100,406
Leases receivable (Note 4)	3,987,804	3,282,338	7,270,142
Capital assets (Note 6)			
Nondepreciable	83,755,966	8,174,759	91,930,725
Depreciable, net	331,225,765	191,662,886	522,888,651
Total assets	529,694,962	263,702,510	793,397,472
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Notes 12 and 13)	4,574,667	1,216,051	5,790,718
Deferred outflows related to other postemployment benefits (Notes 10, 11, and 13)	4,256,927	1,131,588	5,388,515
Deferred loss on refunding of debt	878,967	1,589,680	2,468,647
Total deferred outflows of resources	9,710,561	3,937,319	13,647,880
LIABILITIES			
Accounts payable	5,888,216	1,498,720	7,386,936
Due to other governments	284,228	-	284,228
Accrued payroll and other expenses	1,144,594	404,840	1,549,434
Accrued liabilities – other	1,666,355	-	1,666,355
Accrued interest	691,871	734,468	1,426,339
Retainage payable	280,035	173,954	453,989
Performance bonds	2,610,720	9,000	2,619,720
Reserve for proffers	3,096,702	-	3,096,702
Unearned revenue (Note 3)	97,165	-	97,165
Customer deposits	125,405	1,372,702	1,498,107
Insurance and benefit claims	940,103	-	940,103

(Continued)

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES (Continued)			
Noncurrent liabilities			
Due within one year (Note 7)			
Compensated absences	\$ 2,324,242	\$ 643,739	\$ 2,967,981
Note payable	1,623,022	2,980	1,626,002
Bonds payable	12,508,938	9,716,089	22,225,027
Subscription liability	743,310	-	743,310
Due in more than one year (Notes 7)			
Compensated absences	863,400	234,086	1,097,486
Note payable	3,408,774	4,931	3,413,705
Bonds payable, net	41,796,306	44,314,950	86,111,256
Subscription liability	1,327,676	-	1,327,676
Net pension liability (Notes 12 and 13)	9,692,561	2,576,503	12,269,064
Other postemployment benefits (Notes 10, 11, and 13)	5,058,316	1,344,616	6,402,932
Total liabilities	96,171,939	63,031,578	159,203,517
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan (Notes 12 and 13)	3,341,598	888,273	4,229,871
Deferred inflows related to other postemployment benefits (Notes 10, 11, and 13)	5,385,926	1,431,702	6,817,628
Deferred inflows related to leases (Note 4)	3,824,104	3,171,200	6,995,304
Deferred gain on refunding of debt	110,295	59,883	170,178
Grants (Note 3)	14,599,552	-	14,599,552
Property taxes (Note 3)	11,944,546	-	11,944,546
Total deferred inflows of resources	39,206,021	5,551,058	44,757,079
NET POSITION			
Net investment in capital assets	354,834,574	146,393,320	501,227,894
Restricted			
Restricted for capital projects	9,550,377	-	9,550,377
Restricted for Balch Library	1,197,640	-	1,197,640
Unrestricted	38,444,972	52,663,873	91,108,845
Total net position	\$ 404,027,563	\$ 199,057,193	\$ 603,084,756

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
Legislative	\$ 320,120	\$ -	\$ -	\$ -	\$ (320,120)		\$ (320,120)
Executive	3,115,470	-	564,257	-	(2,551,213)		(2,551,213)
Legal	1,802,306	-	-	-	(1,802,306)		(1,802,306)
Parks and recreation	8,729,678	5,278,435	4,500	-	(3,446,743)		(3,446,743)
Finance and administrative services	7,993,864	-	-	-	(7,993,864)		(7,993,864)
Balch Library	650,593	-	-	-	(650,593)		(650,593)
Public works	23,529,213	134,906	4,679,808	12,355,004	(6,359,495)		(6,359,495)
Public safety	13,623,509	300,418	1,363,490	-	(11,959,601)		(11,959,601)
Community development	3,869,045	996,168	-	-	(2,872,877)		(2,872,877)
Airport	1,977,343	200,847	5,030,013	-	3,253,517		3,253,517
Townwide	-	-	3,004,640	-	3,004,640		3,004,640
Interest	1,589,928	-	-	-	(1,589,928)		(1,589,928)
Total governmental activities	67,201,069	6,910,774	14,646,708	12,355,004	(33,288,583)		(33,288,583)
Business-type activities:							
Utilities	26,616,062	29,578,425	-	7,057,614		\$ 10,019,977	10,019,977
Total business-type activities	26,616,062	29,578,425	-	7,057,614		10,019,977	10,019,977
Total government	\$ 93,817,131	\$ 36,489,199	\$ 14,646,708	\$ 19,412,618	(33,288,583)	10,019,977	(23,268,606)
General Revenues:							
Taxes:							
General property taxes, including penalties					22,171,204	-	22,171,204
Other local taxes:							
Communication sales and use					8,884,029	-	8,884,029
Meals					7,378,289	-	7,378,289
Business and occupational licenses					4,752,232	-	4,752,232
Utility					1,555,313	-	1,555,313
Cigarette					623,539	-	623,539
Other local taxes					3,552,928	-	3,552,928
Intergovernmental, non-categorical aid					1,871,034	-	1,871,034
Use of money and property					3,967,153	2,198,738	6,165,891
Gain on sale of assets					158,748	138,028	296,776
Miscellaneous					212,252	401,148	613,400
Transfers					1,893,000	(1,893,000)	-
Total general revenues and transfers, net					57,019,721	844,914	57,864,635
Change in net position					23,731,138	10,864,891	34,596,029
Net position, beginning, as restated (Note 15)					380,296,425	188,192,302	568,488,727
Net position, ending					\$ 404,027,563	\$ 199,057,193	\$ 603,084,756

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

TOWN OF LEESBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Capital Projects	NVTA	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 48,136,878	\$ 22,901,553	\$ -	\$ 1,197,640	\$ 72,236,071
Receivables (net of allowance for doubtful accounts)					
Property taxes, including penalties	11,716,103	-	-	-	11,716,103
Utility taxes	166,670	-	-	-	166,670
Local taxes	1,079,019	-	-	-	1,079,019
Accounts	393,990	-	-	-	393,990
Miscellaneous	-	61,948	-	-	61,948
Leases	3,987,804	-	-	-	3,987,804
Due from other governments	7,810,611	7,552,088	-	-	15,362,699
Accrued interest	19,381	9,087	-	-	28,468
Deposits	117,294	-	-	-	117,294
Inventory	2,972	-	-	-	2,972
Prepaid items	458,692	4,000	-	-	462,692
Restricted cash	2,782,286	4,318,120	-	-	7,100,406
Total assets	<u>\$ 76,671,700</u>	<u>\$ 34,846,796</u>	<u>\$ -</u>	<u>\$ 1,197,640</u>	<u>\$ 112,716,136</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,401,644	\$ 3,476,440	\$ -	\$ -	\$ 5,878,084
Due to other governments	284,228	-	-	-	284,228
Retainage payable	219,627	60,408	-	-	280,035
Accrued payroll	1,144,594	-	-	-	1,144,594
Accrued liabilities – other	545,764	1,120,591	-	-	1,666,355
Customer deposits	125,405	-	-	-	125,405
Performance bonds	2,610,720	-	-	-	2,610,720
Reserve for proffers	104,404	2,992,298	-	-	3,096,702
Unearned revenue	97,165	-	-	-	97,165
Total liabilities	<u>7,533,551</u>	<u>7,649,737</u>	<u>-</u>	<u>-</u>	<u>15,183,288</u>
DEFERRED INFLOWS OF RESOURCES					
Grants	-	14,599,552	-	-	14,599,552
Leases	3,824,104	-	-	-	3,824,104
Property taxes	12,310,479	-	-	-	12,310,479
Total deferred inflows of resources	<u>16,134,583</u>	<u>14,599,552</u>	<u>-</u>	<u>-</u>	<u>30,734,135</u>

(Continued)

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

TOWN OF LEESBURG, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Capital Projects	NVT A	Other Governmental Fund	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF					
RESOURCES, AND FUND BALANCES (Continued)					
FUND BALANCES					
Nonspendable					
Deposit	\$ 117,294	\$ -	\$ -	\$ -	\$ 117,294
Inventory	2,972	-	-	-	2,972
Prepaid costs	458,692	4,000	-	-	462,692
Restricted					
Thomas Balch Library Endowment Fund	-	-	-	1,197,640	1,197,640
Parks and recreation (Symmington)	50,521	-	-	-	50,521
Police	147,340	-	-	-	147,340
Bond proceeds	-	4,318,120	-	-	4,318,120
Proffers	-	6,012,499	-	-	6,012,499
Gas tax	2,443,083	-	-	-	2,443,083
Parking in lieu	517,130	-	-	-	517,130
Esummons	379,804	-	-	-	379,804
Committed					
Capital Projects – general government	-	20,407,279	-	-	20,407,279
Capital Projects – parks and recreation	-	53,122	-	-	53,122
Capital Projects – streets and highways	-	6,459,338	-	-	6,459,338
Capital Projects – storm drainage	-	-	-	-	-
Capital Projects – airport	-	221,749	-	-	221,749
Assigned					
Debt service reserve	9,753,620	-	-	-	9,753,620
Other reserves	7,327,396	-	-	-	7,327,396
Expenditures designated for future years	3,463,611	-	-	-	3,463,611
Unassigned	28,342,103	(24,878,600)	-	-	3,463,503
 Total fund balances	 53,003,566	 12,597,507	 -	 1,197,640	 66,798,713
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 76,671,700	 \$ 34,846,796	 \$ -	 \$ 1,197,640	 \$ 112,716,136

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

TOWN OF LEESBURG, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023**

Total fund balances – governmental funds \$ 66,798,713

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	\$ 602,413,365	
Less accumulated depreciation and amortization	(187,431,634)	
Net capital assets		414,981,731

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

365,933

Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to:		
Pensions	4,574,667	
Other postemployment benefits	4,256,927	
Deferred inflows related to:		
Pensions	(3,341,598)	
Other postemployment benefits	(5,385,926)	
Net pension liability	(9,692,561)	
Other postemployment benefit liability	(5,058,316)	(14,646,807)

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	878,967	
Deferred gain on refunding of debt	(110,295)	768,672

Internal service funds are used by management to charge the costs of services provided to other departments or funds.

1,046,860

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	(54,305,244)	
Notes payable	(5,031,796)	
Subscription liability	(2,070,986)	
Compensated absences	(3,187,642)	
Interest payable	(691,871)	(65,287,539)

Net position of governmental activities \$ 404,027,563

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	General	Capital Projects	NVTA	Other Governmental Fund	Total Governmental Funds
REVENUES					
General property taxes	\$ 22,236,816	\$ -	\$ -	\$ -	\$ 22,236,816
Other local taxes	17,862,301	-	-	-	17,862,301
Permits, fees, and licenses	1,197,015	-	-	-	1,197,015
Fines and forfeitures	300,383	-	-	-	300,383
Use of money and property	3,560,212	406,941	-	-	3,967,153
Charges for services	5,413,376	-	-	-	5,413,376
Contributions and proffers	51,302	721,938	-	41,791	815,031
Miscellaneous	17,099	-	-	102,061	119,160
Intergovernmental	20,415,509	9,937,765	-	-	30,353,274
Total revenues	<u>71,054,013</u>	<u>11,066,644</u>	<u>-</u>	<u>143,852</u>	<u>82,264,509</u>
EXPENDITURES					
Current					
Legislative	295,327	-	-	-	295,327
Executive	2,731,957	-	-	-	2,731,957
Legal	1,785,037	-	-	-	1,785,037
Finance and administrative services	7,746,091	-	-	-	7,746,091
Public safety	13,657,147	-	-	-	13,657,147
Public works	16,291,434	-	-	-	16,291,434
Parks and recreation	7,933,830	-	-	-	7,933,830
Balch Library	626,206	-	-	9,716	635,922
Community development	4,007,520	-	-	-	4,007,520
Airport	1,073,301	-	-	-	1,073,301
Capital projects	-	19,475,973	-	19,868	19,495,841
Debt service					
Principal	8,075,637	-	-	-	8,075,637
Interest and fiscal charges	2,066,537	-	-	-	2,066,537
Total expenditures	<u>66,290,024</u>	<u>19,475,973</u>	<u>-</u>	<u>29,584</u>	<u>85,795,581</u>
Excess (deficiency) of revenues over expenditures	<u>4,763,989</u>	<u>(8,409,329)</u>	<u>-</u>	<u>114,268</u>	<u>(3,531,072)</u>
OTHER FINANCING SOURCES (USES)					
Sales of capital assets	-	169,724	-	-	169,724
Issuance of note payable	-	1,325,526	-	-	1,325,526
Issuance of long-term debt	-	5,390,781	-	-	5,390,781
Transfers in	3,659,253	1,966,416	-	-	5,625,669
Transfers out	(1,900,967)	(1,766,253)	(65,449)	-	(3,732,669)
Total other financing sources (uses), net	<u>1,758,286</u>	<u>7,086,194</u>	<u>(65,449)</u>	<u>-</u>	<u>8,779,031</u>
Net change in fund balances	<u>6,522,275</u>	<u>(1,323,135)</u>	<u>(65,449)</u>	<u>114,268</u>	<u>5,247,959</u>
Fund balances, beginning	<u>46,481,291</u>	<u>13,920,642</u>	<u>65,449</u>	<u>1,083,372</u>	<u>61,550,754</u>
Fund balances, ending	<u>\$ 53,003,566</u>	<u>\$ 12,597,507</u>	<u>\$ -</u>	<u>\$ 1,197,640</u>	<u>\$ 66,798,713</u>

