

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2013



**TOWN OF VIENNA,
VIRGINIA**

- Introductory Section -

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TOWN OF VIENNA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY:

Department of Finance
Karen L. Spence, Director of Finance/Treasurer

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TOWN OF VIENNA, VIRGINIA

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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November 18, 2013

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, 2013, 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, 2013 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.

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 increasing over the previous year for the second year in a row. 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 according to the Bureau of Labor Statistics as of June 30, 2013 was 4.5 percent, comparing favorably with the State's 5.5 percent rate and the national rate of 7.6 percent. While this reflects a 0.2 increase in the local rate from 2012, the outlook for the area is favorable. 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.

Revenue trends were slightly favorable for 2013 after excluding miscellaneous revenues, which were high in 2012 due to a large Federal Asset forfeiture settlement in that year. During the past year assessed property values increased 2.5 percent from tax year 2011 to 2012, the second consecutive year of an increase driving property taxes up 2.9 percent with no change in rate. Additionally, permits and fees were up 12.5 percent over 2012. Both these revenues reflect the pace of newly constructed and remodeled homes in the Town, almost 80 in fiscal 2013. Other favorable trends in 2013 were meals and lodging taxes, which increased 9.7 percent, sales taxes which increased 4.9 percent and service charges which increased 2.7 percent over 2012. These increases indicate the general improvement in spending by Vienna residents in 2013. These positive trends were partially offset by a 12.3 percent decrease in revenue from fines and a 6.7 percent decrease in tobacco 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 expected to open in 2014, driving a 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 and a consultant engaged 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 fiscal year 2013 the Town staff worked 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 funds 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 conservative 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 2013 the Town operations resulted in almost 22 percent of the FY 2014 budget in unassigned Fund Balance, well in excess of the adopted policy and a 3 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, a project to replace the HVAC system at Town Hall was begun that will be completed in FY 2014. Land was acquired for an expansion of the Police headquarters, and feasibility studies were begun to determine the needs for the Police Department and for a possible expansion or improvement of the Community Center.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

The Town continued to explore the look and feel of the main corridor through Town in the Maple Avenue Vision project. Several concepts were brought before Council with the goal of standardizing zoning in the main commercial area while still retaining Vienna's small-town feel.

The Town's web site continued to be updated and improved and the Town established more of a presence in social media. The Town implemented a new document management system and developed new water and sewer bills printed by an outside printing firm, greatly improving the look and feel of the bills. Work is in the development stage for a new performance evaluation system, and plans were made for a full classification and compensation study in early 2014. Work on the development of a geographic information system continued. Work also continued to refine a biennial strategic plan for the Town, highlighting areas and projects that staff will focus on to help the Town meet its goals.

The Town started the process to obtain bond or debt financing for new capital projects in the range of \$6.5 million with an additional \$3 million in debt refinancing, and a capital lease to finance vehicle purchases for \$700,000 was completed at a record low interest rate of 1.086 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, 2013 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

2013 Best Places to Live – CNN Money Magazine

CNN's Money Magazine ranked the Town of Vienna as third in their 2013 list of "Best Places to Live." According to Money Magazine, the listing is not just about places with strong economies, but also places "you could want...to raise a family; plenty of green space, good schools and a strong sense of community." Vienna was recognized as a small and intimate town with easy access to the big city. CNN's Money Magazine also recognized Vienna as number 24 in their 2013 list of "Top-Earning Towns."

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, 2012 for the 26th 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 19th year in a row the Town received the GFOA's Distinguished Budget Presentation award for the FY 2013. 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 2013 the Town submitted the FY 2014 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 12th 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 2013. The award was received in recognition of the Town's effort to reduce carbon emissions and the positive impact on the environment from the annual Green Expo and participation in a community garden at Vienna Elementary School.

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



Karen L. Spence, CPA
Director of Finance/Treasurer

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Vienna
Virginia**

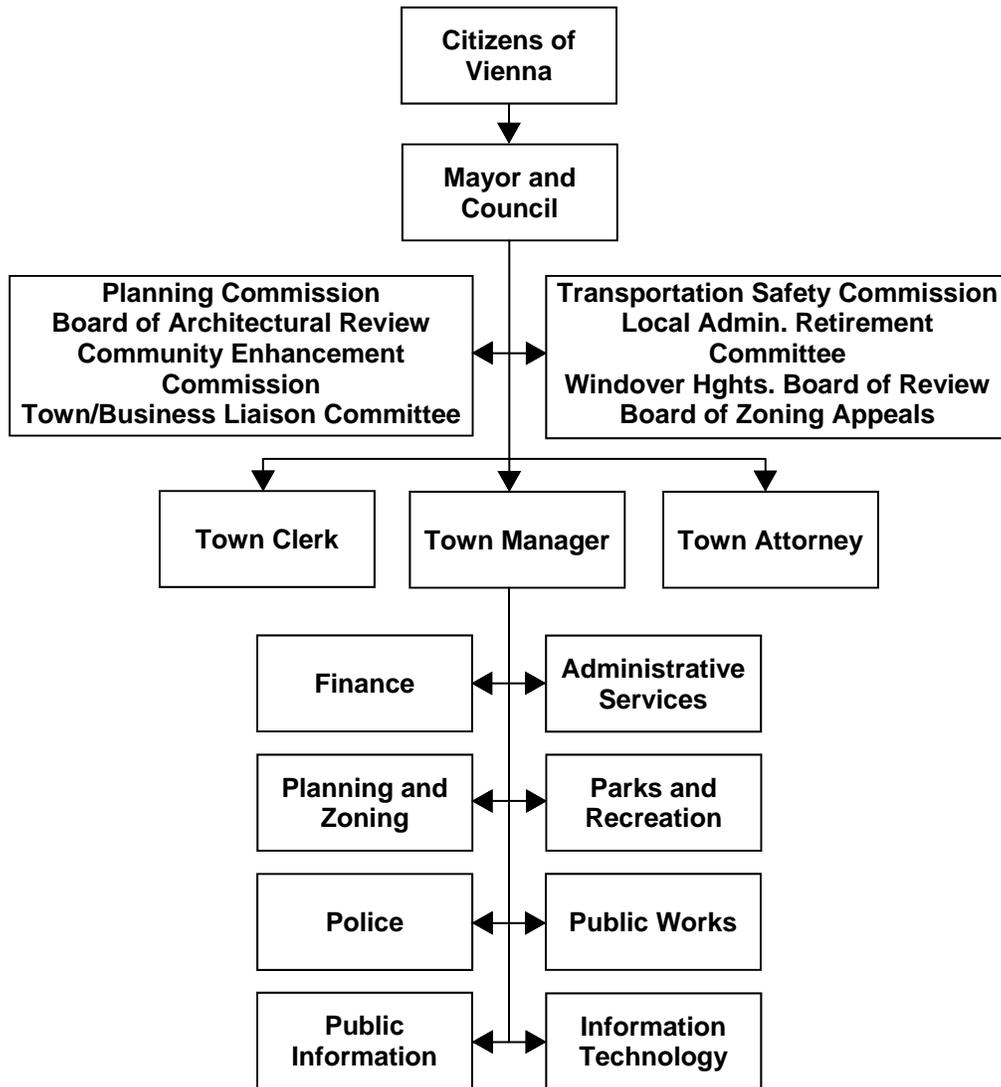
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Town of Vienna, Virginia Organizational Chart



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- Financial Section -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Vienna, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vienna, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Vienna, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 18, 2013

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**TOWN OF VIENNA, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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, 2013. 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 position on June 30, 2013 was \$58,439,046, a decrease of \$200,074 or 0.34 percent. This was caused primarily from the issuance of bonds in FY 2013 partially offset by increases in net capital assets. Unrestricted Net Position increased by \$1,280,843 or 9.6% over 2012. Unrestricted net position 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 \$21,660,690, an increase of \$2,135,598 or 10.9 percent compared with the prior year. The increase was primarily due to the receipt of bond proceeds partially offset by expenditures for sidewalk and road projects in the Capital Projects Fund. The Debt Service Fund's balance of \$4,562,958 is assigned for the retirement of current and future debt issues and the \$7,903,967 balance of the Capital Projects Fund is assigned for completion of capital projects. The \$184,004 fund balance in the Non-major Governmental Fund is reserved for the completion of Stormwater-related projects. The General Fund's balance includes \$4,715,920 as unassigned. This represents 21.7 percent of total General Fund FYE 2014 budgeted expenditures.
- The Town's long-term obligations increased by \$4,869,133 or 41.9 percent during last fiscal year. The increase resulted primarily from the issuance of general obligation and capital lease debt in 2013. Long-term obligations totaled \$16,501,795 at year-end. Of this amount, outstanding bonds totaled \$13,731,490, notes payable totaled \$1,622,807, capital leases totaled \$1,020,059 and post-employment benefits totaled \$373,406. The above amounts do not include the Town's obligations related to accounts payable and total compensated absences, which totaled \$3,090,050 and \$1,274,388 respectively, at year-end. Accounts payable and an estimated amount of \$1,146,949 worth of compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences increased by \$69,572 or 5.8 percent over the preceding year.
- Excluding Pension Trust Funds, total cash and cash equivalents grew by \$3,103,083 when compared to the prior fiscal year. The increase is mainly attributed to unexpended proceeds of the new bond issue and an increase in accrued liabilities in the General Fund. Water and Sewer Fund operating, non-operating revenues, capital contributions, and incoming transfers exceeded operating and non-operating expenses and outgoing transfers by \$223,724. Pension funds expenditures exceeded contributions and interest earnings by \$15,532. The following table denotes cash increases and decreases by fund.

Fund	FY 13 Cash	FY 12 Cash	Increase (Decrease)
General	\$ 9,770,801	\$ 9,012,922	\$ 757,879
Debt Service	4,332,767	3,905,007	427,760
Capital Projects	8,297,241	6,542,458	1,754,783
Water & Sewer	1,112,549	949,888	162,661
Total Cash	<u>\$ 23,513,358</u>	<u>\$ 20,410,275</u>	<u>\$ 3,103,083</u>
Pension Trust	<u>\$ 5,274,587</u>	<u>\$ 5,278,660</u>	<u>\$ (4,073)</u>

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 Position - Presents information on all Town assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 five individual governmental funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, the Gang Task Force Fund and the Stormwater 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 the General, Debt Service and Capital Projects 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 position may serve as a useful indicator of a government's financial position. The Town's total assets exceeded total liabilities and deferred inflows of resources by \$58,439,046 at year-end, a decrease of \$200,074 or 0.34 percent. Of the total net position, governmental activities totaled \$50,968,716, down \$423,798 or 0.82 percent while business-type activities totaled \$7,470,330 an increase of \$223,724 or 3.1 percent. The increase in net position of governmental activities was primarily due to the issuance of general obligation bonds in 2013 and the resulting investment of some of those proceeds in capital assets. The increase in net position of the business type activities was primarily due an excess of revenues over operating and non-operating expenses.

The Town's investment in capital assets such as land, buildings and equipment net of depreciation totaled \$57,636,380 at June 30, 2013; of which, governmental activities totaled \$47,944,811, an increase of \$2,834,616 or 6.3 percent. The increase was due primarily to spending related to the new bond proceeds. 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 Position for the fiscal year.

Town of Vienna, Virginia						
Schedule of Assets, Liabilities, Deferred Inflows and Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Assets:</u>						
Current and other assets	\$ 25,710,399	\$ 21,986,528	\$ 1,795,402	\$ 1,419,058	\$ 27,505,801	\$ 23,405,586
Capital assets	47,944,811	45,110,195	9,691,569	10,055,186	57,636,380	55,165,381
Total assets	<u>\$ 73,655,210</u>	<u>\$ 67,096,723</u>	<u>\$ 11,486,971</u>	<u>\$ 11,474,244</u>	<u>\$ 85,142,181</u>	<u>\$ 78,570,967</u>
<u>Liabilities:</u>						
Long-term liabilities outstanding	\$ 18,440,414	\$ 13,236,229	\$ 2,088,865	\$ 1,997,081	\$ 20,529,279	\$ 15,233,310
Other liabilities	4,162,866	2,467,980	1,927,776	2,230,557	6,090,642	4,698,537
Total liabilities	<u>\$ 22,603,280</u>	<u>\$ 15,704,209</u>	<u>\$ 4,016,641</u>	<u>\$ 4,227,638</u>	<u>\$ 26,619,921</u>	<u>\$ 19,931,847</u>
<u>Deferred Inflows of Resources:</u>						
Unavailable revenue	\$ 83,214	\$ -	\$ -	\$ -	\$ 83,214	\$ -
<u>Net Position:</u>						
Net investment in capital assets	\$ 35,964,436	\$ 37,173,866	\$ 7,911,570	\$ 8,183,057	\$ 43,876,006	\$ 45,356,923
Unrestricted	15,004,280	14,218,648	(441,240)	(936,451)	14,563,040	13,282,197
Total net position	<u>\$ 50,968,716</u>	<u>\$ 51,392,514</u>	<u>\$ 7,470,330</u>	<u>\$ 7,246,606</u>	<u>\$ 58,439,046</u>	<u>\$ 58,639,120</u>

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

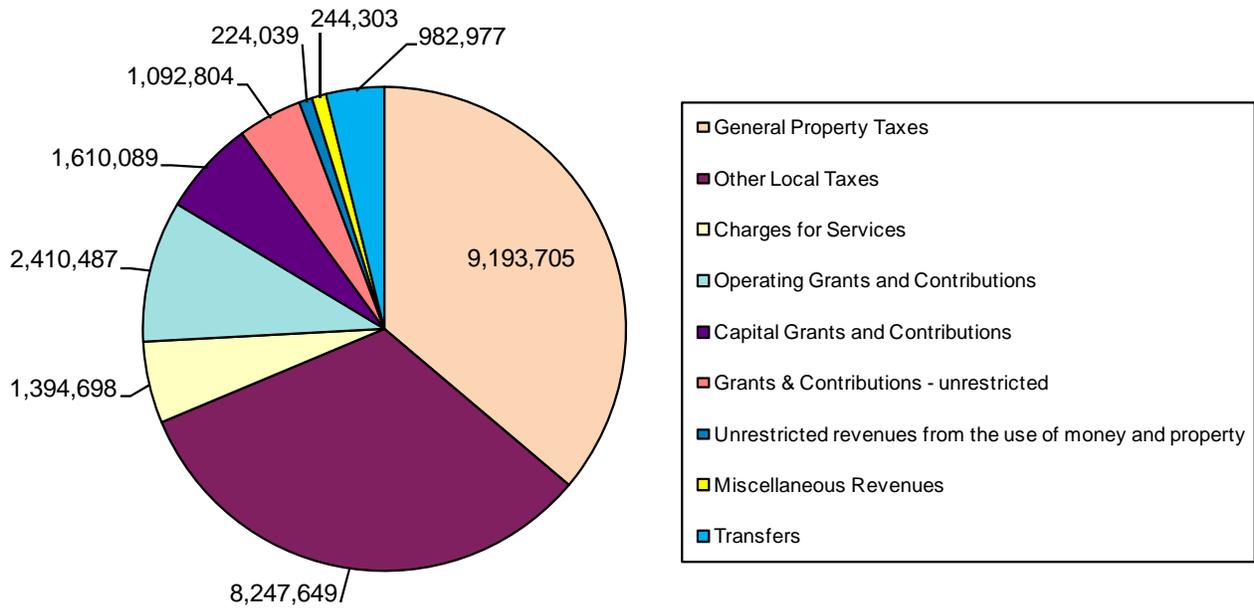
Governmental Activities - Governmental and business-type activities reflect changes in net position of \$(423,798) and \$223,724 respectively. The following table provides an overview of revenues, expenses and the changes in net position for the fiscal year.

