COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF VIENNA, VIRGINIA

- Introductory Section -

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TOWN OF VIENNA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:

Department of Finance
Marion Serfass, Acting Director of Finance/Treasurer

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TOWN OF VIENNA, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

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TOWN OF VIENNA, VIRGINIA

TOWN OFFICIALS

COUNCIL

M. Jane Seeman, Mayor

Laurie Genevro Cole	**Michael J. Polychrones**
Laurie A. DiRocco	**Carey J. Sienicki**
Edythe Frankel Kelleher	**Howard J. Springsteen**

TOWN MANAGER

Mercury Payton

TOWN ATTORNEY

Steven D. Briglia

TOWN CLERK

Melanie J. Clark

ACTING DIRECTOR OF FINANCE/TREASURER

Marion Serfass

DIRECTOR OF ADMINISTRATIVE SERVICES

Nancy N. McMahon

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates
Certified Public Accountants
Fredericksburg, Virginia

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Town of
Vienna
Virginia

Office of Finance

December 20, 2012

To the Citizens of the Town of Vienna:

The comprehensive annual financial report (CAFR) of the Town of Vienna for the fiscal year ended June 30, 2012, is hereby submitted. The Town Code of the Town of Vienna, Section 2.6 requires the Town Treasurer to arrange for an annual audit of the books by such persons as the Council may designate for this purpose. In addition, Section 15.2-2511 of the Code of Virginia requires that all counties, cities and towns with populations greater than 3,500 have their accounts and records audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia. This report is formally submitted in fulfillment of those requirements.

The financial statements included in this report, which have earned an unqualified audit opinion, conform to the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and the Auditor of Public Accounts.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse. It is further responsible to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits of internal controls requires estimates and judgments by management.

The Town's financial statements have been audited by Robinson, Farmer Cox Associates, a certified public accounting firm. The goal of an independent audit was to provide reasonable assurance that the financial statements of the town for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first part of the Financial Section of the CAFR.

127 Center Street, South • Vienna, Virginia 22180
p: 703.255.6300 • f: 703.938.5560 • TTY 711
www.viennava.gov

Printed on recycled and recyclable paper

FINANCIAL REPORTING ENTITY

This report includes all funds under the jurisdiction and oversight of the Town of Vienna government. The Town was incorporated in 1890, consists of 4.41 square miles, has a population of 15,687 and operates under the council-manager form of government. Policy-making and legislative authority are vested in the Town Council, consisting of a mayor and six other members, all elected on a non-partisan, at-large basis. The Town Council appoints the Town Manager, Town Attorney, Town Clerk and Treasurer. The Town Manager in turn appoints the heads of the various departments. Council members and the Mayor serve two-year terms on a staggered election cycle with three members on one and four members on the other.

The Town provides a full range of municipal services contemplated by statute. These services include police protection, sanitation services, the construction and maintenance of streets, water and sewer lines and other infrastructure, recreation and cultural activities, zoning inspection services and general administrative services.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Located in northern Virginia near Washington, D.C., Vienna is one of the more stable areas of the country. With its close proximity to the Dulles Airport corridor and the area's metropolitan transit systems, Vienna continues to enjoy a relatively stable economic base. Existing property values have been decreasing in an amount less than those in surrounding areas for the past several years and have actually increased in FY 2012. Foreclosure activity has been minimal to non-existent, in contrast to many surrounding localities. In addition, there has been continued construction of upscale homes and residential renovations in many areas of the Town. The Town continues to attract new restaurants and commercial businesses in addition to new residential construction. The area's relatively low unemployment rate at June 30, 2012 was 4.3 percent, comparing favorably with the State's 5.7 percent rate and the national rate of 8.2 percent. This reflects a 0.2 decrease in the local rate from 2011. According to the U.S. Census Bureau for 2010 (the last year available) the area's median household income is $103,000 with 52.6 percent of the households having incomes of at least $100,000 and 31.2 percent having incomes of at least $150,000.

Several revenue trends during the past year reflected the beginnings of a recovery. Assessed property values increased 5.7 percent from tax year 2010 to 2011, the first increase in three years. This is a reflection of the pace of newly constructed and remodeled homes in the Town, almost 70 in 2012. Business tax collections were up 16.5 percent and meals and lodging taxes increased 12.2 percent over 2011. These increases indicate the commitment of businesses and national restaurant chains that opened locations in Vienna in 2012. These positive trends were partially offset by a 6 percent decrease in revenue from interest earnings and rental property and a 5.8 percent decrease in local sales tax revenue. In general, the area's underlying economy remains relatively stable. Software, telecommunications, internet and other high-technology industries along with its proximity to Washington, D.C. remain the major components of the area's economy. A nearby mass transit link to the Dulles Airport is under construction along with major commercial expansion in the nearby Tysons Corner area. It is estimated that 20,000 additional area jobs will be created as a result.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

Long-Term Financial Planning and Outlook

The Town Council meets periodically with Town staff to discuss vision and long-term financial planning. With the expansion of the Washington area Metro subway system and commercial development increasing in the nearby edge city of Tysons, Virginia, Town staff is exploring ways to capitalize on that development while maintaining the small town feel that residents enjoy. A steering committee has been developed to create a vision for the Maple Avenue corridor, studying and evaluating existing land use and zoning to promote mixed use and increased density. Another project is underway to study the development of more walking and biking trails to decrease vehicle congestion in Town.

A Budget committee comprised of department heads from Finance, Administrative Services, the Town Manager, Finance staff and two other rotating department heads was established in 2012. This committee performed an intensive review of the annual operating budget and presented Council with a conservative, achievable budget. In late 2012 the Town staff began the development of a five-year operating forecast. This forecast will focus staff on planning for the long-term operational needs of the Town and will become the basis for the annual budget process. Town staff also continued to work with Council to develop and refine long-term capital project planning. Projects were identified and prioritized for potential debt offerings for the next ten to fifteen years.

These processes and studies have been developed with the goal of the Town maintaining its AAA bond rating and continuing to be the location of choice for national and local businesses and homeowners.

Relevant Financial Policies

The Council is required to adopt a final budget no later than the close of the previous fiscal year. This annual budget serves as the foundation of the Town of Vienna's financial planning and control. The budget is prepared on a line item basis at the department level and is appropriated by the Town Council at the fund level. Department heads may transfer resources within their departments with approval of the Town Manager. Supplemental appropriations and transfers between departments require Town Council approval.

Town Council has strongly supported maintaining adequate reserves in the General and Debt Service funds to buffer financial emergencies and economic downturns. During the periods when property values were rising in the double-digits, Council maintained relatively modest increases to the budget while reducing property tax rates within the limits of realistic revenue estimates. These policies have helped Vienna continue its ability to provide quality services within the limits of sound fiscal management and have enabled the Town to retain its coveted AAA bond rating. In 2012, Council formally adopted a Fund Balance policy in accordance with GASB 54 specifying the Town have an unassigned General Fund Balance of at least 10 percent of the subsequent year's budget. For FYE 2012 the Town operations resulted in almost 21 percent of the FY 2013 budget in unassigned Fund Balance, well in excess of the adopted policy and a 12 percent increase from the prior year.

Major Initiatives

During this past fiscal year, various projects were completed or continued. These include sidewalk, curb and gutter, street rebuilding and storm drainage projects, several financed in conjunction with the Virginia Department of Transportation. In addition, systematic inspection and maintenance on the Town's water and sewer infrastructure continued and several water mains were refurbished.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

Major Initiatives: (Continued)

The Town began a project to implement a leak detection system for the water system and moved forward on a project to replace the Town Hall heating and cooling system. Investigation started into the possibility of building a parking garage in the Church Street business district to improve access to the thriving corridor of small businesses and local restaurants and work started to improve walking and biking trails into Town.

The Town's web site continued to be updated and improved and the Town established more of a presence in social media. The Town's Public Information Officer developed a strategic communication plan to continue to move the Town into the information age. The Town expanded online payment options for real estate, vehicle license and water and sewer payments and implemented an online job application system during the year. Work began on implementing automated time and attendance and performance evaluation systems. Work on the development of a geographic information system continued.

New General Obligation debt was issued in the spring for $6.5 million dollars and the Town's triple-A Bond rating was reaffirmed. Additionally, a capital lease to finance vehicle purchases for $700,000 was completed at a record low interest rate of 1.37 percent, confirming the Town's credit-worthiness.

OTHER INFORMATION

Independent Audit

The Town Charter requires an annual audit by independent certified public accountants. Robinson, Farmer, Cox Associates performed the audit for fiscal year ending June 30, 2012 as part of its five-year contract with the Town of Vienna. The auditor's report on the basic financial statements, combining and individual fund statements and schedules is included in the financial section of this report.

Awards and Designations

GFOA Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Vienna for its comprehensive annual financial report for the fiscal year ending June 30, 2011 for the 25th year in a row. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER INFORMATION (CONTINUED)

GFOA Distinguished Budget Presentation Award

For the 18th year in a row the Town received the GFOA's Distinguished Budget Presentation award for the FY 2012. This award is presented to local governments who prepare a budget that satisfies a rigorous set of criteria defining the document as a policy document, an operations guide, a financial plan and a communications device. Localities that apply have their budget reviewed by the GFOA and selected outside reviewers with experience in public-sector budgeting. In July 2012 the Town submitted the FY 2013 budget documents for consideration for the award in the following year.

Tree City USA

The Parks and Recreation Department received a Tree City USA award from the National Arbor Day Foundation. This is the eleventh consecutive year that the Town has achieved this award, confirming the Town's commitment to its tree canopy and environmental stewardship.

Virginia Municipal League's Green Government Challenge Gold Award

Recognizing the Town's commitment to environmentally friendly ways of doing business, the Town has received the Virginia Municipal League's Green Government Challenge Gold Award in 2012.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not be done without the dedicated services of the entire Finance Department staff along with the efforts of the other Town departments. We would like to express our thanks and appreciation to each of the staff members whose efforts contributed to this report. We would also like to thank the Mayor and Council without whose leadership and support, responsible and progressive financial management would not be possible.

Mercury T. Payton
Town Manager

Marion K. Serfass
Acting Director of Finance/Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Vienna Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

President

Executive Director

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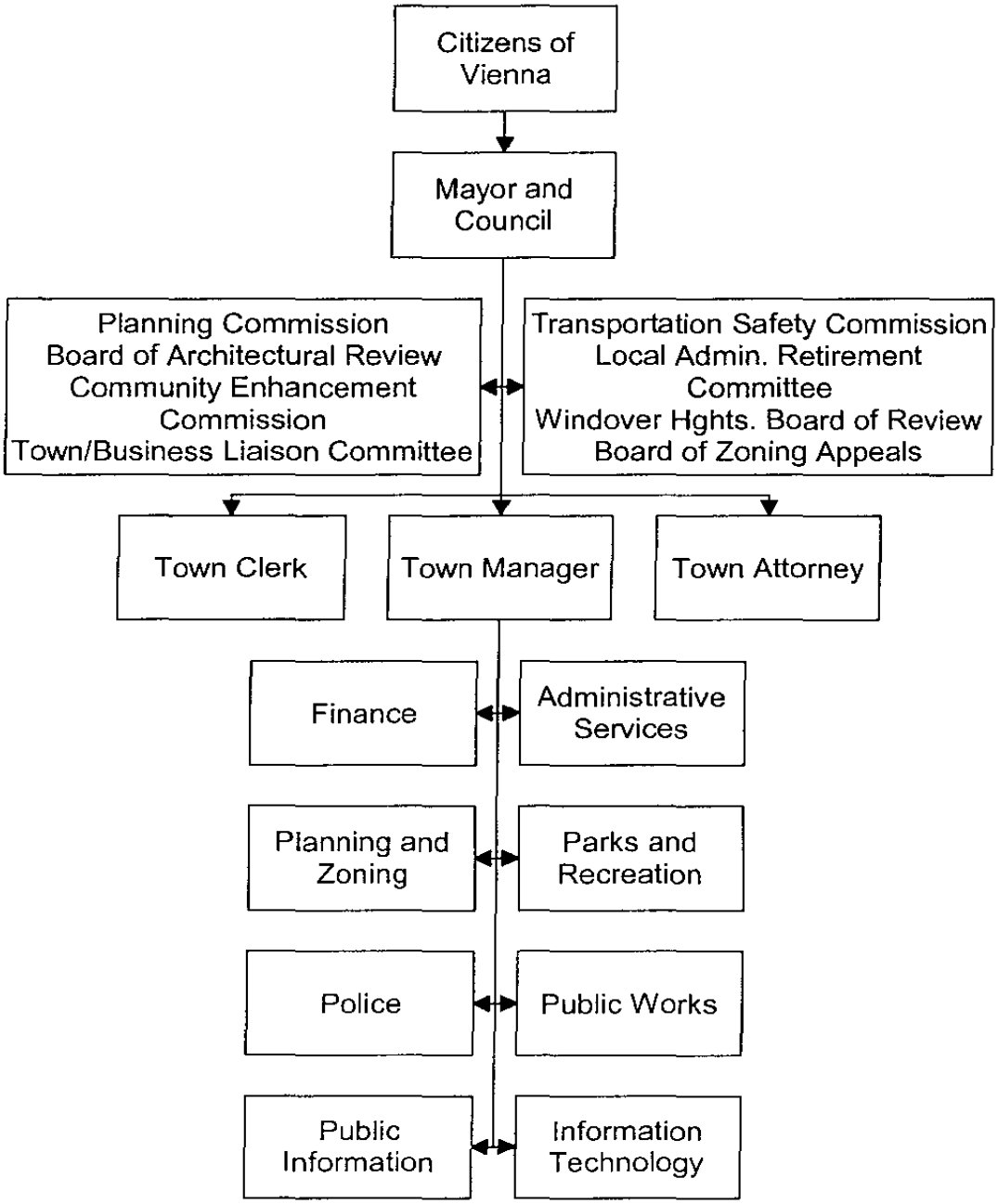
Town of Vienna, Virginia
Organizational Chart



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- Financial Section -

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Independent Auditors' Report

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

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 Vienna, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vienna, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the Town of Vienna, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedule of pension funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vienna, Virginia's financial statements as a whole. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 20, 2012

To the Honorable Members of the Town Council
To the Citizens of the Town of Vienna

As management of the Town of Vienna we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this analysis in conjunction with additional information that we have furnished in the letter of transmittal.

Financial Highlights

- Total net assets exceeded total liabilities on June 30, 2012 by $58,639,120, a decrease of $79,918 or 0.14 percent. This was caused primarily from repayment of bond obligations in 2012 partially offset by an increase in escrowed deposits relating to new home construction. Unrestricted net assets may be appropriated by the Town Council to meet the ongoing obligations to citizens, water and sewer customers and creditors.

- As of the close of the current fiscal year, the Town's governmental funds balance sheet (Exhibit 3) reported a combined ending fund balance of $19,525,092, an increase of $422,254 or 2.2 percent compared with the prior year. The increase was primarily due to a large one-time receipt from the federal seized assets program and overall spending in the General Fund favorable to budget partially offset by expenditures for sidewalk and road projects in the Capital Projects Fund. The Debt Service Fund’s balance of $4,120,330 is assigned for the retirement of current and future debt issues and the $6,544,456 balance of the Capital Projects Fund is assigned for completion of capital projects. The General Fund’s balance includes $4,585,175 as unassigned. This represents 20.8 percent of total General Fund FYE 2013 budgeted expenditures.

- The Town's long-term obligations decreased by $407,125 or 2.6 percent during last fiscal year. The decrease resulted primarily from scheduled repayments of general obligation and capital lease debt issues offset by a new installment of notes payable for business activities and a new capital lease for vehicle purchases. Long-term obligations totaled $14,028,494 at year-end. Of this amount, outstanding bonds totaled $10,598,614, notes payable totaled $1,795,222, capital leases totaled $1,311,938 and post-employment benefits totaled $322,720. The above amounts do not include the Town's obligations related to accounts payable and total compensated absences, which totaled $2,766,442 and $1,204,816 respectively, at year-end. Accounts payable and an estimated amount of $1,084,335 worth of compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences increased by $65,285 or 5.7 percent over the preceding year.

- Excluding Pension Trust Funds, total cash and cash equivalents grew by $658,485 when compared to the prior fiscal year. Increases in the General Fund and Debt Service Funds due to favorable revenues over expenditures were partially offset by expenditures in the Capital Project Fund as the 2010 debt proceeds began to be expended. Water and Sewer Fund operating, non-operating revenues, capital contributions, and incoming transfers were exceeded by operating and non-operating expenses and outgoing transfers by $770,692. Pension funds expenditures exceeded contributions and interest earnings by $8,605. The following table denotes cash increases and decreases by fund.

Fund	FY 12 Cash	FY 11 Cash	Increase (Decrease)
General	$ 9,012,922	$ 8,315,804	$ 697,118
Debt Service	3,905,007	3,533,254	371,753
Capital Projects	6,542,458	7,254,427	(711,969)
Water & Sewer	949,888	648,305	301,583
Total Cash	$ 20,410,275	$ 19,751,790	$ 658,485
Pension Trust	$ 5,278,660	$ 5,286,809	$ (8,149)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of Town finances, in a manner similar to a private-sector business.

1. Statement of Net Assets - Presents information on all Town assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

2. Statement of Activities - Presents information showing how Town net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police, public works, social services, community development and recreation. The business-type activities of the Town encompass water and sewer operations.

Town of Vienna students attend Fairfax County Schools, and therefore, no school related financial information is reflected in this report.

B. Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Vienna, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

1. Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These activities include general government, police, public works, social services, community development and recreation. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's ability to satisfy near-term financing requirements.

   The Town maintains three individual governmental funds: the General Fund, the Debt Service Fund and the Capital Projects Fund. A separate balance sheet and statement of revenues, expenditures and changes in fund balances has been prepared for each fund. The Town adopts annual appropriated budgets for these three funds and accordingly, a budgetary comparison statement has been provided for these funds to demonstrate compliance with budgetary controls.

   Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Accounting differences between the governmental fund and government-wide financial statements include, but are not limited to, the following:

   a. Asset purchases for land, buildings and equipment are reflected as expenditures in governmental fund financial statements; whereas, these same expenditures are capitalized and allocated (depreciation) to operations over the estimated useful lives of the assets in the government-wide financial statements.

   b. Interest expense is reflected as an expenditure when due in the governmental fund financial statements, but is posted as an accrued expense in the government-wide financial statements.

   c. Receivables reported in the government-wide financial statements when a claim is established (or revenue is earned), are reported as deferred revenues in the government fund financial statements if not available to pay current-period expenditures.

2. Proprietary funds - Proprietary funds consist of enterprise and internal service funds. Enterprise funds are predominantly used to account for goods and services that are offered for sale to the general public, whereas internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town does not utilize internal service funds, but does maintain one enterprise fund that accounts for the delivery and sale of water and sewer services. Enterprise funds employ the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements.

3. Fiduciary funds - Fiduciary funds account for assets held by the Town as a trustee or agent for individuals (pension plan), private organizations or other government units. The Town offers full-time employees a defined contribution and two defined benefit plans. The Town administers the two employee defined benefit pension plans under the direction of the Town Retirement Committee. The Local Retirement Pension Plan covers non-sworn employees and police officers are covered by the Police Retirement Pension Plan. Although reported in the governmental fund financial statements, fiduciary funds are not reported in the Town's

government-wide financial statement because the funds are not available to support Town programs. Fiduciary funds employ the accrual basis of accounting.