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

TOWN OF LEESBURG, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Net change in fund balances – total governmental funds	\$ 5,247,959
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	\$ 20,208,635
Book value of assets disposed	(10,976)
Less depreciation and amortization expense	(11,685,197)
Excess of depreciation and amortization over capital outlay	<u>8,512,462</u>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	
Donated capital assets	6,681,563
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	(65,612)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayments of the principal on long-term debt consumes the current financial resources of governmental funds. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Debt issued or incurred:	
Issuance of debt and notes payable proceeds	(6,716,307)
Principal retired on:	
General obligation debt, notes payable, and subscription liability	<u>8,075,637</u>
	1,359,330
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	2,894,877
Pension expense	<u>(2,010,198)</u>
	884,679
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned, net of employer contributions, is reported as other postemployment benefit expense.	
Employer other postemployment contributions	136,532
Other postemployment benefits income	<u>1,218,207</u>
	1,354,739
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	136,995
Compensated absences	(159,475)
Amortization of premiums and deferred charges on refundings	<u>317,915</u>
	295,435
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue(expense) of the internal service funds are reported with governmental activities and business-type activities in the Statement of Activities.	
Net revenue (expense) of internal service funds	<u>(539,417)</u>
	<u>(539,417)</u>
Change in net position of governmental activities	\$ 23,731,138

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

TOWN OF LEESBURG, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 20,950,706	\$ 20,950,706	\$ 22,236,816	\$ 1,286,110
Other local taxes	16,167,670	16,167,670	17,862,301	1,694,631
Permits, fees, and licenses	1,099,250	1,099,250	1,197,015	97,765
Fines and forfeitures	374,000	444,000	300,383	(143,617)
Use of money and property	2,053,560	2,053,560	3,560,212	1,506,652
Charges for services	5,236,115	5,236,115	5,413,376	177,261
Proffers	320,000	320,000	-	(320,000)
Contributions	51,000	51,000	51,302	302
Miscellaneous	26,300	26,300	17,099	(9,201)
Intergovernmental	15,973,877	15,973,877	20,415,509	4,441,632
Total revenues	62,252,478	62,322,478	71,054,013	8,731,535
EXPENDITURES				
Current				
Legislative	275,618	314,387	295,327	19,060
Executive	2,676,950	2,984,355	2,731,957	252,398
Legal	1,329,354	1,809,811	1,785,037	24,774
Finance and administrative services	8,382,144	9,161,359	7,746,091	1,415,268
Public safety	16,301,778	14,988,671	13,657,147	1,331,524
Public works	17,954,443	20,501,753	16,291,434	4,210,319
Parks and recreation	8,248,789	8,528,766	7,933,830	594,936
Balch Library	612,938	668,863	626,206	42,657
Community development	4,602,541	4,864,573	4,007,520	857,053
Airport	1,000,266	1,185,513	1,073,301	112,212
Townwide expenditures	(552,286)	305,290	-	305,290
Debt service				
Principal	7,772,999	7,361,549	8,075,637	(714,088)
Interest and fiscal charges	2,418,327	2,043,095	2,066,537	(23,442)
Total expenditures	71,023,861	74,717,985	66,290,024	8,427,961
Excess (deficiency) of revenues over expenditures	(8,771,383)	(12,395,507)	4,763,989	17,159,496
OTHER FINANCING SOURCES (USES)				
Transfers in	3,508,541	3,508,541	3,659,253	150,712
Transfers out	(1,665,541)	(1,739,853)	(1,900,967)	(161,114)
Use of fund balance	6,928,383	8,289,723	-	(8,289,723)
Total other financing sources, net	8,771,383	10,058,411	1,758,286	(8,300,125)
Net change in fund balance	\$ -	\$ (2,337,096)	\$ 6,522,275	\$ 8,859,371

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self-Insurance Fund
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 53,503,720	\$ 1,971,486
Receivables (net of allowance for doubtful accounts):		
Trade and other accounts	6,245,644	25,609
Leases	3,282,338	-
Prepaid expenses	12,532	-
Inventories	803,301	-
Accrued interest	17,330	-
	<hr/>	<hr/>
Total current assets	63,864,865	1,997,095
	<hr/>	<hr/>
NONCURRENT ASSETS		
Nondepreciable assets	8,174,759	-
Depreciable assets, net	191,662,886	-
	<hr/>	<hr/>
Total noncurrent assets	199,837,645	-
	<hr/>	<hr/>
Total assets	263,702,510	1,997,095
	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension plan	1,216,051	-
Deferred outflows related to other postemployment benefits	1,131,588	-
Deferred loss on refunding	1,589,680	-
	<hr/>	<hr/>
Total deferred outflows of resources	3,937,319	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	267,639,829	1,997,095
	<hr/>	<hr/>

(Continued)

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2023

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self-Insurance Fund
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,498,720	\$ 10,132
Accrued expenses	404,840	-
Accrued interest	734,468	-
Compensated absences	643,739	-
Retainage payable	173,954	-
Note payable	2,980	-
Bonds payable	9,716,089	-
Performance bonds payable	9,000	-
Customer deposits and contingent charges	1,372,702	-
Insurance and benefit claims	-	940,103
Total current liabilities	14,556,492	950,235
NONCURRENT LIABILITIES		
Compensated absences	234,086	-
Net pension liability	2,576,503	-
Net other postemployment benefit liability	1,344,616	-
Note payable	4,931	-
Bonds payable, net	44,314,950	-
Total noncurrent liabilities	48,475,086	-
Total liabilities	63,031,578	950,235
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to leases	3,171,200	-
Deferred inflows related pension plan	888,273	-
Deferred inflows related to other postemployment benefits	1,431,702	-
Deferred gain on refunding	59,883	-
Total deferred inflows of resources	5,551,058	-
Total liabilities and deferred inflows of resources	68,582,636	950,235
NET POSITION		
Net investment in capital assets	146,393,320	-
Unrestricted	52,663,873	1,046,860
Total net position	\$ 199,057,193	\$ 1,046,860

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self-Insurance Fund
OPERATING REVENUES		
Charges for services	\$ 27,319,139	\$ 5,122,323
Other	45,215	3,879
Total operating revenues	<u>27,364,354</u>	<u>5,126,202</u>
OPERATING EXPENSES		
Personnel service	10,784,126	-
Contractual services	1,845,938	-
Depreciation and amortization	6,895,240	-
Materials and supplies	2,347,802	-
Continuous charges	1,745,744	-
Internal and other	1,306,337	-
Risk financing and benefit payments	-	5,676,742
Total operating expenses	<u>24,925,187</u>	<u>5,676,742</u>
Operating income (loss)	<u>2,439,167</u>	<u>(550,540)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,198,738	11,123
Gain on sale of assets	138,028	-
Rental, lease, and other charges	355,933	-
Installation and connection charges	2,259,286	-
Interest and fiscal charges	(1,690,875)	-
Total nonoperating revenues, net	<u>3,261,110</u>	<u>11,123</u>
Income (loss) before contributions and transfers	<u>5,700,277</u>	<u>(539,417)</u>
TRANSFERS		
Transfers out	(1,893,000)	-
Total transfers	<u>(1,893,000)</u>	<u>-</u>
Capital contributions	<u>7,057,614</u>	<u>-</u>
Change in net position	10,864,891	(539,417)
Total net position, beginning – as restated (Note 15)	<u>188,192,302</u>	<u>1,586,277</u>
Total net position, ending	<u><u>\$ 199,057,193</u></u>	<u><u>\$ 1,046,860</u></u>

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self-Insurance Fund
OPERATING ACTIVITIES		
Receipts from customers	\$ 26,842,265	\$ -
Receipts from interfund services provided	-	5,123,098
Claims and benefits paid	-	(4,737,470)
Payments to suppliers for goods and services	(7,965,972)	-
Payments to employees for services	(11,642,686)	-
Net cash provided by operating activities	<u>7,233,607</u>	<u>385,628</u>
NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Advance from other funds	305	-
Transfers out	(1,893,000)	-
Net cash used in noncapital and related financing activities	<u>(1,892,695)</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Installation and connection charges	2,259,286	-
Acquisition and construction of capital assets	(7,393,431)	-
Proceeds from sale of capital assets	165,328	-
Proceeds from debt issuance	2,499,569	-
Principal paid on debt	(3,548,953)	-
Principal collected on leases	175,356	-
Interest collected on leases	22,097	-
Interest and fiscal charges	(1,964,062)	-
Net cash used in capital and related financing activities	<u>(7,784,810)</u>	<u>-</u>
INVESTING ACTIVITIES		
Investment income	2,159,311	11,123
Rental, lease, and other charges	127,469	-
Net cash provided by investing activities	<u>2,286,780</u>	<u>11,123</u>
Net increase (decrease) in cash and cash equivalents	(157,118)	396,751
CASH AND CASH EQUIVALENTS		
Beginning	53,660,838	1,574,735
Ending	<u>\$ 53,503,720</u>	<u>\$ 1,971,486</u>

(Continued)

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

TOWN OF LEESBURG, VIRGINIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023**

	Business-Type Activities – Enterprise Fund Utilities	Governmental Activities Internal Service Self-Insurance Fund
RECONCILIATION TO EXHIBIT 8		
Cash and cash equivalents	\$ 53,503,720	\$ 1,971,486
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,439,167	\$ (550,540)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,895,240	-
Pension expense, net of contributions	(235,168)	-
Other postemployment benefit expense, net of contributions	(360,121)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(584,879)	(3,104)
Prepaid expenses	33,538	-
Inventories	(121,232)	-
Increase (decrease) in:		
Accounts payable	(632,457)	(831)
Accrued liabilities	(263,271)	-
Insurance and benefit claims	-	940,103
Customer deposits and contingent charges	62,790	-
Net cash provided by operating activities	\$ 7,233,607	\$ 385,628
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	\$ 7,057,614	\$ -
Capital assets included in accounts payable	\$ 761,218	\$ -

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

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2023

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	\$ 78,858
Investments	
Mutual funds-equity	10,010,379
Mutual funds-fixed income	<u>6,264,529</u>
Total investments	<u>16,274,908</u>
Total assets	<u>16,353,766</u>
NET POSITION	
Net position restricted for other postemployment benefits (OPEB)	<u><u>\$ 16,353,766</u></u>

TOWN OF LEESBURG, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2023

	OPEB Trust Fund
	<hr/>
ADDITIONS	
Employer contributions	\$ 508,034
	<hr/>
Total contributions	508,034
INVESTMENT INCOME (LOSS)	
Realized loss on sale of investments	(16,808)
Interest and dividends earned on investments	400,298
Net increase in fair value of investments	953,528
	<hr/>
Total additions, net	1,845,052
	<hr/>
DEDUCTIONS	
Administrative fees	49,946
Benefit payments	508,034
	<hr/>
Total deductions	557,980
	<hr/>
Change in net position	1,287,072
Net position, beginning	15,066,694
	<hr/>
Net position, ending	<u><u>\$ 16,353,766</u></u>

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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 (GAAP) as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). Significant accounting policies of the Town are described below.

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation – Fund Accounting

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

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

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

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

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. The Town reports the NVTAFund as a major fund and the Thomas Balch Library Endowment Fund as a nonmajor governmental fund. In 2023, the Town moved the NVTAFund into the Capital Projects Fund.

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

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

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation – Fund Accounting (Continued)

The Town reports the following internal service fund:

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

Fiduciary Fund – Fiduciary funds (trust and custodial 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 and fiduciary 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

E. Budgetary Data

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

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Data (Continued)

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

Expenditures may not legally exceed budgeted appropriations. The Town Manager has authority to amend or transfer appropriations within the department level. During the year ended June 30, 2023, General Fund supplemental appropriations totaling \$3,694,124 were authorized by Town Council.

F. Other Significant Accounting Policies

1. Cash and cash equivalents

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

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

2. Restricted cash

Restricted cash is comprised of bond proceeds, proffer reserves, performance bonds, police forfeitures, and funds to be used for future projects.