**Town of Vienna, Virginia
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,394,698	\$ 1,419,765	\$ 7,129,668	\$ 6,065,317	\$ 8,524,366	\$ 7,485,082
Operating grants and contributions	2,410,487	2,134,393	-	-	2,410,487	2,134,393
Capital grants and contributions	1,610,089	497,335	-	112,490	1,610,089	609,825
General revenues:						
Property taxes	9,193,705	9,055,525	-	-	9,193,705	9,055,525
Other local taxes	8,247,649	8,102,797	-	-	8,247,649	8,102,797
Grants & contributions -	1,092,804	1,090,891	-	-	1,092,804	1,090,891
Unrestricted revenues from the use money and property	224,039	199,270	2,474	1,327	226,513	200,597
Miscellaneous	244,303	720,327	225,843	154,786	470,146	875,113
Total revenues	\$24,417,774	\$23,220,303	\$ 7,357,985	\$ 6,333,920	\$31,775,759	\$29,554,223
Expenses:						
General government	\$ 4,147,172	\$ 3,635,414	\$ -	\$ -	\$ 4,147,172	\$ 3,635,414
Public safety	6,429,827	6,100,525	-	-	6,429,827	6,100,525
Public works	10,286,260	9,220,813	-	-	10,286,260	9,220,813
Health and welfare	261,658	275,881	-	-	261,658	275,881
Parks, recreation and cultural	3,228,786	2,863,152	-	-	3,228,786	2,863,152
Community development	867,961	846,444	-	-	867,961	846,444
Interest on long-term debt	602,885	468,645	-	-	602,885	468,645
Water and sewer	-	-	6,151,284	6,223,267	6,151,284	6,223,267
Total Expenses	\$25,824,549	\$23,410,874	\$ 6,151,284	\$ 6,223,267	\$31,975,833	\$29,634,141
Net Position:						
Income before capital contributions and transfers	\$ (1,406,775)	\$ (190,571)	\$ 1,206,701	\$ 110,653	\$ (200,074)	\$ (79,918)
Transfers	982,977	881,345	(982,977)	(881,345)	-	-
Increase (Decrease) in net position	\$ (423,798)	\$ 690,774	\$ 223,724	\$ (770,692)	\$ (200,074)	\$ (79,918)
Net position, beginning of year	51,392,514	50,701,740	7,246,606	8,017,298	58,639,120	58,719,038
Net position, end of year	<u>\$50,968,716</u>	<u>\$51,392,514</u>	<u>\$ 7,470,330</u>	<u>\$ 7,246,606</u>	<u>\$58,439,046</u>	<u>\$58,639,120</u>

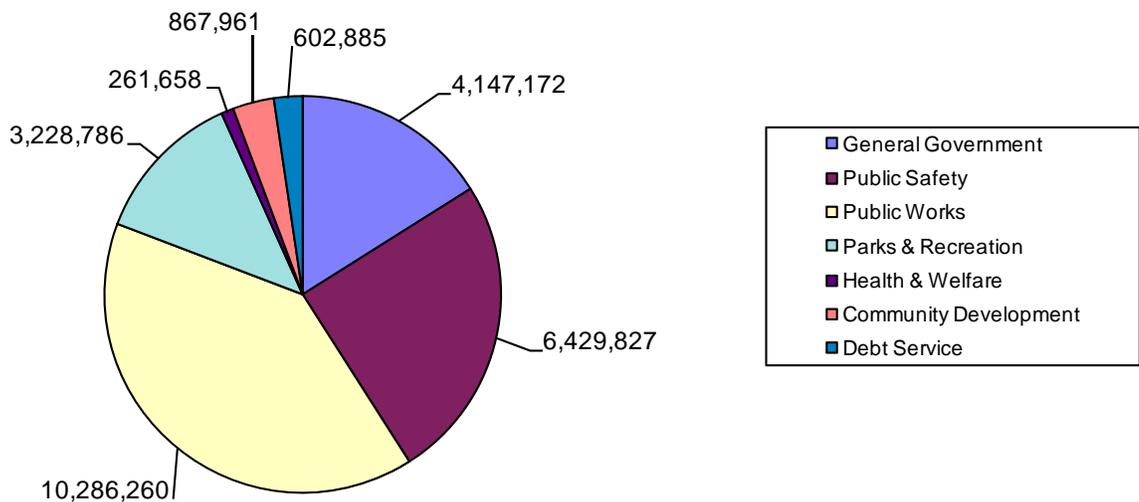
Program, general revenues, and transfers for governmental activities totaled \$25,400,751, an increase of \$1,299,103 or 5.4 percent over the previous fiscal year. Of the total amount, property taxes totaled \$9,193,705 and other local taxes totaled \$8,247,649. The increase in property taxes was due to new residential construction plus a 2.5 percent increase in assessments. The 1.8 percent increase in other local taxes primarily reflected a 4.9 percent increase in local sales taxes and a 9.7 percent increase in meals and lodging taxes. Capital grants and contributions totaled \$1,610,089, up by 223 percent from the previous year. The \$982,977 worth of transfers between governmental activities and business-type activities was \$101,632 or 11.5 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 2012-2013 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 \$25,824,549, an increase of \$2,413,675 or 10.3 percent. Directly supporting these expenditures were charges for services generating \$1,394,698 plus operating grants and contributions totaling \$2,410,487 and capital grants and contributions of \$1,610,089 for total program revenues of \$5,415,274. This represents an increase of \$1,363,781 or 33.7 percent. The increase was mainly due to increases in capital grants and contributions. General revenue support of these activities decreased by \$64,678 or 0.3 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 an increase in net position of \$223,724 to end the year with a net position balance of \$7,470,330. Before net transfers of \$982,977 to the General and Debt Service Funds, Water and Sewer Fund operating income and capital transfers ended the year with a net gain of \$1,206,701. Key elements of operating results include the following:

- A. Charges for Services totaled \$7,129,668, an increase of \$1,064,351 or 17.5 percent from FYE 2012 of \$6,065,317. The increase was due mainly to a 19 percent increase in the water and sewer rates. Non-operating revenues netted to \$214,954 in FYE 2013 as compared to \$140,227 the previous year, an increase of 53.3 percent. The change was primarily due an increase in miscellaneous receipts.
- B. Operating expenses decreased \$69,460, or 1.1 percent. The change was due to lower costs for sewer treatment in FY 2013.
- C. Bills paid after June 30th account for the \$545,429 or 34.8 percent decrease in accounts payable. This is due to the timing of those payments.
- D. Compared to the preceding year, operating transfers to other funds decreased \$51,789 or 4.7 percent while operating transfer from other funds were down \$153,421 or 67 percent. The net result was an 11.5 percent increase in net transfers out that ended the year at a negative \$982,977. 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 decreased 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 five funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, the Gang Task Force Fund and the Stormwater 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 five governmental funds reported combined ending fund balances of \$21,660,690, an increase of \$2,135,598 or 10.9 percent from the prior year. The change was the result of increases in the General Fund of \$149,455, the Debt Service Fund of \$442,628 the Capital Project Funds of \$1,359,511 and the Stormwater Fund of \$184,004. \$16,944,770 or 78.2 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 \$4,715,920 or 21.8 percent of the total available for spending by Council appropriation. Debt Service Fund revenues were up by \$196,841 or 9.6 percent, primarily because of rising meals and lodging tax collections. Transfers from the Water and Sewer Fund decreased by 20 percent as a result of declining debt service payments. Expenditures were down by 4.4 percent for the same reason. Capital Project Fund year-end balance increased by \$1,359,511, reflecting the receipt of bond proceeds. 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, Capital Projects, and Special
Revenue Funds

Nonspendable:	
Inventory	\$ 139,335
Restricted:	
Unappropriated PEG Funds	\$ 543,982
Stormwater funds	184,004
Total Restricted	<u>\$ 727,986</u>
Committed:	
VRP reserves	\$ 613,671
Subsequent year budget support	750,000
New financial system	377,001
Total Committed	<u>\$ 1,740,672</u>
Assigned:	
Encumbrance reserves	\$ 61,290
Carryforward	218,000
Wright Building	871,406
Federal AF Funds	469,315
State AF Funds	177,841
Other postemployment benefits	72,000
Debt service	4,562,958
Capital projects	7,903,967
Total Assigned	<u>\$ 14,336,777</u>
Unassigned:	
General fund	<u>\$ 4,715,920</u>
Total Fund Balance	<u><u>\$ 21,660,690</u></u>

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 \$9,009,761, which equates to 41.6 percent of the \$21,660,690 combined fund balance for the five 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 21.7 percent of total General Fund expenditures, while total fund balance represents 41.5 percent of that same amount.

The total fund balance for the General Fund increased \$149,455 from the previous fiscal year. The unassigned component of fund balance was \$4,715,920 at year-end, an increase over the prior fiscal year of \$130,745 or 2.9 percent. Both changes were the function of the following:

- Overall, General Fund revenues were down by \$249,351 or 1.2 percent, primarily as a result of decreased receipts from Federal seized assets, offset by increased local sales tax revenues and revenues from permits and fees.
- General Fund expenditures rose by \$698,982 or 3.3 percent over the previous year. Increases in General Government administration of 9.8 percent and Public Safety of 4.2 percent, partially offset by decreases in Parks and Recreation of 5.5 percent and Health and Welfare of 5.1 percent accounted for the change.
- Net other financing sources were up by \$43,931 over the previous year. The 3 percent increase was due primarily to the decrease in transfers out in FY 2013.

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 2013 budgets. These differences totaled \$49,241 for revenues and \$197,373 for expenditures. Donations to the Police and Parks and Recreation departments comprise most of the miscellaneous revenue budget amendments. Federal and state law enforcement grants account for 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:

	<u>Amount Amended</u>
Revenues:	
Miscellaneous	\$ 45,241
Federal revenues	4,000
Total	<u>\$ 49,241</u>
Expenditures:	
General government administration	\$ 26,944
Public safety	57,803
Public works	67,703
Parks, recreation and cultural	42,675
Community development	2,248
Total	<u>\$ 197,373</u>

General Fund Budgetary Variances

General Fund actual revenues were \$615,210 or 3.1 percent more than amended budgetary estimates. The difference was largely due to favorable communication sales and use taxes and proceeds from auction sales. General Fund actual expenditures were less than amended budgets by \$10,319 or .05 percent. The majority of the budgetary expenditure under runs occurred in the categories of general governmental administration and community development. 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 \$47,944,811 (net of accumulated depreciation), an increase of \$2,834,616 or 6.3 percent. The increase 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,030,872	\$ 2,534,630	\$ -	\$ -	\$ 3,030,872	\$ 2,534,630
Land improvements	2,082,845	2,322,382	-	-	2,082,845	2,322,382
Construction in progress	4,440,541	3,111,399	-	-	4,440,541	3,111,399
Buildings and improvements	7,219,200	7,653,270	-	-	7,219,200	7,653,270
Infrastructure	27,254,774	25,607,519	9,309,823	9,633,795	36,564,597	35,241,314
Office and other equipment	1,208,034	1,279,245	-	-	1,208,034	1,279,245
Automotive and other equipment	2,708,545	2,601,750	381,746	421,391	3,090,291	3,023,141
Total assets - net of depreciation	\$ 47,944,811	\$ 45,110,195	\$ 9,691,569	\$ 10,055,186	\$ 57,636,380	\$ 55,165,381

Long-term obligations - At the conclusion of the fiscal year, long-term obligations totaled \$17,277,934 for General Fund activities and \$1,815,868 for the Water and Sewer Fund. Of these amounts, outstanding bonds totaled \$15,518,686, notes payable totaled \$1,700,733 and capital leases totaled \$1,500,977. The above amounts do not include the Town's obligations related to accounts payable, compensated absences, and other post-employment benefits which totaled \$3,090,050, \$1,274,388 and \$373,406 respectively, at year-end. Except for \$127,439 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 increased in FY 2013 by 2.5 percent, mainly due to continued construction of upscale homes and residential renovations in many areas of Vienna. Overall property values increased by 4.9 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 according to the Bureau of Labor Statistics was 4.5 percent as compared to 5.5 percent and 7.6 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 effects of sequestration, or automatic cuts in federal spending in the winter of 2013 and the Federal shutdown in the fall of 2013 have not as yet had an effect on Town resources. The Town of Vienna receives less than one percent of their revenue from the federal government. We believe that the impact of sequestration and the Federal government shutdown will be minimal on the Town.

The General Fund revenue budget for the fiscal year ending June 30, 2014 totals \$21,060,170 which equates to an increase of \$50,385 or 0.24 percent from the previous fiscal year. General property taxes are expected to decrease \$108,858 or 1.2 percent. The tax rate was decreased by \$0.013 to \$0.2288 in the subsequent fiscal year of 2013-2014. The following table provides a comparison of the FYE 2013 actual revenue and the FYE 2014 adopted revenue budget for the Town of Vienna. It should be noted that for the purposes of this comparison, the FYE 2014 Budget revenue source amounts have been adjusted to match the structure of the FYE 2013 Actual amount with no change in totals.

Revenue Source	FY 2014 Budget	FY 2013 Actual	Expected Increase (Decrease)
Property taxes	\$ 9,137,044	\$ 9,280,201	\$ (143,157)
Other local taxes	7,180,500	6,035,106	1,145,394
Permits, fees & licenses	148,800	152,114	(3,314)
Fines and forfeitures	460,500	449,649	10,851
Use of money & property	195,365	196,469	(1,104)
Charges for services	761,000	792,935	(31,935)
State revenues	2,065,661	3,178,250	(1,112,589)
Federal revenues	67,000	40,154	26,846
Transfers-in	920,000	852,804	67,196
Capital lease proceeds	-	653,434	(653,434)
Other	124,300	244,223	(119,923)
Total Revenue Budget	\$ 21,060,170	\$ 21,875,339	\$ (815,169)

Request for Information

This financial report is designed to provide a general overview of Town's finances for the fiscal year ended June 30, 2013. 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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TOWN OF VIENNA, VIRGINIA

Statement of Net Position

At June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 22,400,809	\$ 1,112,549	\$ 23,513,358
Receivables, (net of allowances for uncollectibles):	551,454	1,612,208	2,163,662
Due from other governments	930,176	-	930,176
Internal balances	1,014,504	(1,014,504)	-
Inventory, at cost	139,335	85,149	224,484
Restricted:			
Temporarily restricted:			
Cash and cash equivalents	674,121	-	674,121
Capital assets:			
Land	3,030,872	-	3,030,872
Construction in progress	4,440,541	-	4,440,541
Other capital assets, net of accumulated depreciation	40,473,398	9,691,569	50,164,967
Capital assets, net	<u>\$ 47,944,811</u>	<u>\$ 9,691,569</u>	<u>\$ 57,636,380</u>
Total assets	<u>\$ 73,655,210</u>	<u>\$ 11,486,971</u>	<u>\$ 85,142,181</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 2,067,769	\$ 1,022,281	\$ 3,090,050
Unearned revenue	946,945	-	946,945
Escrow and other deposits	1,148,152	124,547	1,272,699
Due to other governments	-	942,037	942,037
Long-term liabilities:			
Due within one year:			
Bonds and notes payable	1,787,196	77,926	1,865,122
Capital leases	453,405	27,513	480,918
Compensated absences	1,046,232	100,717	1,146,949
Due in more than one year:			
Bonds and notes payable	13,731,490	1,622,807	15,354,297
Capital leases	968,306	51,753	1,020,059
Net OPEB obligation	337,537	35,869	373,406
Compensated absences	116,248	11,191	127,439
Total liabilities	<u>\$ 22,603,280</u>	<u>\$ 4,016,641</u>	<u>\$ 26,619,921</u>
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	\$ 83,214	\$ -	\$ 83,214
Net Position:			
Net investment in capital assets	\$ 35,964,436	\$ 7,911,570	\$ 43,876,006
Unrestricted (deficit)	15,004,280	(441,240)	14,563,040
Total net position	<u>\$ 50,968,716</u>	<u>\$ 7,470,330</u>	<u>\$ 58,439,046</u>