C. Notes to the financial statements - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The Town's total assets exceeded total liabilities by $58,639,120 at year-end, a decrease of $79,918 or 0.14 percent. Of the total net assets, governmental activities totaled $51,392,514, up $690,774 or 1.36 percent while business-type activities totaled $7,246,606 a decrease of $770,692 or 9.6 percent. The increase in net assets of governmental activities was primarily due to increases in escrowed deposits and compensated absences, partially offset by scheduled debt service payments. The decrease in net assets of the business type activities was primarily due to an unexpected increase in sewer treatment fees and higher depreciation over the previous year, partially offset by increased infrastructure investments from both outside developers and Town capital projects.

The Town's investment in capital assets such as land, buildings and equipment net of depreciation totaled $55,165,381 at June 30, 2012; of which, governmental activities totaled $45,110,195, a decrease of $1,028,472 or 2.23 percent. The decrease was due primarily to depreciation in excess of new additions. The Town uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides an overview of the Town's Statement of Net Assets for the fiscal year.

Town of Vienna, Virginia
Schedule of Assets, Liabilities and Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	$21,986,528	$21,243,517	$ 1,419,058	$ 1,997,902	$23,405,586	$23,241,419
Capital assets	45,110,195	46,138,667	10,055,186	9,110,537	55,165,381	55,249,204
Total assets	$67,096,723	$67,382,184	$11,474,244	$11,108,439	$78,570,967	$78,490,623
Liabilities:						
Long-term liabilities outstanding	$13,236,229	$14,475,960	$ 1,997,081	$ 1,164,475	$15,233,310	$15,640,435
Other liabilities	2,467,980	2,204,484	2,230,557	1,926,666	4,698,537	4,131,150
Total liabilities	$15,704,209	$16,680,444	$ 4,227,638	$ 3,091,141	$19,931,847	$19,771,585
Net Assets:						
Invested in capital assets, net of related debt	$37,173,866	$33,544,665	$ 8,183,057	$ 8,069,308	$45,356,923	$41,613,973
Unrestricted	14,218,648	17,157,075	(936,451)	(52,010)	13,282,197	17,105,065
Total net assets	$51,392,514	$50,701,740	$ 7,246,606	$ 8,017,298	$58,639,120	$58,719,038

At the end of the current fiscal year, the Town of Vienna is able to report positive balances in both categories of net assets, both for the Town as a whole, as well as its business-type activities.

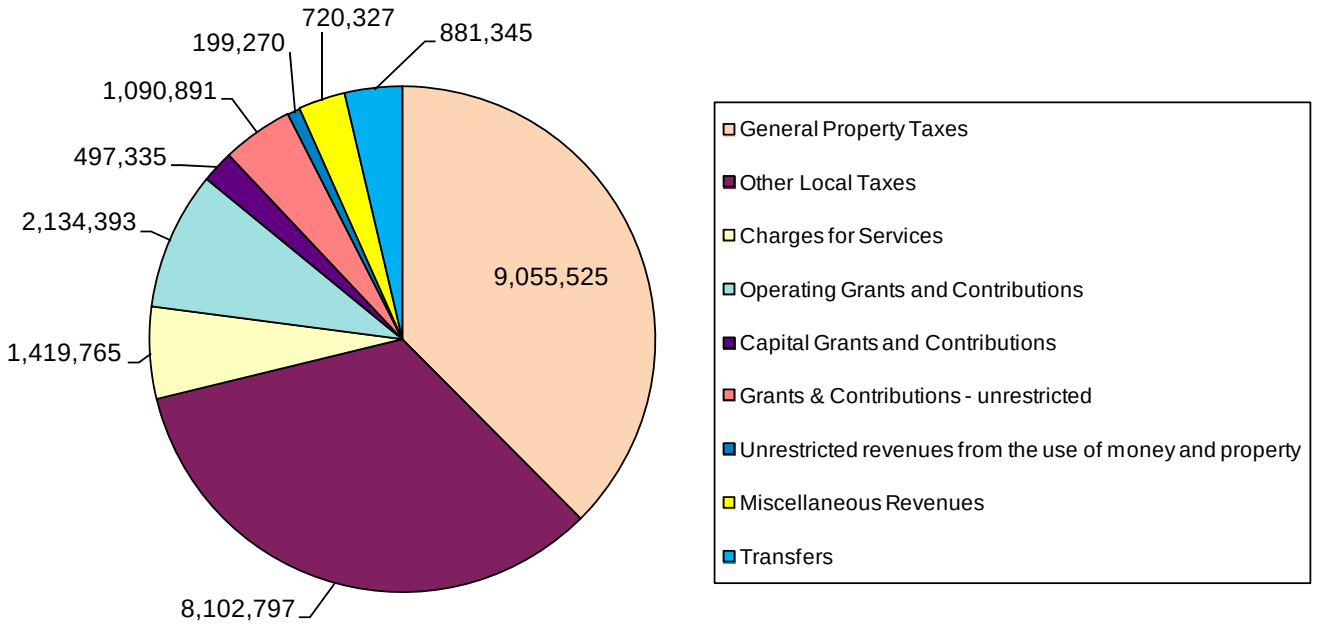
Governmental Activities - Governmental and business-type activities reflect changes in net assets of $690,774 and ($770,692) respectively. The following table provides an overview of revenues, expenses and the changes in net assets for the fiscal year.

Town of Vienna, Virginia
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 1,419,765	$ 1,266,436	$ 6,065,317	$ 6,071,383	$ 7,485,082	$ 7,337,819
Operating grants and contributions	2,134,393	2,137,763	-	-	2,134,393	2,137,763
Capital grants and contributions	497,335	687,923	112,490	4,000	609,825	691,923
General revenues:						
Property taxes	9,055,525	8,626,227	-	-	9,055,525	8,626,227
Other local taxes	8,102,797	7,673,569	-	-	8,102,797	7,673,569
Grants & contributions - unrestricted	1,090,891	1,112,301	-	-	1,090,891	1,112,301
Unrestricted revenues from the use of money and property	199,270	219,127	1,327	2,176	200,597	221,303
Miscellaneous	720,327	262,553	154,786	136,930	875,113	399,483
Total revenues	$23,220,303	$21,985,899	$ 6,333,920	$ 6,214,489	$29,554,223	$28,200,388
Expenses:						
General government	$ 3,635,414	$ 3,595,123	$ -	$ -	$ 3,635,414	$ 3,595,123
Public safety	6,100,525	5,755,847	-	-	6,100,525	5,755,847
Public works	9,220,813	9,813,232	-	-	9,220,813	9,813,232
Health and welfare	275,881	284,914	-	-	275,881	284,914
Parks, recreation and cultural	2,863,152	3,015,055	-	-	2,863,152	3,015,055
Community development	846,444	714,927	-	-	846,444	714,927
Interest on long-term debt	468,645	469,103	-	-	468,645	469,103
Water and sewer	-	-	6,223,267	5,535,934	6,223,267	5,535,934
Total Expenses	$23,410,874	$23,648,201	$ 6,223,267	$ 5,535,934	$29,634,141	$29,184,135
Net Assets:						
Income before capital contributions and transfers	$ (190,571)	$(1,662,302)	$ 110,653	$ 678,555	$ (79,918)	$ (983,747)
Transfers	881,345	875,802	(881,345)	(875,802)	-	-
Increase (Decrease) in net assets	$ 690,774	$ (786,500)	$ (770,692)	$ (197,247)	$ (79,918)	$ (983,747)
Net assets, beginning of year	50,701,740	51,488,240	8,017,298	8,214,545	58,719,038	59,702,785
Net assets, end of year	$51,392,514	$50,701,740	$ 7,246,606	$ 8,017,298	$58,639,120	$58,719,038

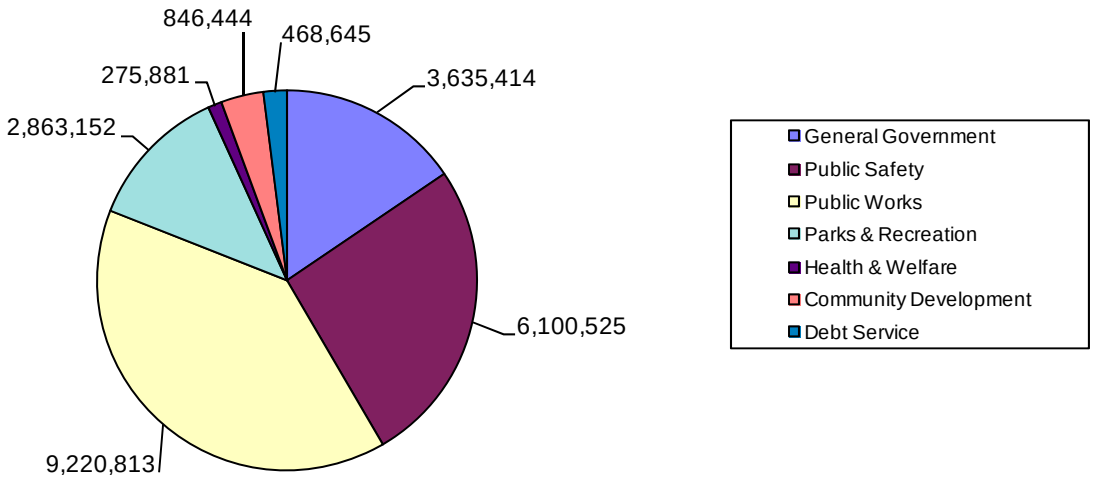
Program, general revenues, and transfers for governmental activities totaled $24,101,648, an increase of $1,239,947 or 5.42 percent over the previous fiscal year. Of the total amount, property taxes totaled $9,055,525 and other local taxes totaled $8,102,797. The increase in property taxes was due to new residential construction plus a 3.78 percent increase in assessments. The 5.6 percent increase in other local taxes primarily reflected a 16.5 percent increase in business license taxes and a 12.3 percent increase in meals and lodging taxes. Capital grants and contributions totaled $497,335, down by 27.7 percent from the previous year. The $881,345 worth of transfers between governmental activities and business-type activities was $5,543 or 0.6 percent more than that of the preceding year. The transfers consist of those from the Water and Sewer Fund to the Debt Service Fund for the Water and Sewer Fund's share of debt retirement and those from the Water and Sewer Fund to the General Fund to recover the General Fund's cost related to the support of its operations. These transfers are netted against those from the Capital Projects Fund to the Water and Sewer Fund resulting from capitalization of water and sewer project completions. The net increase was due primarily to a slight increase in Water and Sewer Fund transfers to the Debt Service Fund due to scheduled debt payments. The chart below provides an overview of the FY 2011-2012 revenues by program source.

Governmental Activities Revenues By Source



The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of providing services by function. The expenses associated with individual functions are compared to the non-tax revenues generated by charges for services and intergovernmental grants. As indicated in the Statement of Activities, governmental expenses totaled $23,410,874, a decrease of $237,327 or 1.0 percent. Directly supporting these expenditures were charges for services generating $1,419,765 plus operating grants and contributions totaling $2,134,393 and capital grants and contributions of $497,335 for total program revenues of $4,051,493. This represents a reduction of $40,629 or 1.0 percent. The decrease was due to reductions in capital grants and contributions offset by increases in charges for services. This accounts for the corresponding decrease in general revenue support of these activities of $196,698 or 1.0 percent. The chart below provides a graphical comparison of expenditures by function (general government, public works, etc.).

Governmental Activities Expenses By Type



Business-type activities - The Water and Sewer Fund concluded the year with a decrease in net assets of $770,692 to end the year with a net assets balance of $7,246,606. Before net transfers of $881,345 to the General and Debt Service Funds, Water and Sewer Fund operating income and capital transfers ended the year with a net gain of $110,653. Key elements of operating results include the following:

A. Charges for Services totaled $6,065,317, a decrease of $6,066 or 0.1 percent from FYE 2011of $6,071,383. The decrease was due mainly to a 3.8 percent decrease in the water rate. Non-operating revenues netted to $140,227 in FYE 2012 as compared to $124,608 the previous year, an increase of 12.5 percent. The change was primarily due an increase in miscellaneous receipts.

B. Operating expenses increased $687,333, or 12.4 percent. The change was due to unplanned increases in the cost of sewer treatment and increased depreciation expense.

C. Bills paid after June 30th account for the $245,216 or 18.5 percent increase in accounts payable. This is also the main reason for the increase of $301,583 or 46.5 percent increase in cash and cash equivalents.

D. Compared to the preceding year, operating transfers to other funds increased $45,017 or 4.2 percent while operating transfer from other funds were up $39,474 or 20.8 percent. The net result was a 0.6 percent increase in net outflow that ended the year at a negative $881,345. The change in the transfers out was the result of an increased share of scheduled debt payments. The change in transfer in was the result of increased capital project transfers to the Water and Sewer Fund.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town employs three funds: the General Fund, the Debt Service Fund and the Capital Projects Fund.

Governmental Funds - The governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the Town's three governmental funds reported combined ending fund balances of $19,525,092, an increase of $422,254 or 2.2 percent from the prior year. The change was the result of increases in the General Fund of $1,053,857 and the Debt Service Fund of $203,503, and a decrease in the Capital Project Funds of $835,106. $14,939,917 or 76.5 percent of the combined fund balance is non-spendable, restricted, committed, or assigned for capital projects, debt service, and other purposes, leaving an unassigned balance of $4,585,175 or 23.5 percent of the total available for spending at the Council's discretion. Debt Service Fund revenues were up by $235,970 or 13 percent, primarily because of rising meals and lodging tax collections due to new restaurant openings. Transfers from the Water and Sewer Fund increased by 2.8 percent as a result of additional debt service due to debt service payments for the 2010 bonds coming on line during the year. Expenditures were up by 3.6 percent for the same reason. Capital Project Fund year-end balance decreased by $835,106, reflecting spending beginning from the 2010 debt issue. The balance at year-end is reserved for the various projects for which the debt was issued. The reserved portions of the fund balances indicates they are not available for new spending because they have already been committed for expenditure, as follows:

Town of Vienna, Virginia
Fund Balance Components
General, Debt Service and Capital Projects Funds

Nonspendable:	
Inventory	$ 149,756
Restricted:	
Unappropriated PEG Funds	$ 500,716
Committed:	
VRP reserves	$ 541,141
Subsequent year budget support	900,000
Capital lease proceeds	20,662
New financial system	393,051
Total Committed	$ 1,854,854
Assigned:	
Encumbrance reserves	$ 36,171
Carryforward	220,000
Wright Building	869,987
Federal AF Funds	472,688
State AF Funds	170,959
Debt service	4,120,330
Capital projects	6,544,456
Total Assigned	$ 12,434,591
Unassigned:	
General fund	$ 4,585,175
Total Fund Balance	$ 19,525,092

The General Fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the General Fund totaled $8,860,306, which equates to 45.4 percent of the $19,525,092 combined fund balance for the three funds the Town employs. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 21.8 percent of total General Fund expenditures, while total fund balance represents 42.1 percent of that same amount.

The total fund balance for the General Fund increased $1,053,857 from the previous fiscal year. The unassigned component of fund balance was $4,585,175 at year-end, an increase over the prior fiscal year of $495,477or 12.1 percent. Both changes were the function of the following:

- Overall, General Fund revenues were up by $1,152,248 or 5.9 percent, primarily as a result of increased real estate assessments, increased business license collections and from a one-time receipt of federal seized asset funds.

- General Fund expenditures rose by $567,528 or 2.8 percent over the previous year. Increases in Public Safety and Parks and Recreation mainly for equipment purchases of 6.4 percent and 4.7 percent respectively accounted for the change, partially offset by a decrease in Public Works of 2.1 percent, as snow removal costs were down due to the mild winter.

- Net other financing sources were up by $209,378 over the previous year. The 16.7 percent increase was due primarily to the new capital lease for equipment replacement all related to the General Fund, instead of a portion for the Water and Sewer Fund in the previous year.

Proprietary Fund - The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the results of operations have already been addressed in the prior discussion of the Town's business-type activities.

General Fund Budgetary Highlights

During the year, Council adopted various budget amendments that resulted in differences between the original and final FY 2012 budgets. These differences totaled $52,285 for revenues and $199,756 for expenditures. Donations to the Police and Parks and Recreation departments comprise most of the miscellaneous revenue budget amendments. Funding of web site development and similar projects account for the increase in general government administration. Federal and state law enforcement grants account for the amendments to state and federal revenue accounts and are also reflected in the amendments to public safety expenditure budgets. Completion of projects that began the previous year account for amendments to public works budgets. Details are summarized in the following table:

	Amount Amended
Revenues:	
Miscellaneous	$ 600
Federal revenues	51,685
Total	$ 52,285
Expenditures:	
General government administration	$ (91,632)
Public safety	132,199
Public works	94,225
Parks, recreation and cultural	33,651
Community development	31,313
Total	$ 199,756

General Fund Budgetary Variances

General Fund actual revenues were $1,043,464 or 5.3 percent more than amended budgetary estimates. The difference was largely due to favorable results in business license collections and bank franchise taxes, partially offset by unfavorable results in local sales and use taxes. General Fund actual expenditures were less than amended budgets by $219,211 or 1.3 percent. The majority of the budgetary expenditure under runs occurred in the categories of general and financial administration and public works. Most of the difference resulted from retirements, position vacancies and project under-runs in the various operations.

Capital Assets and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities totaled $45,110,195 (net of accumulated depreciation), a decrease of $1,028,472 or 2.2 percent. The decline was primarily due to the changes in infrastructure values and building values in which net additions were exceeded by depreciation costs. The schedule below provides an overview of capital asset balances at year-end, net of accumulated depreciation. More detailed information on capital asset activity is in Note 7 of the Notes to Financial Statements.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 4,857,012	$ 4,822,562	$ -	$ -	$ 4,857,012	$ 4,822,562
Construction in progress	3,111,399	2,957,136	-	-	3,111,399	2,957,136
Buildings and improvements	7,653,270	8,102,849	-	-	7,653,270	8,102,849
Infrastructure	25,607,519	26,763,755	9,633,795	8,662,765	35,241,314	35,426,520
Office and other equipment	1,279,245	1,321,998	-	-	1,279,245	1,321,998
Automotive and other equipment	2,601,750	2,170,367	421,391	447,772	3,023,141	2,618,139
Total assets - net of depreciation	$ 45,110,195	$ 46,138,667	$ 10,055,186	$ 9,110,537	$ 55,165,381	$ 55,249,204

Long-term obligations - At the conclusion of the fiscal year, long-term obligations totaled $11,833,645 for General Fund activities and $1,872,129 for the Water and Sewer Fund. Of these amounts, outstanding bonds totaled $10,598,614, notes payable totaled $1,795,222 and capital leases totaled $1,311,938. The above amounts do not include the Town's obligations related to accounts payable, compensated absences, and other post-employment benefits which totaled $2,766,422, $1,204,816 and $322,720 respectively, at year-end. Except for $120,481 worth of compensated absences, these obligations will be paid from current resources and were not included in long-term liabilities. Additional information relative to the Town's long-term obligations can be found in Note 9 of the Notes to Financial Statements.