3. Investments

Investments are stated at fair value based on quoted market prices for certain investments. Investments in the Virginia Investment Pool are reported at fair value using the Town's net asset value per share in the pool.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

4. Property taxes

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia (the "County"), for all property of record as of January 1. Real estate taxes are billed and collected by the County and remitted to the Town. 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 in semi-annual installments on May 5 and October 5. The taxable values for Personal Property Tax Revenue is the 80% of assessed value. Collections of real estate and personal property taxes between July 1 and August 31 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended. The billings are considered past due after the respective tax billing date; the applicable property is subject to 10% penalty and interest assessed 30 days therefrom.

5. Estimated unbilled revenue

Utilities Fund revenues are estimated at year end for unbilled services rendered. The amounts are determined by estimating services rendered based on past services provided. At June 30, 2023, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$4.7 million.

6. Prepaid items

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

7. Inventory

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

8. Capital assets

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

8. Capital assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

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

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset.

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.

9. Unearned revenue

Unearned revenue in the governmental funds represents resources that have been received but not yet earned.

10. Inter-fund transactions

Transactions among Town funds that would be treated as revenues and expenditures or expenses if they involved organizations external to the Town government are accounted for as revenues and expenditures or expenses in the funds involved. Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

11. Compensated absences

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

12. Long-term obligations

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

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

13. Bond premiums and discounts

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

14. Performance bonds

The General Fund and Utility Fund each report a liability for performance bonds. The Town requires contractors or developers to provide the Town with a performance bond (safety bond) in order to guarantee that the value of the work will not be lost in the case of an event that permits the contractor/developer from completing the project. Upon completion of the work and satisfactory inspection, the performance bond is refunded to the contractor/developer.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

15. Reserve for proffers

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

16. Deferred outflows/inflows of resources

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

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

The Town has the following items that qualify for reporting as deferred inflows or outflows:

- Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Due to the relationship with outstanding debt, these deferred outflows and inflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions and OPEB; these will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between projected and actual earnings on pension and OPEB plan investments. These differences will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion and differences between employer contributions and the proportionate share of employer contributions, resulting from participation in cost-sharing OPEB plans. These differences will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

16. Deferred outflows/inflows of resources (Continued)

- Governmental funds report unavailable revenue from property taxes and other receivables not collected within the availability period. These amounts are recognized as an inflow of resources in the period they become available.
- Tax collections or governmental grants received before the period in which they are eligible for use are shown as a deferred inflow.
- Differences between expected and actual experience for economic/demographic factors and changes of assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Lease-related amounts are recognized at the inception of leases in which the Town is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

17. Pension and other postemployment benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of Town's plans and the additions to/deductions from the Town's plans net fiduciary positions have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and the Town. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

18. Fund balances

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

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

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

18. Fund balances (Continued)

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

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

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

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

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Fund. Encumbrances outstanding at year end are reported as reservations in the appropriate category of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. General Fund encumbrances totaling approximately \$3.5 million have been classified as assigned fund balance. Capital Projects Fund encumbrances totaling approximately \$27 million have been classified as committed fund balance.

19. Net position

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

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other Significant Accounting Policies (Continued)

20. Use of estimates

The preparation of financial statements in accordance with GAAP 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.

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), the Virginia State Non-Arbitrage Program (SNAP), and the VML/VACO Investment Pool.

Custodial credit risk (deposits)

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2. Deposits and Investments (Continued)

Investment Policy

Investments

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

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

1. Treasury Securities

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

2. Agency Securities

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

3. Prime Commercial Paper

Commercial paper maturing within 270 days of the day of purchase with at least two of the following ratings: (i) at least P-1 or higher by Moody's; (ii) A-1 or higher by Standard & Poor's; or, (iii) at least F-1 by Fitch Ratings provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt has received at least two of the following ratings: (i) at least A by Moody's; (ii) at least A by Standard & Poor's; or (iii) at least F-1 by Fitch Ratings.

4. Certificates of Deposit

Certificates of deposit maturing within one year and issued by domestic banks that have received at least two of the following ratings: (i) at least rated P-1 by Moody's; (ii) at least A-1 by Standard & Poor's; or (iii) at least F-1 by Fitch Ratings.

At year end, the Town has \$75.8 million in certificates of deposit.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investments (Continued)

5. *Bankers' Acceptances*

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

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

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

7. *Repurchase Agreements*

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

8. *Open-End Investment Funds*

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

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

The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The carrying value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB 79. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

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

The Independent U.S. Bank – OPEB Trust included the OPEB Trust plan totaling \$16,353,766. The Trust is used for funding the Other Postemployment Benefit (OPEB). Additional details concerning this Trust are discussed further in Note 10.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investments (Continued)

11. Virginia State Non-Arbitrage Program (SNAP)

Investment in the Virginia State Non-Arbitrage Program (SNAP) is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the *Code of Virginia*, the Government Non-Arbitrage Investment Act authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing (“Virginia governments”) in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof. The Virginia SNAP has been assigned an “AAAm” rating by Standard & Poor’s. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 90 days or less, seeks to maintain a constant net value (NAV) per share of \$1, and is stated at amortized cost in accordance with GASB 79. The Commonwealth of Virginia’s Treasury Board has contracted with PFM Asset Management, LLC, M&T Bank, and U.S. Bank, N.A. to provide professional services and regulating oversight to the SNAP Program.

12. Federally Insured Certificates of Deposit (CDARS)

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

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

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

VML/VACo’s pooled investment program is used by local governments to invest assets they expect to hold longer than one year. Participants are invested in high-quality corporate and government securities with an average duration of one to two years.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2. Deposits and Investments (Continued)

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the Town's investments in LGIP, SNAP, and the VML/VACo stable NAV liquidity pool are rated "AAAm." The Town's investment in the VML/VACo 1-3 Year High Quality Bond Fund is rated 'AA+f/S1. All credit ratings presented in this paragraph are S&P Global ratings. The Town does not have a policy that addresses investment credit risk.

Interest Rate Risk

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

	<u>Fair Value</u>	<u>Less Than 1 Year</u>
LGIP	\$ 14,888,678	\$ 14,888,678
SNAP	4,318,120	4,318,120
U.S. Bank OPEB Trust	16,353,766	16,353,766
VML/VACo Investment Pool	26,809,888	26,809,888

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The Town has the following recurring fair value measurements as of June 30, 2023:

- Money markets and mutual funds in the amount of \$16,353,766 are valued using quoted market prices (Level 1 inputs).

Investments	\$ 62,370,452
Deposits	<u>88,794,997</u>

Total deposits and investments	<u><u>\$ 151,165,449</u></u>
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Reconciliation of deposits and investments

Exhibit 1:

Cash and cash equivalents	\$ 127,711,277
Cash and cash equivalents, restricted	<u>7,100,406</u>

Total Exhibit 1 deposits and investments	<u>134,811,683</u>
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Exhibit 11:

Cash and cash equivalents	78,858
Investments	<u>16,274,908</u>

Total Exhibit 11 deposits and investments	<u>16,353,766</u>
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Total Exhibits deposits and investments	<u><u>\$ 151,165,449</u></u>
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Restricted cash and cash equivalents consists of bond proceeds and grant funds received in advance for capital projects.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS June 30, 2023

Note 3. Receivables

Receivables, other than leases, at June 30, 2023, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects	Internal Service Fund	Utilities Fund	Totals
Property taxes, including penalties	\$ 11,966,103	\$ -	\$ -	\$ -	\$ 11,966,103
Utility taxes	166,670	-	-	-	166,670
Local taxes	1,079,019	-	-	-	1,079,019
Accounts	460,785	61,948	25,609	6,320,644	6,868,986
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross receivables	13,672,577	61,948	25,609	6,320,644	20,080,778
Less allowance for uncollectable accounts	316,795	-	-	75,000	391,795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	<u>\$ 13,355,782</u>	<u>\$ 61,948</u>	<u>\$ 25,609</u>	<u>\$ 6,245,644</u>	<u>\$ 19,688,983</u>

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

	Unavailable	Unearned
Second half real estate billed in advance	\$ 9,426,351	\$ 9,426,351
Second half personal property billed in advance	1,915,727	1,915,727
Delinquent property taxes receivable	365,933	-
Prepaid property taxes	602,468	602,468
Other	-	97,165
	<hr/>	<hr/>
	<u>\$ 12,310,479</u>	<u>\$ 12,041,711</u>

The Capital Projects Fund reported unearned revenue of \$14,599,552 in connection with funding from Loudoun County for various projects the Town has ongoing. The General Fund also reported unearned revenue of \$15,408 associated with the Virginia Stormwater Management Program (“VSMP”) permits for which the Department of Environmental Quality (“DEQ”) has already provided the Town funding to cover the cost associated with the permit review and inspections for VSMP. The remaining balance consists of \$81,757 in grants.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 4. Leases Receivable

The Town, as lessor, has entered into several non-cancellable lease agreements involving land and infrastructure, several of which are with global telecommunication providers. The Town uses an implicit interest rate or rate stated in the lease as a discount rate for each. The Town has leases receivable of \$3,282,338 and deferred inflows of resources of \$3,171,200 as of June 30, 2023 related to these leases in the Utilities Fund. The Town has leases receivable of \$291,226 and deferred inflows of resources of \$217,223 as of June 30, 2023 related to these leases in the General Fund. The total amount of inflows of resources, including lease revenue and interest revenue related to these leases, recognized during the fiscal year was \$228,465 for the Utilities Fund. The total amount of inflows of resources, including lease revenue and interest revenue related to these leases, recognized during the fiscal year was \$142,627 for the General Fund. The significant telecommunication-related leases are as follows:

<u>Lease*</u>	<u>Fund</u>	<u>Contract Date</u>	<u>Maturity Date</u>
AT&T Carr 2 Tank	Utilities	05/31/2013	06/30/2038
New Cingular Hogback Tank	Utilities	07/21/2014	07/15/2039
T-Mobile Carr 2 Tank	Utilities	04/12/2010	04/11/2035
T-Mobile Hospital Tank	Utilities	08/26/2010	08/23/2035
Public Works	General	03/13/2019	03/12/2024
SummitIG	General	01/21/2020	01/20/2025

* Maturity date includes option years, if applicable.

The Town, as lessor, has entered into several non-cancellable lease agreements involving land, hangars, and buildings related to the airport. The leases provide for annual rental increases and pass-through of certain maintenance costs. The Town uses an implicit interest rate or rate stated in the lease as a discount rate for each. The Town has leases receivable of \$3,680,486 and deferred inflows of resources of \$3,591,672 as of June 30, 2023 related to these leases in the General Fund. The total amount of inflows of resources, including lease revenue and interest revenue related to these leases recognized during the fiscal year was \$277,329 for the General Fund. The significant leases related to the airport are as follows:

<u>Lease*</u>	<u>Contract Date</u>	<u>Maturity Date</u>
Federal Aviation – Building	04/11/2018	04/30/2038
Hangar Pad – Site B – Land	07/01/2019	06/30/2039
Aviation Adventures – Building	06/01/2009	05/31/2024
Office Extension – Building	08/26/2015	01/31/2026
Aviation Fuel Tank	05/24/2021	06/30/2041

* Maturity date includes option years, if applicable.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 4. Leases Receivable (Continued)

The Town, as lessor, has entered into several non-cancellable lease agreements involving right-of-way land access. The Town uses an implicit interest rate or rate stated in the lease as a discount rate for each. The Town has leases receivable of \$16,092 and deferred inflows of resources of \$15,209 as of June 30, 2023 related to these leases in the General Fund. The total amount of inflows of resources, including lease revenue and interest revenue, related to these leases recognized during the fiscal year was \$4,463 for the General Fund.

The significant right-of-way related leases are as follows:

<u>Lease*</u>	<u>Fund</u>	<u>Contract Date</u>	<u>Maturity Date</u>
AT&T Third Renewal	General	11/08/2021	11/27/2026

* Maturity date includes option years, if applicable.