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

TOWN OF VIENNA, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government administration	\$ 4,147,172	\$ 23,030	\$ -	\$ -	\$ (4,124,142)	\$ -	\$ (4,124,142)
Public safety	6,429,827	617,223	538,351	-	(5,274,253)	-	(5,274,253)
Public works	10,286,260	-	1,837,126	1,610,089	(6,839,045)	-	(6,839,045)
Health and welfare	261,658	-	-	-	(261,658)	-	(261,658)
Parks, recreation and cultural	3,228,786	754,445	-	-	(2,474,341)	-	(2,474,341)
Community development	867,961	-	-	-	(867,961)	-	(867,961)
Interest on long-term debt	602,885	-	35,010	-	(567,875)	-	(567,875)
Total governmental activities	\$ 25,824,549	\$ 1,394,698	\$ 2,410,487	\$ 1,610,089	\$ (20,409,275)	\$ -	\$ (20,409,275)
Business type activities							
Water and sewer	6,151,284	7,129,668	-	-	-	978,384	978,384
Total Primary Government	\$ 31,975,833	\$ 8,524,366	\$ 2,410,487	\$ 1,610,089	\$ (20,409,275)	\$ 978,384	\$ (19,430,891)
General Revenues							
Taxes:							
General real property taxes					\$ 9,193,705	\$ -	\$ 9,193,705
Local sales and use taxes					1,320,803	-	1,320,803
Consumer utility taxes					660,323	-	660,323
Business license taxes					2,217,307	-	2,217,307
Meals and lodging taxes					2,212,543	-	2,212,543
Bank franchise taxes					761,646	-	761,646
Other					1,075,027	-	1,075,027
Grants and contributions not restricted to specific programs					1,092,804	-	1,092,804
Unrestricted revenues from the use of money and property					224,039	2,474	226,513
Miscellaneous					244,303	225,843	470,146
Transfers					982,977	(982,977)	-
Total general revenues and transfers					\$ 19,985,477	\$ (754,660)	\$ 19,230,817
Change in net position					\$ (423,798)	\$ 223,724	\$ (200,074)
Net position, beginning of year					51,392,514	7,246,606	58,639,120
Net position, end of year					\$ 50,968,716	\$ 7,470,330	\$ 58,439,046

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

Basic Financial Statements:

- Fund Financial Statements -

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TOWN OF VIENNA, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2013

	Major Funds				Nonmajor Fund	Total Governmental Funds
	General	Debt Service	Capital Projects	Gang Task Force Fund	Stormwater Fund	
Assets:						
Cash and cash equivalents	\$ 9,770,801	\$ 4,332,767	\$ 8,297,241	\$ -	\$ -	\$ 22,400,809
Receivables (net of allowance for uncollectibles):						
Taxes including penalties	28,221	-	-	-	-	28,221
Accounts	292,294	230,679	260	-	-	523,233
Due from other governments	480,897	-	449,279	-	-	930,176
Due from other funds	1,074,040	-	-	-	184,004	1,258,044
Inventory, at cost	139,335	-	-	-	-	139,335
Restricted:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	674,121	-	674,121
Total assets	<u>\$ 11,785,588</u>	<u>\$ 4,563,446</u>	<u>\$ 8,746,780</u>	<u>\$ 674,121</u>	<u>\$ 184,004</u>	<u>\$ 25,953,939</u>
Liabilities:						
Accounts payable	\$ 707,113	\$ 400	\$ 794,277	\$ 1,851	\$ -	\$ 1,503,641
Accrued liabilities	353,552	-	-	-	-	353,552
Escrow and other deposits	1,148,152	-	-	-	-	1,148,152
Due to other funds	194,916	88	48,536	-	-	243,540
Unearned revenue	274,675	-	-	672,270	-	946,945
Total liabilities	<u>\$ 2,678,408</u>	<u>\$ 488</u>	<u>\$ 842,813</u>	<u>\$ 674,121</u>	<u>\$ -</u>	<u>\$ 4,195,830</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	\$ 97,419	\$ -	\$ -	\$ -	\$ -	\$ 97,419
Fund Balance:						
Nonspendable:						
Inventory	\$ 139,335	\$ -	\$ -	\$ -	\$ -	\$ 139,335
Restricted:						
Unappropriated PEG Funds	543,982	-	-	-	-	543,982
Stormwater funds	-	-	-	-	184,004	184,004
Committed:						
VRP reserves	613,671	-	-	-	-	613,671
Subsequent year budget support	750,000	-	-	-	-	750,000
New financial system	377,001	-	-	-	-	377,001
Assigned:						
Encumbrance reserves	61,290	-	-	-	-	61,290
Carryforward	218,000	-	-	-	-	218,000
Wright Building	871,406	-	-	-	-	871,406
Federal AF funds	469,315	-	-	-	-	469,315
State AF funds	177,841	-	-	-	-	177,841
Other postemployment benefits	72,000	-	-	-	-	72,000
Debt service	-	4,562,958	-	-	-	4,562,958
Capital projects	-	-	7,903,967	-	-	7,903,967
Unassigned:	4,715,920	-	-	-	-	4,715,920
Total fund balance	<u>\$ 9,009,761</u>	<u>\$ 4,562,958</u>	<u>\$ 7,903,967</u>	<u>\$ -</u>	<u>\$ 184,004</u>	<u>\$ 21,660,690</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 11,785,588</u>	<u>\$ 4,563,446</u>	<u>\$ 8,746,780</u>	<u>\$ 674,121</u>	<u>\$ 184,004</u>	<u>\$ 25,953,939</u>

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

TOWN OF VIENNA, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2013

Total fund balances for governmental funds (Exhibit 3)	\$	21,660,690
Total net position reported for governmental activities in the statement of net position 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	\$	3,030,872
Construction in progress		4,440,541
Depreciable capital assets, net of accumulated depreciation		<u>40,473,398</u>
Total capital assets		47,944,811
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 unavailable revenue in the funds.		
		14,205
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 position are as follows:		
Accrued interest on debt	\$	(210,576)
Bonds and capital leases payable		(16,638,379)
Unamortized bond premium		(302,018)
Net OPEB obligation		(337,537)
Compensated absences		<u>(1,162,480)</u>
Total		<u>(18,650,990)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>50,968,716</u></u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	Major Funds				Nonmajor Fund	Total Governmental Funds
	General	Debt Service	Capital Project	Gang Task Force Fund	Stormwater Fund	
Revenues:						
General property taxes	\$ 9,280,201	\$ -	\$ -	\$ -	\$ -	\$ 9,280,201
Other local taxes	6,035,106	2,212,543	-	-	-	8,247,649
Permits, privilege fees and regulatory licenses	152,114	-	-	-	-	152,114
Fines and forfeitures	449,649	-	-	-	-	449,649
Revenue from use of money and property	196,469	6,419	21,151	-	-	224,039
Charges for services	792,935	-	-	-	-	792,935
Miscellaneous	244,223	80	-	-	-	244,303
Intergovernmental	3,218,404	35,010	1,610,089	65,873	184,004	5,113,380
Total revenues	\$ 20,369,101	\$ 2,254,052	\$ 1,631,240	\$ 65,873	\$ 184,004	\$ 24,504,270
Expenditures:						
Current:						
General government administration	\$ 4,022,335	\$ -	\$ -	\$ -	\$ -	\$ 4,022,335
Public safety	6,345,388	-	-	63,073	-	6,408,461
Public works	6,978,990	-	-	-	-	6,978,990
Health and welfare	261,088	-	-	-	-	261,088
Parks, recreation, and cultural	2,773,680	-	-	-	-	2,773,680
Community development	863,286	-	-	-	-	863,286
Capital projects	-	-	6,651,007	-	-	6,651,007
Debt service:						
Principal retirement	466,754	1,636,667	-	-	-	2,103,421
Interest and other fiscal charges	14,363	383,440	-	-	-	397,803
Bond issuance costs	-	-	108,349	-	-	108,349
Total expenditures	\$ 21,725,884	\$ 2,020,107	\$ 6,759,356	\$ 63,073	\$ -	\$ 30,568,420
Excess (deficiency) of revenues over (under) expenditures	\$ (1,356,783)	\$ 233,945	\$ (5,128,116)	\$ 2,800	\$ 184,004	\$ (6,064,150)
Other financing sources (uses):						
Issuance of capital lease	\$ 653,434	\$ -	\$ -	\$ -	\$ -	\$ 653,434
Issuance of bonds	-	-	6,310,000	-	-	6,310,000
Premium on issuance of bonds	-	-	253,337	-	-	253,337
Transfers in	852,804	208,683	-	-	-	1,061,487
Transfers out	-	-	(75,710)	(2,800)	-	(78,510)
Total other financing sources (uses)	\$ 1,506,238	\$ 208,683	\$ 6,487,627	\$ (2,800)	\$ -	\$ 8,199,748
Net changes in fund balances	\$ 149,455	\$ 442,628	\$ 1,359,511	\$ -	\$ 184,004	\$ 2,135,598
Fund balances at beginning of year	8,860,306	4,120,330	6,544,456	-	-	19,525,092
Fund balances at end of year	\$ 9,009,761	\$ 4,562,958	\$ 7,903,967	\$ -	\$ 184,004	\$ 21,660,690

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

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, 2013

Net change in fund balances - total governmental funds (Exhibit 5)	\$	2,135,598
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The following details support this adjustment:</p>		
Capital outlay	\$	7,359,585
Depreciation expense		<u>(4,448,636)</u> 2,910,949
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.</p>		
		(76,333)
<p>Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and available to pay current obligations. However, in the statement of net position revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis.</p>		
		(86,496)
<p>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 position, 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 position.</p>		
<p>Debt issued:</p>		
General obligation bonds		(6,563,337)
Capital leases	\$	(653,434)
<p>Repayments:</p>		
General obligation bonds		1,636,667
Capital leases		<u>466,754</u>
Net adjustment		(5,113,350)
<p>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:</p>		
Compensated absences	\$	(50,917)
Net OPEB obligation		(46,515)
Bond premium		6,598
Accrued interest on debt		<u>(103,332)</u>
Net adjustment		<u>(194,166)</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>(423,798)</u></u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Net Position
Proprietary Fund
At June 30, 2013

		Business-Type Activities Enterprise Fund Water & Sewer Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$	1,112,549
Receivables: (net of allowance for uncollectibles)		
Accounts		922,176
Unbilled service charges		690,032
Inventory, at cost		85,149
Total current assets	\$	2,809,906
Other capital assets, net of accumulated depreciation		9,691,569
Total assets	\$	<u>12,501,475</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$	1,015,197
Accrued liabilities		7,084
Escrow and other deposits		124,547
Due to other governments		942,037
Due to other funds		1,014,504
Compensated absences - current portion		100,717
Note payable - current portion		77,926
Capital lease obligations payable - current portion		27,513
Total current liabilities	\$	<u>3,309,525</u>
Noncurrent liabilities:		
Compensated absences - noncurrent portion	\$	11,191
Net OPEB obligation		35,869
Note payable - noncurrent portion		1,622,807
Capital lease obligations payable - noncurrent portion		51,753
Total noncurrent liabilities	\$	<u>1,721,620</u>
Total liabilities	\$	<u>5,031,145</u>
Net Position:		
Net investment in capital assets	\$	7,911,570
Unrestricted		(441,240)
Total net position	\$	<u>7,470,330</u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2013

	Business-Type Activities Enterprise Fund
	Water & Sewer Fund
Operating revenues:	
Charges for services	\$ <u>7,129,668</u>
Operating expenses:	
Personal services	\$ 1,153,481
Fringe benefits	330,976
Contractual services	3,912,797
Other charges	131,290
Materials and supplies	128,741
Depreciation	<u>480,636</u>
Total operating expenses	\$ <u>6,137,921</u>
Operating income (loss)	\$ <u>991,747</u>
Nonoperating revenues (expenses):	
Interest revenue	\$ 2,474
Miscellaneous income	225,843
Interest expense	<u>(13,363)</u>
Net nonoperating revenues	\$ <u>214,954</u>
Income (loss) before transfers	\$ <u>1,206,701</u>
Transfers:	
Transfers in	\$ 75,710
Transfers (out)	<u>(1,058,687)</u>
Net transfers	\$ <u>(982,977)</u>
Change in net position	\$ 223,724
Net position, beginning of year	<u>7,246,606</u>
Net position, end of year	\$ <u><u>7,470,330</u></u>

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, 2013**

		Business-Type Activities Enterprise Fund
		<u>Water & Sewer Fund</u>
Cash flows from operating activities:		
Receipts from customers	\$	7,428,815
Payments to and for employees		(1,461,770)
Payments to suppliers		(4,689,443)
Other receipts		225,843
		<hr/>
Net cash provided by operating activities	\$	<u>1,503,445</u>
Cash flows from investing activities:		
Investment revenue	\$	<u>2,474</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$	(117,019)
Issuance of capital lease		46,566
Principal payments on capital lease		(44,207)
Principal payments on note payable		(94,489)
Interest expense		(13,363)
		<hr/>
Net cash provided by (used for) capital and related financing activities	\$	<u>(222,512)</u>
Cash flows from noncapital and related financing activities:		
Transfers from other funds	\$	(62,059)
Transfers (to) other funds		(1,058,687)
		<hr/>
Net cash provided by (used for) noncapital and related financing activities	\$	<u>(1,120,746)</u>
Net increase (decrease) in cash and cash equivalents	\$	162,661
Cash and cash equivalents at beginning of year		<u>949,888</u>
Cash and cash equivalents at end of year	\$	<u><u>1,112,549</u></u>

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2013 (continued)

		Business-Type Activities Enterprise Fund
		Water & Sewer Fund
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$	991,747
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		480,636
Miscellaneous income		225,843
Increase (decrease) in allowance for uncollectibles		
Changes in operating accounts:		
Accounts receivable		(177,265)
Unbilled service charges		72,675
Inventory		28,676
Accounts payable		(545,291)
Accrued liabilities		(138)
Escrow and other deposits		25,035
Due to other governments		378,702
Net OPEB obligation payable		4,171
Compensated absences		18,654
Net cash provided by (used for) operating activities	\$	<u>1,503,445</u>

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

TOWN OF VIENNA, VIRGINIA

**Statement of Fiduciary Net Position
Pension Trust Funds
At June 30, 2013**

Assets:

Investment in State Treasurer's Local Government Investment Pool	\$ <u>5,274,587</u>
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Net Position:

Held in trust for pension benefits	\$ <u><u>5,274,587</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

TOWN OF VIENNA, VIRGINIA

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2013**

Additions:	
Contributions:	
Employer	\$ 315,458
Plan members	<u>41,274</u>
Total contributions	\$ 356,732
Investment income:	
Interest earned on investments	<u>8,477</u>
Total additions	<u>\$ 365,209</u>
Deductions:	
Pension benefit payments	\$ 369,243
Other charges	<u>11,498</u>
Total deductions	<u>\$ 380,741</u>
Net increase in plan assets	\$ (15,532)
Net position held in trust for pension benefits:	
Balance, beginning of year	<u>5,290,119</u>
Balance, end of year	<u><u>\$ 5,274,587</u></u>

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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

A. Financial Reporting Entity (continued)

Statement of Net Position:

The Statement of Net Position 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 Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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

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 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 Position, 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 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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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'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 2013.