Economic Factors and Next Year's Budget and Rates

Located in northern Virginia, approximately ten miles west of Washington D.C., the Town of Vienna is situated in one of the more economically stable regions of the country. Vienna continues to enjoy a healthy economic base given its metropolitan transit system, and its close proximity to the Dulles Airport corridor and Washington D.C. Existing property values have been decreasing in an amount less than those in surrounding areas for the past several years and have actually increased in FY 2012 by 5.7 percent, mainly due to continued construction of upscale homes and residential renovations in many areas of Vienna. Overall property values increased by 2.5 percent during the past calendar year and are projected to moderately increase during the next several years. The Town continues to enjoy the effects of the area’s relatively low unemployment which at the end of the fiscal year was 4.3 percent as compared to 5.7 percent and 8.2 percent for Virginia and the nation respectively. According to the U.S. Census Bureau for 2010 (the last year available) the area’s median household income is $103,000 with 52.6 percent of the households having incomes of at least $100,000 and 31.2 percent having incomes of at least $150,000.

The resolution of the federal budget differences may lead to sequestration, or automatic cuts in federal spending. The ultimate resolution is unknown at this time. While automatic spending cuts may affect residents who work for the federal government, the Town of Vienna receives less than one percent of their revenue from the federal government. We believe that the impact of sequestration will be minimal on the Town.

The General Fund revenue budget for the fiscal year ending June 30, 2013 totals $21,009,785 which equates to an increase of $637,082 or 3.1 percent from the previous fiscal year. General property taxes are expected to increase $217,555 or 2.4 percent. The tax rate was held flat at $0.2421 in the subsequent fiscal year of 2012-2013. The following table provides a comparison of the FYE 2012 actual revenue and the FYE 2013 adopted revenue budget for the Town of Vienna. It should be noted that for the purposes of this comparison, the FYE 2013 Budget revenue source amounts have been adjusted to match the structure of the FYE 2012 Actual amount with no change in totals.

Revenue Source	FY 2013 Budget	FY 2012 Actual	Expected Increase (Decrease)
Property taxes	$ 9,245,902	$ 9,017,905	$ 227,997
Other local taxes	6,851,900	6,086,587	765,313
Permits, fees & licenses	133,300	135,197	(1,897)
Fines and forfeitures	448,000	512,500	(64,500)
Use of money & property	195,500	184,142	11,358
Charges for services	708,000	772,068	(64,068)
State revenues	2,029,898	3,137,048	(1,107,150)
Federal revenues	-	53,226	(53,226)
Transfers-in	850,000	850,000	-
Other	92,150	719,779	(627,629)
Equip. Repl. Reserve/PEG	455,135	-	455,135
Total Revenue Budget	$ 21,009,785	$ 21,468,452	$ (458,667)

Request for Information

This financial report is designed to provide a general overview of Town's finances for the fiscal year ended June 30, 2012. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 127 Center Street, South, Vienna, Virginia 22180. Information relative to Town government may also be obtained by visiting the Town of Vienna web site at www.viennava.gov.

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Basic Financial Statements:

- Government-wide Financial Statements -

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Exhibit 1

TOWN OF VIENNA, VIRGINIA

Statement of Net Assets
At June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 19,460,387	$ 949,888	$ 20,410,275
Receivables, (net of allowances for uncollectibles):	580,356	1,507,618	2,087,974
Due from other governments	643,756	-	643,756
Internal balances	1,152,273	(1,152,273)	-
Inventory, at cost	149,756	113,825	263,581
Capital assets:			
Land and land improvements	4,857,012	-	4,857,012
Construction in progress	3,111,399	-	3,111,399
Other capital assets, net of accumulated depreciation	37,141,784	10,055,186	47,196,970
Capital assets, net	$ 45,110,195	$ 10,055,186	$ 55,165,381
Total assets	$ 67,096,723	$ 11,474,244	$ 78,570,967
Liabilities:			
Accounts payable and accrued expenses	$ 1,198,732	$ 1,567,710	$ 2,766,442
Unearned revenue	274,675	-	274,675
Escrow and other deposits	994,573	99,512	1,094,085
Due to other governments	-	563,335	563,335
Long-term liabilities:			
Due within one year:			
Bonds and notes payable	1,643,264	72,699	1,715,963
Capital leases	437,185	40,445	477,630
Compensated absences	1,000,406	83,929	1,084,335
Due in more than one year:			
Bonds and notes payable	8,955,350	1,722,523	10,677,873
Capital leases	797,846	36,462	834,308
Net OPEB obligation payable	291,022	31,698	322,720
Compensated absences	111,156	9,325	120,481
Total liabilities	$ 15,704,209	$ 4,227,638	$ 19,931,847
Net Assets:			
Invested in capital assets, net of related debt	$ 37,173,866	$ 8,183,057	$ 45,356,923
Unrestricted (deficit)	14,218,648	(936,451)	13,282,197
Total net assets	$ 51,392,514	$ 7,246,606	$ 58,639,120

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

TOWN OF VIENNA, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government							
Governmental activities							
General government administration	$ 3,635,414	$ 21,341	$ -	$ -	$ (3,614,073)	$ -	$ (3,614,073)
Public safety	6,100,525	660,559	478,745	-	(4,961,221)	-	(4,961,221)
Public works	9,220,813	-	1,620,638	497,335	(7,102,840)	-	(7,102,840)
Health and welfare	275,881	-	-	-	(275,881)	-	(275,881)
Parks, recreation and cultural	2,863,152	737,865	-	-	(2,125,287)	-	(2,125,287)
Community development	846,444	-	-	-	(846,444)	-	(846,444)
Interest on long-term debt	468,645	-	35,010	-	(433,635)	-	(433,635)
Total governmental activities	$ 23,410,874	$ 1,419,765	$ 2,134,393	$ 497,335	$ (19,359,381)	$ -	$ (19,359,381)
Business type activities							
Water and sewer	6,223,267	6,065,317	-	112,490	-	(45,460)	(45,460)
Total Primary Government	$ 29,634,141	$ 7,485,082	$ 2,134,393	$ 609,825	$ (19,359,381)	$ (45,460)	$ (19,404,841)
	General Revenues						
	Taxes:						
	General real property taxes				$ 9,055,525	$ -	$ 9,055,525
	Local sales and use taxes				1,259,235	-	1,259,235
	Consumer utility taxes				645,869	-	645,869
	Business license taxes				2,288,730	-	2,288,730
	Meals and lodging taxes				2,016,210	-	2,016,210
	Bank franchise taxes				789,721	-	789,721
	Other				1,103,032	-	1,103,032
	Grants and contributions not restricted to specific programs				1,090,891	-	1,090,891
	Unrestricted revenues from the use of money and property				199,270	1,327	200,597
	Miscellaneous				720,327	154,786	875,113
	Transfers				881,345	(881,345)	-
	Total general revenues and transfers				$ 20,050,155	$ (725,232)	$ 19,324,923
	Change in net assets				$ 690,774	$ (770,692)	$ (79,918)
	Net assets, beginning of year				50,701,740	8,017,298	58,719,038
	Net assets, end of year				$ 51,392,514	$ 7,246,606	$ 58,639,120

The accompanying notes to financial statements are an integral part of this statement.

Basic Financial Statements:

- Fund Financial Statements -

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Exhibit 3

TOWN OF VIENNA, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2012

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 9,012,922	$ 3,905,007	$ 6,542,458	$ 19,460,387
Receivables (net of allowance for uncollectibles):				
Taxes including penalties	42,257	-	-	42,257
Accounts	322,062	215,518	519	538,099
Due from other governments	466,426	-	177,330	643,756
Due from other funds	1,096,668	57,778	87,693	1,242,139
Inventory, at cost	149,756	-	-	149,756
Total assets	$ 11,090,091	$ 4,178,303	$ 6,808,000	$ 22,076,394
Liabilities:				
Accounts payable	$ 795,391	$ 57,973	$ 199,043	$ 1,052,407
Accrued liabilities	39,080	-	-	39,080
Escrow and other deposits	930,072	-	64,501	994,573
Due to other funds	89,866	-	-	89,866
Deferred revenues	375,376	-	-	375,376
Total liabilities	$ 2,229,785	$ 57,973	$ 263,544	$ 2,551,302
Fund Balance:				
Nonspendable:				
Inventory	$ 149,756	$ -	$ -	$ 149,756
Restricted:				
Unappropriated PEG Funds	500,716	-	-	500,716
Committed:				
VRP reserves	541,141	-	-	541,141
Subsequent year budget support	900,000	-	-	900,000
Capital lease proceeds	20,662	-	-	20,662
New financial system	393,051	-	-	393,051
Assigned:				
Encumbrance reserves	36,171	-	-	36,171
Carryforward	220,000	-	-	220,000
Wright Building	869,987	-	-	869,987
Federal AF funds	472,688	-	-	472,688
State AF funds	170,959	-	-	170,959
Debt service	-	4,120,330	-	4,120,330
Capital projects	-	-	6,544,456	6,544,456
Unassigned:	4,585,175	-	-	4,585,175
Total fund balance	$ 8,860,306	$ 4,120,330	$ 6,544,456	$ 19,525,092
Total liabilities and fund balance	$ 11,090,091	$ 4,178,303	$ 6,808,000	$ 22,076,394

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 4

TOWN OF VIENNA, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2012

Total fund balances for governmental funds (Exhibit 3)		$ 19,525,092
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and land improvements	$ 4,857,012	
Construction in progress	3,111,399	
Depreciable capital assets, net of accumulated depreciation	37,141,784	
Total capital assets		45,110,195
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as deferred revenue in the funds.		100,701
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are as follows:		
Accrued interest on debt	$ (107,245)	
Bonds and capital leases payable	(11,778,366)	
Unamortized bond premium	(55,279)	
Other post employment benefits	(291,022)	
Compensated absences	(1,111,562)	
Total		(13,343,474)
Total net assets of governmental activities (Exhibits 1 and 2)		$ 51,392,514

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 5

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General	Debt Service	Capital Project	Total Governmental Funds
Revenues:				
General property taxes	$ 9,017,905	$ -	$ -	$ 9,017,905
Other local taxes	6,086,587	2,016,210	-	8,102,797
Permits, privilege fees and regulatory licenses	135,197	-	-	135,197
Fines and forfeitures	512,500	-	-	512,500
Revenue from use of money and property	184,142	5,436	9,692	199,270
Charges for services	772,068	-	-	772,068
Miscellaneous	719,779	548	-	720,327
Intergovernmental	3,190,274	35,010	497,335	3,722,619
Total revenues	$ 20,618,452	$ 2,057,204	$ 507,027	$ 23,182,683
Expenditures:				
Current:				
General government administration	$ 3,663,319	$ -	$ -	$ 3,663,319
Public safety	6,089,459	-	-	6,089,459
Public works	6,765,678	-	-	6,765,678
Health and welfare	275,187	-	-	275,187
Parks, recreation, and cultural	2,935,398	-	-	2,935,398
Community development	863,380	-	-	863,380
Capital projects	-	-	1,200,696	1,200,696
Debt service:				
Principal retirement	416,811	1,636,667	-	2,053,478
Interest and other fiscal charges	17,670	477,509	-	495,179
Total expenditures	$ 21,026,902	$ 2,114,176	$ 1,200,696	$ 24,341,774
Excess (deficiency) of revenues over expenditures	$ (408,450)	$ (56,972)	$ (693,669)	$ (1,159,091)
Other financing sources (uses):				
Issuance of capital lease	$ 700,000	$ -	$ -	$ 700,000
Transfers in	850,000	260,475	87,693	1,198,168
Transfers out	(87,693)	-	(229,130)	(316,823)
Total other financing sources (uses)	$ 1,462,307	$ 260,475	$ (141,437)	$ 1,581,345
Net changes in fund balances	$ 1,053,857	$ 203,503	$ (835,106)	$ 422,254
Fund balances at beginning of year	7,806,449	3,916,827	7,379,562	19,102,838
Fund balances at end of year	$ 8,860,306	$ 4,120,330	$ 6,544,456	$ 19,525,092

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 6

TOWN OF VIENNA, 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, 2012

Net change in fund balances - total governmental funds (Exhibit 5)		$ 422,254
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 deprecation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following details support this adjustment:		
Capital outlay	$ 2,829,289	
Depreciation expense	(3,849,663)	(1,020,374)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to drcrease net assets.		(8,098)
Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.		37,620
Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued:		
Capital leases	$ (700,000)	
Repayments:		
General obligation bonds	1,636,667	
Capital leases	416,811	
Net adjustment		1,353,478
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:		
Compensated absences	$ (68,714)	
Other post employment benefits	(51,925)	
Bond premium	6,893	
Accrued interest on bonds and loans	19,640	
Net adjustment		(94,106)
Change in net assets of governmental activities (Exhibit 2)		$ 690,774

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 7

TOWN OF VIENNA, VIRGINIA

Statement of Net Assets
Proprietary Fund
At June 30, 2012

		Business-Type Activities Enterprise Fund
		Water & Sewer Fund
Assets:		
Current assets:		
Cash and cash equivalents	$	949,888
Receivables: (net of allowance for uncollectibles)		
Accounts		744,911
Unbilled service charges		762,707
Inventory, at cost		113,825
Total current assets	$	2,571,331
Capital assets, net of accumulated depreciation		10,055,186
Total assets	$	12,626,517
Liabilities:		
Current liabilities:		
Accounts payable	$	1,560,488
Accrued liabilities		7,222
Escrow and other deposits		99,512
Due to other governments		563,335
Due to other funds		1,152,273
Compensated absences - current portion		83,929
Note payable - current portion		72,699
Capital lease obligations payable - current portion		40,445
Total current liabilities	$	3,579,903
Noncurrent liabilities:		
Compensated absences - noncurrent portion	$	9,325
Net OPEB obligation payable		31,698
Note payable - noncurrent portion		1,722,523
Capital lease obligations payable - noncurrent portion		36,462
Total noncurrent liabilities	$	1,800,008
Total liabilities	$	5,379,911
Net Assets:		
Invested in capital assets, net of related debt	$	8,183,057
Unrestricted		(936,451)
Total net assets	$	7,246,606

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 8

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2012

		Business-Type Activities Enterprise Fund
		Water & Sewer Fund
Operating revenues:		
Charges for services	$	6,065,317
Operating expenses:		
Personal services	$	1,095,163
Fringe benefits		360,367
Contractual services		4,043,378
Other charges		155,941
Materials and supplies		121,160
Depreciation		431,372
Total operating expenses	$	6,207,381
Operating income (loss)	$	(142,064)
Nonoperating revenues (expenses):		
Interest revenue	$	1,327
Miscellaneous		154,786
Interest expense		(15,886)
Net nonoperating revenues	$	140,227
Income (loss) before contributions and transfers	$	(1,837)
Capital contributions	$	112,490
Transfers:		
Transfers in	$	229,131
Transfers (out)		(1,110,476)
Net transfers	$	(881,345)
Change in net assets	$	(770,692)
Net assets, beginning of year		8,017,298
Net assets, end of year	$	7,246,606

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2012

		Business-Type Activities Enterprise Fund
		Water & Sewer Fund
Cash flows from operating activities:		
Receipts from customers	$	5,946,873
Payments to and for employees		(1,453,421)
Payments to suppliers		(3,995,416)
Other receipts		154,786
Net cash provided by operating activities	$	652,822
Cash flows from investing activities:		
Investment income	$	1,327
Cash flows from capital and related financing activities:		
Purchase of capital assets	$	(1,377,890)
Disposal of capital assets		1,869
Issuance of notes payable		938,798
Capital contributions		112,490
Principal payments on capital lease agreements		(39,120)
Principal payments on note payable		(68,778)
Interest expense		(15,886)
Net cash provided by (used for) capital and related financing activities	$	(448,517)
Cash flows from noncapital and related financing activities:		
Transfers from other funds	$	1,206,427
Transfers (to) other funds		(1,110,476)
Net cash provided by (used for) noncapital and related financing activities	$	95,951
Net increase (decrease) in cash and cash equivalents	$	301,583
Cash and cash equivalents at beginning of year		648,305
Cash and cash equivalents at end of year	$	949,888

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2012 (continued)

		Business-Type Activities Enterprise Fund
		Water & Sewer Fund
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	$	(142,064)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		431,372
Miscellaneous income		154,786
Increase (decrease) in allowance for uncollectibles		
Changes in operating accounts:		
Accounts receivable		(80,685)
Unbilled service charges		(96,434)
Inventory		80,250
Accounts payable and accrued liabilities		245,216
Escrow and other deposits		5,611
Due to other governments		53,064
Net OPEB obligation payable		5,136
Accrued leave		(3,430)
Net cash provided by (used for) operating activities	$	652,822

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 10

TOWN OF VIENNA, VIRGINIA

Statement of Fiduciary Net Assets
Pension Trust Funds
At June 30, 2012

Assets:		
Cash and cash equivalents	$	23,841
Investment in State Treasurer's Local Government Investment Pool		5,254,819
Accounts receivable		11,459
Total assets	$	5,290,119
Net Assets:		
Held in trust for pension benefits	$	5,290,119

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 11

TOWN OF VIENNA, VIRGINIA

Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended June 30, 2012

Additions:		
Contributions:		
Employer	$	277,664
Plan members		40,576
Total contributions	$	318,240
Investment income:		
Interest earned on investments		7,954
Total additions	$	326,194
Deductions:		
Pension benefit payments	$	325,498
Other charges		9,301
Total deductions	$	334,799
Net increase in plan assets	$	(8,605)
Net assets held in trust for pension benefits:		
Balance, beginning of year		5,298,724
Balance, end of year	$	5,290,119

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

The Town of Vienna, located in central Fairfax County, Virginia, approximately 10 miles west of the District of Columbia, was incorporated in 1890.

The Town is governed under the Council-Manager form of government. The Town government, with approximately 200 full-time employees, engages in a wide range of municipal services including: police protection, refuse and leaf collection, recycling, street and sidewalk maintenance, street lights, storm drainage system maintenance, street cleaning, snow removal, water and sewer services, insect and animal control, zoning enforcement, planning and community development, recreational facilities and programs and Town beautification. Judicial administration, educational, fire, library, health and welfare services are provided by Fairfax County.

The financial statements of the Town of Vienna, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

Management's Discussion and Analysis:

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements:

GASB Statement No. 34 requires that financial statements be prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. Financial Reporting Entity (continued)

Statement of Net Assets:

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities:

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules:

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments will continue to provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the current comparison of final budget and actual results for its major funds.

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Government-wide and Fund Financial Statements (continued)

government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. 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, 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 as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Government-wide and Fund Financial Statements (continued)

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Town's fiduciary funds are presented in the fund financial statements by type (pension trust). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the Town in FY 2012.

1. *Governmental Funds* - Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

   General Fund - The General Fund accounts for and reports all revenues and expenditures of the Town which are not accounted for and reported in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, and revenues from other governmental units.

   Debt Service Fund - The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The Debt Service Fund revenues are derived primarily from other local taxes and transfers from the Water and Sewer Fund.

   Capital Projects Funds - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

   Projects are financed principally through general obligation debt and general operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Government-wide and Fund Financial Statements (continued)

2. *Proprietary Funds* - Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and cash flows. The Proprietary Fund consists of the water and sewer enterprise fund.