Below is a summary of leases receivable and deferred inflows of resources related to leases as of June 30, 2023:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Leases receivable			
Telecommunications land and infrastructure	\$ 291,226	\$ 3,282,338	\$ 3,573,564
Airport related	3,680,486	-	3,680,486
Right of way easements	16,092	-	16,092
Total leases receivable	<u>\$ 3,987,804</u>	<u>\$ 3,282,338</u>	<u>\$ 7,270,142</u>
Deferred inflows of resources			
Telecommunications land and infrastructure	\$ 217,223	\$ 3,171,200	\$ 3,388,423
Airport related	3,591,672	-	3,591,672
Right of way easements	15,209	-	15,209
Total deferred inflows of resources	<u>\$ 3,824,104</u>	<u>\$ 3,171,200</u>	<u>\$ 6,995,304</u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 5. Due from Other Governments

At June 30, 2023, amounts due from other governments were as follows:

General Fund:

County of Loudoun:

Real estate taxes	\$ 6,007,634
Local sales taxes	1,137,251
Personal property taxes	222,464
Public service corporations	84,833
Traffic fines	21,220
Other	<u>1,097</u>

7,474,499

Commonwealth of Virginia:

Other taxes and grants	637
Car rental tax	38,654
Communication sales and use	<u>238,352</u>

277,643

Federal Government:

Department of Justice	4,436
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Other:

Cigarette tax	<u>54,033</u>
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7,810,611

Capital Projects Fund:

Commonwealth of Virginia:

Virginia Department of Transportation	3,416,730
Virginia Department of Aviation	<u>93,275</u>

\$ 3,510,005

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 5. Due from Other Governments (Continued)

Capital Projects Fund: (Continued)

Federal Government:

Department of Aviation	\$ 211,968
Department of Treasury	158,000

Northern Virginia Transportation Authority (NVTa)	<u>3,672,115</u>
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	<u>4,042,083</u>
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Total capital projects fund	<u>7,552,088</u>
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Total governmental activities	<u><u>\$ 15,362,699</u></u>
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NVTA funding

The Town is awarded funding for various transportation projects by the NVTA. Funding is appropriated by the NVTA and the Town is eligible to draw down such funds as expenditures are incurred. The Town is also awarded Local Distribution Funds from the NVTA based on 30% of NVTA monthly revenue. These funds are distributed to Loudoun County to be distributed to the Town. Revenue related to NVTA funding amounted to \$4,197,802 during 2023 and is included in intergovernmental revenue in the capital projects fund.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2023 for governmental activities is as follows:

	Beginning Balance, Restated*	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 64,788,422	\$ 957,541	\$ -	\$ 65,745,963
Construction in progress	14,670,792	5,541,757	(2,202,546)	18,010,003
Total capital assets, not being depreciated	79,459,214	6,499,298	(2,202,546)	83,755,966
Capital assets, being depreciated:				
Buildings and improvements	87,124,020	4,492,917	-	91,616,937
Furniture and equipment	8,399,006	787,510	(134,124)	9,052,392
Computer equipment and software	4,065,712	35,663	(44,882)	4,056,493
Vehicles	7,679,927	1,080,944	(403,433)	8,357,438
Infrastructure	88,493,758	3,735,894	-	92,229,652
Streets	268,793,860	2,702,776	-	271,496,636
Hangars	6,057,289	-	-	6,057,289
Runways	16,569,753	-	-	16,569,753
Terminals	6,677,993	9,736,042	-	16,414,035
Total capital assets being depreciated	493,861,318	22,571,746	(582,439)	515,850,625
Less accumulated depreciation and for:				
Buildings and improvements	(42,477,380)	(1,810,522)	-	(44,287,902)
Furniture and equipment	(6,501,089)	(586,260)	134,125	(6,953,224)
Computer equipment and software	(3,354,630)	(246,255)	33,905	(3,566,980)
Vehicles	(4,417,732)	(758,832)	403,433	(4,773,131)
Infrastructure	(31,948,731)	(1,819,175)	-	(33,767,906)
Streets	(65,430,727)	(5,100,142)	-	(70,530,869)
Hangars	(3,357,621)	(181,404)	-	(3,539,025)
Runway	(15,365,758)	(334,034)	-	(15,699,792)
Terminals	(3,464,232)	(143,228)	-	(3,607,460)
Total accumulated depreciation	(176,317,900)	(10,979,852)	571,463	(186,726,289)
Total capital assets being depreciated, net	317,543,418	11,591,894	(10,976)	329,124,336
Subscription assets, being amortized:				
Software – general administration	2,806,774	-	-	2,806,774
Less accumulated amortization for:				
Software	-	(705,345)	-	(705,345)
Governmental activities capital assets, net	\$ 399,809,406	\$ 17,385,847	\$ (2,213,522)	\$ 414,981,731

* Restated beginning balance for subscription asset implementation as of July 1, 2022. See also depreciation adjustment in Note 15 for prior period adjustment.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 6. Capital Assets (Continued)

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

Governmental activities:	
Legislative	\$ 33,691
Executive	282,986
Finance and administrative services	842,051
Public safety	484,560
Parks and recreation	981,832
Planning and zoning	2,194
Balch Library	14,306
Public works	8,057,671
Airport	985,906
	<u>11,685,197</u>
Total depreciation and amortization expense – governmental activities	<u>\$ 11,685,197</u>

Capital asset activity for the year ended June 30, 2023 for business-type activities is as follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,577,329	\$ -	\$ -	\$ 1,577,329
Construction in progress	3,861,764	3,150,894	(415,228)	6,597,430
	<u>5,439,093</u>	<u>3,150,894</u>	<u>(415,228)</u>	<u>8,174,759</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Water and sewer plant	127,318,765	1,920,111	-	129,238,876
Water and sewer lines	158,862,342	8,598,853	-	167,461,195
Furniture, equipment, and software	5,954,829	1,335,261	(133,237)	7,156,853
Vehicles	3,996,556	126,509	(317,407)	3,805,658
	<u>296,132,492</u>	<u>11,980,734</u>	<u>(450,644)</u>	<u>307,662,582</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Water and sewer plant	(48,224,189)	(2,654,798)	-	(50,878,987)
Water and sewer lines	(56,238,123)	(3,080,100)	-	(59,318,223)
Furniture, equipment, and software	(2,976,951)	(838,064)	117,235	(3,697,780)
Vehicles	(2,088,538)	(322,278)	306,110	(2,104,706)
	<u>(109,527,801)</u>	<u>(6,895,240)</u>	<u>423,345</u>	<u>(115,999,696)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	186,604,691	5,085,494	(27,299)	191,662,886
	<u>186,604,691</u>	<u>5,085,494</u>	<u>(27,299)</u>	<u>191,662,886</u>
Business-type activities capital assets, net	\$ 192,043,784	\$ 8,236,388	\$ (442,527)	\$ 199,837,645
	<u>\$ 192,043,784</u>	<u>\$ 8,236,388</u>	<u>\$ (442,527)</u>	<u>\$ 199,837,645</u>

*See depreciation adjustment in Note 15 for prior period adjustment disclosure.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Long-Term Debt

In 2023, the Town implemented the guidance GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset on the government-wide financial statements.

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, 2023 includes the following bond issues:

General Obligation Bonds:

\$24,800,000 2014 General Obligation and Refunding Bonds, due in annual installments of \$85,000 to \$2,140,000 through January 2044, plus interest at 2.00% to 5.00%.	\$ 18,055,000
\$46,975,000 2015 General Obligation and Refunding Bonds, due in annual installments of \$360,000 to \$3,765,000 through January 2037, plus interest at 2.00% to 5.00%.	31,120,000
\$11,185,000 2016 VRA Refunding Bonds, due in annual installments of \$180,000 to \$1,085,000 through November 2040, plus interest at 2.710% to 5.125%.	9,695,000
\$25,500,000 maximum drawdown 2019 Series A General Obligation Bond Anticipation Note, due June 13, 2024, plus interest at 2.561% due monthly.	7,059,731
\$32,500,000 maximum drawdown 2019 Series B General Obligation Bond Anticipation Note, due June 13, 2024, plus interest at 2.561% due monthly.	6,253,295
\$12,260,000 2019 Series General Obligation Refunding Bonds, due in semi-annual installments of \$271,000 to \$1,319,900 through January 2039, plus interest at 2.25% to 5.00%.	9,625,000
\$13,250,000 2020 Series General Obligation Refunding Bonds, due in semi-annual installments of \$55,000 to \$3,015,000 through June 2035, plus interest at 1.25% to 5.00%.	7,650,000
\$10,879,000 2021 Series General Obligation Refunding Bonds, due in semi-annual installments of \$442,000 to \$630,000 through January 2042, plus interest at 1.537%.	10,437,000
	99,895,026
Plus unamortized premiums, net	8,441,257
Total bonded debt	<u>\$ 108,336,283</u>

(Continued)
A-63

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 7. Long-Term Debt (Continued)

Notes Payable from Financing Leases and Direct Borrowings:

\$1,750,000 Capital Asset Replacement, due in semi-annual installments of \$343,000 to \$359,000 through January 2026, including interest at 1.46%.	\$ 1,060,000
\$1,253,561 Equipment Financing, due in semi-annual installments of \$134,965 through January 2024, including interest at 2.73%.	264,498
\$1,036,390 Equipment Financing, due in semi-annual installments of \$109,220 through January 2025, including interest at 1.93%.	427,973
\$960,597 Equipment Financing, due in semi-annual installments of \$99,068 through January 2026, including interest at 1.13%.	581,413
\$1,725,373 Capital Asset Replacement, due in semi-annual installments of \$345,075 through January 2027, including interest at 3.387%.	1,380,298
\$1,325,525 Capital Asset Replacement, due in annual installments of \$265,105 through July 2028, including interest at 5.218%.	<u>1,325,525</u>
Total notes payable	<u>\$ 5,039,707</u>

Subscription-Based Information Technology Arrangements

The Town has entered into several non-cancellable subscription liability agreements that convey controls of the right to use another party's information technology software, along or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction. At the commencement of the subscription, the Town initially measured the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The Town used its estimated incremental borrowing rate as the rate for subscriptions, which ranged from 2.02% to 2.27%. The significant contracts are as follows:

<u>Subscription Contract*</u>	<u>Contract Date</u>	<u>Maturity Date</u>
GovernmentJobs	11/01/2021	1/31/2026
Eventeny	06/01/2022	05/31/2025
Grancicus	07/01/2020	06/30/2024
Lumos Networks	03/01/2021	02/28/2025

* Maturity date includes option years, if applicable.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 7. Long-Term Debt (Continued)

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

Description	Business-Type Activities	Governmental Activities	Total
Bonded long-term debt:			
2014 General obligation & refunding	\$ 10,745,000	\$ 7,310,000	\$ 18,055,000
2015 General obligation & refunding	22,380,000	8,740,000	31,120,000
2016 VRA refunding	3,493,015	6,201,985	9,695,000
2019 Series A General obligation	-	7,059,731	7,059,731
2019 Series B General obligation	6,253,295	-	6,253,295
2019 General obligation & refunding	3,025,000	6,600,000	9,625,000
2020 Restructuring	3,890,000	3,760,000	7,650,000
2021 General obligation & refunding	-	10,437,000	10,437,000
Total bonds payable	49,786,310	50,108,716	99,895,026
Plus:			
Unamortized premiums	4,244,729	4,196,528	8,441,257
Notes payable from financed purchases and direct borrowings:			
Equipment financing	7,911	2,591,498	2,599,409
Capital asset replacement	-	2,440,298	2,440,298
Total notes payable	7,911	5,031,796	5,039,707
Subscription liability	-	2,070,986	2,070,986
Total	<u>\$ 54,038,950</u>	<u>\$ 61,408,026</u>	<u>\$ 115,446,976</u>

The following is a summary of long-term liability activity of the Town for the year ended June 30, 2023:

	Beginning Balance*	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 50,623,920	\$ 5,390,781	\$ 5,905,985	\$ 50,108,716	\$ 12,508,938
Unamortized premiums	4,648,883	-	452,355	4,196,528	-
Notes payable from financing and direct borrowings	5,161,834	1,325,526	1,455,564	5,031,796	1,623,022
Subscription liability	2,785,074	-	714,088	2,070,986	743,310
Compensated absences	3,028,167	2,367,436	2,207,961	3,187,642	2,324,242
Governmental activities long-term liabilities	<u>\$ 66,247,878</u>	<u>\$ 9,083,743</u>	<u>\$ 10,735,953</u>	<u>\$ 64,595,668</u>	<u>\$ 17,199,512</u>

* Restated beginning balance for subscription liability implementation as of July 1, 2022.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 7. Long-Term Debt (Continued)

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

Year Ending June 30,	Bonded Obligations		Notes Payable from Financing and Direct Borrowings		Subscription Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 12,508,938	\$ 1,691,855	\$ 1,623,022	\$ 155,748	\$ 743,310	\$ 46,052
2025	4,715,530	1,266,714	1,369,749	107,725	678,586	29,353
2026	4,328,732	1,050,218	1,163,741	71,768	649,090	14,767
2027	3,850,734	878,297	610,180	39,355	-	-
2028	3,486,158	711,212	265,104	13,834	-	-
2029-2033	13,766,624	1,779,697	-	-	-	-
2034-2038	4,995,000	415,291	-	-	-	-
2039-2043	2,457,000	95,172	-	-	-	-
	<u>\$ 50,108,716</u>	<u>\$ 7,888,456</u>	<u>\$ 5,031,796</u>	<u>\$ 388,430</u>	<u>\$ 2,070,986</u>	<u>\$ 90,172</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 50,832,756	\$ 2,499,569	\$ 3,546,015	\$ 49,786,310	\$ 9,716,089
Unamortized premiums	4,547,735	-	303,006	4,244,729	-
Notes payable from financing and direct borrowings	10,849	-	2,938	7,911	2,980
Compensated absences	860,763	648,289	631,227	877,825	643,739
Business-type activities long-term liabilities	<u>\$ 56,252,103</u>	<u>\$ 3,147,858</u>	<u>\$ 4,483,186</u>	<u>\$ 54,916,775</u>	<u>\$ 10,362,808</u>

Government activities' compensated absences, pension liabilities, and other post-employment liabilities are generally liquidated by the general fund.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Long-Term Debt (Continued)

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

Year Ending June 30,	Bonded Obligations		Notes Payable from Financing Leases and Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 9,716,089	\$ 1,748,476	\$ 2,980	\$ 97
2025	3,358,469	1,489,089	3,022	54
2026	3,353,268	1,321,781	1,909	16
2027	3,408,266	1,171,743	-	-
2028	3,190,842	1,018,699	-	-
2029-2032	14,469,376	3,504,093	-	-
2033-2037	10,725,000	1,223,278	-	-
2038-2042	1,450,000	132,944	-	-
2043-2047	115,000	4,169	-	-
	<u>\$ 49,786,310</u>	<u>\$ 11,614,272</u>	<u>\$ 7,911</u>	<u>\$ 167</u>

The legal debt margin for the Town mandated by the Commonwealth of Virginia is \$1,083 million, which is computed based upon 10% of the assessed value on real estate subject to taxation.