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. The General Fund is considered a major fund for reporting purposes.

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. The Debt Service Fund is considered a major fund for reporting purposes.

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. The Capital Projects Fund is considered a major fund for reporting purposes.

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

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds consist of the Stormwater Fund and the Gang Task Force Fund. The Gang Task Force Fund is considered a major fund for reporting purposes.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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, and the D.C. Water and Sewer Authority.

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 position.

The government reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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 Fund. 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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, 2013.
10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2013.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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

G. Investments

Investments are reported 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 2013. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Land improvements	50 years
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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2013.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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

K. Deferred Outflows/Inflows of Resources (continued)

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

L. 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.

M. 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 \$162,600 at June 30, 2013 and is comprised of the following:

General Fund:	
Property taxes receivable	\$ 1,000
Vehicle License Fee	6,600
Total general fund	<u>\$ 7,600</u>
Water and Sewer Fund:	
Accounts receivable	<u>155,000</u>
Grand total	<u>\$ 162,600</u>

N. Compensated Absences and Other Employee Benefit Amounts

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

O. 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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements

June 30, 2013 (continued)

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

P. 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.

Q. 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.

R. 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.

S. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

T. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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

U. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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).

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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

V. Adoption of Accounting Principles

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

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, 2013 consisted of investment in the Commonwealth of Virginia Local Government Investment Pool and investments in the State Non-Arbitrage Pool (SNAP).

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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities (continued)

The Town's rated debt instruments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>Town's Rated Debt Investments</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool (LGIP) (1)	\$ 23,008,786
Virginia State Non-Arbitrage Program	4,938,399
	<u>\$ 27,947,185</u>

- (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 (2)	\$ 24,187,479
Fiduciary funds	5,274,587
Total cash and investments	<u>\$ 29,462,066</u>
Cash:	
Deposits	\$ 1,514,135
Cash on hand and cash items	746
Total cash	<u>\$ 1,514,881</u>
Investments	<u>\$ 27,947,185</u>
Total cash and investments	<u>\$ 29,462,066</u>

- (2) Includes temporarily restricted cash of \$674,121.

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pool (State Non-Arbitrage Pool) are the same as the value of the pool shares.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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 2013 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			Total	Business
	General Fund	Debt Service Fund	Capital Projects Fund		Activities
					Water & Sewer Fund
Property taxes	\$ 29,221	\$ -	\$ -	\$ 29,221	\$ -
Consumer utility taxes	74,586	-	-	74,586	-
PEG funds	40,848	-	-	40,848	-
Business license fees	27,009	-	-	27,009	-
Meals taxes	-	230,679	-	230,679	-
Vehicle license fees	101,572	-	-	101,572	-
Water and sewer charges	-	-	-	-	1,077,176
Unbilled revenues	-	-	-	-	690,032
Other	54,879	-	260	55,139	-
Total	\$ 328,115	\$ 230,679	\$ 260	\$ 559,054	\$ 1,767,208
Less: Allowance for uncollectibles	(7,600)	-	-	(7,600)	(155,000)
Net receivables	\$ 320,515	\$ 230,679	\$ 260	\$ 551,454	\$ 1,612,208

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are detailed as follows:

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Commonwealth of Virginia:			
Virginia Department of Highways	\$ -	\$ 368,064	\$ 368,064
Federal Government:			
Federal Highway Administration	-	81,215	81,215
Traffic enforcement	4,659		4,659
County of Fairfax, Virginia:			
Local sales tax	232,663	-	232,663
Communications tax	172,736	-	172,736
Court fines and forfeitures	46,211	-	46,211
Fire grant	6,999	-	6,999
Other	1,640	-	1,640
County of Loudoun, Virginia:			
Gang grant	7,206	-	7,206
County of Arlington, Virginia:			
Drug Trafficking Grant	8,783	-	8,783
Total	<u>\$ 480,897</u>	<u>\$ 449,279</u>	<u>\$ 930,176</u>

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Details of interfund receivables, payables and activity as of June 30, 2013 are as follows:

Interfund balances resulting from cash advances to the various funds:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	
General	Water and Sewer	\$ 1,074,040
Stormwater	General	184,004
Total		<u>\$ 1,258,044</u>

Transfers to/from other funds:

Transfers to the General Fund from the Water and Sewer Fund to supplement General Fund operations	\$ 850,004
Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects	75,710
Transfers to General Fund from the Gang Task Force Fund for qualified asset forfeiture expenditures	2,800
Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt	<u>208,683</u>
Total transfers	<u>\$ 1,137,197</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

NOTE 7 - CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 2,534,630	\$ 496,242	\$ -	\$ 3,030,872
Construction in progress - infrastructure	2,167,222	2,287,121	2,834,912	1,619,431
Construction in progress - other	944,177	1,927,198	50,265	2,821,110
Total capital assets not being depreciated	\$ 5,646,029	\$ 4,710,561	\$ 2,885,177	\$ 7,471,413
Other capital assets:				
Land improvements	\$ 2,322,382	\$ -	\$ -	\$ 2,322,382
Buildings and improvements	13,555,687	23,306	-	13,578,993
Infrastructure	72,304,735	4,789,475	-	77,094,210
Office and other equipment	2,820,366	148,582	90,205	2,878,743
Automotive and other equipment	5,064,581	572,837	400,126	5,237,292
Total other capital assets	\$ 96,067,751	\$ 5,534,200	\$ 490,331	\$ 101,111,620
Less: Accumulated depreciation for:				
Land improvements	\$ -	\$ 239,537	\$ -	\$ 239,537
Buildings and improvements	5,902,417	457,376	-	6,359,793
Infrastructure	46,697,216	3,142,220	-	49,839,436
Office and other equipment	1,541,121	219,793	90,205	1,670,709
Automotive and other equipment	2,462,831	389,710	323,794	2,528,747
Total accumulated depreciation	\$ 56,603,585	\$ 4,448,636	\$ 413,999	\$ 60,638,222
Net capital assets	\$ 45,110,195	\$ 5,796,125	\$ 2,961,509	\$ 47,944,811
Depreciation expense has been allocated as follows:				
General government administration		\$ 167,882		
Public safety		217,111		
Public works		3,617,678		
Parks and recreation		441,746		
Community development		4,219		
Total depreciation expense		\$ 4,448,636		

Business-Type Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Other capital assets:				
Automotive equipment	\$ 998,770	\$ 41,309	\$ 39,114	\$ 1,000,965
Improvements	19,645,649	75,710	-	19,721,359
Total capital assets	\$ 20,644,419	\$ 117,019	\$ 39,114	\$ 20,722,324
Less: Accumulated depreciation for:				
Automotive equipment	\$ 577,379	\$ 80,954	\$ 39,114	\$ 619,219
Improvements	10,011,854	399,682	-	10,411,536
Total accumulated depreciation	\$ 10,589,233	\$ 480,636	\$ 39,114	\$ 11,030,755
Net capital assets	\$ 10,055,186	\$ (363,617)	\$ -	\$ 9,691,569

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment:			
Governmental activities	\$ 1,636,168	\$ 141,114	\$ 181,582
Business activities	111,882	16,869	36,075
Total	\$ 1,748,050	\$ 157,983	\$ 217,657

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 8 - DEFERRED INFLOWS/UNEARNED REVENUE:

	Government-wide Statements	Governmental Funds
	Governmental Activities	Funds
A. <i>Deferred Property Tax Revenue</i> - deferred inflow of resources representing uncollected tax billings not available for funding of current expenditures	\$ -	\$ 14,205
B. <i>Prepaid property tax revenue</i> - deferred inflow of resources representing collections received for property taxes that are applicable to the subsequent budget year.	83,214	83,214
C. <i>Non-refundable deposits held for various sidewalk and street improvements</i> - Revenues related to such deposits are not recognized until the related street improvement expenditures have been incurred	248,242	248,242
D. <i>Unearned federal revenues</i> - asset forfeiture funds	672,270	672,270
E. <i>Other</i> - unearned vehicle license fee revenue	26,433	26,433
Total	\$ 1,030,159	\$ 1,044,364

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 Bonds		Capital Lease Obligations	
	Public Improvement Bonds		Principal	Interest
	Principal	Interest		
2014	\$ 1,736,667	\$ 520,281	\$ 453,405	\$ 18,523
2015	1,736,667	397,484	459,722	12,206
2016	1,411,667	348,489	342,697	5,797
2017	1,411,667	305,707	165,887	1,706
2018	1,085,000	262,506	-	-
2019	1,085,000	232,927	-	-
2020	1,085,000	200,836	-	-
2021	1,085,000	166,232	-	-
2022	755,000	131,293	-	-
2023	755,000	108,571	-	-
2024	755,000	84,298	-	-
2025	755,000	58,555	-	-
2026	720,000	33,300	-	-
2027	420,000	15,750	-	-
2028	420,000	5,250	-	-
Total	\$ 15,216,668	\$ 2,871,479	\$ 1,421,711	\$ 38,232

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Business-Type Activities:

Year Ending June 30,	Note Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 77,926	\$ 92,127	\$ 27,513	\$ 1,507
2015	82,363	87,689	28,041	979
2016	87,055	82,996	11,747	441
2017	92,015	78,035	11,965	223
2018	97,262	72,789	-	-
2019	102,809	67,242	-	-
2020	108,675	61,376	-	-
2021	114,877	55,174	-	-
2022	121,436	48,616	-	-
2023	128,373	41,679	-	-
2024	135,706	34,345	-	-
2025	38,953	26,588	-	-
2026	40,885	24,656	-	-
2027	42,913	22,628	-	-
2028	45,041	20,499	-	-
2029	47,274	18,266	-	-
2030	49,620	15,921	-	-
2031	52,081	13,460	-	-
2032	54,664	10,876	-	-
2033	57,376	8,165	-	-
2034	60,221	5,319	-	-
2035	63,208	2,331	-	-
Total	<u>\$ 1,700,733</u>	<u>\$ 890,777</u>	<u>\$ 79,266</u>	<u>\$ 3,150</u>

Changes in Long-term Obligations:

The following is a summary of the governmental activities long-term obligations of the Town for the year ended June 30, 2013.

	Bonds	Capital Leases	Total
Balance, July 1, 2012	<u>\$ 10,598,614</u>	<u>\$ 1,235,031</u>	<u>\$ 11,833,645</u>
Issuances/increases:			
Public improvement bonds	\$ 6,310,000	\$ -	\$ 6,310,000
Bond premium	253,337	-	253,337
Capital leases	-	653,434	653,434
Total issuances/increases	<u>\$ 6,563,337</u>	<u>\$ 653,434</u>	<u>\$ 7,216,771</u>
Retirements/decreases:			
Public improvement bonds	\$ 1,636,667	\$ -	\$ 1,636,667
Bond premium	6,598	-	6,598
Capital leases	-	466,754	466,754
Total retirements/decreases	<u>\$ 1,643,265</u>	<u>\$ 466,754</u>	<u>\$ 2,110,019</u>
Balance, June 30, 2013	<u>\$ 15,518,686</u>	<u>\$ 1,421,711</u>	<u>\$ 16,940,397</u>

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Changes in Long-term Obligations: (continued)

The following is a summary of business activities long-term obligations of the Town for the year ended June 30, 2013.

	Note Payable	Capital Leases	Total
Balance, July 1, 2012	\$ 1,795,222	\$ 76,907	\$ 1,872,129
Issuances/Increases:			
Capital leases	\$ -	\$ 46,566	\$ 46,566
Total issuances/increases	\$ -	\$ 46,566	\$ 46,566
Retirements/decreases:			
Note payable	\$ 94,489	\$ -	\$ 94,489
Capital leases	-	44,207	44,207
Total retirements/decreases	\$ 94,489	\$ 44,207	\$ 138,696
Balance, June 30, 2013	\$ 1,700,733	\$ 79,266	\$ 1,779,999

Note: Capital lease proceeds are received 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
<u>Governmental activities:</u>		
<u>Public Improvement Bonds:</u>		
\$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%	\$ 640,000	\$ 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%	1,306,668	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%	2,640,000	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%	2,010,000	335,000
\$2,310,000 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	-
\$6,310,000 issued July 18, 2012, maturing in annual installments of \$420,000 through July 15, 2014, and \$420,000 from July 15, 2015 through July 15, 2027, interest payable semiannually at rates from 2.0% to 2.50%	6,310,000	425,000
Total public improvement bonds	\$ 15,216,668	\$ 1,736,667

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Details of Long-Term Obligations (continued)

	<u>Amount Outstanding</u>	<u>Amount Due In One Year</u>
<u>Governmental activities: (continued)</u>		
<u>Capital Leases:</u>		
\$653,434 capital lease obligations due in annual installments of \$167,592 through October 1, 2016, interest payable at 1.087%	\$ 653,434	\$ 160,849
\$700,000 capital lease obligations due in annual installments of \$181,035 through October 31, 2015, interest payable at 1.37%	528,479	173,820
\$529,427 capital lease obligations due in annual installments of \$123,434 through June 1, 2015, interest payable at 1.94%	<u>239,798</u>	<u>118,736</u>
Total capital leases	<u>\$ 1,421,711</u>	<u>\$ 453,405</u>
Unamortized bond premiums	<u>\$ 302,018</u>	<u>\$ 50,529</u>
Total general long-term obligations from governmental activities	<u>\$ 16,940,397</u>	<u>\$ 2,240,601</u>
<u>Business-Type activities:</u>		
<u>Notes Payable:</u>		
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%	\$ 824,264	\$ 55,055
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%	<u>876,469</u>	<u>22,871</u>
Total notes payable	<u>\$ 1,700,733</u>	<u>\$ 77,926</u>
<u>Capital Leases:</u>		
\$46,566 capital lease obligations due in annual installments of \$12,188 through October 1, 2016, interest payable at 1.087%	\$ 46,566	\$ 11,322
\$70,573 capital lease obligations due in annual installments of \$16,831 through June 1, 2015, interest payable at 1.94%	<u>32,700</u>	<u>16,191</u>
Total capital leases	<u>\$ 79,266</u>	<u>\$ 27,513</u>
Total general long-term obligations from business-type activities	<u>\$ 1,779,999</u>	<u>\$ 105,439</u>

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 compensated absences. The liability for future vacation benefits is accrued when certain conditions are fulfilled.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance, July 1, 2012	\$ 1,111,562	\$ 93,254	\$ 1,204,816
Increases	1,162,480	111,908	1,274,388
Decreases	(1,111,562)	(93,254)	(1,204,816)
Balance, June 30, 2013	<u>\$ 1,162,480</u>	<u>\$ 111,908</u>	<u>\$ 1,274,388</u>
Amounts due within one year	\$ 1,046,232	\$ 100,717	\$ 1,146,949
Amounts due after one year	116,248	11,191	127,439
Total	<u>\$ 1,162,480</u>	<u>\$ 111,908</u>	<u>\$ 1,274,388</u>

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 service 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 were vested as of January 1, 2013 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 Plan 1 members who were not vested on January 1, 2013 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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhance retirement multiplier. 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 website at <http://www.varetire.org/Pdf/Publications/2012-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. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 2013 was 12.47% of annual covered payroll.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

A. Plan Description - Virginia Retirement System (continued)

Annual Pension Cost

For fiscal year 2013, the Town’s annual pension cost of \$1,296,711 (does not include employee share of \$519,932 which was assumed by the Town for VRS) was equal to the Town’s required and actual contributions.