   Enterprise Funds - Enterprise Funds account for operations of the Town's water and sewer fund. Revenues are primarily derived from user charges. The Town purchases water and conveys sewage under inter-governmental agreements with the City of Falls Church and the County of Fairfax, Virginia.

3. *Fiduciary Funds* - Fiduciary Funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units and other funds.

   Trust Funds - Trust Funds include the local retirement and the police retirement pension trust funds. These funds are accounted for and reported similarly to proprietary funds. Pension trust funds are used to account for assets held by the Town as trustee to provide to Town employees retirement benefits in addition to the benefits provided by the Virginia Retirement System and Social Security.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Basis of Accounting (continued)

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure. Revenues from general purpose grants, such as entitlement programs, are recognized in the period to which the grant applies.

   Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt is recognized when due except for amounts due on July 1, which are accrued.

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise and Pension Trust Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

   Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

3. *Fiduciary Funds* - Pension Trust Funds utilize the accrual basis of accounting.

D. Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the general and debt service funds.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April of each year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. At least one public hearing is conducted at the Town Hall to obtain taxpayer comments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Budgets and Budgetary Accounting (continued)

3. Prior to June 30, the budget is legally enacted through passage of an appropriation ordinance. The Town Council may approve supplemental appropriations.

4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. This is done during a quarterly review and analysis, and approved by motion by the Town Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and Capital Projects Fund. Capital Projects are budgeted on a project basis as well as an annual basis.

6. The budgets for the General Fund, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. A review of the presented budget comparisons herein will disclose how accurately the governing body was actually able to forecast the revenues and expenditures of the Town.

8. Appropriations lapse on June 30 except for the Capital Projects Fund which adopts both annual and project-length budgets. Those appropriations lapse when the project has been completed.

9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2012.

10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2012.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Funds must be reappropriated in the ensuing fiscal year to provide for the payment of encumbrances which were unliquidated at the end of the previous year.

F. Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash, and (2) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

G. Investments

Investments, consisting of deposits in the Local Government Investment Pool, are stated at fair value.

H. Inventory

Inventory is valued at cost on a first-in, first-out basis. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are offset in nonspendable fund balance which indicate that they do not constitute available spendable resources, except in the Proprietary Fund.

I. Prepaid Items

The consumption method is used for accounting of prepaid items.

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town, and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of $5,000 is met. Expenditures for infrastructure capital assets, which consist of roads, streets, bridges and similar assets, have been capitalized for acquisitions acquired and/or constructed during the current fiscal year (2011). Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	15 - 30 years
Water and sewer lines	50 years
Storage tanks and wells	40 years
Improvements	20 - 40 years
Office, automotive, and other equipment	5 - 10 years
Infrastructure	25 years

K. Other Local Taxes

Included in other local taxes is meal and lodging tax revenue which the Town began to assess as of January 1, 1990. Since the Town Council has designated that such revenue is to be used to repay principal and interest on governmental debt, the revenue is included as debt service revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

L. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $152,000 at June 30, 2012 and is comprised of the following:

General Fund:	
Taxes receivable	$ 4,000
Water and Sewer Fund:	
Accounts receivable	148,000
Total	$ 152,000

M. Accumulated Unpaid Vacation Pay and Other Employee Benefit Amounts

Vested vacation pay, sick pay and other related employee benefit amounts are accrued when earned in all funds.

N. Unbilled Revenue

The Water and Sewer Fund bills service charges to customers on a quarterly basis. Service charges earned but unbilled are accrued based on the last billing and reported in the financial statements as unbilled service charges.

O. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over various periods. The Town's policy is to fund pension cost as it accrues.

P. Use of Estimates

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

Q. Long-Term Obligations

The Town reports long-term debt of governmental funds at face value. The face value of the debt is believed to approximate fair value. Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

R. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Town to invest in obligations of the United States or 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, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Town's investment policies allow investments in the following:

a. U.S. Treasury bills
b. Treasury notes on bonds
c. insured or fully collateralized certificates of deposit of banks and savings and loan
d. associations approved by the State Treasurer
e. repurchase agreements collateralized by U.S. Treasury securities market-to-market
f. the state investment pool
g. fully secured/insured U.S. government securities

Custodial Credit Risk (Investments)

To protect against potential fraud and embezzlement, the assets of the Town shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Investment officials shall be bonded to protect the public against embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.

The Town's investments at June 30, 2012 consisted solely of investment in the Commonwealth of Virginia Local Government Investment Pool.

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities

The Town's investment policies state that no individual investment transaction shall be undertaken that jeopardizes the capital position of the portfolio, and that does not bear the full faith and credit of the United States government or which is not fully collateralized or insured. These investments shall be limited to instruments maturing within one year at the time of purchase, except for the pension and debt retirement funds.

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's and Fitch Investors Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

The Town's rated debt instruments as of June 30, 2012 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Town's Rated Debt Investments

Rated Debt Investments	Fair Quality Ratings	
		AAAm
Investment in State Treasurer's Local Government Investment Pool (LGIP) (1)	$	23,754,915

(1) The fair value of the position in the pool is the same as the value of the pool shares. As this pool is not SEC registered, the Treasurer of Virginia is responsible for the regulatory oversight of the pool.
LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Reconciliation of Deposits and Investments

Cash and cash equivalents - Per Exhibit 1	$	20,410,275
Fiduciary funds		5,278,660
Total cash and investments	$	25,688,935
Cash:		
Deposits	$	1,931,997
Cash on hand and cash items		2,023
Total cash	$	1,934,020
Investments	$	23,754,915
Total cash and investments	$	25,688,935

NOTE 3 - PROPERTY TAXES:

Real property taxes are levied on July 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Supervisor of Assessments of Fairfax County. The Town does not levy personal property taxes. Neither the Town Charter nor the State of Virginia impose a limitation on the tax rate. Assessed value of all property is 100 percent of fair market value. Each year all property is reassessed as of January 1. The Town's tax rate for fiscal year 2012 was $.2421 per $100 of assessed valuation.

Taxes are due in semi-annual installments on July 28 and December 5 of each year. A penalty of 10 percent or $5.00, whichever is greater, is added to each delinquent installment. No discounts are allowed and interest at 10 percent per annum is also assessed on delinquent installments. All unpaid taxes become subject to liens against the properties upon which they are assessed as of June 30 of the year following assessment.

NOTE 4 - ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	Governmental Activities				Business Activities
	General Fund	Debt Service Fund	Capital Projects Fund	Total	Water & Sewer Fund
Property taxes	$ 46,257	$ -	$ -	$ 46,257	$ -
Consumer utility taxes	70,212	-	-	70,212	-
PEG funds	38,620	-	-	38,620	-
Business license fees	49,568	-	-	49,568	-
Meals taxes	-	215,518	-	215,518	-
Water and sewer charges	-	-	-	-	892,911
Unbilled revenues	-	-	-	-	762,707
Other	163,662	-	519	164,181	-
Total	$ 368,319	$ 215,518	$ 519	$ 584,356	$ 1,655,618
Less: Allowance for uncollectibles	(4,000)	-	-	(4,000)	(148,000)
Net accounts receivable	$ 364,319	$ 215,518	$ 519	$ 580,356	$ 1,507,618

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are detailed as follows:

	Governmental Activities		
	General Fund	Capital Projects Fund	Total
Commonwealth of Virginia:			
Virginia Department of Highways	$ -	$ 177,330	$ 177,330
Federal Government:			
FEMA grant	-	-	-
Traffic enforcement	5,080		5,080
County of Fairfax, Virginia:			
Local sales tax	217,875	-	217,875
Communications tax	185,916	-	185,916
Court fines and forfeitures	42,570	-	42,570
Fire grant	5,926	-	5,926
Other	506	-	506
County of Loudoun, Virginia:			
Gang grant	3,229	-	3,229
County of Arlington, Virginia:			
Drug Trafficking Grant	5,324	-	5,324
Total	$ 466,426	$ 177,330	$ 643,756

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Details of interfund receivables, payables and activity as of June 30, 2012 are as follows:

Interfund balances resulting from cash advances to the various funds:

Interfund Receivable	Interfund Payable	
General	Water and Sewer	$ 1,096,667
Debt Service	General	2,173
Debt Service	Water and Sewer	55,605
Capital Projects	General	87,693
Total		$ 1,242,138

Transfers to/from other funds:

Transfers to the General Fund from the Water and Sewer Fund to supplement General Fund operations	$ 850,000
Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects	229,131
Transfers to the Capital Projects Fund from the General Fund for capital projects	87,693
Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt	260,475
Total transfers	$ 1,427,299

NOTE 7 - CAPITAL ASSETS:

The following is a summary of changes in capital assets during the fiscal year:

Governmental Activities:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land and land improvements	$ 4,822,562	$ 34,450	$ -	$ 4,857,012
Construction in progress - infrastructure	2,090,058	1,092,629	1,015,465	2,167,222
Construction in progress - other	867,078	205,952	128,853	944,177
Total capital assets not being depreciated	$ 7,779,698	$ 1,333,031	$ 1,144,318	$ 7,968,411
Other capital assets:				
Buildings and improvements	$ 13,548,667	$ 7,020	$ -	$ 13,555,687
Infrastructure	70,582,076	1,722,659	-	72,304,735
Office and other equipment	2,666,855	153,511	-	2,820,366
Automotive and other equipment	4,609,748	757,386	302,553	5,064,581
Total other capital assets	$ 91,407,346	$ 2,640,576	$ 302,553	$ 93,745,369
Less: Accumulated depreciation for:				
Buildings and improvements	$ 5,445,818	$ 456,599	$ -	$ 5,902,417
Infrastructure	43,818,321	2,878,895	-	46,697,216
Office and other equipment	1,344,857	196,264	-	1,541,121
Automotive and other equipment	2,439,381	317,905	294,455	2,462,831
Total accumulated depreciation	$ 53,048,377	$ 3,849,663	$ 294,455	$ 56,603,585
Net capital assets	$ 46,138,667	$ 123,944	$ 1,152,416	$ 45,110,195

Depreciation expense has been allocated as follows:

General government administration	$ 149,206
Public safety	191,463
Public works	3,317,927
Parks and recreation	188,961
Community development	2,106
Total depreciation expense	$ 3,849,663

Business-Type Activities:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Other capital assets:				
Automotive equipment	$ 977,656	$ 61,685	$ 40,571	$ 998,770
Improvements	18,329,444	1,316,205	-	19,645,649
Total capital assets	$ 19,307,100	$ 1,377,890	$ 40,571	$ 20,644,419
Less: Accumulated depreciation for:				
Automotive equipment	$ 529,884	$ 86,197	$ 38,702	$ 577,379
Improvements	9,666,679	345,175	-	10,011,854
Total accumulated depreciation	$ 10,196,563	$ 431,372	$ 38,702	$ 10,589,233
Net capital assets	$ 9,110,537	$ 946,518	$ 1,869	$ 10,055,186

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment:			
Governmental activities	$ 3,346,160	$ 226,989	$ 1,141,681
Business activities	526,963	50,180	217,330
Total	$ 3,873,123	$ 277,169	$ 1,359,011

NOTE 8 – DEFERRED/UNEARNED REVENUE:

	Government-wide Statements: Governmental Activities	Governmental Funds
A. *Deferred Property Tax Revenue* - Deferred revenue representing uncollected tax billings not available for funding of current expenditures	$ -	$ 100,701
B. *Non-refundable deposits held for various sidewalk and street improvements* - Revenues related to such deposits are not recognized until the related street improvement expenditures have been incurred	248,242	248,242
C. *Other* - deferred grant revenues and bank franchise taxes	26,433	26,433
Total	$ 274,675	$ 375,376

NOTE 9 - LONG-TERM OBLIGATIONS:

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

Governmental Activities:

Year Ending June 30,	General Obligation Debt: Public Improvement Bonds: Principal	General Obligation Debt: Public Improvement Bonds: Interest	Capital Lease Obligations: Principal	Capital Lease Obligations: Interest
2013	$ 1,636,667	$ 383,023	$ 437,185	$ 21,008
2014	1,311,667	320,620	307,326	11,832
2015	1,311,667	273,534	312,011	7,146
2016	991,667	232,989	178,509	-
2017	991,667	198,607	-	-
2018	665,000	163,806	-	-
2019	665,000	142,627	-	-
2020	665,000	118,936	-	-
2021	665,000	92,732	-	-
2022	335,000	66,193	-	-
2023	335,000	51,871	-	-
2024	335,000	37,048	-	-
2025	335,000	21,805	-	-
2026	300,000	7,050	-	-
Total	$ 10,543,335	$ 2,110,841	$ 1,235,031	$ 39,986

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Business-Type Activities:

Year Ending June 30,	Note Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2013	$ 72,699	$ 97,353	$ 40,445	$ 2,607
2014	76,845	93,207	17,927	1,236
2015	81,229	88,824	18,535	628
2016	85,865	84,187	-	-
2017	90,766	79,284	-	-
2018	95,950	74,101	-	-
2019	101,432	68,619	-	-
2020	107,230	62,821	-	-
2021	113,360	56,690	-	-
2022	119,844	50,208	-	-
2023	126,702	43,351	-	-
2024	133,953	36,098	-	-
2025	37,111	28,429	-	-
2026	38,953	26,588	-	-
2027	40,885	24,656	-	-
2028	42,913	22,628	-	-
2029	45,041	20,499	-	-
2030	47,274	18,266	-	-
2031	49,620	15,921	-	-
2032	52,081	13,460	-	-
2033	54,664	10,876	-	-
2034	57,376	8,165	-	-
2035	60,221	5,319	-	-
2036	63,208	2,331	-	-
Total	$ 1,795,222	$ 1,031,881	$ 76,907	$ 4,471

Changes in Long-term Debt:

The following is a summary of the governmental activities long-term obligations of the Town for the year ended June 30, 2012.

	Bonds	Capital Leases	Total
Balance, July 1, 2011	$ 12,242,174	$ 951,842	$ 13,194,016
Issuances/Increases:			
Capital leases	$ -	$ 700,000	$ 700,000
Total issuances/increases	$ -	$ 700,000	$ 700,000
Retirements/decreases:			
Public improvement bonds	$ 1,636,667	$ -	$ 1,636,667
Bond premium	6,893	-	6,893
Capital leases	-	416,811	416,811
Total retirements/decreases	$ 1,643,560	$ 416,811	$ 2,060,371
Balance, June 30, 2012	$ 10,598,614	$ 1,235,031	$ 11,833,645

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Changes in Long-term Debt: (continued)

The following is a summary of business activities long-term obligations of the Town for the year ended June 30, 2012.

	Note Payable	Capital Leases	Total
Balance, July 1, 2011	$ 925,202	$ 116,027	$ 1,041,229
Issuances/Increases:			
Notes payable	$ 938,798	$ -	$ 938,798
Total issuances/increases	$ 938,798	$ -	$ 938,798
Retirements/decreases:			
Note payable	$ 68,778	$ -	$ 68,778
Capital leases	-	39,120	39,120
Total retirements/decreases	$ 68,778	$ 39,120	$ 107,898
Balance, June 30, 2012	$ 1,795,222	$ 76,907	$ 1,872,129

Note: Capital lease proceeds are receipted by the Town and purchases from such funds are made from Town funds rather than by the financing entity. There were no non-cash transactions resulting from capital leases.

Details of Long-Term Obligations

	Amount Outstanding	Amount Due In One Year
Governmental activities:		
Public Improvement Bonds:		
$4,900,000 issued March 1, 1998, maturing in annual installments of $330,000 through March 1, 2003, and $325,000 from March 1, 2004 through March 1, 2013, interest at rates from 3.9% to 4.75%	$ 325,000	$ 325,000
$4,800,000 issued April 27, 1999, maturing in annual installments of $320,000 through July 1, 2014, interest payable semiannually at rates from 4.05% to 4.375%	960,000	320,000
$4,900,000 issued February 1, 2002, maturing in annual installments of $326,667 through February 1, 2017 with interest payable semiannually at 4.17%	1,633,335	326,667
$4,950,000 issued June 20, 2006, maturing in annual installments of $330,000 through June 1, 2021 with interest payable semiannually at 3.88%	2,970,000	330,000
$2,680,000 issued July 28, 2010, maturing in annual installments of $335,000 through August 1, 2018 with interest payable semiannually at rates from 2.00% to 2.50%	2,345,000	335,000
$2,310,00 issued July 28, 2010, maturing in annual installments of $335,000 from August 1, 2019 through August 1, 2025 with interest payable semiannually at rates from 4.00% to 4.70%	2,310,000	-
Total public improvement bonds	$ 10,543,335	$ 1,636,667

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Details of Long-Term Obligations (continued)

	Amount Outstanding	Amount Due In One Year
Governmental activities: (continued)		
Capital Lease Obligations:		
$700,000 capital lease obligations due in annual installments of $181,035 through October 31, 2015, interest payable at 1.37%	$ 700,000	$ 171,522
$512,025 capital lease obligations due in annual installments of $139,035 through December 30, 2012, interest payable at 3.390%	134,476	134,476
$529,427 capital lease obligations due in annual installments of $138,256 through June 1, 2015, interest payable at 1.94%	400,555	131,187
Total capital lease obligations	$ 1,235,031	$ 437,185
Unamortized bond premiums	$ 55,279	$ 6,597
Total general long-term obligations from governmental activities	$ 11,833,645	$ 2,080,449
Business-Type activities:		
Notes Payable:		
Note payable to Fairfax County for Town share of pollution control plant upgrade, maturing in annual installments of $104,511 through June 30, 2023, interest at 6%	$ 876,203	$ 51,939
Note payable to Fairfax County for Town share of pollution control plant upgrade, maturing in annual installments of $65,541 through April 1, 2035, interest at 6%	919,019	20,760
Total notes payable	$ 1,795,222	$ 72,699
Capital Lease Obligations:		
$87,975 capital lease obligations due in annual installments of $23,889 through December 30, 2012, interest payable at 3.390%	$ 23,105	$ 23,105
$70,573 capital lease obligations due in annual installments of $19,164 through June 1, 2015, interest payable at 1.94%	53,802	17,340
Total capital lease obligations	$ 76,907	$ 40,445
Total general long-term obligations from business-type activities	$ 1,872,129	$ 113,144

Federal Arbitrage Regulations:

The Town is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

NOTE 10 - COMPENSATED ABSENCES:

In accordance with GASB 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from all outstanding claims, judgments and compensated absences. The liability for future vacation benefits is accrued when certain conditions are fulfilled.

NOTE 10 - COMPENSATED ABSENCES: (continued)

Town employees earn vacation and sick leave at rates determined by length of service. Accumulated vacation paid upon termination varies with the length of service.

	Governmental Activities	Business-Type Activities	Total
Balance, July 1, 2011	$ 1,042,847	$ 96,684	$ 1,139,531
Increases	1,111,562	93,254	1,204,816
Decreases	(1,042,847)	(96,684)	(1,139,531)
Balance, June 30, 2012	$ 1,111,562	$ 93,254	$ 1,204,816
Amounts due within one year	$ 1,000,406	$ 83,929	$ 1,084,335
Amounts due after one year	111,156	9,325	120,481
Total	$ 1,111,562	$ 93,254	$ 1,204,816

The General Fund is used to liquidate the liability for compensated absences for all governmental funds.

NOTE 11 - DEFINED BENEFIT PENSION PLANS:

A. Plan Description - Virginia Retirement System

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

A. Plan Description - Virginia Retirement System (continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 9.8% of annual covered payroll.