Note 8. Interfund Transfers and Balances

	Transfer In		
	General	Capital Projects	Total
Transfer out			
General	\$ -	\$ 1,900,967	\$ 1,900,967
Capital projects	1,766,253	-	1,766,253
NVTA	-	65,449	65,449
Utility	1,893,000	-	1,893,000
	<u>\$ 3,659,253</u>	<u>\$ 1,966,416</u>	<u>\$ 5,625,669</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, (3) close the residual balances of certain funds into other funds. The Town closed the NVTA Fund into the Capital Projects Fund on July 1, 2022, which is shown above as a transfer for \$65,449.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 9. Commitments and Contingent Liabilities

Pump station pro-rata

In 2017, the Town approved a pro-rata agreement with the developer of a pump station, which included a 25-year sunset clause which will go into effect in 2042. The clause states the Town will reimburse Arcadia and the Kettler properties, the developers of the pump station, the difference between the sum of the Town's maximum reimbursement obligations owed to each, adjusted by the Engineering News Record Construction Cost Index value at the time of payment based on change of the index value from the time of the effective date of the agreement, less the amounts collected from benefited parcels by the Town and previously reimbursed to the developers. While the sunset clause has not yet gone into effect, the Town has estimated a projected liability of \$1,228,557, which is the present value of an estimated \$2.5 million liability using a discount rate of 3.81%. The Leesburg Town Council approved a resolution on November 14, 2023 requiring the remaining benefitting property owners to pay the pro-rata amounts remaining due to the developers as the properties are developed. If the Town is required to pay the developer in 2040, then the Town will also acquire any accounts receivable still due on the undeveloped properties.

Federal and state-assisted programs

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

Construction commitments

At June 30, 2023, the Town was contractually obligated, except for milling and paving street maintenance, for \$26,600,032 to complete various construction projects within the Town. The funds for these improvements are expected to come from fund balance reserves, the issuance of debt, federal funding, and state funding.

Litigation

Various claims and lawsuits are pending against the Town. It is the opinion of management, after consulting with legal counsel, that the potential loss, if any, on all claims and lawsuits will not materially affect the Town's financial position due to adequate insurance coverage.

Note 10. Other Postemployment Benefits – Local Plan

Plan Description and Funding Policy

The Town participates in the Retiree Healthcare and Life Insurance Benefit Programs, which is a single-employer benefit plan. Employees hired after April 1, 2016 are no longer eligible for Retiree Healthcare and Life Insurance Benefit Programs. Other postemployment benefits provided by the Town include Medicare health care benefits to retired employees and their dependents provided they satisfy one of the following requirements:

- General and Utilities Employees: Age 65 with 5 or more years of service and retired under the Virginia Retirement System

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Other Postemployment Benefits – Local Plan (Continued)

Plan Description and Funding Policy (Continued)

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

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

The Town establishes employer contribution rates for plan participants and determines how the Town's contribution will be funded as part of the budgetary process each year. Employees retiring under the state retirement system with a minimum of 10 years of Town service shall be eligible for supplemental Medicare insurance, in compliance with all state and federal laws. Employees who retire with 20 or more years; at least 15 years but less than 20 years; and at least 10 years but less than 15 years of service will pay 10%, 50%, and 75%, respectively, of the monthly health insurance premiums and supplemental Medicare insurance. Retired employees participating in the plan shall pay all additional premiums for spouse or dependent coverage requested. Employees retiring prior to December 31, 2002, with 20 or more years of service have 100% of their monthly health insurance premiums and supplemental Medicare insurance paid by the Town.

The Town will pay between 25% and 90% of the premium for retirees based on years of service. Employees hired after April 1, 2016 pay 100% of their retiree health insurance premium.

Employees Covered by Benefit Terms

As of the July 1, 2022 valuation date, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries:	
Retired/beneficiaries	82
LODA recipients	3
	<hr/>
Total inactive employees	85
Active plan members	<hr/>
	356
	<hr/>
Total covered employees	441
	<hr/>

Net OPEB Liability

The Town's total net OPEB liability of \$4,808,227 was measured as of June 30, 2023 and was determined by an actuarial valuation performed as of July 1, 2022.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Other Postemployment Benefits – Local Plan (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation	2.5%
Salary increases, including inflation	3.00%
Healthcare cost trend rates	6.0% initially, grading down to 3.94%
Investment rate of return	7.00%
Retirees' share of benefit-related costs	10%, 50% or 75%

Mortality rates used are based on the mortality improvement (MP2021) scale.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2021 through June 30, 2022.

Changes in assumptions and other inputs reflects change in discount rate due to an updated depletion date projection and change in municipal bond index rate.

Trust Fund Investments

Investment decisions for the fund's assets are made by the Town's investment advisor, in accordance with the established and approved investment objectives, risk tolerance, and asset allocation policies set forth in the Town's Trust Authority or by the OPEB Trust Finance Board. The Town established a Finance Board to oversee the plan administration. The advisor monitors the investment to ensure adherence to the adopted policies and guidelines in light of the market and economic conditions, and generally prevailing prudent investment practices. In addition, the advisor reviews, monitors, and evaluates the performance of the investments and its investment agents for the generally accepted evaluation and measurement of such performance. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciations and, secondarily, principal protection.

Concentrations: There are no investments in any one organization that represent 5 percent or more of the OPEB Trust's fiduciary net position. The investments are in various mixed mutual funds.

Rate of return: For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense was 7.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Other Postemployment Benefits – Local Plan (Continued)

Trust Fund Investments (Continued)

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Rate of Return</u>	<u>Weighted Long-Term Expected Rate of Return</u>
Domestic Equity	39.00 %	8.95 %	2.52 %
International	21.00	9.11	1.39
Fixed Income – U.S.	40.00	4.40	0.76
Total	100.00 %		4.67
	Inflation		2.50
			<u>7.17 %</u>

Discount Rate: The discount rate used to measure the total OPEB liability is 6.50%. The Town's funding expectations/policy is to contribute the Actuarially Determined Contribution each year, with a minimum amortization (level percentage of payroll) of ten years. On this basis, it is expected that benefits will be paid from the trust until 2065, at which time the trust will be depleted.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Other Postemployment Benefits – Local Plan (Continued)

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2021	\$ 19,704,629	\$ 15,066,694	\$ 4,637,935
Changes for the year:			
Service cost	186,051	-	186,051
Interest	1,354,404	-	1,354,404
Experience gains (losses)	(408,976)	-	(408,976)
Contributions – employer	-	508,034	(508,034)
Net investment income	-	1,287,072	(1,287,072)
Assumption changes	833,919	-	833,919
Benefit payments	(508,034)	(508,034)	-
Net changes	1,457,364	1,287,072	170,292
Balances at June 30, 2022	\$ 21,161,993	\$ 16,353,766	\$ 4,808,227

The plan's fiduciary net position as a percent of Total OPEB Liability 77.28%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower, 5.50%, or one percentage point higher, 7.50%, than the current discount rate:

	1.00% Decrease (5.50)%	Current Discount Rate (6.50)%	1.00% Increase (7.50)%
Net OPEB liability	\$ 8,249,949	\$ 4,808,227	\$ 2,048,183

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Other Postemployment Benefits – Local Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage point lower, 2.94%, or one percentage point higher, 4.94%, than the current healthcare cost trend rates:

	1.00% Decrease (2.94)%	Current Healthcare Cost Trend Rates (3.94)%	1.00% Increase (4.94)%
Net OPEB liability	\$ 1,953,690	\$ 4,808,227	\$ 8,360,639

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$(1,057,215). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,457,308
Changes of assumptions	3,829,923	2,035,480
Net difference between projected and actual earnings on OPEB plan investments	<u>1,137,287</u>	<u>-</u>
Total	<u>\$ 4,967,210</u>	<u>\$ 6,492,788</u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 10. Other Postemployment Benefits – Local Plan (Continued)

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

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

Year Ended June 30,	Increase (Decrease) to OPEB Expense
2024	\$ (1,629,263)
2025	(1,639,790)
2026	868,846
2027	442,254
2028	432,375
Thereafter	-

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	\$172,825
June 30, 2022 Contribution	\$155,587

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

The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	\$ 1,594,705
June 30, 2022 proportion	0.13244%
June 30, 2021 proportion	0.13181%
June 30, 2023 expense	\$ 63,505

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

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liability, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,281	\$ 63,976
Changes of assumptions	59,480	155,331
Net difference between projected and actual earnings on OPEB plan investments	-	99,646
Changes in proportion	62,719	5,887
Employer contributions subsequent to the measurement date	172,825	-
	<hr/>	<hr/>
Total	<u>\$ 421,305</u>	<u>\$ 324,840</u>

The \$172,825 deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

Year Ended June 30,	Increase (Decrease) to OPEB Expense
2024	\$ (8,453)
2025	(5,143)
2026	(68,673)
2027	16,365
2028	(10,456)

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 12.

Net OPEB Liability

The net OPEB liability represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the VRS OPEB program is as follows (amounts expressed in thousands):

	<u>Group Life Insurance Program</u>
Total OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability	1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21%

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

Group Life Insurance

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33
	Inflation		2.50
	*Expected arithmetic nominal return		7.83 %

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including inflation of 2.50%.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 11. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (5.75)% or one percentage point higher (7.75)% than the current discount rate:

	<u>1.00% Decrease (5.75)%</u>	<u>Current Discount Rate (6.75)%</u>	<u>1.00% Increase (7.75)%</u>
GLI Net OPEB liability	\$ 2,320,483	\$ 1,594,705	\$ 1,008,178

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Comprehensive Annual Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Defined Benefit Pension Plan

Plan Description

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

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>213</u>
Inactive members:	
Vested inactive members	115
Non-vested inactive members	116
Inactive members active elsewhere in VRS	<u>106</u>
Total inactive members	<u>337</u>
Active members	<u>351</u>
Total covered employees	<u><u>901</u></u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Defined Benefit Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2023 was 12.22% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$3,664,402 and \$3,091,539 for the years ended June 30, 2023 and 2022, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 45% to 70% of deaths are assumed to be service-related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33
	Inflation		2.50
			<u>7.83 %</u>

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2021	\$ 129,062,091	\$ 124,396,342	\$ 4,665,749
Changes for the year:			
Service cost	3,053,217	-	3,053,217
Interest	8,734,431	-	8,734,431
Differences between expected and actual experience	57,051	-	57,051
Contributions – employer	-	3,091,539	(3,091,539)
Contributions – employee	-	1,390,152	(1,390,152)
Net investment income	-	(166,263)	166,263
Benefit payments, including refunds of employee contributions	(5,432,665)	(5,432,665)	-
Administrative expenses	-	(76,939)	76,939
Other changes	-	2,895	(2,895)
Net changes	6,412,034	(1,191,281)	7,603,315
Balances at June 30, 2022	\$ 135,474,125	\$ 123,205,061	\$ 12,269,064

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 12. Defined Benefit Pension Plan (Continued)

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

The following presents the net pension liability of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (5.75)% or one percentage point higher (7.75)% than the current rate:

	<u>1.00% Decrease (5.75)%</u>	<u>Current Discount Rate (6.75)%</u>	<u>1.00% Increase (7.75)%</u>
Political subdivision's net pension liability (asset)	\$ 31,333,575	\$ 12,269,064	\$ (3,200,881)

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

For the year ended June 30, 2023, the political subdivision recognized pension expense of \$2,544,554. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 95,092	\$ 761,232
Change in assumptions	2,031,224	-
Net difference between projected and actual earnings on pension plan investments	-	3,468,639
Employer contributions subsequent to the measurement date	<u>3,664,402</u>	<u>-</u>
Total	<u>\$ 5,790,718</u>	<u>\$ 4,229,871</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 12. Defined Benefit Pension Plan (Continued)