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC) *	Percentage of APC Contributed	Net Pension Obligation
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%	-
June 30, 2013	1,296,711	100%	-

* Includes employer contributions only

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 72.32% funded. The actuarial accrued liability for benefits was \$54,918,275, and the actuarial value of assets was \$39,715,896, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,202,379. The covered payroll (annual payroll of active employees covered by the plan) was \$9,805,557, and ratio of the UAAL to the covered payroll was 155.04%.

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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:

	<u>Local Retirement Plan</u>	<u>Police Retirement Plan</u>
Contribution rate: (1)		
Town	8.38%	6.08%
Plan members	-	1.50%
Annual pension cost (1)	\$148,159	\$167,279
Contributions made (1)	\$148,159	\$167,279
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 *	7.25% first 20 years, 3.25% thereafter	8.25% for 10 years, 4.25% thereafter
* 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 - year June 30, 2013

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements

June 30, 2013 (continued)

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			
<u>Plan Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC) *</u>	<u>Percentage</u> <u>of APC</u>	<u>Net Pension</u> <u>Obligation</u>
Town Local Plan:			
December 31, 2004	\$ 266,596	100%	\$ -
December 31, 2005	296,157	100%	-
December 31, 2006	124,416	100%	-
December 31, 2007	134,812	100%	-
December 31, 2008	145,979	100%	-
December 31, 2009	155,751	100%	-
December 31, 2010	138,196	100%	-
December 31, 2011	143,200	100%	-
June 30, 2013	148,159	100%	-
Police Plan:			
December 31, 2004	\$ 57,984	100%	\$ -
December 31, 2005	59,001	100%	-
December 31, 2006	58,596	100%	-
December 31, 2007	98,762	100%	-
December 31, 2008	140,348	100%	-
December 31, 2009	148,117	100%	-
December 31, 2010	136,942	100%	-
December 31, 2011	133,248	100%	-
June 30, 2013	167,279	100%	-

* Employer cost only

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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:			
Investments - LGIP	\$ 2,322,567	\$ 2,952,020	\$ 5,274,587
Net Position:			
Net position held in trust for pension benefits	\$ 2,322,567	\$ 2,952,020	\$ 5,274,587
Additions:			
Contributions:			
Employer	\$ 148,159	\$ 167,299	\$ 315,458
Plan members	-	41,274	41,274
Total contributions	\$ 148,159	\$ 208,573	\$ 356,732
Investment income:			
Interest earned on investments	3,703	4,774	8,477
Total additions	\$ 151,862	\$ 213,347	\$ 365,209

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)

B. Plan Description - Town Retirement Plans (continued)

Other Information (continued)

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Totals
<i>(table continued from previous page)</i>			
Deductions:			
Pension benefit payments	\$ 124,804	\$ 244,439	\$ 369,243
Other charges	2,552	8,946	11,498
Total deductions	<u>\$ 127,356</u>	<u>\$ 253,385</u>	<u>\$ 380,741</u>
Net increase (decrease) in plan assets	\$ 24,506	\$ (40,038)	\$ (15,532)
Net position held in trust for pension benefits:			
Balance, beginning of year	<u>2,298,061</u>	<u>2,992,058</u>	<u>5,290,119</u>
Balance, end of year	<u><u>\$ 2,322,567</u></u>	<u><u>\$ 2,952,020</u></u>	<u><u>\$ 5,274,587</u></u>

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

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 \$204,931, and employee contributions were \$97,471 for fiscal year 2013.

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 \$17,500 in 2013. Employees who are age 50 or older may defer up to \$23,000 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:

At June 30, 2013, there were no matters of litigation involving the Town for which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

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 \$771 per month during the year ended June 30, 2013 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2013 approximated \$9,256.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

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.

State and Federal Programs

Federal programs in which the Town and all discretely presented component units participate are audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs are tested for compliance with applicable grant requirements.

The Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

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:

<u>Employee</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Karen Spence	Director of Finance - Town Treasurer	\$ 50,000
James Morris	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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

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 postemployment 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	\$ 104,419
Interest on net OPEB obligation	12,909
Adjustment to annual required contribution	<u>(11,924)</u>
Annual OPEB cost (expense)	\$ 105,404
Contributions made	<u>(54,718)</u>
Increase in net OPEB obligation	\$ 50,686
Net OPEB obligation - beginning of year	<u>322,720</u>
Net OPEB obligation - end of year	<u><u>\$ 373,406</u></u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2013 (continued)

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (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 2013 and two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 127,093	47%	\$ 265,659
June 30, 2012	127,461	55%	322,720
June 30, 2013	105,404	52%	373,406

D. Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 1,477,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,477,000
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	11,276,000
UAAL as a percentage of covered payroll	13.10%

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.

E. 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (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 July 1, 2013 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 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after six 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 July 1, 2013 was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	3.25%

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2013 (continued)**

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (continued)

Town: (continued)

Net OPEB Obligation

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance, July 1, 2012	\$ 291,022	\$ 31,698	\$ 322,720
Increases	96,730	8,674	105,404
Decreases	(50,215)	(4,503)	(54,718)
Balance, June 30, 2013	<u>\$ 337,537</u>	<u>\$ 35,869</u>	<u>\$ 373,406</u>
Total	<u>\$ 337,537</u>	<u>\$ 35,869</u>	<u>\$ 373,406</u>

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

NOTE 19 - PENDING GASB PRONOUNCEMENTS:

At June 30, 2013, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

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

The Town has not yet determined the effect these GASB Statements will have on its financial statements.

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- Required Supplementary Information -

TOWN OF VIENNA, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 9,245,902	\$ 9,245,902	\$ 9,280,201	\$ 34,299
Other local taxes	5,851,900	5,851,900	6,035,106	183,206
Permits, privilege fees and regulatory licenses	133,300	133,300	152,114	18,814
Fines and forfeitures	448,000	448,000	449,649	1,649
Revenue from the use of money and property	195,500	195,500	196,469	969
Charges for services	708,000	708,000	792,935	84,935
Miscellaneous	92,150	137,391	244,223	106,832
Intergovernmental:				
Revenue from the Commonwealth	3,029,898	3,033,898	3,178,250	144,352
Revenue from the Federal Government	-	-	40,154	40,154
Total revenues	\$ 19,704,650	\$ 19,753,891	\$ 20,369,101	\$ 615,210
Expenditures				
Current:				
General Government Administration:				
Legislative	\$ 519,259	\$ 549,231	\$ 474,062	\$ 75,169
General and financial administration	3,620,846	3,617,818	3,548,273	69,545
Total general government administration	\$ 4,140,105	\$ 4,167,049	\$ 4,022,335	\$ 144,714
Public Safety:				
Law enforcement and traffic control	\$ 6,100,425	\$ 6,158,228	\$ 6,210,417	\$ (52,189)
Fire and rescue	49,874	49,874	54,740	(4,866)
Other protection	74,915	74,915	80,231	(5,316)
Total public safety	\$ 6,225,214	\$ 6,283,017	\$ 6,345,388	\$ (62,371)
Public Works:				
Maintenance of streets, highways, bridges and sidewalks	\$ 2,887,740	\$ 2,898,909	\$ 2,984,537	\$ (85,628)
Sanitation and waste removal	1,546,302	1,555,791	1,625,209	(69,418)
Maintenance of buildings and grounds	2,373,665	2,420,710	2,369,244	51,466
Total public works	\$ 6,807,707	\$ 6,875,410	\$ 6,978,990	\$ (103,580)

TOWN OF VIENNA, VIRGINIA

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2013 (continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Health and Welfare:				
Welfare/Social Services	\$ 269,959	\$ 269,959	\$ 261,088	\$ 8,871
Parks, recreation and cultural:				
Parks and recreation	\$ 2,737,739	\$ 2,780,414	\$ 2,773,680	\$ 6,734
Community Development:				
Planning and community development	\$ 906,649	\$ 908,897	\$ 863,286	\$ 45,611
Debt Service:				
Principal	\$ 429,958	\$ 429,958	\$ 466,754	\$ (36,796)
Interest and fiscal charges	21,499	21,499	14,363	7,136
Total debt service	\$ 451,457	\$ 451,457	\$ 481,117	\$ (29,660)
Total expenditures	\$ 21,538,830	\$ 21,736,203	\$ 21,725,884	\$ 10,319
Excess (deficiency) of revenues over (under) expenditures	\$ (1,834,180)	\$ (1,982,312)	\$ (1,356,783)	\$ 625,529
Other Financing Sources (Uses)				
Issuance of capital lease	\$ -	\$ -	\$ 653,434	\$ 653,434
Transfers in	850,000	850,000	852,804	2,804
Total other financing sources (uses)	\$ 850,000	\$ 850,000	\$ 1,506,238	\$ 656,238
Net change in fund balance	\$ (984,180)	\$ (1,132,312)	\$ 149,455	\$ 1,281,767
Fund balance, beginning of year	<u>984,180</u>	<u>1,132,312</u>	<u>8,860,306</u>	<u>7,727,994</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,009,761</u>	<u>\$ 9,009,761</u>

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

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)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Virginia Retirement System:						
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%
June 30, 2012	39,715,896	54,918,275	15,202,379	72.32%	9,805,557	155.04%
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 Postemployment 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%
July 1, 2013	-	1,477,014	1,477,014	0.0%	11,276,000	13.10%

- Other Supplementary Information -

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Position
At June 30, 2013

	<u>Pension Trust Funds</u>		
	<u>Local Retirement Fund</u>	<u>Police Retirement Fund</u>	<u>Total</u>
Assets:			
Investment in State Treasurer's Local Government Investment Pool	\$ 2,322,567	\$ 2,952,020	\$ 5,274,587
Net Position:			
Net position held in trust for pension benefits	<u>\$ 2,322,567</u>	<u>\$ 2,952,020</u>	<u>\$ 5,274,587</u>

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

**Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013**

	Local Retirement Fund	Police Retirement Fund	Total
Additions:			
Contributions:			
Employer	\$ 148,159	\$ 167,299	\$ 315,458
Plan members	-	41,274	41,274
Total contributions	\$ 148,159	\$ 208,573	\$ 356,732
Investment income:			
Interest earned on investments	3,703	4,774	8,477
Total additions	\$ 151,862	\$ 213,347	\$ 365,209
Deductions:			
Pension benefit payments	\$ 124,804	\$ 244,439	\$ 369,243
Other charges	2,552	8,946	11,498
Total deductions	\$ 127,356	\$ 253,385	\$ 380,741
Net increase in plan assets	\$ 24,506	\$ (40,038)	\$ (15,532)
Net position held in trust for pension benefits:			
Balance, beginning of year	2,298,061	2,992,058	5,290,119
Balance, end of year	\$ 2,322,567	\$ 2,952,020	\$ 5,274,587

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2013

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	\$ 9,112,002	\$ 9,112,002	\$ 9,131,345	\$ 19,343
Public service corporation taxes:				
Real property	87,900	87,900	90,047	2,147
Penalties and interest	46,000	46,000	58,809	12,809
Total general property taxes	<u>\$ 9,245,902</u>	<u>\$ 9,245,902</u>	<u>\$ 9,280,201</u>	<u>\$ 34,299</u>
Other local taxes:				
Local sales and use taxes	\$ 1,262,400	\$ 1,262,400	\$ 1,320,803	\$ 58,403
Consumer utility taxes	656,400	656,400	660,323	3,923
Business license tax	2,218,000	2,218,000	2,217,307	(693)
Motor vehicle license tax	362,000	362,000	389,640	27,640
Bank franchise taxes	793,200	793,200	761,646	(31,554)
Tobacco tax	340,400	340,400	323,901	(16,499)
Fiber-optic franchise tax	30,200	30,200	31,459	1,259
Telecommunications tax	130,000	130,000	110,328	(19,672)
Media general franchise fees and related taxes	-	-	160,759	160,759
Utility consumption taxes	59,300	59,300	58,940	(360)
Total other local taxes	<u>\$ 5,851,900</u>	<u>\$ 5,851,900</u>	<u>\$ 6,035,106</u>	<u>\$ 183,206</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 13,500	\$ 13,500	\$ 16,196	\$ 2,696
Other permits, privilege fees and regulatory licenses	119,800	119,800	135,918	16,118
Total permits, privilege fees and regulatory licenses	<u>\$ 133,300</u>	<u>\$ 133,300</u>	<u>\$ 152,114</u>	<u>\$ 18,814</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 448,000	\$ 448,000	\$ 449,649	\$ 1,649

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<u>General Fund: (continued)</u>				
Revenue from use of money and property:				
Interest on bank deposits	\$ 15,000	\$ 15,000	\$ 16,773	\$ 1,773
Concessions and rentals	<u>180,500</u>	<u>180,500</u>	<u>179,696</u>	<u>(804)</u>
Total revenue from use of money and property	\$ <u>195,500</u>	\$ <u>195,500</u>	\$ <u>196,469</u>	\$ <u>969</u>
Charges for services:				
Recreation fees	\$ 696,000	\$ 696,000	\$ 754,445	\$ 58,445
Police reimbursements	-	-	15,460	15,460
Special service fees	<u>12,000</u>	<u>12,000</u>	<u>23,030</u>	<u>11,030</u>
Total charges for services	\$ <u>708,000</u>	\$ <u>708,000</u>	\$ <u>792,935</u>	\$ <u>84,935</u>
Miscellaneous revenue:				
Miscellaneous income	\$ <u>92,150</u>	\$ <u>137,391</u>	\$ <u>244,223</u>	\$ <u>106,832</u>
Total revenue from local sources	\$ <u>16,674,752</u>	\$ <u>16,719,993</u>	\$ <u>17,150,697</u>	\$ <u>430,704</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	\$ 1,000,000	\$ 1,000,000	\$ 1,092,727	\$ 92,727
Rolling stock tax	<u>-</u>	<u>-</u>	<u>77</u>	<u>77</u>
Total non-categorical aid	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,092,804</u>	\$ <u>92,804</u>
Categorical aid:				
Street and highway maintenance	\$ 1,616,900	\$ 1,616,900	\$ 1,647,789	\$ 30,889
Litter control	-	-	5,333	5,333
Law enforcement assistance	-	-	7,500	7,500
VML safety grant	-	4,000	4,000	-
Public safety grants	376,026	376,026	376,084	58
Fire funds	<u>36,972</u>	<u>36,972</u>	<u>44,740</u>	<u>7,768</u>
Total Categorical aid	\$ <u>2,029,898</u>	\$ <u>2,033,898</u>	\$ <u>2,085,446</u>	\$ <u>51,548</u>
Total revenue from the Commonwealth	\$ <u>3,029,898</u>	\$ <u>3,033,898</u>	\$ <u>3,178,250</u>	\$ <u>144,352</u>