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

A. Plan Description - Virginia Retirement System (continued)

Annual Pension Cost

For fiscal year 2012, the Town's annual pension cost of $959,654 (does not include employee share of $489,619 which was assumed by the Town for VRS) was equal to the Town's required and actual contributions.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) *	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	$ 1,106,443	100%	$ -
June 30, 2009	1,004,946	100%	-
June 30, 2010	1,015,742	100%	-
June 30, 2011	963,272	100%	-
June 30, 2012	959,654	100%	-

* Includes employer contributions only

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 75.30% funded. The actuarial accrued liability for benefits was $53,264,532, and the actuarial value of assets was $40,107,763, resulting in an unfunded actuarial accrued liability (UAAL) of $13,156,769. The covered payroll (annual payroll of active employees covered by the plan) was $9,698,764, and ratio of the UAAL to the covered payroll was 135.65%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

B. Plan Description - Town Retirement Plans

The Town's Local Retirement Plan covers all full-time employees of the Town except police officers who are covered under the Police Retirement Pension Plan. Both are defined benefit plans authorized by the Town Council, and are administered by the Town Retirement Committee. The Town's two plans are single-employer retirement systems.

Upon retirement, a participant in the two Town Plans would receive a monthly retirement allowance which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement, the participant's accumulated contributions are paid to the participant's designated beneficiaries in a lump sum. If a participant were vested at time of death, the designated beneficiary would receive a monthly retirement allowance.

The plans do not issue separate financial statements.

Summary of significant accounting policies – basis of accounting and valuation of investments. The local retirement plans utilize the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market are reported at estimated fair value.

Administration costs of the plans are assumed by the General Fund. The plans are not assessed administration fees except for actuarial valuation and related costs.

The following is a summary of the two Town retirement plans:

Local Retirement Plan

All full-time, salaried permanent employees not covered by the Police Retirement Pension Plan must participate in the Plan. Benefits vest after 5 years of service. Employees who retire with at least 5 years of service are entitled to an annual retirement benefit payable monthly for life in an amount equal to .25 percent of their average final salary (AFS) times years of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire before age 50 and with less than 30 years of service. The plan also provides death and disability benefits. These benefit provisions and other requirements are established by local statute.

Employees do not make any contributions to the Plan. The employer contributes all amounts necessary to fund the Plan using the actuarial basis specified by statute.

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

B. Plan Description - Town Retirement Plans (continued)

Police Retirement Plan

Any full-time, salaried sworn officers may participate in the Plan. Benefits vest after 20 years of service. Employees who retire with at least 25 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 2 percent of their average final salary (AFS) for each of the first 25 years of service, less the Virginia Retirement System benefit payable. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to age 55. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by local statute.

Employees are required to contribute 1 ½ percent of their annual salary to the Plan. The employer is required to contribute the remaining amounts necessary to fund the Plan using the actuarial basis specified by statute.

Funding Policy and Annual Pension Cost

The Town Council may amend the contribution requirements of plan members and the Town. The Town's annual pension cost for the current year and related information for each plan is as follows:

	Local Retirement Plan	Police Retirement Plan
Contribution rate: (1)		
Town	8.38%	6.08%
Plan members	-	1.50%
Annual pension cost (1)	$143,200	$133,248
Contributions made (1)	$143,200	$133,248
Actuarial valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Individual entry age normal	Individual entry age normal
Amortization method	Level dollar (closed)	Level dollar (open)
Remaining amortization period	11 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return *	5%	5%
Projected salary increases *	7.4% first 20 years, 3.25% thereafter	4.28%-8.41%
* Includes inflation at	3.25%	3.25%
Cost of living adjustments	Smaller of CPI or 5%	Smaller of CPI or 5%

(1) Employer portion only - plan year ended December 31, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

B. Plan Description - Town Retirement Plans (continued)

Funding Policy and Annual Pension Cost (continued)

The following trend and required supplemental information is presented as follows:

Trend Information

Plan Year Ending December 31	Annual Pension Cost (APC) *	Percentage of APC	Net Pension Obligation
Town Local Plan:			
2003	$ 274,469	100%	$ -
2004	266,596	100%	-
2005	296,157	100%	-
2006	124,416	100%	-
2007	134,812	100%	-
2008	145,979	100%	-
2009	155,751	100%	-
2010	138,196	100%	-
2011	143,200	100%	-
Police Plan:			
2003	$ 25,359	100%	$ -
2004	57,984	100%	-
2005	59,001	100%	-
2006	58,596	100%	-
2007	98,762	100%	-
2008	140,348	100%	-
2009	148,117	100%	-
2010	136,942	100%	-
2011	133,248	100%	-

* Employer cost only

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

B. Plan Description - Town Retirement Plans (continued)

Other Information

The Town's membership in the Local and Police Plans at July 1, 2011 is as follows:

	Local Retirement Plan	Police Retirement Plan
Retirees and beneficiaries	39	21
Terminated vested members	70	-
Disabled	4	-
Active members	28	38
Total	141	59

The following is a summary of financial information for the Town's local retirement plans.

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Totals
Assets:			
Cash and cash equivalents	$ 7,790	$ 16,051	$ 23,841
Investments - LGIP	2,278,812	2,976,007	5,254,819
Accounts receivable	11,459	-	11,459
Total assets	$ 2,298,061	$ 2,992,058	$ 5,290,119
Net Assets:			
Net assets held in trust for pension benefits	$ 2,298,061	$ 2,992,058	$ 5,290,119
Additions:			
Contributions:			
Employer	$ 137,817	$ 139,847	$ 277,664
Plan members	-	40,576	40,576
Total contributions	$ 137,817	$ 180,423	$ 318,240
Investment income:			
Interest earned on investments	3,431	4,523	7,954
Total additions	$ 141,248	$ 184,946	$ 326,194

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

B. Plan Description - Town Retirement Plans (continued)

Other Information (continued)

(table continued from previous page)	Pension Trust Funds: Local Retirement Fund	Pension Trust Funds: Police Retirement Fund	Totals
Deductions:			
Pension benefit payments	$ 124,291	$ 201,207	$ 325,498
Other charges	4,556	4,745	9,301
Total deductions	$ 128,847	$ 205,952	$ 334,799
Net increase in plan assets	$ 12,401	$ (21,006)	$ (8,605)
Net assets held in trust for pension benefits:			
Balance, beginning of year	2,285,660	3,013,064	5,298,724
Balance, end of year	$ 2,298,061	$ 2,992,058	$ 5,290,119

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the Local plan was 73.4% funded. The actuarial accrued liability for benefits was $3,113,956, and the actuarial value of assets was $2,285,660, resulting in an unfunded actuarial accrued liability (UAAL) of $828,296. The covered payroll (annual payroll of active employees covered by the plan) was $1,694,472, and ratio of the UAAL to the covered payroll was 48.8%.

As of July 1, 2011, the most recent actuarial valuation date, the Police plan was 89.6% funded. The actuarial accrued liability for benefits was $3,362,964, and the actuarial value of assets was $3,013,064, resulting in an unfunded actuarial accrued liability (UAAL) of $349,900. The covered payroll (annual payroll of active employees covered by the plan) was $2,747,535, and ratio of the UAAL to the covered payroll was 12.7%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12 - DEFINED CONTRIBUTION CIVILIAN RETIREMENT PLAN:

During fiscal year 2006 the Town established the Town of Vienna Defined Contribution Civilian Retirement plan pursuant to Internal Revenue Code 401(a) for employees who are members of the local pension plan. The plan was initially funded by a payment of $1,079,183 from the Local Retirement Fund. Under the terms of the plan administered by ICMA-RC, employees are eligible to participate after six months of employment. The Town contributes 2% of the participating employee's annual base salary to the plan. An employee may elect to contribute to the plan to the extent allowed by federal law. Employee contributions of up to 2% will be matched by the Town 100%. The Town may amend the plan, including contribution rates, as allowed by federal law.

Total employer contributions to the plan totaled $192,946, and employee contributions were $89,488 for fiscal year 2012.

NOTE 13 - DEFERRED COMPENSATION PLAN:

The Town offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Permanent part-time and full-time Town employees are eligible to participate and may defer 25% of their gross income up to a maximum of $17,000 in 2012. Employees who are age 50 or older may defer up to $22,500 of their income. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

Internal Revenue Code Section 457 requires all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the plan participant and are not subject to the claims of the Town's general creditors.

NOTE 14 - LITIGATION:

There was no pending or threatened litigation at June 30, 2012 that would materially affect the financial statements.

NOTE 15 - COMMITMENTS:

Lease Commitments

The Town is committed under various short-term operating leases including those for a copier lease. The leases may be revoked by the Town without penalty upon 30 days notice to the lessor. The Town paid approximately $794 per month during the year ended June 30, 2012 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2012 approximated $9,527.

NOTE 16 - CONTINGENCIES:

The Town is responsible for the refunding of arbitrage interest incurred on the unexpended proceeds of certain bond issues. The amount of this arbitrage, if any, is estimated to be immaterial.

The Town has various requests for refunds of business license fees. The Town has taken the opinion that refunds that may be made, if any, will not be material.

NOTE 17 - RISK MANAGEMENT:

The Town contracts with private insurance carriers for health insurance coverages. The Town also contracts with the Virginia Municipal League Insurance Program Pool for workers compensation, property damage, surety bonds, automobile, professional liability, law enforcement, employee dishonesty, and general liability coverages. In the event of a loss deficit and depletion of all assets and available insurance of the Pool, the Pool may assess all members in the proportion which the premium of each bears to the total premiums for all members in the year in which the deficit occurs.

Property coverages are for replacement costs and general liability coverages range up to $4,000,000.

The Town has had no reductions in insurance coverages or settlements of claims in excess of insurance coverages in the past three years.

The Town maintains surety bonds with the Virginia Municipal Liability Pool on the following employees as required by Town Code:

Employee	Title	Amount of Surety Bond
Philip R. Grant	Director of Finance - Town Treasurer	$ 50,000
Robert Carlisle	Police Chief	5,000

The Mayor and the Town Council are covered by public official liability insurance that the Town maintains with the Virginia Municipal League Insurance Program. Virginia State Code requires the Treasurer to be bonded by 15 percent of state revenue to be received, up to $200,000. All others are to be bonded at the discretion of the Council as they deem necessary.

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

Town:

A. Plan Description:

In addition to the pension benefits described in Note 11, the Town provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. All employees who meet the eligibility criteria for Town retirement and elect to retire are eligible, at the sole expense of the retiree, for access to health care insurance coverage through the Town's group health care insurance plan that is in effect for active employees as long as coverage under the health care insurance plan is offered in the area where the retiree resides. The Town's plan is a single-employer plan. A separate audit report for the plan is not available.

Retirement eligibility is at age 65 or 30 years of service and at least age 50 for civilian plan participants, and at 20 years of service for Police participants.

B. Funding Policy:

The Town establishes employer contribution rates for plan participants as part of the budgetary process each year. The Town also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees pay 100% of the premiums.

C. Annual OPEB Cost and Net OPEB Obligation:

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	$ 126,000
Interest on net OPEB obligation	10,627
Adjustment to annual required contribution	(9,166)
Annual OPEB cost (expense)	$ 127,461
Contributions made	(70,400)
Increase in net OPEB obligation	$ 57,061
Net OPEB obligation - beginning of year	265,659
Net OPEB obligation - end of year	$ 322,720

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (continued)

Town: (continued)

C. Annual OPEB Cost and Net OPEB Obligation: (continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011, and 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 121,528	45%	$ 198,866
June 30, 2011	127,093	47%	265,659
June 30, 2012	127,461	55%	322,720

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	$ 1,597,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,597,000
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	11,077,000
UAAL as a percentage of covered payroll	14.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (continued)

Town: (continued)

Cost Method

Annual contributions to the Plan have been computed under the Projected Unit Credit (PUC) Actuarial Cost Method.

Under this Cost Method, the annual employer contribution is computed as follows:

A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's benefit projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial liability and the normal cost for disability benefits are determined in a similar manner by projecting the member's benefit to each assumed date of disablement. The actuarial liability and normal cost for the disability benefits are based upon the present value of the benefit expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period. The amortization amount is determined as a level percentage of payroll.

Interest Assumptions

In the June 30, 2010 the most recent actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.2 percent initially, reduced by decrements to an ultimate rate of 4.7 percent after eighty years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was thirty years.

	Unfunded
Discount rate	4.00%
Payroll growth	3.75%

NOTE 18 – OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (continued)

Town: (continued)

Net OPEB Obligation Payable

	Governmental Activities	Business-Type Activities	Total
Balance, July 1, 2011	$ 239,097	$ 26,562	$ 265,659
Increases	115,989	11,472	127,461
Decreases	(64,064)	(6,336)	(70,400)
Balance, June 30, 2012	$ 291,022	$ 31,698	$ 322,720
Total	$ 291,022	$ 31,698	$ 322,720

The General Fund is used to liquidate the net OPEB obligation payable for all governmental funds.

NOTE 19 – SUBSEQUENT EVENT:

On July 18, 2012 the Town issued $6,310,000 of General Obligation bonds to provide funds for various construction projects in accordance with the Town's capital improvement plan.

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- Required Supplementary Information -

TOWN OF VIENNA, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	$ 9,028,347	$ 9,028,347	$ 9,017,905	$ (10,442)
Other local taxes	5,895,200	5,895,200	6,086,587	191,387
Permits, privilege fees and regulatory licenses	113,000	113,000	135,197	22,197
Fines and forfeitures	331,000	331,000	512,500	181,500
Revenue from the use of money and property	202,800	202,800	184,142	(18,658)
Charges for services	707,700	707,700	772,068	64,368
Miscellaneous	121,950	122,550	719,779	597,229
Intergovernmental:				
Revenue from the Commonwealth	3,122,706	3,122,706	3,137,048	14,342
Revenue from the Federal Government	-	51,685	53,226	1,541
Total revenues	$ 19,522,703	$ 19,574,988	$ 20,618,452	$ 1,043,464
Expenditures				
Current:				
General Government Administration:				
Legislative	$ 412,646	$ 461,339	$ 430,778	$ 30,561
General and financial administration	3,507,512	3,367,187	3,232,541	134,646
Total general government administration	$ 3,920,158	$ 3,828,526	$ 3,663,319	$ 165,207
Public Safety:				
Law enforcement and traffic control	$ 5,697,686	$ 5,829,385	$ 5,967,025	$ (137,640)
Fire and rescue	49,874	49,874	51,935	(2,061)
Other protection	71,397	71,897	70,499	1,398
Total public safety	$ 5,818,957	$ 5,951,156	$ 6,089,459	$ (138,303)
Public Works:				
Maintenance of streets, highways, bridges and sidewalks	$ 3,080,578	$ 3,099,880	$ 3,050,819	$ 49,061
Sanitation and waste removal	1,396,738	1,411,355	1,362,961	48,394
Maintenance of buildings and grounds	2,527,579	2,587,885	2,351,898	235,987
Total public works	$ 7,004,895	$ 7,099,120	$ 6,765,678	$ 333,442

TOWN OF VIENNA, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012 (continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Health and Welfare:				
Welfare/Social Services	$ 281,208	$ 281,208	$ 275,187	$ 6,021
Parks, recreation and cultural:				
Parks and recreation	$ 2,785,871	$ 2,819,522	$ 2,935,398	$ (115,876)
Community Development:				
Planning and community development	$ 787,550	$ 818,863	$ 863,380	$ (44,517)
Debt Service:				
Principal	$ 413,356	$ 413,356	$ 416,811	$ (3,455)
Interest and fiscal charges	34,362	34,362	17,670	16,692
Total debt service	$ 447,718	$ 447,718	$ 434,481	$ 13,237
Total expenditures	$ 21,046,357	$ 21,246,113	$ 21,026,902	$ 219,211
Excess (deficiency) of revenues over expenditures	$ (1,523,654)	$ (1,671,125)	$ (408,450)	$ 1,262,675
Other Financing Sources (Uses)				
Capital lease proceeds	$ -	$ -	$ 700,000	$ 700,000
Transfers in	850,000	850,000	850,000	-
Transfers out	(101,700)	(101,700)	(87,693)	14,007
Total other financing sources (uses)	$ 748,300	$ 748,300	$ 1,462,307	$ 714,007
Net change in fund balance	$ (775,354)	$ (922,825)	$ 1,053,857	$ 1,976,682
Fund balance, beginning of year	775,354	922,825	7,806,449	6,883,624
Fund balance, end of year	$ -	$ -	$ 8,860,306	$ 8,860,306

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Exhibit 13

TOWN OF VIENNA, VIRGINIA

Schedules of Pension and OPEB Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Virginia Retirement System:						
June 30, 2007	$ 35,271,566	$ 41,737,362	$ 6,465,796	84.51%	$ 8,690,608	74.40%
June 30, 2008	38,859,411	44,686,857	5,827,446	86.96%	9,447,165	61.68%
June 30, 2009	39,358,892	47,680,082	8,321,190	82.55%	10,000,452	83.21%
June 30, 2010	39,652,325	52,129,729	12,477,404	76.06%	10,063,665	123.98%
June 30, 2011	40,107,763	53,264,532	13,156,769	75.30%	9,698,764	135.65%
Town Local Plan:						
January 1, 2003	$ 2,429,022	$ 3,585,063	$ 1,156,041	67.8%	$ 4,971,696	23.3%
January 1, 2004	2,618,969	3,809,121	1,190,152	68.8%	5,053,743	23.5%
January 1, 2005	2,803,474	4,061,823	1,258,349	69.0%	5,238,578	24.0%
January 1, 2006	1,975,919	2,891,396	915,477	68.3%	2,005,892	45.6%
January 1, 2007	2,067,554	2,955,390	887,836	70.0%	1,871,352	47.4%
January 1, 2008	2,182,001	3,120,154	938,153	69.9%	1,723,132	54.4%
January 1, 2009	2,250,356	3,251,130	1,000,774	69.2%	1,977,568	50.6%
January 1, 2010	2,288,525	3,258,352	969,827	70.2%	1,906,693	50.9%
January 1, 2011	2,270,433	3,103,787	833,354	73.2%	1,843,666	45.2%
July 1, 2011	2,285,660	3,113,956	828,296	73.4%	1,694,472	48.9%
Police Plan:						
January 1, 2003	$ 2,787,434	$ 2,538,902	$ (248,532)	109.8%	$ 2,022,623	-12.3%
January 1, 2004	2,747,382	2,632,983	(114,399)	104.3%	2,088,128	-5.5%
January 1, 2005	2,724,492	2,738,149	13,657	99.5%	2,300,544	0.6%
January 1, 2006	2,744,895	2,857,574	112,679	96.1%	2,332,673	4.8%
January 1, 2007	2,830,414	3,124,663	294,249	90.6%	2,337,348	12.6%
January 1, 2008	2,958,622	3,266,674	308,052	90.6%	2,672,310	11.5%
January 1, 2009	3,035,785	3,072,196	36,411	98.8%	2,782,500	1.3%
January 1, 2010	3,073,793	3,310,083	236,290	92.9%	2,795,709	8.5%
January 1, 2011	3,039,475	3,439,713	400,238	88.4%	2,660,946	15.0%
July 1, 2011	3,013,064	3,362,964	349,900	89.6%	2,747,535	12.7%
Other Post-Employment Benefits:						
January 1, 2007	$ -	$ 3,966,615	$ 3,966,615	0.0%	$ 8,867,000	44.7%
June 30, 2010	-	1,597,000	1,597,000	0.0%	11,077,000	14.42%