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

The \$3,664,402 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Decrease) to Pension Expense
2024	\$ (327,580)
2025	(1,120,428)
2026	(2,361,233)
2027	1,705,686
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2023, \$440,075 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 13. Summary of Pension and Other Postemployment Benefits Elements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Deferred outflows of resources – pensions			
Difference between expected and actual experience			
VRS	\$ 75,123	\$ 19,969	\$ 95,092
Changes in assumptions			
VRS	1,604,667	426,557	2,031,224
Employer contributions subsequent to the measurement date			
VRS	<u>2,894,877</u>	<u>769,525</u>	<u>3,664,402</u>
 Total deferred outflows of resources – pensions	 <u><u>\$ 4,574,667</u></u>	 <u><u>\$ 1,216,051</u></u>	 <u><u>\$ 5,790,718</u></u>
Deferred outflows of resources – OPEB			
Difference between expected and actual experience			
VRS GLI	\$ 99,762	\$ 26,519	\$ 126,281
Change in assumptions			
Local plan	3,025,639	804,284	3,829,923
VRS GLI	46,989	12,491	59,480
Net difference between projected and actual investment earnings – on OPEB plan investments			
Local plan	898,457	238,830	1,137,287
Change in proportionate share			
VRS GLI	49,548	13,171	62,719
Employer contributions subsequent to the measurement date			
VRS GLI	<u>136,532</u>	<u>36,293</u>	<u>172,825</u>
 Total deferred outflows of resources – OPEB	 <u><u>\$ 4,256,927</u></u>	 <u><u>\$ 1,131,588</u></u>	 <u><u>\$ 5,388,515</u></u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 13. Summary of Pension and Other Postemployment Benefits Elements (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Net pension liability			
VRS	\$ 9,692,561	\$ 2,576,503	\$ 12,269,064
Total net pension liability	<u>\$ 9,692,561</u>	<u>\$ 2,576,503</u>	<u>\$ 12,269,064</u>
Net OPEB liability			
Local plan	\$ 3,798,499	\$ 1,009,728	\$ 4,808,227
VRS GLI	<u>1,259,817</u>	<u>334,888</u>	<u>1,594,705</u>
Total net OPEB liability	<u>\$ 5,058,316</u>	<u>\$ 1,344,616</u>	<u>\$ 6,402,932</u>
Deferred inflows of resources – pensions			
Difference between expected and actual experience			
VRS	\$ 601,373	\$ 159,859	\$ 761,232
Net difference between projected and actual investment earnings on OPEB plan investments			
VRS	<u>2,740,225</u>	<u>728,414</u>	<u>3,468,639</u>
Total deferred inflows of resources – pensions	<u>\$ 3,341,598</u>	<u>\$ 888,273</u>	<u>\$ 4,229,871</u>
Deferred inflows of resources – OPEB			
Difference between expected and actual experience			
Local plan	\$ 3,521,274	\$ 936,034	\$ 4,457,308
VRS GLI	50,541	13,435	63,976
Net difference between projected and actual investment earnings on OPEB plan investments			
VRS GLI	78,720	20,926	99,646
Change in assumptions			
Local plan	1,608,029	427,451	2,035,480
VRS GLI	122,711	32,620	155,331
Change in proportionate share			
VRS GLI	<u>4,651</u>	<u>1,236</u>	<u>5,887</u>
Total deferred inflow of resources – OPEB	<u>\$ 5,385,926</u>	<u>\$ 1,431,702</u>	<u>\$ 6,817,628</u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 13. Summary of Pension and Other Postemployment Benefits Elements (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Pension expense			
VRS	\$ 2,010,198	\$ 534,356	\$ 2,544,554
Total pension expense	<u>\$ 2,010,198</u>	<u>\$ 534,356</u>	<u>\$ 2,544,554</u>
OPEB expense			
Local plan	\$ (835,200)	\$ (222,015)	\$ (1,057,215)
VRS GLI	<u>50,169</u>	<u>13,336</u>	<u>63,505</u>
Total OPEB expense	<u>\$ (785,031)</u>	<u>\$ (208,679)</u>	<u>\$ (993,710)</u>

Note 14. Risk Management

The Town is insured for worker's compensation, general liability, health, and other risks. The risk of management programs are as follows:

Worker's Compensation

Worker's compensation insurance is provided through the Virginia Risk Sharing Association (VRSA). During 2022-2023, total premiums paid were approximately \$418,292. Benefits are those afforded through Commonwealth of Virginia as outlined in the *Code of Virginia* Section 65.2-100; premiums are based upon covered payroll, job rates, and claims experience.

General Liability

The Town provided general liability, automobile, property, and other insurance through policies with Virginia Risk Sharing Association (VRSA). During 2022-2023, total premiums paid were approximately \$314,802. General liability and business automobile have a \$1,000,000 limit per occurrence. Boiler and machinery coverage and property insurance have a \$100,000,000 blanket policy. The Town maintains an addition \$10,000,000 per occurrence umbrella policy over all forms of liability insurance. Police professional liability and public officials' liability insurance with \$1,000,000 limit are included in the Town's general liability policy with VRSA. Line of Duty Act (LODA) coverages and benefits are stipulated under the *Code of Virginia* statute. During 2022-2023, the premiums paid for LODA was approximately \$153,814.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 14. Risk Management (Continued)

Cyber Security

The Town is insured for cyber liability expenses through a policy with Cowbell Insurance Agency. The aggregate coverage limit for the cyber liability insurance is \$5,000,000. During 2022-2023, the total premium paid for the Town's cyber security liability insurance was approximately \$26,124.

Health Insurance

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

The Town records an estimated liability for indemnity healthcare claims. The following represents the change in the fund's claims liability for 2023.

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
June 30, 2022	\$ 955,625	\$ 4,615,507	\$ 5,571,132	\$ -
June 30, 2023	-	5,676,742	4,736,639	940,103

Note 15. Restatement of Beginning Net Position/Fund Balance

The Town corrected certain items related to overstatement of revenue in the Internal Service Fund and understatement of depreciation expense for Governmental Activities and Utilities Fund.

The following is a summary of the restatements to net position/fund balance:

	<u>Governmental Activities</u>	<u>Utilities</u>	<u>Internal Service</u>
Net position/fund balance July 1, 2022, as previously reported	\$ 381,361,922	\$ 188,625,628	\$ 1,794,564
Correct revenue overstatement	(208,287)	-	(208,287)
Correct depreciation understatement	(857,210)	(433,326)	-
Net position/fund balance July 1, 2022, as restated	<u>\$ 380,296,425</u>	<u>\$ 188,192,302</u>	<u>\$ 1,586,277</u>

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Note 16. New Accounting Standards

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS – LOCAL PLAN
June 30, 2023

	Plan Year						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 186,051	\$ 325,183	\$ 519,132	\$ 289,793	\$ 412,508	\$ 400,493	\$ 349,000
Interest	1,354,404	1,406,787	1,525,699	1,372,800	1,288,983	1,362,031	648,747
Benefit payments, including refunds of employee contributions	(508,034)	(395,192)	(385,904)	(394,478)	(590,275)	(500,009)	(350,446)
Difference between actual and expected experience	(408,976)	(3,283,081)	(3,986,589)	(789,486)	-	(1,325,151)	-
Changes in assumptions	833,919	1,205,836	(3,526,395)	4,043,398	642,914	(1,874,770)	-
Net change in total OPEB liability	1,457,364	(740,467)	(5,854,057)	4,522,027	1,754,130	(1,937,406)	647,301
Total OPEB liability – beginning	19,704,629	20,445,096	26,299,153	21,777,126	20,022,996	21,960,402	21,313,101
Total OPEB liability – ending	\$ 21,161,993	\$ 19,704,629	\$ 20,445,096	\$ 26,299,153	\$ 21,777,126	\$ 20,022,996	\$ 21,960,402
Plan Fiduciary Net Position							
Contributions – employer	\$ 508,034	\$ 619,147	\$ 601,045	\$ 569,478	\$ 765,275	\$ 825,009	\$ 675,446
Net investment income (loss)	1,287,072	(2,676,486)	3,413,497	853,811	781,063	871,303	1,106,629
Benefit payments	(508,034)	(395,192)	(385,904)	(394,478)	(590,275)	(500,009)	(350,446)
Administrative expenses	-	-	-	-	(55,703)	(53,108)	(32,007)
Net change in plan fiduciary net position	1,287,072	(2,452,531)	3,628,638	1,028,811	900,360	1,143,195	1,399,622
Plan fiduciary net position – beginning	15,066,694	17,519,225	13,890,587	12,861,776	11,961,416	10,818,221	9,418,599
Plan fiduciary net position – ending	\$ 16,353,766	\$ 15,066,694	\$ 17,519,225	\$ 13,890,587	\$ 12,861,776	\$ 11,961,416	\$ 10,818,221
Net OPEB liability – ending	\$ 4,808,227	\$ 4,637,935	\$ 2,925,871	\$ 12,408,566	\$ 8,915,350	\$ 8,061,580	\$ 11,142,181
Plan fiduciary net position as a percentage of total OPEB liability	77.28%	76.46%	85.69%	52.82%	59.06%	59.74%	49.26%
Covered-employee payroll	\$ 19,244,246	\$ 18,817,696	\$ 19,151,423	\$ 17,651,501	\$ 18,430,633	\$ 23,652,124	\$ 20,250,454
Net OPEB liability as a percentage of covered-employee payroll	24.99%	24.65%	15.28%	70.30%	48.37%	34.08%	55.02%

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

The Notes to Required Supplementary Information are an integral part of these schedules.

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – LOCAL PLAN
June 30, 2023

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 438,000	\$ 508,034	\$ (70,034)	\$ 19,244,246	2.64 %
2022	468,000	619,147	(151,147)	18,817,696	3.29
2021	825,000	601,045	223,955	19,151,423	3.14
2020	550,092	569,478	(19,386)	17,651,501	3.23
2019	550,092	765,275	(215,183)	18,430,633	4.15
2018	983,426	825,009	158,417	23,652,124	3.49
2017	625,000	675,446	(50,446)	20,250,454	3.34

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier years of data is available. Additional years will be included as they become available.

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

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS – LOCAL OPEB TRUST FUND
June 30, 2023

Entity Fiscal Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2023	7.16 %
2022	6.98
2021	7.26
2020	7.00
2019	6.50
2018	8.06
2017	7.00

The Notes to Required Supplementary Information are an integral part of these schedules.

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS GLI
June 30, 2023

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Group Life Insurance – General Employees					
2023	0.13244 %	\$ 1,594,705	\$ 28,757,188	5.55 %	67.21 %
2022	0.13181	1,534,626	27,117,559	5.66	67.45
2021	0.13086	2,184,000	26,958,776	8.10	52.64
2020	0.12909	2,101,000	25,303,778	8.30	52.00
2019	0.12479	1,895,000	23,700,718	8.00	51.22
2018	0.12289	1,849,000	22,666,448	8.16	48.86

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

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

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS GLI
June 30, 2023

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Group Life Insurance – General Employees					
2023	\$ 172,825	\$ 172,825	\$ -	\$ 32,004,702	0.54 %
2022	155,587	155,587	-	28,757,188	0.54
2021	146,962	146,962	-	27,117,559	0.54
2020	140,052	140,052	-	26,958,776	0.52
2019	131,635	131,635	-	25,303,778	0.52
2018	123,393	123,393	-	23,700,718	0.52

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

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

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
VIRGINIA RETIREMENT SYSTEM
June 30, 2023