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<u>General Fund: (continued)</u>				
Intergovernmental: (continued)				
Revenue from federal government:				
Categorical aid:				
Public safety grants	\$ -	\$ -	\$ 19,979	\$ 19,979
DMV grants	-	-	20,175	20,175
Total revenue from the federal government	\$ -	\$ -	\$ 40,154	\$ 40,154
Total General Fund	\$ 19,704,650	\$ 19,753,891	\$ 20,369,101	\$ 615,210
<u>Debt Service Fund:</u>				
Revenue from local sources:				
Other local taxes:				
Meals and lodging tax	\$ 1,961,100	\$ 1,961,100	\$ 2,212,543	\$ 251,443
Revenue from use of money and property:				
Interest on bank deposits	4,700	4,700	6,419	1,719
Miscellaneous revenue:				
Miscellaneous income	-	-	80	80
Intergovernmental:				
Revenue from federal government:				
Build America Bonds interest subsidy	35,010	35,010	35,010	-
Total Debt Service Fund	\$ 2,000,810	\$ 2,000,810	\$ 2,254,052	\$ 253,242
<u>Capital Projects Fund:</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 21,151	\$ 21,151
Total revenue from use of money and property	\$ -	\$ -	\$ 21,151	\$ 21,151
Total revenue from local sources	\$ -	\$ -	\$ 21,151	\$ 21,151
Intergovernmental:				
Revenue from the Commonwealth:				
VDOT revenue sharing	\$ -	\$ -	\$ 1,133,182	\$ 1,133,182
Revenue from federal government:				
Federal transit grants	\$ -	\$ -	\$ 476,907	\$ 476,907
Total Capital Projects Fund	\$ -	\$ -	\$ 1,631,240	\$ 1,631,240
<u>Special Revenue Funds:</u>				
Stormwater Fund				
Intergovernmental:				
Fairfax County - stormwater tax	\$ -	\$ -	\$ 184,004	\$ 184,004
Gang Task Force Fund				
Intergovernmental:				
Revenue from federal government:				
Asset forfeiture funds	\$ -	\$ -	\$ 65,873	\$ 65,873
Total Special Revenue Funds	\$ -	\$ -	\$ 249,877	\$ 249,877
Total All Governmental Funds	\$ 21,705,460	\$ 21,754,701	\$ 24,504,270	\$ 2,749,569

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
General Fund:				
General Government Administration:				
Legislative:				
Town council	\$ 124,263	\$ 146,835	\$ 80,175	\$ 66,660
Boards and commissions	51,936	51,936	45,625	6,311
PEG project	55,715	55,715	53,232	2,483
Town clerk	287,345	294,745	295,030	(285)
Total legislative	<u>\$ 519,259</u>	<u>\$ 549,231</u>	<u>\$ 474,062</u>	<u>\$ 75,169</u>
General and Financial Administration:				
Town manager	\$ 310,318	\$ 295,598	\$ 299,080	\$ (3,482)
Administrative services	417,528	390,253	358,036	32,217
Legal services	244,039	245,173	238,133	7,040
Financial administration	533,934	552,606	603,553	(50,947)
Disbursement operations	155,067	156,294	189,560	(33,266)
Data processing	62,500	62,500	59,674	2,826
Risk management	647,860	651,860	548,016	103,844
Information technology	450,327	454,692	447,339	7,353
Purchasing	139,997	138,622	134,418	4,204
Revenue operations	333,322	335,814	348,238	(12,424)
Public information	149,884	149,884	142,240	7,644
Central services	126,070	134,522	136,972	(2,450)
PC replacement	50,000	50,000	43,014	6,986
Total general and financial administration	<u>\$ 3,620,846</u>	<u>\$ 3,617,818</u>	<u>\$ 3,548,273</u>	<u>\$ 69,545</u>
Total general government administration	<u>\$ 4,140,105</u>	<u>\$ 4,167,049</u>	<u>\$ 4,022,335</u>	<u>\$ 144,714</u>
Public Safety:				
Law enforcement and traffic control:				
Police administration	\$ 842,475	\$ 852,538	\$ 836,932	\$ 15,606
Uniform patrol	2,320,419	2,332,332	2,203,918	128,414
Communications	1,102,783	1,102,783	1,126,836	(24,053)
Investigations	981,164	981,164	969,322	11,842
Community services	134,850	156,259	160,543	(4,284)
Traffic unit	718,734	725,784	659,684	66,100
Vehicle replacement	-	-	186,695	(186,695)
Other law enforcement and traffic control	-	7,368	66,487	(59,119)
Total law enforcement and traffic control	<u>\$ 6,100,425</u>	<u>\$ 6,158,228</u>	<u>\$ 6,210,417</u>	<u>\$ (52,189)</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2013 (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	\$ 54,740	\$ (4,866)
Other protection:				
Personal property/animal control	74,915	74,915	80,231	(5,316)
Total public safety	<u>\$ 6,225,214</u>	<u>\$ 6,283,017</u>	<u>\$ 6,345,388</u>	<u>\$ (62,371)</u>
Public Works:				
Maintenance of streets, highways, bridges, and sidewalks:				
General administration	\$ 773,187	\$ 789,319	\$ 694,849	\$ 94,470
Street maintenance	1,626,575	1,694,785	1,617,986	76,799
Street maintenance equipment	-	-	372,177	(372,177)
Snow removal	185,189	83,008	84,626	(1,618)
Traffic engineering	302,789	331,797	214,899	116,898
Total maintenance of streets, highways, bridges, and sidewalks	<u>\$ 2,887,740</u>	<u>\$ 2,898,909</u>	<u>\$ 2,984,537</u>	<u>\$ (85,628)</u>
Sanitation and waste removal:				
Sanitation	\$ 1,477,174	\$ 1,481,372	\$ 1,549,385	\$ (68,013)
Refuse disposal	-	-	1,035	(1,035)
Fall/spring cleanup - leaf collection and other	69,128	74,419	74,789	(370)
Total sanitation and waste removal	<u>\$ 1,546,302</u>	<u>\$ 1,555,791</u>	<u>\$ 1,625,209</u>	<u>\$ (69,418)</u>
Maintenance of buildings and grounds:				
Vehicle and equipment maintenance	\$ 1,132,883	\$ 1,152,452	\$ 1,137,273	\$ 15,179
Maintenance of buildings and grounds	1,240,782	1,268,258	1,231,971	36,287
Total maintenance of buildings and grounds	<u>\$ 2,373,665</u>	<u>\$ 2,420,710</u>	<u>\$ 2,369,244</u>	<u>\$ 51,466</u>
Total public works	<u>\$ 6,807,707</u>	<u>\$ 6,875,410</u>	<u>\$ 6,978,990</u>	<u>\$ (103,580)</u>
Health and Welfare:				
Welfare/Social Services:				
Property tax relief for the elderly	\$ 269,959	\$ 269,959	\$ 261,088	\$ 8,871

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>General Fund: (continued)</u>				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Administration	\$ 563,531	\$ 564,731	\$ 586,042	\$ (21,311)
Parks and recreation programs	418,500	426,697	429,760	(3,063)
General maintenance	913,366	949,609	948,719	890
Community center	482,322	475,742	475,885	(143)
Special events	147,075	150,690	134,480	16,210
Teen Center	183,345	183,345	170,638	12,707
Historic preservation	29,600	29,600	28,156	1,444
Total parks and recreation	<u>\$ 2,737,739</u>	<u>\$ 2,780,414</u>	<u>\$ 2,773,680</u>	<u>\$ 6,734</u>
Community Development:				
Planning and community development:				
Planning and zoning	\$ 896,599	\$ 897,347	\$ 851,736	\$ 45,611
Various contributions	10,050	11,550	11,550	-
Total planning and community development	<u>\$ 906,649</u>	<u>\$ 908,897</u>	<u>\$ 863,286</u>	<u>\$ 45,611</u>
Debt Service:				
Principal on capital lease obligation	\$ 429,958	\$ 429,958	\$ 466,754	\$ (36,796)
Interest on capital leases	21,499	21,499	14,363	7,136
Total debt service	<u>\$ 451,457</u>	<u>\$ 451,457</u>	<u>\$ 481,117</u>	<u>\$ (29,660)</u>
Total General Fund	<u>\$ 21,538,830</u>	<u>\$ 21,736,203</u>	<u>\$ 21,725,884</u>	<u>\$ 10,319</u>
<u>Debt Service Fund:</u>				
Debt Service:				
Principal retirement	\$ 1,636,667	\$ 1,636,667	\$ 1,636,667	\$ -
Interest and fiscal charges	383,324	383,324	383,440	(116)
Total Debt Service Fund	<u>\$ 2,019,991</u>	<u>\$ 2,019,991</u>	<u>\$ 2,020,107</u>	<u>\$ (116)</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2013 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Capital Projects Fund:				
Capital projects:				
Town hall HVAC	\$ -	\$ 2,508,755	\$ 1,704,701	\$ 804,054
Community center HVAC	-	-	22,000	(22,000)
Police facility	-	100,000	67,261	32,739
Emergency power generator	-	235,000	14,874	220,126
Police facility land acquisition	-	525,000	492,242	32,758
Sidewalk projects	-	1,100,000	503,393	596,607
Water and sewer projects (A)	-	1,590,000	-	1,590,000
Community center	-	125,000	83,120	41,880
ASP implementation	-	-	16,050	(16,050)
Parking	-	-	122,572	(122,572)
Federal highway administration grant	-	1,200,000	101,518	1,098,482
Street improvement projects	-	2,400,000	3,264,693	(864,693)
Storm drainage projects	-	975,000	204,102	770,898
Other capital projects and administration	-	-	54,481	(54,481)
Total capital projects	\$ -	\$ 10,758,755	\$ 6,651,007	\$ 4,107,748
Debt Service:				
Bond issuance costs	\$ -	\$ 161,000	\$ 108,349	\$ 52,651
Total Capital Projects Fund	\$ -	\$ 10,919,755	\$ 6,759,356	\$ 4,160,399
Special Revenue Funds:				
Gang Task Force Fund				
Public Safety:				
Law enforcement and traffic control:				
Asset forfeiture program	\$ -	\$ -	\$ 63,073	\$ (63,073)
Total Expenditures--All Governmental Funds	\$ 23,558,821	\$ 34,675,949	\$ 30,568,420	\$ 4,107,529

(A) \$75,710 spent in 2013 transferred to the Water and Sewer Fund.

- 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 Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:			
Net investment in capital assets	\$ 29,320,220	\$ 29,665,051	\$ 26,085,741
Unrestricted	<u>11,596,849</u>	<u>12,187,531</u>	<u>16,650,491</u>
Total governmental activities net position	<u>\$ 40,917,069</u>	<u>\$ 41,852,582</u>	<u>\$ 42,736,232</u>
Business-type activities:			
Net investment in capital assets	\$ 8,078,116	\$ 7,611,414	\$ 7,926,642
Unrestricted	<u>1,853,386</u>	<u>1,247,232</u>	<u>720,796</u>
Total business-type activities net position	<u>\$ 9,931,502</u>	<u>\$ 8,858,646</u>	<u>\$ 8,647,438</u>
Primary government:			
Net investment in capital assets	\$ 37,398,336	\$ 37,276,465	\$ 34,012,383
Unrestricted	<u>13,450,235</u>	<u>13,434,763</u>	<u>17,371,287</u>
Total primary government net position	<u>\$ 50,848,571</u>	<u>\$ 50,711,228</u>	<u>\$ 51,383,670</u>

Notes:

Infrastructure capital assets implementation began in fiscal year 2004.

Table 1

2007	2008	2009	2010	2011	2012	2013
\$ 31,965,939	\$ 37,791,201	\$ 37,874,402	\$ 38,411,117	\$ 37,675,832	\$ 37,173,866	\$ 35,964,436
15,418,559	15,284,033	14,730,114	13,077,123	13,025,908	14,218,648	15,004,280
<u>\$ 47,384,498</u>	<u>\$ 53,075,234</u>	<u>\$ 52,604,516</u>	<u>\$ 51,488,240</u>	<u>\$ 50,701,740</u>	<u>\$ 51,392,514</u>	<u>\$ 50,968,716</u>
\$ 7,633,717	\$ 7,624,024	\$ 7,782,540	\$ 7,927,058	\$ 8,069,308	\$ 8,183,057	\$ 7,911,570
567,337	1,431,406	1,054,949	287,487	(52,010)	(936,451)	(441,240)
<u>\$ 8,201,054</u>	<u>\$ 9,055,430</u>	<u>\$ 8,837,489</u>	<u>\$ 8,214,545</u>	<u>\$ 8,017,298</u>	<u>\$ 7,246,606</u>	<u>\$ 7,470,330</u>
\$ 39,599,656	\$ 45,415,225	\$ 45,656,942	\$ 46,338,175	\$ 45,745,140	\$ 45,356,923	\$ 43,876,006
15,985,896	16,715,439	15,785,063	13,364,610	12,973,898	13,282,197	14,563,040
<u>\$ 55,585,552</u>	<u>\$ 62,130,664</u>	<u>\$ 61,442,005</u>	<u>\$ 59,702,785</u>	<u>\$ 58,719,038</u>	<u>\$ 58,639,120</u>	<u>\$ 58,439,046</u>

TOWN OF VIENNA, VIRGINIA

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses:				
Governmental Activities:				
General government administration	\$ 2,948,861	\$ 3,242,113	\$ 3,092,863	\$ 3,081,052
Public safety	4,208,668	5,143,055	4,800,550	5,225,145
Public works	7,052,387	7,696,605	7,697,348	8,716,466
Health and welfare	158,447	186,891	230,802	305,332
Parks, recreation and cultural	2,285,303	2,043,892	2,498,235	2,706,829
Community development	527,204	547,117	589,001	691,665
Interest on long-term debt	725,405	640,992	617,754	672,020
Total governmental activities expenses	<u>\$ 17,906,275</u>	<u>\$ 19,500,665</u>	<u>\$ 19,526,553</u>	<u>\$ 21,398,509</u>
Business type activities:				
Water and sewer	4,641,190	4,679,889	5,144,312	5,043,291
Total business type activities expenses	<u>\$ 22,547,465</u>	<u>\$ 24,180,554</u>	<u>\$ 24,670,865</u>	<u>\$ 26,441,800</u>
Program Revenues:				
Governmental Activities:				
Charges for services				
General government	\$ 7,425	\$ 9,454	\$ 11,420	\$ 10,043
Public safety	531,180	617,402	336,558	357,090
Public works	255,027	369,751	235,806	85,328
Parks, recreation and cultural	506,887	551,217	648,551	771,169
Operating grants and contributions	1,830,979	2,081,809	1,828,699	2,251,198
Capital grants and contributions	44,691	-	-	4,191,946
Total governmental activities program revenues	<u>\$ 3,176,189</u>	<u>\$ 3,629,633</u>	<u>\$ 3,061,034</u>	<u>\$ 7,666,774</u>
Business type activities:				
Water and sewer				
Charges for services	\$ 4,388,312	\$ 4,627,013	\$ 5,717,486	\$ 5,692,069
Operating grants and contributions	12,101	-	-	-
Capital grants and contributions	-	-	-	-
Total business type activities	<u>\$ 4,400,413</u>	<u>\$ 4,627,013</u>	<u>\$ 5,717,486</u>	<u>\$ 5,692,069</u>
Total business type activities revenues	<u>\$ 7,576,602</u>	<u>\$ 8,256,646</u>	<u>\$ 8,778,520</u>	<u>\$ 13,358,843</u>
Net (expenses)/revenues	<u>\$ (14,970,863)</u>	<u>\$ (15,923,908)</u>	<u>\$ (15,892,345)</u>	<u>\$ (13,082,957)</u>
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Taxes:				
General real property taxes	\$ 6,630,581	\$ 6,768,321	\$ 6,817,919	\$ 7,094,275
Local sales and use taxes	1,088,688	1,134,790	1,154,058	1,197,980
Consumer utility taxes	1,211,958	1,341,121	1,336,727	1,153,656
Business license taxes	1,818,112	1,850,557	1,964,737	1,994,824
Meals and lodging taxes	2,092,435	2,230,408	2,297,579	2,335,577
Other	1,481,554	1,672,212	1,879,978	1,892,970
Grants and contributions not restricted to specific programs	35,852	17,435	18,913	18,759
Unrestricted revenues from the use of money and property	150,636	313,866	620,147	991,582
Miscellaneous	276,978	304,443	206,174	304,100
Transfers	1,193,488	1,173,392	1,052,937	1,237,675
Total governmental activities general revenues	<u>\$ 15,980,282</u>	<u>\$ 16,806,545</u>	<u>\$ 17,349,169</u>	<u>\$ 18,221,398</u>
Business type activities:				
Investment earnings	\$ 34,391	\$ 58,206	\$ 99,113	\$ 100,211
Miscellaneous	33,903	68,206	57,192	42,302
Capital contributions	24,000	27,000	112,250	-
Transfers	(1,193,488)	(1,173,392)	(1,052,937)	(1,237,675)
Total business-type activities general revenues	<u>\$ (1,101,194)</u>	<u>\$ (1,019,980)</u>	<u>\$ (784,382)</u>	<u>\$ (1,095,162)</u>
Total general revenues	<u>\$ 14,879,088</u>	<u>\$ 15,786,565</u>	<u>\$ 16,564,787</u>	<u>\$ 17,126,236</u>
Changes in net position:				
Governmental activities	\$ 1,250,196	\$ 935,513	\$ 883,650	\$ 4,489,663
Business-type activities	(1,341,971)	(1,072,856)	(211,208)	(446,384)
Total changes in net position	<u>\$ (91,775)</u>	<u>\$ (137,343)</u>	<u>\$ 672,442</u>	<u>\$ 4,043,279</u>