- Other Supplementary Information -

Exhibit 14

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Assets
At June 30, 2012

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Total
Assets:			
Cash and cash equivalents	$ 7,790	$ 16,051	$ 23,841
Investment in State Treasurer's Local Government Investment Pool	2,278,812	2,976,007	5,254,819
Accounts receivable	11,459	-	11,459
Total assets	$ 2,298,061	$ 2,992,058	$ 5,290,119
Net Assets:			
Net assets held in trust for pension benefits	$ 2,298,061	$ 2,992,058	$ 5,290,119

Exhibit 15

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2012

	Local Retirement Fund	Police Retirement Fund	Total
Additions:			
Contributions:			
Employer	$ 137,817	$ 139,847	$ 277,664
Plan members	-	40,576	40,576
Total contributions	$ 137,817	$ 180,423	$ 318,240
Investment income:			
Interest earned on investments	3,431	4,523	7,954
Total additions	$ 141,248	$ 184,946	$ 326,194
Deductions:			
Pension benefit payments	$ 124,291	$ 201,207	$ 325,498
Other charges	4,556	4,745	9,301
Total deductions	$ 128,847	$ 205,952	$ 334,799
Net increase in plan assets	$ 12,401	$ (21,006)	$ (8,605)
Net assets held in trust for pension benefits:			
Balance, beginning of year	2,285,660	3,013,064	5,298,724
Balance, end of year	$ 2,298,061	$ 2,992,058	$ 5,290,119

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 8,888,647	$ 8,888,647	$ 8,861,625	$ (27,022)
Public service corporation taxes:				
Real property	97,000	97,000	87,944	(9,056)
Penalties and interest	42,700	42,700	68,336	25,636
Total general property taxes	$ 9,028,347	$ 9,028,347	$ 9,017,905	$ (10,442)
Other local taxes:				
Local sales and use taxes	$ 1,400,000	$ 1,400,000	$ 1,259,235	$ (140,765)
Consumer utility taxes	665,000	665,000	645,869	(19,131)
Business license tax	2,125,000	2,125,000	2,288,730	163,730
Vehicle license tax	360,000	360,000	382,597	22,597
Bank franchise taxes	620,000	620,000	789,721	169,721
Tobacco tax	355,000	355,000	347,078	(7,922)
Fiber-optic franchise tax	29,000	29,000	30,842	1,842
Telecommunications tax	131,700	131,700	117,693	(14,007)
Media general franchise fees and related taxes	142,000	142,000	170,005	28,005
Utility consumption taxes	67,500	67,500	54,817	(12,683)
Total other local taxes	$ 5,895,200	$ 5,895,200	$ 6,086,587	$ 191,387
Permits, privilege fees and regulatory licenses:				
Animal licenses	$ 11,000	$ 11,000	$ 8,562	$ (2,438)
Other permits, privilege fees and regulatory licenses	102,000	102,000	126,635	24,635
Total permits, privilege fees and regulatory licenses	$ 113,000	$ 113,000	$ 135,197	$ 22,197
Fines and Forfeitures:				
Court fines and forfeitures	$ 331,000	$ 331,000	$ 512,500	$ 181,500

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Fund: (continued)				
Revenue from use of money and property:				
Interest on bank deposits	$ 25,000	$ 25,000	$ 14,065	$ (10,935)
Concessions and rentals	177,800	177,800	170,077	(7,723)
Total revenue from use of money and property	$ 202,800	$ 202,800	$ 184,142	$ (18,658)
Charges for services:				
Recreation fees	$ 694,300	$ 694,300	$ 737,865	$ 43,565
Police reimbursements	-	-	12,862	12,862
Special service fees	13,400	13,400	21,341	7,941
Total charges for services	$ 707,700	$ 707,700	$ 772,068	$ 64,368
Miscellaneous revenue:				
Miscellaneous income	$ 121,950	$ 122,550	$ 719,779	$ 597,229
Total revenue from local sources	$ 16,399,997	$ 16,400,597	$ 17,428,178	$ 1,027,581
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	$ 1,162,000	$ 1,162,000	$ 1,089,477	$ (72,523)
Rolling stock tax	-	-	1,414	1,414
Total non-categorical aid	$ 1,162,000	$ 1,162,000	$ 1,090,891	$ (71,109)
Categorical aid:				
Street and highway maintenance	$ 1,543,600	$ 1,543,600	$ 1,616,942	$ 73,342
Litter control	-	-	3,696	3,696
Law enforcement assistance	-	-	7,500	7,500
Public safety grants	376,026	376,026	376,084	58
Fire funds	41,080	41,080	41,935	855
Total Categorical aid	$ 1,960,706	$ 1,960,706	$ 2,046,157	$ 85,451
Total revenue from the Commonwealth	$ 3,122,706	$ 3,122,706	$ 3,137,048	$ 14,342

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Fund: (continued)				
Intergovernmental: (continued)				
Federal revenue:				
Categorical aid:				
Public safety grants	$ -	$ 31,890	$ 33,431	$ 1,541
DMV grants	-	19,795	19,795	-
Total revenue from the federal government	$ -	$ 51,685	$ 53,226	$ 1,541
Total General Fund	$ 19,522,703	$ 19,574,988	$ 20,618,452	$ 1,043,464
Debt Service Fund:				
Revenue from local sources:				
Other local taxes:				
Meals and lodging tax	$ 1,778,100	$ 1,778,100	$ 2,016,210	$ 238,110
Revenue from use of money and property:				
Interest on bank deposits	6,600	6,600	5,436	(1,164)
Miscellaneous revenue:				
Miscellaneous income	-	-	548	548
Intergovernmental:				
Federal revenue:				
Build America Bonds interest subsidy	35,010	35,010	35,010	-
Total Debt Service Fund	$ 1,819,710	$ 1,819,710	$ 2,057,204	$ 237,494
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	$ -	$ -	$ 9,692	$ 9,692
Total revenue from use of money and property	$ -	$ -	$ 9,692	$ 9,692
Total revenue from local sources	$ -	$ -	$ 9,692	$ 9,692
Intergovernmental:				
State revenue:				
VDOT revenue sharing	$ -	$ -	$ 382,335	$ 382,335
Federal revenue:				
Federal transit grants	$ -	$	$ 115,000	$ 115,000
Total Capital Projects Fund	$ -	$ -	$ 507,027	$ 507,027
Total All Governmental Funds	$ 21,342,413	$ 21,394,698	$ 23,182,683	$ 1,787,985

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
General Fund:				
General Government Administration:				
Legislative:				
Town council	$ 123,606	$ 158,432	$ 140,451	$ 17,981
Boards and commissions	54,308	54,308	52,320	1,988
Town clerk	234,732	248,599	238,007	10,592
Total legislative	$ 412,646	$ 461,339	$ 430,778	$ 30,561
General and Financial Administration:				
Town manager	$ 280,897	$ 283,856	$ 281,286	$ 2,570
Administrative services	404,704	373,900	319,298	54,602
Legal services	243,345	243,345	230,339	13,006
Financial administration	359,998	361,561	356,764	4,797
Disbursement operations	135,904	137,251	134,203	3,048
Data processing	159,668	161,668	147,781	13,887
Risk management	737,377	589,220	562,020	27,200
Information technology	254,309	379,644	398,513	(18,869)
Purchasing	132,062	133,062	132,556	506
Revenue operations	340,999	345,721	367,391	(21,670)
Public information	137,720	139,505	128,571	10,934
Central services	272,529	167,444	127,054	40,390
PC replacement	48,000	51,010	46,765	4,245
Total general and financial administration	$ 3,507,512	$ 3,367,187	$ 3,232,541	$ 134,646
Total general government administration	$ 3,920,158	$ 3,828,526	$ 3,663,319	$ 165,207
Public Safety:				
Law enforcement and traffic control:				
Police administration	$ 758,596	$ 763,522	$ 768,741	$ (5,219)
Uniform patrol	2,174,836	2,197,611	2,218,871	(21,260)
Communications	976,894	985,468	985,018	450
Investigations	983,595	996,807	977,379	19,428
Community services	127,507	151,377	139,665	11,712
Traffic unit	676,258	682,915	604,917	77,998
Vehicle replacement	-	-	208,390	(208,390)
Other law enforcement and traffic control	-	51,685	64,044	(12,359)
Total law enforcement and traffic control	$ 5,697,686	$ 5,829,385	$ 5,967,025	$ (137,640)

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
General Fund: (continued)				
Public Safety: (continued)				
Fire and rescue:				
Volunteer fire department	$ 49,874	$ 49,874	$ 51,935	$ (2,061)
Other protection:				
Personal property/animal control	71,397	71,897	70,499	1,398
Total public safety	$ 5,818,957	$ 5,951,156	$ 6,089,459	$ (138,303)
Public Works:				
Maintenance of streets, highways, bridges, and sidewalks:				
General administration	$ 763,909	$ 768,071	$ 650,251	$ 117,820
Street maintenance	1,787,667	1,836,418	1,730,134	106,284
Street maintenance equipment	-	-	329,202	(329,202)
Snow removal	191,439	154,828	38,990	115,838
Traffic engineering	337,563	340,563	302,242	38,321
Total maintenance of streets, highways, bridges, and sidewalks	$ 3,080,578	$ 3,099,880	$ 3,050,819	$ 49,061
Sanitation and waste removal:				
Sanitation	$ 909,794	$ 924,411	$ 895,877	$ 28,534
Refuse disposal	356,745	356,745	354,529	2,216
Fall/spring cleanup - leaf collection and other	130,199	130,199	112,555	17,644
Total sanitation and waste removal	$ 1,396,738	$ 1,411,355	$ 1,362,961	$ 48,394
Maintenance of buildings and grounds:				
Vehicle and equipment maintenance	$ 1,178,412	$ 1,200,110	$ 1,034,614	$ 165,496
Maintenance of buildings and grounds	1,349,167	1,387,775	1,317,284	70,491
Total maintenance of buildings and grounds	$ 2,527,579	$ 2,587,885	$ 2,351,898	$ 235,987
Total public works	$ 7,004,895	$ 7,099,120	$ 6,765,678	$ 333,442
Health and Welfare:				
Welfare/Social Services:				
Property tax relief for the elderly	$ 281,208	$ 281,208	$ 275,187	$ 6,021

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
General Fund: (continued)				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Administration	$ 515,356	$ 518,889	$ 549,635	$ (30,746)
Parks and recreation programs	423,000	423,000	446,861	(23,861)
General maintenance	949,562	965,225	956,306	8,919
Community center	497,677	502,747	479,952	22,795
Special events	156,417	156,417	136,008	20,409
Vehicle replacement	-	-	128,233	(128,233)
Teen Center	195,359	197,724	183,280	14,444
Historic preservation	48,500	55,520	55,123	397
Total parks and recreation	$ 2,785,871	$ 2,819,522	$ 2,935,398	$ (115,876)
Community Development:				
Planning and community development:				
Planning and zoning	$ 777,800	$ 809,113	$ 836,567	$ (27,454)
Vehicle replacement		-	17,063	(17,063)
Various contributions	9,750	9,750	9,750	-
Total planning and community development	$ 787,550	$ 818,863	$ 863,380	$ (44,517)
Debt Service:				
Principal on capital lease obligation	$ 413,356	$ 413,356	$ 416,811	$ (3,455)
Interest on capital leases	34,362	34,362	17,670	16,692
Total debt service	$ 447,718	$ 447,718	$ 434,481	$ 13,237
Total General Fund	$ 21,046,357	$ 21,246,113	$ 21,026,902	$ 219,211
Debt Service Fund:				
Debt Service:				
Principal retirement	$ 1,636,667	$ 1,636,667	$ 1,636,667	$ -
Interest and fiscal charges	445,242	445,242	477,509	(32,267)
Total Debt Service Fund	$ 2,081,909	$ 2,081,909	$ 2,114,176	$ (32,267)

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2012 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Capital Projects Fund:				
Capital projects:				
Town hall HVAC	$ -	$ -	$ 102,518	$ (102,518)
Street improvement projects	-	-	1,092,628	(1,092,628)
Other capital projects and administration	-	-	5,550	(5,550)
Total Capital Projects Fund	$ -	$ -	$ 1,200,696	$ (1,200,696)
Total Expenditures--All Governmental Funds	$ 23,128,266	$ 23,328,022	$ 24,341,774	$ (1,013,752)

- Statistical Section -

Contents	Tables
Financial Trends: These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity: These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	7 - 10
Debt Capacity: These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.	11 - 15
Demographic and Economic Information: This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	16
Operating Information: These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.	17 - 20

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

TOWN OF VIENNA, VIRGINIA

Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2003	2004	2005
Governmental activities:			
Invested in capital assets, net of related debt	$ 2,013,207	$ 29,320,220	$ 29,665,051
Unrestricted	11,662,319	11,596,849	12,187,531
Total governmental activities net assets	$ 13,675,526	$ 40,917,069	$ 41,852,582
Business-type activities:			
Invested in capital assets, net of related debt	$ 8,366,047	$ 8,078,116	$ 7,611,414
Unrestricted	2,907,426	1,853,386	1,247,232
Total business-type activities net assets	$ 11,273,473	$ 9,931,502	$ 8,858,646
Primary government:			
Invested in capital assets, net of related debt	$ 10,379,254	$ 37,398,336	$ 37,276,465
Unrestricted	14,569,745	13,450,235	13,434,763
Total primary government net assets	$ 24,948,999	$ 50,848,571	$ 50,711,228

Notes:

Infrastructure capital assets implementation began in fiscal year 2004.

Table 1

2006	2007	2008	2009	2010	2011	2012
$ 26,085,741	$ 31,965,939	$ 37,791,201	$ 37,874,402	$ 38,411,117	$ 37,675,832	$ 37,173,866
16,650,491	15,418,559	15,284,033	14,730,114	13,077,123	13,025,908	14,218,648
$ 42,736,232	$ 47,384,498	$ 53,075,234	$ 52,604,516	$ 51,488,240	$ 50,701,740	$ 51,392,514
$ 7,926,642	$ 7,633,717	$ 7,624,024	$ 7,782,540	$ 7,927,058	$ 8,069,308	$ 8,183,057
720,796	567,337	1,431,406	1,054,949	287,487	(52,010)	(936,451)
$ 8,647,438	$ 8,201,054	$ 9,055,430	$ 8,837,489	$ 8,214,545	$ 8,017,298	$ 7,246,606
$ 34,012,383	$ 39,599,656	$ 45,415,225	$ 45,656,942	$ 46,338,175	$ 45,745,140	$ 45,356,923
17,371,287	15,985,896	16,715,439	15,785,063	13,364,610	12,973,898	13,282,197
$ 51,383,670	$ 55,585,552	$ 62,130,664	$ 61,442,005	$ 59,702,785	$ 58,719,038	$ 58,639,120

TOWN OF VIENNA, VIRGINIA

Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2003	2004	2005	2006
Expenses:				
Governmental Activities:				
General government administration	$ 2,786,245	$ 2,948,861	$ 3,242,113	$ 3,092,863
Public safety	4,176,902	4,208,668	5,143,055	4,800,550
Public works	5,316,915	7,052,387	7,696,605	7,697,348
Health and welfare	133,572	158,447	186,891	230,802
Parks, recreation and cultural	2,004,775	2,285,303	2,043,892	2,498,235
Community development	504,473	527,204	547,117	589,001
Interest on long-term debt	810,906	725,405	640,992	617,754
Total governmental activities expenses	$ 15,733,788	$ 17,906,275	$ 19,500,665	$ 19,526,553
Business type activities:				
Water and sewer	3,967,057	4,641,190	4,679,889	5,144,312
Total business type activities expenses	$ 19,700,845	$ 22,547,465	$ 24,180,554	$ 24,670,865
Program Revenues:				
Governmental Activities:				
Charges for services				
General government	$ 9,780	$ 7,425	$ 9,454	$ 11,420
Public safety	362,547	531,180	617,402	336,558
Public works	254,660	255,027	369,751	235,806
Parks, recreation and cultural	409,092	506,887	551,217	648,551
Operating grants and contributions	1,646,632	1,830,979	2,081,809	1,828,699
Capital grants and contributions	1,866,584	44,691	-	-
Total governmental activities program revenues	$ 4,549,295	$ 3,176,189	$ 3,629,633	$ 3,061,034
Business type activities:				
Water and sewer				
Charges for services	$ 4,335,339	$ 4,388,312	$ 4,627,013	$ 5,717,486
Operating grants and contributions	-	12,101	-	-
Capital grants and contributions	-	-	-	-
Total business type activities	$ 4,335,339	$ 4,400,413	$ 4,627,013	$ 5,717,486
Total business type activities revenues	$ 8,884,634	$ 7,576,602	$ 8,256,646	$ 8,778,520
Net (expenses)/revenues	$ (10,816,211)	$ (14,970,863)	$ (15,923,908)	$ (15,892,345)
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Taxes:				
General real property taxes	$ 5,908,768	$ 6,630,581	$ 6,768,321	$ 6,817,919
Local sales and use taxes	968,684	1,088,688	1,134,790	1,154,058
Consumer utility taxes	1,036,740	1,211,958	1,341,121	1,336,727
Business license taxes	1,703,461	1,818,112	1,850,557	1,964,737
Meals and lodging taxes	1,887,503	2,092,435	2,230,408	2,297,579
Other	1,294,886	1,481,554	1,672,212	1,879,978
Grants and contributions not restricted to specific programs	33,848	35,852	17,435	18,913
Unrestricted revenues from the use of money and property	204,866	150,636	313,866	620,147
Miscellaneous	510,085	276,978	304,443	206,174
Transfers	877,597	1,193,488	1,173,392	1,052,937
Total governmental activities general revenues	$ 14,426,438	$ 15,980,282	$ 16,806,545	$ 17,349,169
Business type activities:				
Investment earnings	$ 54,840	$ 34,391	$ 58,206	$ 99,113
Miscellaneous	26,896	33,903	68,206	57,192
Capital contributions	137,620	24,000	27,000	112,250
Transfers	(877,597)	(1,193,488)	(1,173,392)	(1,052,937)
Total business-type activities general revenues	$ (658,241)	$ (1,101,194)	$ (1,019,980)	$ (784,382)
Total general revenues	$ 13,768,197	$ 14,879,088	$ 15,786,565	$ 16,564,787
Changes in net assets:				
Governmental activities	$ 3,241,945	$ 1,250,196	$ 935,513	$ 883,650
Business-type activities	(289,959)	(1,341,971)	(1,072,856)	(211,208)
Total changes in net assets	$ 2,951,986	$ (91,775)	$ (137,343)	$ 672,442

Note:
Beginning in fiscal year 2004, the Town recorded infrastructure capital assets.