	Plan Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 3,053,217	\$ 3,001,969	\$ 2,926,714	\$ 2,568,975	\$ 2,482,892	\$ 2,528,010	\$ 2,707,578	\$ 2,756,117	\$ 2,694,218
Interest	8,734,431	7,919,257	7,503,239	7,039,500	6,835,511	6,574,956	6,094,951	5,739,077	5,339,294
Benefit payments, including refunds of employee contributions	(5,432,665)	(4,810,559)	(4,402,784)	(4,398,201)	(3,880,198)	(3,432,679)	(3,117,573)	(2,632,670)	(2,011,985)
Difference between actual and expected experience	57,051	(1,932,360)	339,942	1,912,417	(2,265,073)	(809,317)	1,329,813	(536,148)	-
Changes in assumptions	-	5,156,184	-	3,474,412	-	(915,005)	-	-	-
Net change in total pension liability	6,412,034	9,334,491	6,367,111	10,597,103	3,173,132	3,945,965	7,014,769	5,326,376	6,021,527
Total pension liability – beginning	<u>129,062,091</u>	<u>119,727,600</u>	<u>113,360,489</u>	<u>102,763,386</u>	<u>99,590,254</u>	<u>95,644,289</u>	<u>88,629,520</u>	<u>83,303,144</u>	<u>77,281,617</u>
Total pension liability – ending	<u>\$ 135,474,125</u>	<u>\$ 129,062,091</u>	<u>\$ 119,727,600</u>	<u>\$ 113,360,489</u>	<u>\$ 102,763,386</u>	<u>\$ 99,590,254</u>	<u>\$ 95,644,289</u>	<u>\$ 88,629,520</u>	<u>\$ 83,303,144</u>
Plan Fiduciary Net Position									
Contributions – employer	\$ 3,091,539	\$ 2,937,379	\$ 2,409,743	\$ 2,290,800	\$ 2,147,461	\$ 2,071,096	\$ 1,918,622	\$ 1,945,907	\$ 1,897,869
Contributions – employee	1,390,152	1,337,124	1,287,395	1,223,924	1,183,157	1,131,997	1,126,655	1,146,789	1,173,237
Net investment income (loss)	(166,263)	26,950,250	1,851,717	6,126,069	6,360,318	9,410,583	1,328,647	3,306,840	9,751,444
Benefit payments, including refunds of employee contributions	(5,432,665)	(4,810,559)	(4,402,784)	(4,398,201)	(3,880,198)	(3,432,679)	(3,117,573)	(2,632,670)	(2,011,985)
Administrative expenses	(76,939)	(65,767)	(62,277)	(59,974)	(54,244)	(53,518)	(46,512)	(44,184)	(51,182)
Other	2,895	2,760	(2,211)	(3,870)	(5,697)	(8,408)	(563)	(706)	514
Net change in plan fiduciary net position	(1,191,281)	26,351,187	1,081,583	5,178,748	5,750,797	9,119,071	1,209,276	3,721,976	10,759,897
Plan fiduciary net position – beginning	<u>124,396,342</u>	<u>98,045,155</u>	<u>96,963,572</u>	<u>91,784,824</u>	<u>86,034,027</u>	<u>76,914,956</u>	<u>75,705,680</u>	<u>71,983,704</u>	<u>61,223,807</u>
Plan fiduciary net position – ending	<u>\$ 123,205,061</u>	<u>\$ 124,396,342</u>	<u>\$ 98,045,155</u>	<u>\$ 96,963,572</u>	<u>\$ 91,784,824</u>	<u>\$ 86,034,027</u>	<u>\$ 76,914,956</u>	<u>\$ 75,705,680</u>	<u>\$ 71,983,704</u>
Net pension liability – ending	<u>\$ 12,269,064</u>	<u>\$ 4,665,749</u>	<u>\$ 21,682,445</u>	<u>\$ 16,396,917</u>	<u>\$ 10,978,562</u>	<u>\$ 13,556,227</u>	<u>\$ 18,729,333</u>	<u>\$ 12,923,840</u>	<u>\$ 11,319,440</u>
Plan fiduciary net position as a percentage of total pension liability	<u>90.94%</u>	<u>96.38%</u>	<u>81.89%</u>	<u>85.54%</u>	<u>89.32%</u>	<u>86.39%</u>	<u>80.42%</u>	<u>85.42%</u>	<u>86.41%</u>
Covered payroll	<u>\$ 28,757,188</u>	<u>\$ 27,117,559</u>	<u>\$ 26,958,776</u>	<u>\$ 25,303,778</u>	<u>\$ 23,700,718</u>	<u>\$ 22,666,448</u>	<u>\$ 22,378,363</u>	<u>\$ 23,045,393</u>	<u>\$ 23,700,725</u>
Net pension liability as a percentage of covered payroll	<u>42.66%</u>	<u>17.21%</u>	<u>80.43%</u>	<u>64.80%</u>	<u>46.32%</u>	<u>59.81%</u>	<u>83.69%</u>	<u>56.08%</u>	<u>47.76%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The amounts above are for the measurement period, which is the twelve months prior to the entity's current fiscal year.

TOWN OF LEESBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VIRGINIA RETIREMENT SYSTEM
June 30, 2023

Fiscal Year Ended June 30,	Contractually Determined Contribution	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2023	\$ 3,664,402	\$ 3,664,402	\$ -	\$ 32,000,035	11.45 %
2022	3,091,539	3,091,539	-	28,757,188	10.75
2021	2,937,586	2,937,586	-	27,117,559	10.83
2020	2,409,743	2,409,743	-	26,958,776	8.94
2019	2,402,307	2,402,307	-	25,303,778	9.49
2018	2,147,461	2,147,461	-	23,700,718	9.06
2017	2,071,096	2,071,096	-	22,666,448	9.14
2016	1,945,907	1,945,907	-	22,378,363	8.70
2015	1,897,869	1,897,869	-	23,045,393	8.24

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no earlier years of data is available. However, additional years will be included as they become available.

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

TOWN OF LEESBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

Note 1. Changes of Benefit Terms

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale
- No change to line of duty rates.
- No change to discount rates.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No changes to salary scale
- No change to line of duty rates.
- No change to discount rate.

TOWN OF LEESBURG, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

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

- Update mortality tables to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rates.

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APPENDIX B

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Town of Leesburg, Virginia (the "Town") on April 2, 2024 (the "Closing Date"), in connection with the issuance by the Town of \$41,930,000 original aggregate principal amount of its General Obligation Public Improvement Bonds, Series 2024 (the "Bonds"), pursuant to a resolution adopted by the Town Council on February 27, 2024 (the "Resolution"). Pursuant to the Resolution, the Town Manager approved the offering and sale of the Bonds to HilltopSecurities (the "Underwriter") and the offering and sale of the Bonds by the Underwriter to the public pursuant to an Official Statement relating to the Bonds, dated March 19, 2024 (the "Final Official Statement"). The Town hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Town for the benefit of the Holders (as defined below) and in order to assist the Underwriter in complying with the Rule (as defined below).

Section 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the Town means the following:

(i) the annual financial statements of the Town, which (A) are prepared annually in accordance with accounting principles generally accepted in the United States of America in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Town after the date of the Final Official Statement from changing such principles so as to comply with accounting principles generally accepted in the United States of America as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants; and

(ii) financial information and operating data with respect to the Town substantially of the type and scope that updates the information and data contained in the Final Official Statement in the following charts:

- (a) "Five-Year Summary of Revenues, Expenditures and Fund Balances - General Fund,"
- (b) "Assessed Value of All Taxable Property,"
- (c) "Vehicle License Tag and Business License Receipts,"
- (d) "Sales and Use Tax and Meals Tax Receipts,"
- (e) "Tax Rates,"
- (f) "Real Property and Personal Property Tax Levies and Collections,"
- (g) "Statement of General Obligation Debt," and
- (h) "Legal Debt Margin,"

provided that the Town is required only to provide such financial information with respect to the immediately preceding Fiscal Year and shall not be required to restate or revise previously furnished information.

"Dissemination Agent" shall mean the Town, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Town and which has filed with the Town a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the Town and results of its operations for such period are determined. Currently, the Town's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

Section 3. Obligations of the Town. (a) As long as the Bonds are outstanding, the Town shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the Town), the Annual Financial Information not later than 270 days after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2023. If audited financial statements are not available as of the date by which the Annual Financial Information is to be Made Public, the Town will Make Public such financial statements as may be required by the Rule and will Make Public the audited financial statements when they become available.

(b) The Town shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the Town), in a timely manner, not in excess of ten (10) business days following the occurrence of the event, notice of any of the following events that may from time to time occur with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Town (for the purposes of the event identified in this Section (3)(b)(xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town);
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties.

provided that nothing in this subsection (b) shall require the Town to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(c) The Town shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the Town), in a timely manner, a notice of a failure of the Town on or before the date required by Section 3(a) to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement.

(d) The Town shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the then current Fiscal Year.

(e) Any information required to be included in the Annual Financial Information may be included by specific reference to other documents available to the public on the MSRB's internet web site or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available to the public on the MSRB's internet web site. The Town shall identify clearly each other document so included by specific reference.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

Section 5. Identifying Information; CUSIP Numbers. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB. The Town shall reference, or cause the Dissemination Agent (if different from the Town) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 6. Termination of Reporting Obligation. The obligations of the Town under this Disclosure Agreement with respect to any Bond shall terminate upon the earlier to occur of the redemption, legal defeasance or payment in full of such Bond.

Section 7. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Town shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Town may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the Town and the Underwriter of the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the Town chooses to provide any information in addition to that which is specifically required by this Disclosure Agreement, the Town shall have no obligation under this Disclosure Agreement to update such additional information or include it in any future Annual Financial Information or notice Made Public hereunder.

Section 10. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law, including seeking mandamus or specific performance by court order, to secure compliance with the obligations of the Town under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Town hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Town to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Town, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned is signing this Continuing Disclosure Agreement as of the Closing Date.

TOWN OF LEESBURG, VIRGINIA

By: _____
Name: Kaj H. Dentler
Title: Town Manager

[Signature Page to Continuing Disclosure Agreement]

APPENDIX C

Form of Opinion of Bond Counsel Regarding Bonds

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Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel. It is preliminary and subject to change prior to the delivery of the Bonds.

April 2, 2024

Mayor and Town Council of the
Town of Leesburg, Virginia
Leesburg, Virginia

\$41,930,000
Town of Leesburg, Virginia
General Obligation Public Improvement Bonds
Series 2024

Ladies and Gentlemen:

We have acted as bond counsel to the Town of Leesburg, Virginia (the "Town") in connection with the issuance and sale of the Town's \$41,930,000 General Obligation Public Improvement Bonds, Series 2024 (the "Bonds"), dated the date of their delivery.

In connection with this opinion letter, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Code") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the Town as we have deemed necessary to render this opinion letter.

As to questions of fact material to our opinions, we have relied upon and are assuming the accuracy of certifications and representations of the Town, Town officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the Town, and we have further assumed the due organization, existence, and powers of all parties other than the Town.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the Town.

2. The Town Council of the Town has the power, and is authorized and required by law, to levy and collect annually, at the same time and in the same manner as other taxes of the Town are assessed, levied and collected, a tax upon all taxable property within the Town, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the Town are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax on individuals (a "Specific Tax Preference Item"). Interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the Town, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificate and related documents for the Bonds (the "Tax Certificates") delivered at closing by the Town contain covenants (the "Covenants") under which the Town has agreed to comply with such requirements. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated, or referred to in the Tax Certificate, including the Covenants, may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Tax Certificate. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such

subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or equity.

Our services as bond counsel to the Town have been limited to rendering the foregoing opinions based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the Town dated March 11, 2024 and the Official Statement of the Town dated March 19, 2024. This opinion letter is given as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX D

Utility System

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APPENDIX D

Utility System

General

The Town owns and maintains a public water supply and distribution system and a wastewater treatment facility and collection system. The service area for the Town's water and wastewater system is the entire geographical area of the Town plus certain additional areas immediately outside the Town's boundaries.

Water System

The Town completed its water filtration plant on the Potomac River in 1982. Current plant permitted capacity is 12.884 million gallons per day (MGD) from May through October and 10.784 MGD from November through April and, if needed, can be expanded up to 15 MGD at its current footprint. Existing plant capacity is expected to accommodate water demands through the ultimate build-out of the Town. The Water Supply Division (WSD) operates a state-certified microbiology-testing laboratory and provides testing services for community clients.

The system pressures are maintained via three elevated storage tanks with a combined capacity of 4.5 million gallons, two stand pipes which, together, provide a storage capacity of 3.5 million gallons, and a 0.5 million gallon wet well at the facility, for a total capacity of 8.5 million gallons. Additionally, there are approximately 244 miles of water mains ranging in size from 2" to 24" including four booster pump stations in the water supply system. Currently there are 16,767 water service customers with approximately 19% of the Town's customer base being outside the Town boundary lines.

Annually since 2004, Leesburg's Kenneth B. Rollins Water Treatment Plant has been the recipient of the Virginia Department of Health's Excellence in Water Treatment Plant Performance Award for outstanding water quality production.

Sewerage System

The Town's water pollution control facility, first constructed in 1970, now provides advanced wastewater treatment (AWT). Effluent from the plant discharges into the Potomac River. The Town's plant in 1987 completed an Environmental Protection Agency funded upgrade and expansion from 1.3 MGD to 2.5 MGD. The Town's wastewater treatment facilities were expanded to a capacity of 4.85 MGD in 1995 with proceeds of bonds issued by the Town in 1992 and was upgraded to AWT in 2000 with a \$6.8 million grant from the Commonwealth of Virginia and an \$11 million reduced interest loan from the Virginia Waste Water Revolving Loan Fund for nitrogen removal and biosolids processing. The wastewater facility was then expanded to a capacity of 7.5 MGD at a cost of approximately \$34 million financed with the Town's General Obligation Public Utility Bonds, Series 2006 and cash. In 2013 the Town entered into an agreement with Panda Energy Stonewall (now Potomac Energy) and in 2016 began providing effluent wastewater treated to Level II reclaimed water standards to a private power generation facility. The existing process flow stream consists of screening, degritting, and influent/effluent pumping, followed by chemical treatment, primary clarification, secondary treatment, effluent filtration, disinfection by chlorination, and dechlorination at the Potomac River outfall. Secondary treatment is provided using an activated sludge process with denitrification.

The facility's focus on giving back to the community is two-fold: (1) it produces Tuscarora Landscaper's Choice, a high quality soil amendment product that is available to Town residents at no charge; and (2) it sells reclaimed water to offset operations costs. The WPCF (Water Pollution Control Facility) operates a state certified laboratory through DCLS (Division of Consolidated Laboratory Services) to ensure discharge effluent is in permit compliance with state and federal regulations.