Note:

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

Table 2

2008	2009	2010	2011	2012	2013
\$ 3,119,608	\$ 3,466,917	\$ 3,647,013	\$ 3,595,123	\$ 3,635,414	\$ 4,147,172
5,616,582	5,845,864	5,971,132	5,755,847	6,100,525	6,429,827
8,995,488	9,379,606	9,593,548	9,813,232	9,220,813	10,286,260
294,054	292,930	290,773	284,914	275,881	261,658
2,797,313	2,871,670	2,836,757	3,015,055	2,863,152	3,228,786
734,650	755,281	711,824	714,927	846,444	867,961
599,829	523,205	441,336	469,103	468,645	602,885
<u>\$ 22,157,524</u>	<u>\$ 23,135,473</u>	<u>\$ 23,492,383</u>	<u>\$ 23,648,201</u>	<u>\$ 23,410,874</u>	<u>\$ 25,824,549</u>
5,147,109	5,315,042	5,777,244	5,535,934	6,223,267	6,151,284
<u>\$ 27,304,633</u>	<u>\$ 28,450,515</u>	<u>\$ 29,269,627</u>	<u>\$ 29,184,135</u>	<u>\$ 29,634,141</u>	<u>\$ 31,975,833</u>
\$ 9,931	\$ 9,833	\$ 12,019	\$ 13,714	\$ 21,341	\$ 23,030
337,235	376,512	425,829	547,135	660,559	617,223
-	-	-	-	-	-
786,722	718,204	675,784	705,587	737,865	754,445
2,062,483	2,115,797	2,315,236	2,137,763	2,134,393	2,410,487
5,540,058	334,464	930,188	687,923	497,335	1,610,089
<u>\$ 8,736,429</u>	<u>\$ 3,554,810</u>	<u>\$ 4,359,056</u>	<u>\$ 4,092,122</u>	<u>\$ 4,051,493</u>	<u>\$ 5,415,274</u>
\$ 6,181,491	\$ 5,753,330	\$ 5,839,658	\$ 6,071,383	\$ 6,065,317	\$ 7,129,668
240,507	-	-	-	-	-
-	277,977	5,553	4,000	112,490	-
<u>\$ 6,421,998</u>	<u>\$ 6,031,307</u>	<u>\$ 5,845,211</u>	<u>\$ 6,075,383</u>	<u>\$ 6,177,807</u>	<u>\$ 7,129,668</u>
<u>\$ 15,158,427</u>	<u>\$ 9,586,117</u>	<u>\$ 10,204,267</u>	<u>\$ 10,167,505</u>	<u>\$ 10,229,300</u>	<u>\$ 12,544,942</u>
<u>\$ (12,146,206)</u>	<u>\$ (18,864,398)</u>	<u>\$ (19,065,360)</u>	<u>\$ (19,016,630)</u>	<u>\$ (19,404,841)</u>	<u>\$ (19,430,891)</u>
\$ 7,838,966	\$ 8,523,543	\$ 8,668,872	\$ 8,626,227	\$ 9,055,525	\$ 9,193,705
1,214,258	1,224,471	1,285,506	1,336,821	1,259,235	1,320,803
660,742	659,932	656,858	660,823	645,869	660,323
2,095,137	2,204,093	1,973,781	1,964,360	2,288,730	2,217,307
2,385,355	1,691,961	1,698,298	1,795,855	2,016,210	2,212,543
1,181,323	1,177,426	1,279,989	1,915,710	1,892,753	1,836,673
1,243,315	1,113,597	1,118,153	1,112,301	1,090,891	1,092,804
845,947	411,190	265,712	219,127	199,270	224,039
368,838	1,060,904	274,906	262,553	720,327	244,303
1,277,950	1,042,828	794,976	875,802	881,345	982,977
<u>\$ 19,111,831</u>	<u>\$ 19,109,945</u>	<u>\$ 18,017,051</u>	<u>\$ 18,769,579</u>	<u>\$ 20,050,155</u>	<u>\$ 19,985,477</u>
\$ 67,458	\$ 30,702	\$ 3,099	\$ 2,176	\$ 1,327	\$ 2,474
77,415	77,920	100,966	136,930	154,786	225,843
-	-	-	-	-	-
(1,277,950)	(1,042,828)	(794,976)	(875,802)	(881,345)	(982,977)
<u>\$ (1,133,077)</u>	<u>\$ (934,206)</u>	<u>\$ (690,911)</u>	<u>\$ (736,696)</u>	<u>\$ (725,232)</u>	<u>\$ (754,660)</u>
<u>\$ 17,978,754</u>	<u>\$ 18,175,739</u>	<u>\$ 17,326,140</u>	<u>\$ 18,032,883</u>	<u>\$ 19,324,923</u>	<u>\$ 19,230,817</u>
\$ 5,690,736	\$ (470,718)	\$ (1,116,276)	\$ (786,500)	\$ 690,774	\$ (423,798)
141,812	(217,941)	(622,944)	(197,247)	(770,692)	223,724
<u>\$ 5,832,548</u>	<u>\$ (688,659)</u>	<u>\$ (1,739,220)</u>	<u>\$ (983,747)</u>	<u>\$ (79,918)</u>	<u>\$ (200,074)</u>

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
2013	\$ 9,193,705	\$ 1,320,803	\$ 660,323	\$ 2,217,307	\$ 2,212,543
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

Table 3

Motor Vehicle License Tax	Bank Franchise Tax	Tobacco Taxes	Other Taxes	Total
\$ 389,640	\$ 761,646	\$ 323,901	\$ 361,486	\$ 17,441,354
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

TOWN OF VIENNA, VIRGINIA

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund:				
Reserved	\$ 1,331,345	\$ 2,555,773	\$ 2,529,976	\$ 3,138,779
Designated	623,524	600,000	712,273	950,000
Undesignated	4,774,360	4,214,000	4,560,584	4,166,530
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 6,729,229</u>	<u>\$ 7,369,773</u>	<u>\$ 7,802,833</u>	<u>\$ 8,255,309</u>
Debt Service Fund:				
Reserved	\$ 2,942,315	\$ 3,129,006	\$ 3,697,922	\$ 3,958,312
Assigned	-	-	-	-
Total Debt Service Fund	<u>\$ 2,942,315</u>	<u>\$ 3,129,006</u>	<u>\$ 3,697,922</u>	<u>\$ 3,958,312</u>
Capital Projects Fund:				
Reserved	\$ 2,789,385	\$ 2,564,515	\$ 2,948,382	\$ 45,931
Designated	-	-	3,203,716	4,257,570
Assigned	-	-	-	-
Total Capital Projects Fund	<u>\$ 2,789,385</u>	<u>\$ 2,564,515</u>	<u>\$ 6,152,098</u>	<u>\$ 4,303,501</u>
Stormwater Fund:				
Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

2008	2009	2010	2011	2012	2013
\$ 3,437,540	\$ 3,321,836	\$ 2,694,439	\$ -	\$ -	\$ -
963,786	1,097,048	1,250,000	-	-	-
3,805,255	3,691,280	3,602,251	-	-	-
-	-	-	139,340	149,756	139,335
-	-	-	455,135	500,716	543,982
-	-	-	1,856,398	1,854,854	1,740,672
-	-	-	1,265,848	1,769,805	1,869,852
-	-	-	4,089,728	4,585,175	4,715,920
<u>\$ 8,206,581</u>	<u>\$ 8,110,164</u>	<u>\$ 7,546,690</u>	<u>\$ 7,806,449</u>	<u>\$ 8,860,306</u>	<u>\$ 9,009,761</u>
\$ 4,317,423	\$ 3,964,342	\$ 3,882,446	\$ -	\$ -	\$ -
-	-	-	3,916,827	4,120,330	4,562,958
<u>\$ 4,317,423</u>	<u>\$ 3,964,342</u>	<u>\$ 3,882,446</u>	<u>\$ 3,916,827</u>	<u>\$ 4,120,330</u>	<u>\$ 4,562,958</u>
\$ 646,428	\$ 885,721	\$ 891,162	\$ -	\$ -	\$ -
3,260,662	2,962,845	2,331,166	-	-	-
-	-	-	7,379,562	6,544,456	7,903,967
<u>\$ 3,907,090</u>	<u>\$ 3,848,566</u>	<u>\$ 3,222,328</u>	<u>\$ 7,379,562</u>	<u>\$ 6,544,456</u>	<u>\$ 7,903,967</u>
<u>\$ -</u>	<u>\$ 184,000</u>				

TOWN OF VIENNA, VIRGINIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:				
General property taxes	\$ 6,592,333	\$ 6,757,957	\$ 6,833,298	\$ 7,086,277
Other local taxes	7,692,747	8,229,088	8,633,079	8,575,007
Permits, privilege fees and regulatory licenses	51,403	50,025	78,320	90,652
Fines and forfeitures	468,396	556,051	249,646	257,589
Revenue from use of money and property	405,663	683,617	855,953	1,076,910
Charges for services	525,693	571,997	668,563	790,061
Miscellaneous	276,978	304,443	206,174	304,100
Intergovernmental	1,911,522	2,099,244	1,847,612	2,269,957
Total revenues	<u>\$ 17,924,735</u>	<u>\$ 19,252,422</u>	<u>\$ 19,372,645</u>	<u>\$ 20,450,553</u>
Expenditures:				
Current:				
General government administration	\$ 2,857,364	\$ 3,250,998	\$ 2,944,474	\$ 3,073,899
Public safety	4,224,570	4,921,959	4,791,532	5,248,899
Public works	5,090,520	5,954,747	6,111,875	6,136,304
Health and welfare	158,447	186,891	230,802	305,332
Parks, recreation, and cultural	2,141,689	2,272,337	2,431,783	2,676,393
Community development	518,634	543,506	581,899	676,402
Capital projects	1,704,587	169,741	1,593,117	2,429,327
Debt service:				
Principal retirement	2,168,147	2,170,312	1,999,097	2,275,881
Interest and other fiscal charges	744,108	658,599	570,965	684,805
Total expenditures	<u>\$ 19,608,066</u>	<u>\$ 20,129,090</u>	<u>\$ 21,255,544</u>	<u>\$ 23,507,242</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,683,331)</u>	<u>\$ (876,668)</u>	<u>\$ (1,882,899)</u>	<u>\$ (3,056,689)</u>
Other financing sources (uses):				
Issuance of capital lease	\$ 373,202	\$ 305,641	\$ 469,521	\$ 524,680
Long term debt issued	-	-	4,950,000	-
Premium on issuance of long-term obligations	-	-	-	-
Transfers in	1,199,910	1,327,224	1,462,323	1,367,613
Transfers out	(6,422)	(153,832)	(409,386)	(129,938)
Total other financing sources (uses)	<u>\$ 1,566,690</u>	<u>\$ 1,479,033</u>	<u>\$ 6,472,458</u>	<u>\$ 1,762,355</u>
Net changes in fund balances	<u>\$ (116,641)</u>	<u>\$ 602,365</u>	<u>\$ 4,589,559</u>	<u>\$ (1,294,334)</u>
Debt service as a percentage of noncapital expenditures	19.43%	16.51%	15.04%	16.34%

Table 5

	2008	2009	2010	2011	2012	2013
\$	7,850,154	\$ 8,473,707	\$ 8,689,481	\$ 8,633,014	\$ 9,017,905	\$ 9,280,201
	8,761,959	8,071,034	6,894,432	7,673,569	8,102,797	8,247,649
	106,291	88,388	101,143	117,484	135,197	152,114
	227,215	277,174	298,921	414,608	512,500	449,649
	845,947	411,190	265,712	219,127	199,270	224,039
	800,382	738,987	713,568	734,344	772,068	792,935
	368,838	432,804	274,906	262,553	720,327	244,303
	2,080,654	2,450,707	4,363,577	3,937,987	3,722,619	5,113,380
\$	<u>21,041,440</u>	<u>20,943,991</u>	<u>21,601,740</u>	<u>21,992,686</u>	<u>23,182,683</u>	<u>24,504,270</u>
\$	3,284,008	\$ 3,317,553	\$ 3,545,989	\$ 3,569,339	\$ 3,663,319	\$ 4,022,335
	5,714,956	5,968,972	5,850,604	5,725,283	6,089,459	6,408,461
	6,388,010	6,847,062	6,617,842	6,914,263	6,765,678	6,978,990
	294,054	291,386	290,027	284,147	275,187	261,088
	2,863,952	2,651,234	2,729,770	2,803,448	2,935,398	2,773,680
	729,537	742,287	728,309	722,868	863,380	863,386
	799,922	305,176	1,294,779	1,499,027	1,200,696	6,651,007
	2,307,428	2,336,039	2,152,250	2,043,511	2,053,478	2,103,421
	623,551	547,157	458,754	436,827	495,179	506,152
\$	<u>23,005,418</u>	<u>23,006,866</u>	<u>23,668,324</u>	<u>23,998,713</u>	<u>24,341,774</u>	<u>30,568,420</u>
\$	<u>(1,963,978)</u>	<u>(2,062,875)</u>	<u>(2,066,584)</u>	<u>(2,006,027)</u>	<u>(1,159,091)</u>	<u>(6,064,150)</u>
\$	600,000	\$ 512,025	\$ -	\$ 529,427	\$ 700,000	\$ 653,434
	-	-	-	4,990,000	-	6,310,000
	-	-	-	62,172	-	253,337
	1,387,610	1,592,104	1,515,425	1,153,957	1,198,168	1,061,487
	(109,660)	(549,276)	(720,449)	(278,155)	(316,823)	(78,510)
\$	<u>1,877,950</u>	<u>1,554,853</u>	<u>794,976</u>	<u>6,457,401</u>	<u>1,581,345</u>	<u>8,199,748</u>
\$	<u>(86,028)</u>	<u>(508,022)</u>	<u>(1,271,608)</u>	<u>4,451,374</u>	<u>422,254</u>	<u>2,135,598</u>
	13.87%	13.60%	11.99%	11.32%	11.85%	11.24%

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
2013	\$ 9,280,201	\$ 1,320,803	\$ 660,323	\$ 2,217,307	\$ 2,212,543
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

Table 6

Motor Vehicle License	Bank Franchise	Tobacco	Cable TV Fees	Other Taxes	Total
\$ 389,640	\$ 761,646	\$ 323,901	\$ -	\$ 361,486	\$ 17,527,850
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

Table 7

TOWN OF VIENNA, VIRGINIA

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

Fiscal Year	Real Property (1)		Direct Tax Rate	Utility Companies Real Property		Total		Ratio of Total Estimated Actual Value
	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2013	\$ 3,756,299,910	\$ 3,756,299,910	0.2421	\$ 37,193,940	\$ 37,193,940	\$ 3,793,493,850	\$ 3,793,493,850	100%
2012	3,523,315,230	3,523,315,230	0.2421	36,325,461	36,325,461	3,559,640,691	3,559,640,691	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%

Notes: Real property is assessed effective January 1 of each year by the Supervisor of Assessments of Fairfax County for the concurrent use of the Town and County. In the above tabulation \$3,793,493,850 is the assessed valuation effective January 1, 2012, which was used as a basis for billing taxes in the fiscal year 2012-2013.