Table 2

2007	2008	2009	2010	2011	2012
$ 3,081,052	$ 3,119,608	$ 3,466,917	$ 3,647,013	$ 3,595,123	$ 3,635,414
5,225,145	5,616,582	5,845,864	5,971,132	5,755,847	6,100,525
8,716,466	8,995,488	9,379,606	9,593,548	9,813,232	9,220,813
305,332	294,054	292,930	290,773	284,914	275,881
2,706,829	2,797,313	2,871,670	2,836,757	3,015,055	2,863,152
691,665	734,650	755,281	711,824	714,927	846,444
672,020	599,829	523,205	441,336	469,103	468,645
$ 21,398,509	$ 22,157,524	$ 23,135,473	$ 23,492,383	$ 23,648,201	$ 23,410,874
5,043,291	5,147,109	5,315,042	5,777,244	5,535,934	6,223,267
$ 26,441,800	$ 27,304,633	$ 28,450,515	$ 29,269,627	$ 29,184,135	$ 29,634,141
$ 10,043	$ 9,931	$ 9,833	$ 12,019	$ 13,714	$ 21,341
357,090	337,235	376,512	425,829	547,135	660,559
85,328	-	-	-	-	-
771,169	786,722	718,204	675,784	705,587	737,865
2,251,198	2,062,483	2,115,797	2,315,236	2,137,763	2,134,393
4,191,946	5,540,058	334,464	930,188	687,923	497,335
$ 7,666,774	$ 8,736,429	$ 3,554,810	$ 4,359,056	$ 4,092,122	$ 4,051,493
$ 5,692,069	$ 6,181,491	$ 5,753,330	$ 5,839,658	$ 6,071,383	$ 6,065,317
-	240,507	-	-	-	-
-	-	277,977	5,553	4,000	112,490
$ 5,692,069	$ 6,421,998	$ 6,031,307	$ 5,845,211	$ 6,075,383	$ 6,177,807
$ 13,358,843	$ 15,158,427	$ 9,586,117	$ 10,204,267	$ 10,167,505	$ 10,229,300
$ (13,082,957)	$ (12,146,206)	$ (18,864,398)	$ (19,065,360)	$ (19,016,630)	$ (19,404,841)
$ 7,094,275	$ 7,838,966	$ 8,523,543	$ 8,668,872	$ 8,626,227	$ 9,055,525
1,197,980	1,214,258	1,224,471	1,285,506	1,336,821	1,259,235
1,153,656	660,742	659,932	656,858	660,823	645,869
1,994,824	2,095,137	2,204,093	1,973,781	1,964,360	2,288,730
2,335,577	2,385,355	1,691,961	1,698,298	1,795,855	2,016,210
1,892,970	1,181,323	1,177,426	1,279,989	1,915,710	1,892,753
18,759	1,243,315	1,113,597	1,118,153	1,112,301	1,090,891
991,582	845,947	411,190	265,712	219,127	199,270
304,100	368,838	1,060,904	274,906	262,553	720,327
1,237,675	1,277,950	1,042,828	794,976	875,802	881,345
$ 18,221,398	$ 19,111,831	$ 19,109,945	$ 18,017,051	$ 18,769,579	$ 20,050,155
$ 100,211	$ 67,458	$ 30,702	$ 3,099	$ 2,176	$ 1,327
42,302	77,415	77,920	100,966	136,930	154,786
-	-	-	-	-	
(1,237,675)	(1,277,950)	(1,042,828)	(794,976)	(875,802)	(881,345)
$ (1,095,162)	$ (1,133,077)	$ (934,206)	$ (690,911)	$ (736,696)	$ (725,232)
$ 17,126,236	$ 17,978,754	$ 18,175,739	$ 17,326,140	$ 18,032,883	$ 19,324,923
$ 4,489,663	$ 5,690,736	$ (470,718)	$ (1,116,276)	$ (786,500)	$ 690,774
(446,384)	141,812	(217,941)	(622,944)	(197,247)	(770,692)
$ 4,043,279	$ 5,832,548	$ (688,659)	$ (1,739,220)	$ (983,747)	$ (79,918)

TOWN OF VIENNA, VIRGINIA

Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year	Property Tax	Local Sales & Use Tax	Consumer Utility Tax	Business & Occupation Licenses	Meals & Lodging Taxes
2012	$ 9,055,525	$ 1,259,235	$ 645,869	$ 2,288,730	$ 2,016,210
2011	8,626,227	1,336,821	660,823	1,964,360	1,795,855
2010	8,668,872	1,285,506	656,858	1,973,781	1,698,298
2009	8,523,543	1,224,471	659,932	2,204,093	1,691,961
2008	7,838,966	1,214,258	660,742	2,095,137	2,385,355
2007	7,094,275	1,197,980	1,153,656	1,994,824	2,335,577
2006	6,817,919	1,154,058	1,663,824	1,864,737	2,297,579
2005	6,768,321	1,134,790	1,558,099	1,850,557	2,230,408
2004	6,630,581	1,088,688	1,211,958	1,818,112	2,092,435
2003	5,908,768	968,684	1,036,740	1,703,461	1,887,503

Table 3

Motor Vehicle License Tax	Bank Franchise Tax	Tobacco Taxes	Other Taxes	Total
$ 382,597	$ 789,721	$ 347,078	$ 373,357	17,158,322
347,963	867,459	350,098	350,190	16,299,796
-	557,561	359,962	362,466	15,563,304
-	444,050	407,741	325,635	15,481,426
12,213	420,385	429,906	318,819	15,375,781
229,110	424,938	329,958	383,606	15,143,924
248,864	495,020	360,587	463,789	15,366,377
256,582	405,596	373,021	420,035	14,997,409
255,456	396,233	390,335	439,530	14,323,328
256,737	428,504	258,226	351,419	12,800,042

TOWN OF VIENNA, VIRGINIA

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2003	2004	2005	2006
General Fund:				
Reserved	$ 1,527,269	$ 1,331,345	$ 2,555,773	$ 2,529,976
Designated	-	623,524	600,000	712,273
Undesignated	3,682,023	4,774,360	4,214,000	4,560,584
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ 5,209,292	$ 6,729,229	$ 7,369,773	$ 7,802,833
Debt Service Fund:				
Reserved	$ 2,947,361	$ 2,942,315	$ 3,129,006	$ 3,697,922
Assigned	-	-	-	-
Total General Fund	$ 2,947,361	$ 2,942,315	$ 3,129,006	$ 3,697,922
Capital Projects Fund:				
Reserved	$ 2,948,382	$ 2,789,385	$ 2,564,515	$ 2,948,382
Designated	1,472,535	-	-	3,203,716
Assigned	-	-	-	-
Total Capital Projects Fund	$ 4,420,917	$ 2,789,385	$ 2,564,515	$ 6,152,098

Note: The Town implemented GASB Statement 54 beginning with fiscal year 2011 - see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 4

2007	2008	2009	2010	2011	2012
$ 3,138,779	$ 3,437,540	$ 3,321,836	$ 2,694,439	$ -	$ -
950,000	963,786	1,097,048	1,250,000	-	-
4,166,530	3,805,255	3,691,280	3,602,251	-	-
-	-	-	-	139,340	149,756
-	-	-	-	455,135	500,716
-	-	-	-	1,856,398	1,854,854
-	-	-	-	1,265,848	1,769,805
-	-	-	-	4,089,728	4,585,175
$ 8,255,309	$ 8,206,581	$ 8,110,164	$ 7,546,690	$ 7,806,449	$ 8,860,306
$ 3,958,312	$ 4,317,423	$ 3,964,342	$ 3,882,446	$ -	$ -
-	-	-	-	3,916,827	4,120,330
$ 3,958,312	$ 4,317,423	$ 3,964,342	$ 3,882,446	$ 3,916,827	$ 4,120,330
$ 45,931	$ 646,428	$ 885,721	$ 891,162	$ -	$ -
4,257,570	3,260,662	2,962,845	2,331,166	-	-
-	-	-	-	7,379,562	6,544,456
$ 4,303,501	$ 3,907,090	$ 3,848,566	$ 3,222,328	$ 7,379,562	$ 6,544,456

TOWN OF VIENNA, VIRGINIA

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2003	2004	2005	2006
Revenues:				
General property taxes	$ 5,913,739	$ 6,592,333	$ 6,757,957	$ 6,833,298
Other local taxes	6,891,274	7,692,747	8,229,088	8,633,079
Permits, privilege fees and regulatory licenses	40,958	51,403	50,025	78,320
Fines and forfeitures	306,734	468,396	556,051	249,646
Revenue from use of money and property	459,526	405,663	683,617	855,953
Charges for services	433,727	525,693	571,997	668,563
Miscellaneous	510,085	276,978	304,443	206,174
Intergovernmental	3,547,064	1,911,522	2,099,244	1,847,612
Total revenues	$ 18,103,107	$ 17,924,735	$ 19,252,422	$ 19,372,645
Expenditures:				
Current:				
General government administration	$ 2,662,877	$ 2,857,364	$ 3,250,998	$ 2,944,474
Public safety	3,964,685	4,224,570	4,921,959	4,791,532
Public works	5,113,761	5,090,520	5,954,747	6,111,875
Health and welfare	133,572	158,447	186,891	230,802
Parks, recreation, and cultural	1,828,948	2,141,689	2,272,337	2,431,783
Community development	493,383	518,634	543,506	581,899
Capital projects	4,364,932	1,704,587	169,741	1,593,117
Debt service:				
Principal retirement	2,104,465	2,168,147	2,170,312	1,999,097
Interest	833,491	744,108	658,599	570,965
Total expenditures	$ 21,500,114	$ 19,608,066	$ 20,129,090	$ 21,255,544
Excess (deficiency) of revenues over expenditures	$ (3,397,007)	$ (1,683,331)	$ (876,668)	$ (1,882,899)
Other financing sources (uses):				
Issuance of capital lease	$ 233,271	$ 373,202	$ 305,641	$ 469,521
Long term debt issued	-	-	-	4,950,000
Premium on issuance of long-term obligations	-	-	-	-
Transfers in	1,271,552	1,199,910	1,327,224	1,462,323
Transfers out	(393,955)	(6,422)	(153,832)	(409,386)
Total other financing sources (uses)	$ 1,110,868	$ 1,566,690	$ 1,479,033	$ 6,472,458
Net changes in fund balances	$ (2,286,139)	$ (116,641)	$ 602,365	$ 4,589,559
Debt service as a percentage of noncapital expenditures	20.69%	19.43%	16.51%	15.04%

Table 5

2007	2008	2009	2010	2011	2012
$ 7,086,277	$ 7,850,154	$ 8,473,707	$ 8,689,481	$ 8,633,014	$ 9,017,905
8,575,007	8,761,959	8,071,034	6,894,432	7,673,569	8,102,797
90,652	106,291	88,388	101,143	117,484	135,197
257,589	227,215	277,174	298,921	414,608	512,500
1,076,910	845,947	411,190	265,712	219,127	199,270
790,061	800,382	738,987	713,568	734,344	772,068
304,100	368,838	432,804	274,906	262,553	720,327
2,269,957	2,080,654	2,450,707	4,363,577	3,937,987	3,722,619
$ 20,450,553	$ 21,041,440	$ 20,943,991	$ 21,601,740	$ 21,992,686	$ 23,182,683
$ 3,073,899	$ 3,284,008	$ 3,317,553	$ 3,545,989	$ 3,569,339	$ 3,663,319
5,248,899	5,714,956	5,968,972	5,850,604	5,725,283	6,089,459
6,136,304	6,388,010	6,847,062	6,617,842	6,914,263	6,765,678
305,332	294,054	291,386	290,027	284,147	275,187
2,676,393	2,863,952	2,651,234	2,729,770	2,803,448	2,935,398
676,402	729,537	742,287	728,309	722,868	863,380
2,429,327	799,922	305,176	1,294,779	1,499,027	1,200,696
2,275,881	2,307,428	2,336,039	2,152,250	2,043,511	2,053,478
684,805	623,551	547,157	458,754	436,827	495,179
$ 23,507,242	$ 23,005,418	$ 23,006,866	$ 23,668,324	$ 23,998,713	$ 24,341,774
$ (3,056,689)	$ (1,963,978)	$ (2,062,875)	$ (2,066,584)	$ (2,006,027)	$ (1,159,091)
$ 524,680	$ 600,000	$ 512,025	$ -	$ 529,427	$ 700,000
-	-	-	-	4,990,000	-
-	-	-	-	62,172	-
1,367,613	1,387,610	1,592,104	1,515,425	1,153,957	1,198,168
(129,938)	(109,660)	(549,276)	(720,449)	(278,155)	(316,823)
$ 1,762,355	$ 1,877,950	$ 1,554,853	$ 794,976	$ 6,457,401	$ 1,581,345
$ (1,294,334)	$ (86,028)	$ (508,022)	$ (1,271,608)	$ 4,451,374	$ 422,254
16.34%	13.87%	13.60%	11.99%	11.32%	11.85%

TOWN OF VIENNA, VIRGINIA

General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Real Property	Local Sales	Consumer Utility	Business & Occupation License	Meals & Lodging Tax
2012	$ 9,017,905	$ 1,259,235	$ 645,869	$ 2,288,730	$ 2,016,210
2011	8,633,014	1,336,821	660,823	1,964,360	1,795,855
2010	8,689,481	1,285,506	656,858	1,973,781	1,698,298
2009	8,473,707	1,224,471	659,932	2,204,093	1,691,961
2008	7,850,154	1,214,258	660,742	2,095,137	2,385,355
2007	7,086,277	1,197,980	1,153,656	1,994,824	2,335,577
2006	6,833,298	1,154,058	1,663,824	1,964,737	2,297,579
2005	6,757,957	1,134,790	1,558,099	1,850,557	2,230,408
2004	6,592,333	1,088,688	1,211,958	1,818,112	2,092,435
2003	5,913,739	968,684	1,036,740	1,703,461	1,887,503

Table 6

Motor Vehicle License	Bank Franchise	Tobacco	Cable TV Fees	Franchise Taxes	Total
$ 382,597	$ 789,721	$ 347,078	$ -	$ 373,357	$ 17,120,702
347,963	867,459	350,098	-	350,190	16,306,583
-	557,561	359,962	-	362,466	15,583,913
-	444,050	407,741	-	325,635	15,431,590
12,213	420,385	429,906	-	318,819	15,386,969
229,110	424,938	329,958	79,135	304,471	15,135,926
248,864	495,020	360,587	151,237	297,173	15,466,377
256,582	405,596	373,021	138,261	281,774	14,987,045
256,768	435,002	390,335	134,610	264,839	14,285,080
255,456	396,233	258,226	125,235	259,736	12,805,013

Table 7

TOWN OF VIENNA, VIRGINIA

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property (1) Assessed Value	Real Property (1) Estimated Actual Value	Direct Tax Rate	Utility Companies Real Property Assessed Value	Utility Companies Real Property Estimated Actual Value	Total Assessed Value	Total Estimated Actual Value	Ratio of Total Estimated Actual Value
2012	$ 3,664,249,050	$ 3,664,249,050	0.2421	$ 36,325,461	$ 36,325,461	$ 3,700,574,511	$ 3,700,574,511	100%
2011	3,467,055,990	3,467,055,990	0.2448	39,591,839	39,591,839	3,506,647,829	3,506,647,829	100%
2010	3,759,322,020	3,759,322,020	0.2281	40,475,624	40,475,624	3,799,797,644	3,799,797,644	100%
2009	4,000,023,980	4,000,023,980	0.2091	40,806,556	40,806,556	4,040,830,536	4,040,830,536	100%
2008	3,863,770,300	3,863,770,300	0.1996	39,616,343	39,616,343	3,903,386,643	3,903,386,643	100%
2007	3,757,310,160	3,757,310,160	0.1862	32,206,330	32,206,330	3,789,516,490	3,789,516,490	100%
2006	3,062,950,480	3,062,950,480	0.220	30,207,995	30,207,995	3,093,158,475	3,093,158,475	100%
2005	2,509,114,185	2,509,114,185	0.265	30,295,589	30,295,589	2,539,409,774	2,539,409,774	100%
2004	2,283,913,650	2,283,913,650	0.275	66,438,116	66,438,116	2,350,351,766	2,350,351,766	100%
2003	2,042,603,785	2,042,603,785	0.285	62,868,762	62,868,762	2,105,472,547	2,105,472,547	100%

Notes: Real property is assessed effective January 1 of each year by the Supervisor of Assessments of Fairfax County for the January 1, 2012, which was used as a basis for billing taxes in the fiscal year 2011-2012.

Real property was assessed at 100% of fair market value. Public service corporations are assessed by the State Corporation Commission.

Property owned by the Town, other governments, churches, and schools is exempt and no estimate of value is included. The Town also partially or fully exempts qualified elderly citizens. The Town does not tax personal property.

(1) Does not include abatements and adjustments.

Table 8

TOWN OF VIENNA, VIRGINIA

Property Tax Rate (1)
Direct and Overlapping Governments
Last Ten Fiscal years

Fiscal Year	Town of Vienna	County of Fairfax	Total Tax Rate
2012	0.2421	1.07	1.3121
2011	0.2448	1.09	1.3348
2010	0.2281	1.05	1.2781
2009	0.2091	0.92	1.1291
2008	0.1996	0.89	1.0896
2007	0.1862	0.89	1.0762
2006	0.2200	1.00	1.22
2005	0.2650	1.13	1.40
2004	0.2750	1.16	1.435
2003	0.2850	1.21	1.495

(1) Per $100 of assessed value

The laws of the Commonwealth of Virginia impose no limitation on the tax rate. The Town Charter imposes a limit on the levy of taxes on real and personal property of $2.00 per $100 assessed value, except and permitted by State law for the payment of principal of and premium, if any, and interest on general obligation bonds in accordance with Section 15.1-227.25 of the Code of Virginia (1950), as amended.

Taxes are due in semi-annual installments on July 28 and December 5 of each Penalty of 10% or $5, whichever is greater is added to each delinquent installment. No discounts are allowed and interest at 10% per annum is assessed on delinquent installments. All unpaid taxes become subject to liens against the properties upon which they were assessed as of June 30 of the year following assessments.