The collection system consists of about 189 miles of gravity sewers ranging in size from 4" to 33", including about 6.8 miles of force main, 3.1 miles of effluent, and 3.4 miles of reclaimed water line. The Town operates ten sewage pump stations.

The wastewater treatment facility consistently meets the discharge requirements established in its Virginia Pollutant Discharge Elimination System (VPDES) permit. The facilities have been maintained in good working order, and scheduled equipment replacements have been made. The staff won the 1991 EPA Operations and Maintenance Excellence Award from the Virginia Water Control Board for medium-size advanced treatment facilities from the U.S. Environmental Protection Agency and the 2003 Virginia Municipal League Achievement Award for their biosolids marketing program.

Financial and Budgetary Procedures

The Utility System is operated by the Town's Utility Department under the overall supervision of the Director of Utilities (the "Director"). The Director is responsible for the administration, construction, operation, and maintenance of the Town's water and wastewater operations. One hundred and five (105) employees serve under the Director.

The billing and collections activities are the responsibility of the Town's Director of Utilities and all financial reporting and budgeting for the Utility System are the responsibility of the Town's Director of Finance and Administrative Services. The financial operations of the Utility System are accounted for separately in the Town's financial reporting system as an Enterprise Fund. The Director of Utilities submits an annual operating and capital budget each year to the Town Manager, who then compiles the annual operating and capital budget for the Town that is presented to the Town Council.

Utility customers are billed on a quarterly basis. The Town utilizes a fixed base radio read network for water meter reading which provides daily automated readings for all meters. Water is billed based on the actual metered water consumed. Sewer charges are applied throughout the year, based on the amount of water metered. All customers are metered with the exception of 68 sewer-only connections. Bills are due and payable 30 days after the date they are mailed. The Town also assesses a 10% late payment penalty for all accounts not paid by the date due.

A delinquent notice is prepared and mailed for all accounts past due after that date. It is the Town's policy to discontinue service 60 days after the date the bill was originally mailed if the account should remain unpaid. A \$30 delinquent account processing fee is assessed for each account remaining unpaid when delinquent (disconnection) process begins.

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Summary of Revenues and Expenses

The following is a statement of actual revenues and expenses of the Utility System for the preceding five fiscal years on a cash flow basis.

Utility System Statement of Revenues and Expenses (June 30)

	<u>2019</u>	<u>2020</u> ⁽¹⁾	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:					
Charges for Services	\$22,253,360	\$23,740,684	\$24,404,030	\$26,807,830	\$27,319,139
Other	89,127	353,977	67,709	136,031	45,215
Total Revenue	\$22,342,487	\$24,094,661	\$24,471,739	\$26,943,861	\$27,364,354
Operating Expense:					
Personnel Services	\$7,597,388	\$8,821,958	\$8,883,963	\$9,525,050	\$10,784,126
Contractual services	1,804,528	2,537,600	1,994,510	2,108,798	1,845,938
Depreciation and Amortization	5,998,511	6,131,773	6,107,131	6,524,338	6,895,240
Material and Supplies	1,786,830	1,941,726	1,670,851	2,132,991	2,347,802
Continuous Charges	1,224,441	1,135,236	1,137,668	1,289,476	1,745,744
Claims and Settlements	2,969	728	294	579	0
Other	47,576	234,832	92,941	(221)	1,306,337
Total Expenses:	18,462,243	\$20,803,853	\$19,887,358	\$21,581,011	\$24,925,187
Less: Depreciation	(5,998,511)	(6,131,773)	(6,107,131)	(6,524,338)	(6,895,240)
Operating Income Net of Depreciation	\$9,878,755	\$9,422,581	\$10,691,512	\$11,887,188	\$9,334,407
Nonoperating Revenues (Expenses):					
Other	\$551,574	\$372,905	377,342	617,421	493,961
Interest on Investments	901,174	740,938	83,482	(72,008)	2,198,738
Connection Charges	4,163,000	6,565,965	3,699,668	7,857,935	2,259,286
Total Nonoperating Revenues (Expenses):	\$5,668,364	\$7,679,808	\$4,160,492	\$8,403,348	\$4,951,985
Net Revenue Prior to Debt Services	\$15,594,503	\$17,102,389	\$14,852,004	\$20,290,536	\$14,286,392
Debt Service	4,465,783	\$4,646,760	4,956,521	5,617,075	5,464,354
Transfers Out	1,351,300	1,421,440	1,576,998	1,764,000	1,893,000
Total Debt Service and Transfers	\$5,817,083	\$6,068,200	\$6,533,519	\$7,381,075	\$7,357,354
Net Surplus After Debt Service	\$9,777,420	\$11,034,189	\$8,318,485	\$12,909,461	\$6,929,038
Debt Service Coverage-All Bonds	3.47	3.68	2.98	3.59	2.59
Cash and Investments	\$34,290,231	\$46,998,053	\$48,888,869	\$53,660,838	\$53,503,720
Operating Revenues	\$22,342,487	\$23,870,235	\$24,471,739	\$26,943,861	\$27,364,354
Ratio	153.48%	196.89%	199.78%	199.16%	195.52%

Sources: Department of Finance and Administrative Services, Town of Leesburg, Virginia.

⁽¹⁾ Information presented differs slightly from published ACFR information.

Service Area and Connection Policy

The Utility System's service area includes the Town and small areas of Loudoun County immediately outside the Town's boundaries. As of June 1, 2023, the Town provided water and sewer service to nearly all of the Town's service delivery area comprised of approximately 58,362 individuals. The balance of Town residents are served by private wells and septic systems.

The Town has a mandatory connection policy for new construction. Users who are currently being served by a source other than the Utility System are not required to connect to the Utility System. However, any user desiring to replace or undertake major repairs to a private water supply or septic system is required to connect to the Utility System rather than undertake such repairs or replacement. There are 58 sewer customers not served by the Utility System's water system that are on private wells.

Largest Customers

The following table provides data on the Town's 12 largest customers for Fiscal Year ended June 30, 2023. The 12 largest customers together represent approximately 11.9% of total billing, and no single customer represents more than 2.2% of total billing.

<u>Customer</u>	<u>Fiscal Year 2023 Billing</u>	<u>Percentage of Billing</u>
County of Loudoun	\$491,892.34	1.89%
Fields of Leesburg	403,946.94	1.55
Loudoun County Public Schools	367,688.40	1.41
The Point at Leesburg	303,404.92	1.16
Inova Medical	292,058.46	1.12
Millenium Management	220,242.36	0.84
Evans Ridge	175,388.00	0.67
Fox Chase at Exeter	174,182.44	0.67
Bellemeade Farms Apartments	173,903.24	0.67
Stratford Club Condos	171,103.38	0.66
CRP/TRC Leesburg Retail Owner, LLC	168,878.83	0.65
Country Club Green	168,690.24	0.65
 Total Fiscal Year 2023 Billing (12 largest customers)	 \$3,111,379.55	 11.93%
 Total Fiscal Year 2023 Billing (All customers)	 \$26,078,249.62	 100%

Source: Department of Utilities, Town of Leesburg, Virginia.

Operating Summary

The following table sets forth data on the number of customer accounts for water and sewer for each of the last five Fiscal Years.

<u>Fiscal Year Ended June 30</u>	<u>Number of Water Customer Accounts</u>	<u>Number of Sewer Customer Accounts</u>
2019	16,049	16,018
2020	16,242	16,218
2021	16,469	16,434
2022	16,615	16,559
2023	16,767	16,697

Source: Director of Utilities, Town of Leesburg, Virginia.

Rates, Fees and Charges

The Town charges each customer of the Utility System a user fee as described below. The Town also charges an availability fee to new customers hooking up to the Utility System.

Current User Rate Structure. The user fee, based upon metered water consumption, is billed on a quarterly basis for all classes of customers. The present user fees, effective July 1, 2023, are as follows:

Water Consumption (Residential):	<u>In Town</u>	<u>Out of Town</u>
0-6,000 Gallons	\$5.86	\$8.27
6,001-15,000 Gallons	7.35	10.37
15,001-30,000 Gallons	8.81	12.42
More than 30,001 Gallons	11.46	16.16
Sewer Consumption (Residential):		
0-36,000 Gallons	7.84	11.92
Water Consumption (Non-Residential):	7.92	11.16
Sewer Consumption (Non-Residential):	7.84	11.92

Source: Director of Utilities, Town of Leesburg, Virginia.

The median in-Town residential customer consumes approximately 12,000 gallons of water quarterly and is charged a combined user charge of \$173.34 for water and sewer consumption. The total quarterly bill would be \$244.88; the Town charges a fixed charge of \$40.90 for water and \$30.64 for sewer. Commercial customers have an increased fixed fee amount depending on meter size for accounts.

The Town Council requires a periodic rate study to determine whether rate increases are required to fully support utility operations including debt service. The previous studies was completed in 2014 and 2018 by Public Resources Management Group, Inc. The Town Council increased rates effective January 1, 2015 and July 1, 2015 through 2023 inclusive, based on two rate studies. The current rate study was completed by NewGen in November 2023 and recommended an average rate increase of 4.1%. In January 2024, the Town Council increased the recommended rates effective July 1, 2024 through July 1, 2028, inclusive, based on the rate study.

Availability Fee. New customers are assessed a one-time availability fee per equivalent residential unit (ERU). The following are comparative availability fees for the following jurisdictions in effect July 1, 2023.

<u>Availability Fee</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Fairfax County	\$22,090	\$8,592	\$30,682
Fauquier County	11,120	14,000	25,120
Hamilton	18,100	12,400	30,500
Herndon	7,800	10,800	18,600
Leesburg	4,683	7,292	11,975
Loudoun County	7,946	9,519	17,465
Lovettsville	13,614	20,003	33,617
Middleburg	13,100	12,400	25,500
Prince William	4,700	11,200	15,900
Purcellville	25,754	21,600	47,354
Round Hill	14,754	16,462	31,216
Vienna	4,640	8,680	13,320
Warrenton	4,950	10,800	15,750

Source: Draper Aden Associate Annual Virginia Water and Wastewater Rate Report and/or Jurisdiction rate information available from providers.

The minimum commercial availability fee for water is \$4,683 and the minimum charge for sewer is \$7,292. The current rate study was completed by NewGen in November 2023. In January 2024, the Town Council increased sewer availability fees 10% per year effective July 1, 2024 through July 1, 2028, inclusive, based on the rate study.

	<u>Fiscal Year 2019</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2023</u>
<u>Residential-Water</u>					
Multi-family, townhome, mobile home.....	\$3,744	\$3,744	\$3,744	\$3,744	\$3,744
Single-family detached, duplex.....	4,683	4,683	4,683	4,683	4,683
<u>Residential-Sewer</u>					
Multi-family, townhome, mobile home.....	5,852	5,852	5,852	5,852	5,852
Single-family detached, duplex.....	7,292	7,292	7,292	7,292	7,292

Source: Director of Utilities, Town of Leesburg, Virginia.

Comparative Rates and Fees. The following table sets forth comparative water and sewer rate charges currently in effect for the following jurisdictions on July 1, 2023, based on an estimated average quarterly residential consumption of 12,000 gallons.

<u>Jurisdiction</u>	<u>Average Bill Per Quarter</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Fairfax County	\$60.55	\$235.95	\$296.50
Fauquier County	155.64	216.81	372.45
Hamilton	97.02	150.06	247.08
Herndon	54.21	109.45	163.66
Leesburg	120.16	124.72	244.88
Loudoun County	76.68	106.02	182.70
Lovettsville	210.90	245.40	456.30
Manassas	71.22	61.44	132.66
Middleburg	224.64	231.36	456.00
Prince William	64.50	119.85	184.35
Purcellville	136.61	244.77	381.38
Round Hill	127.47	191.21	318.68
Vienna	78.60	125.10	203.70
Warrenton	77.58	119.70	197.28

Source: 2023 Water & Sewer Rate Analysis Report from NewGen Strategies & Solutions, LLC and/or Jurisdiction rate information on the web available from providers.

The above referenced estimated average bills per quarter exclude peak usage charges and out-of-town surcharges for water and sewer services which may be a component of the rate structures for these jurisdictions.

Rate Regulation

The Town has full authority, subject to public hearing requirements, to fix and revise rates, fees and other charges for the services and facilities furnished by the Utility System to provide sufficient revenue to pay the cost of operation and administration of the Utility System, the debt service on the Bonds, and reserves therefor. The Town's user rates are not subject to regulation by the State Corporation Commission.

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APPENDIX E

Book-Entry-Only System

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Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to

ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the Bonds as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Town on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be prepared, executed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds are required to be prepared, executed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

The Town has no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (b) the payment by DTC, any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect to the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bonds to be given to owners of the Bonds; (d) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (e) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owners of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to Bondholders shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder of Bonds for all purposes under the Bonds.

The Town may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

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