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**

<u>Fiscal Year</u>	<u>Town of Vienna</u>	<u>County of Fairfax</u>	<u>Total Tax Rate</u>
2013	0.2421	1.075	1.3171
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

(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 year. 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.

The Town of Vienna's Real Estate tax rate has only one component.

Table 9

TOWN OF VIENNA, VIRGINIA

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

Owner	Notes	Fiscal Year 2013			Fiscal Year 2004		
		2013 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2004 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Navy Federal Credit Union		\$ 134,601,740	1	3.58%	\$ 125,452,360	1	5.34%
Transwestern Goldstar LLC	(1)	59,370,540	2	1.58%	12,391,345	7	0.53%
Maple Avenue Shopping	(2)	33,631,790	3	0.90%	23,782,465	2	1.01%
Vienna Park LLC		28,935,620	4	0.77%	18,507,935	3	0.79%
Vienna Shopping Center, LP		19,318,320	5	0.51%	12,610,815	6	0.54%
Maryland Gardens Ltd. Partnership		18,914,080	6	0.50%	12,634,095	5	0.54%
P. Daniel & Diana S. Orlich		15,328,330	7	0.41%	11,029,875	8	0.47%
Frank Zafren & Alec Jacobson, Tr.		14,465,590	8	0.39%	9,229,930	10	0.39%
RDT Electric Avenue LLC	(3)	14,369,860	9	0.38%	14,148,735	4	0.60%
GRI Cedar Park LLC	(4)	11,554,520	10	0.31%	6,743,540	13	0.29%
Westwood Country Club		10,383,230	11	0.28%	9,094,680	11	0.39%
BFH Danor Plaza		9,444,000	12	0.25%	7,370,080	12	0.31%
Swart Vienna LLC		8,719,730	13	0.23%	6,139,680	15	0.26%
Walgreen Company		8,711,270	14	0.23%	-	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	10,186,510	9	0.43%
Electric Avenue Associates		-	N/A	N/A	6,216,310	14	0.26%
Total		\$ <u>395,121,790</u>		<u>10.52%</u>	\$ <u>285,538,355</u>		<u>12.15%</u>

(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
2013	\$ 9,094,000	\$ 9,081,793	99.87%	\$ -	\$ 9,081,793	99.87%
2012	8,871,145	8,841,354	99.66%	22,893	8,864,247	99.92%
2011	8,487,353	8,464,923	99.74%	19,467	8,484,390	99.97%
2010	8,575,014	8,551,194	99.72%	20,766	8,571,960	99.96%
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%

Notes: (1) Penalties and interest not included

Table 11

TOWN OF VIENNA, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Other/ Notes	Capital Leases			
2013	\$15,518,686	\$1,421,711	\$1,700,733	\$79,266	\$18,720,396	2.20%	1,193
2012	10,598,614	1,235,032	1,795,222	76,907	13,705,775	1.76%	874
2011	12,242,174	951,842	925,202	116,027	14,235,245	1.83%	903
2010	8,816,669	839,260	971,427	86,296	10,713,652	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

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

TOWN OF VIENNA, VIRGINIA

**Computation of Direct and Overlapping Bonded Debt -
General Obligation Bonds
At June 30, 2013**

	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct Debt:			
Town of Vienna			
General Bonded Debt	\$ 15,518,686	100.00%	\$ 15,518,686
Overlapping Debt: (1)			
County of Fairfax			
General Bonded Debt	<u>2,226,884,986</u>	1.88%	<u>41,897,430</u>
Total direct and overlapping debt	<u>\$ 2,242,403,672</u>		<u>\$ 57,416,116</u>

- (1) 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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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 (1)	Net Bonded Debt (2)	Ratio of Net General Obligation Debt to Assessed Value (3)	Net Bonded Debt per Capita (4)
2013	\$ 15,518,686	\$ 4,562,958	\$ 10,955,728	0.29%	698.40
2012	10,598,614	4,120,330	6,478,284	0.18%	412.97
2011	12,242,174	3,916,827	8,325,347	0.24%	530.72
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

(1) Assigned fund balance in the Debt Service Fund.

(2) Includes all long-term general obligation bonded debt; excludes capital leases and compensated absences.

(3) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(4) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 16

TOWN OF VIENNA, VIRGINIA

**Legal Debt Margin Information
Last Ten Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 235,035,177	\$ 253,940,977	\$ 309,315,848	\$ 378,951,649
Total net debt applicable to limit	<u>14,696,671</u>	<u>12,870,004</u>	<u>16,223,337</u>	<u>14,296,670</u>
Legal debt margin	<u>\$ 220,338,506</u>	<u>\$ 241,070,973</u>	<u>\$ 293,092,511</u>	<u>\$ 364,654,979</u>
Total net debt applicable to the limit as a percentage of debt limit	6.25%	5.07%	5.24%	3.77%

Table 14

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 390,338,664	\$ 404,083,054	\$ 379,979,764	\$ 350,664,783	\$ 384,150,833	\$ 389,989,663
12,370,003	10,443,336	8,816,669	12,242,174	10,598,614	15,518,686
<u>\$ 377,968,661</u>	<u>\$ 393,639,718</u>	<u>\$ 371,163,095</u>	<u>\$ 338,422,609</u>	<u>\$ 373,552,219</u>	<u>\$ 374,470,977</u>
3.17%	2.58%	2.32%	3.49%	2.76%	3.98%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 3,756,299,910
Add back: exempt real property	143,596,720
Total assessed value	<u>\$ 3,899,896,630</u>
Debt limit (10% of total assessed value)	\$ 389,989,663
Net debt applicable to limit	15,518,686
Legal debt margin	<u>\$ 374,470,977</u>

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
2013	\$ 7,357,985	\$ 5,657,285	\$ 1,700,700	\$ -	\$ -	\$ -	N/A
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

(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	Unemployment Rate (1)
2013	15,687	\$ 851,945,283	\$ 54,309	40.7	4.50%
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%

Source: www.fedstats.gov
(1) Fairfax County

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TOWN OF VIENNA, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2013</u>		<u>Fiscal Year 2004</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
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

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Legislative			
Town Council	0.500	0.500	0.500
Town Clerk	2.500	2.000	2.000
Town Attorney	0.500	0.500	0.500
Subtotal	3.500	3.000	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	2.000	2.000
Subtotal	5.500	6.500	6.500
Finance			
Administration	2.000	2.000	2.000
Disbursement Operations	2.000	1.625	1.625
Purchasing	1.675	1.675	1.625
Central Services	1.000	1.000	1.000
Revenue Operations	3.375	3.500	3.500
Subtotal	10.050	9.800	9.750
Police			
Administration	4.000	4.000	3.000
Patrol	20.000	20.000	21.000
Communications	8.000	8.000	11.000
Community Services	2.000	2.000	1.000
Traffic	8.000	8.000	6.000
Personnel/Accreditation/ Animal Control	2.000	2.000	1.000
Investigations	6.000	7.000	9.000
Subtotal	50.000	51.000	52.000
Public Works			
Administration	5.500	6.000	6.000
Street Maintenance	15.000	15.000	15.000
Vehicle Maintenance	9.000	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	53.500	54.000	54.000
Parks and Recreation			
Administration	4.750	4.750	4.750
Parks Maintenance	10.000	10.000	10.000
Community Center Operations	4.000	4.000	4.000
Teen Center	1.000	1.000	1.000
Subtotal	19.750	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	148.800	150.550	151.500
Water and Sewer			
(1) Water Operations			
(1) Sewer Operations			
(1) 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	169.300	171.050	172.000

Source: Town of Vienna Budget

(1) Water and Sewer Operations split out beginning in FY 2011

Table 18

2007	2008	2009	2010	2011	2012	2013
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						
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	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	3.000
6.500	6.500	6.500	6.500	6.500	6.500	8.000
2.500	3.000	3.000	3.000	3.000	3.000	3.625
1.625	1.625	1.625	1.625	1.625	1.625	2.000
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	3.000
10.250	10.750	10.750	10.750	10.750	10.750	11.250
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	10.000	11.000
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	10.000	9.000
52.000						
6.000	6.500	6.500	6.500	6.500	6.500	6.500
15.000	15.000	15.000	15.000	15.000	15.000	13.000
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	16.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
54.000	54.500	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
4.500	4.500	4.500	4.500	4.500	4.500	4.500
1.500	1.500	1.500	1.500	1.500	1.500	1.500
20.750						
7.000	7.000	7.000	7.000	7.000	7.000	7.000
7.000						
153.500	154.500	154.500	154.500	154.500	154.500	156.500
				8.500	8.500	8.500
				6.000	6.000	6.000
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
174.000	175.000	175.000	175.000	175.000	175.000	177.000

TOWN OF VIENNA, VIRGINIA

**Operating Indicators by Function
Last Ten Fiscal Years**

<u>Function</u>	(1)	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government				
Administrative Service				
Job applications processed		575	581	587
Public Information				
Information requests responded to		2,404	2,192	2,200
Press releases per year		234	221	225
(a) Web Site Visits		-	-	-
Twitter and Facebook followers		-	-	-
Finance				
Real Estate bills processed		12,220	12,130	12,136
Water and Sewer bills processed		36,000	36,950	36,850
(b) Vehicle decals issued	(2)	13,384	13,297	12,858
Vehicle license fee bills processed		-	-	-
(c) Payroll checks/Direct Deposits		7,660	7,689	7,500
(c) Vendor check issued		4,886	5,049	4,919
Competitive bids completed		15	18	22
Public Safety				
Number of Calls for Service received		10,595	11,786	11,519
Number of Citations issued		7,667	5,888	6,737
Number of Animal complaints		412	477	330
Public Works				
Tons of asphalt installed		330	788	662
Linear feet of sidewalk replaced / installed		-	-	-
(d) Vehicles Maintained		131	132	147
Tons of Waste collected		7,950	7,950	7,073
Tons of Recycled materials collected		2,000	1,701	1,809
Cubic Yards/Tons of leaves collected		11,263	13,719	15,227
Water and Sewer Operations				
Repair Water Main breaks		71	42	46
Repair defective sewer lines		9	12	12
Footage of Sewer Mains cleaned		-	-	-
Completed work orders		3,700	3,800	3,600
Parks and Recreation				
Number of programs held		450	450	520
Daily average number of teens using Teen Center		40	40	40
Planning and Zoning				
Permit applications		817	876	801
New single-family dwellings		-	-	-
New zoning violation cases opened		244	235	220

Sources: Town Budget unless noted

- (a) New measuring system in 2013
- (b) Decal logs; decal program ended in FY 2007
 Fee instituted in 2011; number of bills sent
- (c) Check logs
- (d) Fixed Asset Records

(1) Data not available indicated by dash (-)

(2) Vehicle Decals discontinued in 2007

Table 19

2007	2008	2009	2010	2011	2012	2013
620	468	586	620	675	1,294	2,745
2,357	2,000	1,600	1,600	1,225	-	-
233	240	254	254	245	585	585
-	-	-	-	-	-	367,000
-	-	-	-	1,547	2,430	3,313
12,080	12,225	12,300	12,300	12,300	12,400	11,125
36,500	37,500	38,000	38,000	38,000	38,000	37,350
11,688	-	-	-	-	-	-
-	-	-	-	12,395	12,810	13,301
7,560	7,688	8,915	7,870	7,311	6,956	7,452
4,864	4,695	5,355	4,600	4,300	4,315	4,432
17	30	30	30	30	35	17
12,849	11,654	13,000	13,000	13,000	20,500	20,500
5,839	5,216	7,400	7,200	7,000	10,200	10,000
400	387	400	400	400	380	380
700	1,480	1,500	1,721	5,300	5,000	5,000
-	-	-	150	188	200	200
143	145	145	140	145	153	155
6,474	6,883	6,001	6,001	5,810	7,940	4,500
1,878	2,067	2,036	2,036	1,840	1,825	2,000
15,850	14,042	14,000	13,500	13,000	11,000	11,000
44	72	68	50	68	50	55
13	12	15	15	15	-	-
-	-	-	279,556	343,543	350,000	355,000
3,400	4,200	3,800	3,800	3,800	3,000	3,390
592	573	642	642	660	641	650
40	30	35	35	35	30	30
1,050	880	829	829	820	650	650
-	-	-	43	65	50	50
324	413	557	557	550	671	487

TOWN OF VIENNA, VIRGINIA

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	2004	2005	2006
General government			
Administration buildings	3	3	3
Vehicles	5	6	6
Public safety			
Patrol units	20	18	20
Motorcycles	6	5	5
Other vehicles	2	3	3
Public works			
Trucks/vehicles	75	75	85
Parks and recreation			
Community center	1	1	1
Vehicles	19	21	24
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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
3	4	4	4	5	5	5
6	6	6	6	6	7	6
20	18	19	18	18	19	25
5	5	6	4	4	4	4
3	3	3	3	3	3	3
83	84	88	85	89	94	91
1	1	1	1	1	1	1
22	25	20	20	21	22	22
10	10	10	10	10	10	10
93.47	93.47	93.47	93.47	93.47	93.47	93.47
4	4	3	4	4	4	4

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- Compliance Section -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Vienna, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Vienna, Virginia's basic financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 18, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Town of Vienna, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Vienna, Virginia's major federal programs for the year ended June 30, 2013. Town of Vienna, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Town of Vienna, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 18, 2013

TOWN OF VIENNA, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

<u>Federal Grantor/State Pass - Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Congressionally recommended awards	16.753	N/A	\$ 15,808
Bulletproof vest partnership program	16.607	N/A	1,864
Asset Forfeiture Proceeds	16.000	N/A	<u>65,873</u>
<u>Pass through payments:</u>			
Virginia Department of Criminal Justice Services		39001-71200/	
Edward Byrne memorial justice assistance grant program	16.738	39001-81100	\$ <u>2,307</u>
Total Department of Justice			<u>\$ 85,852</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Highway planning and construction	20.205	N/A	\$ 476,907
<u>Pass through payments:</u>			
Virginia Department of Motor Vehicles:			
Alcohol impaired driving countermeasures incentive grants I	20.601	60507-53067	10,223
State and community highway safety	20.600	60507-52022	<u>9,952</u>
Total Department of Transportation			<u>\$ 497,082</u>
Total Expenditures of Federal Awards			<u><u>\$ 582,934</u></u>

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF VIENNA, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Vienna, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Vienna, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Vienna, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Amounts Passed-Through to Subrecipients

Asset forfeiture proceeds in the amount of \$56,540 were received on behalf of subrecipients for the Asset Forfeiture proceeds program for the year ended June 30, 2013.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements (Exhibit 12/16):

Primary government:

General Fund	\$	40,154
Capital Projects Fund		476,907
Debt Service Fund		35,010
Gang Task Force Fund		65,873
Total federal expenditures per basic financial statements	\$	<u>617,944</u>
Less: Build America Bonds Interest Subsidy		<u>(35,010)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>582,934</u></u>
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TOWN OF VIENNA, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway planning and construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Audit Findings

There were no prior year audit findings.

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