Table 9

TOWN OF VIENNA, VIRGINIA

Principal Real Property Taxpayers
Current Year and the Period Nine Years Prior

		Fiscal Year 2012			Fiscal Year 2003		
Owner	**Notes**	**2011 Assessed Valuation**	**Rank**	**Percentage of Total Assessed Valuation**	**2002 Assessed Valuation**	**Rank**	**Percentage of Total Assessed Valuation**
Navy Federal Credit Union		$ 134,601,740	1	3.67%	$ 129,994,350	1	6.17%
Transwestern Goldstar LLC	(1)	59,370,540	2	1.62%	29,979,740	2	1.42%
Maple Avenue Shopping	(2)	33,631,790	3	0.92%	21,240,310	3	1.01%
Vienna Park LLC		28,935,620	4	0.79%	20,804,915	4	0.99%
Vienna Shopping Center, LP		19,318,320	5	0.53%	13,071,065	6	0.62%
Maryland Gardens Ltd. Partnership		18,914,080	6	0.52%	12,427,000	7	0.59%
P. Daniel & Diana S. Orlich		15,328,330	7	0.42%	10,882,834	8	0.52%
Frank Zafren & Alec Jacobson, Tr.		14,465,590	8	0.39%	8,752,165	11	0.42%
RDT Electric Avenue LLC	(3)	14,369,860	9	0.39%	13,900,525	5	0.66%
GRI Cedar Park LLC	(4)	11,554,520	10	0.32%	8,877,960	10	0.42%
Westwood Country Club		10,383,230	11	0.28%	6,756,005	12	0.32%
BFH Danor Plaza		9,444,000	12	0.26%	6,713,325	13	0.32%
Swart Vienna LLC		8,719,730	13	0.24%	5,815,260	14	0.28%
Walgreen Company		8,711,270	14	0.24%	-	N/A	N/A
Storage Partners of Vienna		7,373,170	15	0.20%	-	N/A	N/A
Maple Professional Park		-	N/A	N/A	10,027,580	9	0.48%
Northern Virginia Motel Partnership		-	N/A	N/A	4,450,240	15	0.21%
Total		$ 395,121,790		10.78%	$ 303,693,274		14.43%

(1) Ownership change from Rushmark Follin in 2004
(2) Name change from Maple Avenue Limited Partners in 2004
(3) Ownership change from Vienna Technology Park in 2006
(4) Ownership change from Cedar Park & Shop in 2007

Table 10

TOWN OF VIENNA, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percent of Levy Collected		Amount	Percentage of Levy
2012	$ 8,871,145	$ 8,841,354	99.66%	$ -	$ 8,841,354	99.66%
2011	8,487,353	8,464,923	99.74%	15,423	8,480,346	99.92%
2010	8,575,014	8,551,194	99.72%	18,459	8,569,653	99.94%
2009	8,360,160	8,345,045	99.82%	12,779	8,357,824	99.97%
2008	7,733,269	7,718,007	99.80%	14,397	7,732,404	99.99%
2007	7,002,121	6,983,862	99.74%	17,414	7,001,276	99.99%
2006	6,733,801	6,723,053	99.84%	10,748	6,733,801	100.00%
2005	6,660,504	6,644,764	99.76%	15,733	6,660,497	100.00%
2004	6,275,332	6,268,173	99.89%	7,153	6,275,326	100.00%
2003	5,777,576	5,765,448	99.79%	12,090	5,777,538	100.00%

Notes: (1) Penalties and interest not included

Table 11

TOWN OF VIENNA, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities		Business-Type Activities				
Fiscal Years	General Obligation Bonds	Capital Leases	Other/ Notes	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2012	$ 10,543,335	$1,235,031	$1,795,222	$ 76,907	$ 13,650,495	1.76%	870
2011	12,180,002	951,842	925,202	116,027	14,173,073	1.82%	903
2010	8,816,669	839,259	971,427	86,296	10,713,651	1.91%	721
2009	10,443,336	1,364,842	1,015,036	143,999	12,967,213	2.31%	873
2008	12,370,003	1,262,189	1,056,176	106,221	14,794,589	2.64%	996
2007	14,296,670	1,042,950	1,094,988	179,837	16,614,445	2.96%	1,119
2006	16,223,337	867,484	1,131,603	229,296	18,451,720	3.29%	1,243
2005	12,870,004	800,393	1,162,345	345,507	15,178,249	2.71%	1,022
2004	14,696,671	838,397	1,198,732	178,881	16,912,681	3.01%	1,138
2003	16,523,333	806,676	1,229,474	217,417	18,776,900	3.44%	1,299

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics - Table 16

Table 12

TOWN OF VIENNA, VIRGINIA

Computation of Direct and Overlapping Bonded Debt -
General Obligation Bonds
At June 30, 2012

	Net Bonded Debt Outstanding	Percentage Applicable to this Governmental Unit	Share of Debt
Direct Debt:			
Town of Vienna			
General Bonded Debt	$ 11,778,366	100.00%	$ 11,778,366
Overlapping Debt: *			
County of Fairfax			
General Bonded Debt	2,017,435,000	1.64%	33,085,934
Total direct and overlapping debt	$ 2,029,213,366		$ 44,864,300

* Overlapping debt is not bonded debt of the Town of Vienna on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the Town of Vienna are obligated to pay through the direct tax levies of these respective governmental entities. The debt of Fairfax County is a direct general obligation debt of the County for facilities to benefit the citizens of the County as a whole, including those residing within incorporated towns. Facilities include schools, hospitals, storm drainage control, parkland acquisition, etc., and the citizens of the Town of Vienna benefit generally from their use.

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Table 13

TOWN OF VIENNA, VIRGINIA

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved/ Assigned for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2012	$ 10,543,335	$ 4,120,330	$ 6,423,005	0.18%	$ 409.45
2011	12,180,002	3,916,827	8,263,175	0.24%	526.75
2010	8,816,669	3,882,446	4,934,223	0.13%	332.27
2009	10,443,336	3,964,342	6,478,994	0.16%	436.30
2008	12,370,003	4,317,423	8,052,580	0.21%	542.26
2007	14,296,670	3,958,312	10,338,358	0.28%	696.19
2006	16,223,337	3,697,922	12,525,415	0.41%	843.46
2005	12,870,004	3,129,006	9,740,998	0.39%	655.96
2004	14,696,671	2,942,315	11,754,356	0.51%	790.58
2003	16,523,333	2,947,361	13,575,972	0.66%	939.32

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7
(3) Includes all long-term general obligation bonded debt; excludes capital leases and compensated absences.

TOWN OF VIENNA, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years

	2003	2004	2005	2006
Debt limit	$ 210,547,255	$ 235,035,177	$ 253,940,977	$ 309,315,848
Total net debt applicable to limit	16,523,333	14,696,671	12,870,004	16,223,337
Legal debt margin	$ 194,023,922	$ 220,338,506	$ 241,070,973	$ 293,092,511
Total net debt applicable to the limit as a percentage of debt limit	7.85%	6.25%	5.07%	5.24%

Table 14

2007	2008	2009	2010	2011	2012
$ 378,951,649	$ 390,338,664	$ 404,083,054	$ 379,979,764	$ 350,664,783	$ 370,057,451
14,296,670	12,370,003	10,443,336	8,816,669	12,180,002	10,543,335
$ 364,654,979	$ 377,968,661	$ 393,639,718	$ 371,163,095	$ 338,484,781	$ 359,514,116
3.77%	3.17%	2.58%	2.32%	3.47%	2.85%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	$ 3,700,574,511
Add back: exempt real property	140,933,820
Total assessed value	$ 3,841,508,331
Debt limit (10% of total assessed value)	$ 384,150,833
Net debt applicable to limit	10,543,335
Legal debt margin	$ 373,607,498

Table 15

TOWN OF VIENNA, VIRGINIA

Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	(1) Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	(3) Principal	(3) Interest	Total	Coverage
2012	$ 6,221,430	$ 5,776,009	$ 445,421	$ -	$ -	$ -	N/A
2011	6,210,489	5,293,086	917,403	-	-	-	N/A
2010	5,943,723	5,299,448	644,275	-	-	-	N/A
2009	5,861,952	4,867,337	994,615	-	-	-	N/A
2008	6,326,364	4,703,494	1,622,870	-	-	-	N/A
2007	5,834,582	4,617,497	1,217,085	-	-	-	N/A
2006	5,873,791	5,130,485	743,306	-	-	-	N/A
2005	4,753,425	4,249,378	504,047	-	-	-	N/A
2004	4,388,312	4,631,094	(242,782)	-	-	-	N/A
2003	4,335,339	3,559,026	776,313	-	-	-	N/A

Notes: (1) Includes interest earnings and other non-operating income.

(2) Total expenses exclusive of depreciation and bond interest.

(3) Includes principal and interest on revenue bonds only. Does not include general obligation bond interest reported in the water and sewer fund.

N/A = Not applicable

Table 16

TOWN OF VIENNA, VIRGINIA

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Unemploy-ment Rate (1)
2012	15,687	$ 777,196,728	$ 49,544	40.7	4.30%
2011	15,687	777,196,728	49,544	40.7	4.50%
2010	14,850	560,632,050	37,753	40.0	5.10%
2009	14,850	560,632,050	37,753	40.0	5.90%
2008	14,850	560,632,050	37,753	40.0	3.10%
2007	14,850	560,632,050	37,753	40.0	2.30%
2006	14,850	560,632,050	37,753	40.0	2.50%
2005	14,850	560,632,050	37,753	40.0	2.90%
2004	14,868	561,311,604	37,753	39.5	2.20%
2003	14,453	545,644,109	37,753	40.0	2.40%

Source: Weldon Cooper Center, www.fedstats.gov
(1) Fairfax County

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Table 17

TOWN OF VIENNA, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2012		Fiscal Year 2003	
Employer	**Employees**	**Rank**	**Employees**	**Rank**
Navy Federal Credit Union	2,500 +	1	2,500 +	1
Fairfax County Public Schools	500 to 999	2	500 to 999	2
Contemporary Electrical Services, Inc	100 to 249	3	100 to 249	3
Giant Foods	100 to 249	4	100 to 249	4
Town of Vienna	100 to 249	5	100 to 249	5
Westwood Country Club	100 to 249	6	100 to 249	6
Wheat's Lawn and Custom Land Inc	100 to 249	7	100 to 249	7
Whole Foods Market Group	100 to 249	8	100 to 249	8
The Hope Center for Advanced Veterinary Medicine	100 to 249	9	100 to 249	9
U.S. Postal Service	50 to 99	10	50 to 99	10

Source: Virginia Employment Commission

TOWN OF VIENNA, VIRGINIA

Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Function		2003	2004	2005
Legislative				
	Town Council	0.500	0.500	0.500
	Town Clerk	2.500	2.500	2.000
	Town Attorney	0.500	0.500	0.500
Subtotal		**3.500**	**3.500**	**3.000**
Administration				
	Town manager	1.500	1.500	1.500
	Administrative Services	2.000	2.000	2.000
	Public Information	1.000	1.000	1.000
	Information Technology	1.000	1.000	2.000
Subtotal		**5.500**	**5.500**	**6.500**
Finance				
	Administration	2.000	2.000	2.000
	Disbursement Operations	2.000	2.000	1.625
	Purchasing	1.675	1.675	1.675
	Central Services	1.000	1.000	1.000
	Revenue Operations	3.375	3.375	3.500
Subtotal		**10.050**	**10.050**	**9.800**
Police				
	Administration	4.000	4.000	4.000
	Patrol	20.000	20.000	20.000
	Communications	8.000	8.000	8.000
	Community Services	2.000	2.000	2.000
	Traffic	8.000	8.000	8.000
	Personnel/Accreditation/ Animal Control	2.000	2.000	2.000
	Investigations	6.000	6.000	7.000
Subtotal		**50.000**	**50.000**	**51.000**
Public Works				
	Administration	5.500	5.500	6.000
	Street Maintenance	15.000	15.000	15.000
	Vehicle Maintenance	8.000	9.000	9.000
	General Maintenance	8.000	8.000	8.000
	Sanitation	14.000	14.000	14.000
	Traffic Engineering	2.000	2.000	2.000
Subtotal		**52.500**	**53.500**	**54.000**
Parks and Recreation				
	Administration	4.000	4.750	4.750
	Parks Maintenance	10.000	10.000	10.000
	Community Center Operations	3.750	4.000	4.000
	Teen Center	1.000	1.000	1.000
Subtotal		**18.750**	**19.750**	**19.750**
Planning and Zoning				
	Planning and Zoning	6.500	6.500	6.500
Subtotal		**6.500**	**6.500**	**6.500**
GENERAL FUND TOTAL		**146.800**	**148.800**	**150.550**
Water and Sewer				
	* Water Operations			
	* Sewer Operations			
	* Operations and Maintenance	14.500	14.500	14.500
	Meter Maintenance and Reading	4.000	4.000	4.000
	Billing/Customer Service	2.000	2.000	2.000
TOTAL WATER & SEWER FUND		**20.500**	**20.500**	**20.500**
GRAND TOTAL		**167.300**	**169.300**	**171.050**

Source: Town of Vienna Budget
* Water and Sewer Operations split out beginning in FY 2011

Table 18

2006	2007	2008	2009	2010	2011	2012
0.500	0.500	0.500	0.500	0.500	0.500	0.500
2.000	2.000	2.000	2.000	2.000	2.000	2.000
0.500	0.500	0.500	0.500	0.500	0.500	0.500
3.000	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**
1.500	1.500	1.500	1.500	1.500	1.500	1.500
2.000	2.000	2.000	2.000	2.000	2.000	2.000
1.000	1.000	1.000	1.000	1.000	1.000	1.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
6.500	**6.500**	**6.500**	**6.500**	**6.500**	**6.500**	**6.500**
2.000	2.500	3.000	3.000	3.000	3.000	3.000
1.625	1.625	1.625	1.625	1.625	1.625	1.625
1.625	1.625	1.625	1.625	1.625	1.625	1.625
1.000	1.000	1.000	1.000	1.000	1.000	1.000
3.500	3.500	3.500	3.500	3.500	3.500	3.500
9.750	**10.250**	**10.750**	**10.750**	**10.750**	**10.750**	**10.750**
3.000	3.000	3.000	3.000	3.000	3.000	3.000
21.000	21.000	21.000	21.000	21.000	21.000	21.000
11.000	11.000	11.000	11.000	11.000	11.000	10.000
1.000	1.000	1.000	1.000	1.000	1.000	1.000
6.000	6.000	6.000	6.000	6.000	6.000	6.000
1.000	1.000	1.000	1.000	1.000	1.000	1.000
9.000	9.000	9.000	9.000	9.000	9.000	10.000
52.000	**52.000**	**52.000**	**52.000**	**52.000**	**52.000**	**52.000**
6.000	6.000	6.500	6.500	6.500	6.500	6.500
15.000	15.000	15.000	15.000	15.000	15.000	15.000
9.000	9.000	9.000	9.000	9.000	9.000	9.000
8.000	8.000	8.000	8.000	8.000	8.000	8.000
14.000	14.000	14.000	14.000	14.000	14.000	14.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
54.000	**54.000**	**54.500**	**54.500**	**54.500**	**54.500**	**54.500**
4.750	4.750	4.750	4.750	4.750	4.750	4.750
10.000	10.000	10.000	10.000	10.000	10.000	10.000
4.000	4.500	4.500	4.500	4.500	4.500	4.500
1.000	1.500	1.500	1.500	1.500	1.500	1.500
19.750	**20.750**	**20.750**	**20.750**	**20.750**	**20.750**	**20.750**
6.500	7.000	7.000	7.000	7.000	7.000	7.000
6.500	**7.000**	**7.000**	**7.000**	**7.000**	**7.000**	**7.000**
151.500	**153.500**	**154.500**	**154.500**	**154.500**	**154.500**	**154.500**
					8.500	8.500
					6.000	6.000
14.500	14.500	14.500	14.500	14.500		
4.000	4.000	4.000	4.000	4.000	4.000	4.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
20.500	**20.500**	**20.500**	**20.500**	**20.500**	**20.500**	**20.500**
172.000	**174.000**	**175.000**	**175.000**	**175.000**	**175.000**	**175.000**

TOWN OF VIENNA, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

Function			(1)	2003	2004	2005
General Government						
	Administrative Service					
		Job applications processed		575	575	581
	Public Information					
		Information requests responded to		2,261	2,404	2,192
		Press releases per year		293	234	221
		Web Site Visits		-	-	-
	Finance					
		Real Estate bills processed		12,120	12,220	12,130
		Water and Sewer bills processed		37,000	36,000	36,950
	(a)	Vehicle decals issued	(2)	13,377	13,384	13,297
		Vehicle license fee bills processed		-	-	-
	(b)	Payroll checks/Direct Deposits		7,685	7,660	7,689
	(b)	Vendor check issued		5,045	4,886	5,049
		Competitive bids completed		20	15	18
Public Safety						
		Number of Calls for Service received		11,845	10,595	11,786
		Number of Citations issued		8,173	7,667	5,888
		Number of Animal complaints		-	412	477
Public Works						
		Tons of asphalt installed		357	330	788
		Linear feet of sidewalk replaced / installed		-	-	-
	(c)	Vehicles Maintained		122	131	132
		Tons of Waste collected		6,700	7,950	7,950
		Tons of Recycled materials collected		1,910	2,000	1,701
		Cubic Yards/Tons of leaves collected		16,623	11,263	13,719
Water and Sewer Operations						
		Repair Water Main breaks		64	71	42
		Repair defective sewer lines		20	9	12
		Footage of Sewer Mains cleaned		-	-	-
		Completed work orders		3,200	3,700	3,800
Parks and Recreation						
		Number of programs held		427	450	450
		Daily average number of teens using Teen Center		40	40	40
Planning and Zoning						
		Permit applications		860	817	876
		New single-family dwellings		-	-	-
		New zoning violation cases opened		260	244	235

Sources: Town Budget unless noted
(a) Decal logs; decal program ended in FY 2007
Fee instituted in 2011; number of bills sent
(b) Check logs
(c) Fixed Asset Records

Notes:
(1) Data not available indicated by dash (-)
(2) Vehicle Decals discontinued in 2007

Table 19

2006	2007	2008	2009	2010	2011	2012
587	620	468	586	620	675	1,294
2,200	2,357	2,000	1,600	1,600	1,225	-
225	233	240	254	254	245	585
-	-	-	-	-	1,000	1,828
12,136	12,080	12,225	12,300	12,300	12,300	12,400
36,850	36,500	37,500	38,000	38,000	38,000	38,000
12,858	11,688	-	-	-	-	
-	-	-	-	-	12,395	12,810
7,500	7,560	7,688	8,915	7,870	7,311	6,956
4,919	4,864	4,695	5,355	4,600	4,300	4,315
22	17	30	30	30	30	35
11,519	12,849	11,654	13,000	13,000	13,000	20,500
6,737	5,839	5,216	7,400	7,200	7,000	10,200
330	400	387	400	400	400	380
662	700	1,480	1,500	1,721	5,300	5,000
-	-	-	-	150	188	200
147	143	145	145	140	145	153
7,073	6,474	6,883	6,001	6,001	5,810	7,940
1,809	1,878	2,067	2,036	2,036	1,840	1,825
15,227	15,850	14,042	14,000	13,500	13,000	11,000
46	44	72	68	50	68	50
12	13	12	15	15	15	-
-	-	-	-	279,556	343,543	350,000
3,600	3,400	4,200	3,800	3,800	3,800	3,000
520	592	573	642	642	660	641
40	40	30	35	35	35	30
801	1,050	880	829	829	820	650
-	-	-	-	43	65	50
220	324	413	557	557	550	671

TOWN OF VIENNA, VIRGINIA

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2003	2004	2005
General government			
Administration buildings	3	3	3
Vehicles	5	5	6
Public safety			
Patrol units	17	20	18
Motorcycles	5	6	5
Other vehicles	2	2	3
Public works			
Trucks/vehicles	73	75	75
Parks and recreation			
Community center	1	1	1
Vehicles	16	19	21
Number of parks	7	7	7
Park acres	74.32	74.32	74.32
Community development			
Planning vehicles	4	4	4

Source: Individual Town Departments

Table 20

2006	2007	2008	2009	2010	2011	2012
3	3	4	4	4	5	5
6	6	6	6	6	6	7
20	20	18	19	18	18	19
5	5	5	6	4	4	4
3	3	3	3	3	3	3
85	83	84	88	85	89	94
1	1	1	1	1	1	1
24	22	25	20	20	21	22
7	10	10	10	10	10	10
74.32	93.47	93.47	93.47	93.47	93.47	93.47
4	4	4	3	4	4	4

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- Compliance Section -

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia as of and for the year ended June 30, 2012, which collectively comprise the Town of Vienna, Virginia's basic financial statements and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 20, 2012