

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2014



**TOWN OF VIENNA,
VIRGINIA**

- Introductory Section -

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TOWN OF VIENNA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

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TOWN OF VIENNA, VIRGINIA

TOWN OFFICIALS

TOWN COUNCIL

Laurie A. DiRocco, Acting Mayor

Emil Attanisi

Michael J. Polychrones

Laurie Genevro Cole

Carey J. Sienicki

Edythe Frankel Kelleher

Howard J. Springsteen

MANAGEMENT TEAM

Town Manager

Mercury T. Payton

Town Attorney

Steven D. Briglia

Town Clerk

Melanie J. Clark

Gregory M. Hembree, AICP

Director of Planning and Zoning

Dennis Johnson, P.E.

Director of Public Works

Marion Serfass, CPA

Acting Director of Administrative Services

James Morris

Chief of Police

Antoine Mull

Director of Information Technology

Catherine Salgado

Director of Parks and Recreation

Karen L. Spence, CPA, CGMA

Director of Finance / Treasurer

INDEPENDENT AUDITORS

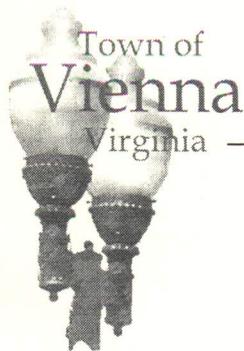
Robinson, Farmer, Cox Associates

Certified Public Accountants

Fredericksburg, Virginia

Prepared by the Department of Finance, Town of Vienna, Virginia

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November 24, 2014

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, 2014, 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 unmodified 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, 2014 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 third year in a row. 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, 2014 was 4.4 percent, comparing favorably with the State's 5.3 percent rate and the national rate of 6.1 percent. This reflects a 0.1 percent decrease in the local rate, coupled with a 1.5 percent decrease in the national rate, creating a favorable outlook for the area. 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 favorable for 2014. During the past year assessed property values increased 4.9 percent from tax year 2012 to 2013, the third consecutive year of an increase. While the tax rate was decreased in 2014 by 5.5 percent, the increased assessments resulted in only a 0.7 percent decrease in property taxes. Additionally, permits and fees were up 13 percent over 2013, the second consecutive year of double-digit increases. Both these revenues reflect the pace of newly constructed and remodeled homes in the Town, almost 90 in fiscal 2014. Other favorable trends in 2014 were business license taxes which increased 5.0 percent, meals and lodging taxes, which increased 2.3 percent and sales taxes which increased 2.2 percent over 2013. These increases indicate the positive economic condition in Vienna in 2014. These positive trends were partially offset by an 8.4 percent decrease in revenue from bank stock taxes 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 opened in July, 2014, which is driving 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, Human Resources, 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 2014 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 2014 the Town operations resulted in almost 19 percent of the FY 2014 budget in unassigned Fund Balance, well in excess of the adopted policy.

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, projects to replace the HVAC system at Town Hall and to install equipment to begin broadcasting Council meetings were completed in FY 2014. Plans were begun on a major improvement to the Community Center and feasibility study was begun to determine the needs for an expansion to the Police Department.

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. Standards for zoning in the main commercial area while still retaining Vienna's small-town feel are planned to be completed and adopted in early 2015.

The Town implemented a new classification and compensation study which re-evaluated positions and brought the Town's pay scale in line with the market. A cross-department team is in the development stage for a new performance evaluation system including a new methodology for pay increases to be adopted in 2015. Business license forms were revamped to include billing for the "Go Local" web service, and the Town continued to work with Go Local to promote Town businesses. 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 obtained debt financing for new capital projects of \$6.6 million with an additional \$2 million in debt refinancing, most at a 2.24 percent interest rate. Additionally, a capital lease to finance vehicle purchases for \$700,000 was completed at an interest rate of 1.39 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, 2014 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

2014 Best Places to Live – CNN Money Magazine

CNN's Money Magazine ranked the Town of Vienna as third in their 2014 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 2014 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, 2013 for the 27th 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 20th year in a row the Town received the GFOA's Distinguished Budget Presentation award for the FY 2014. 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 2014 the Town submitted the FY 2014 budget documents for consideration for the award in the following year.

Tree City USA

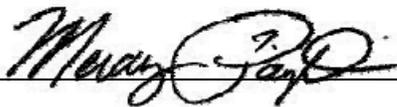
The Parks and Recreation Department received a Tree City USA award from the National Arbor Day Foundation. This is the 13th consecutive year that the Town has achieved this award, confirming the Town's commitment to its tree canopy and environmental stewardship.

Virginia Municipal League's Green Government Challenge Silver 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 Silver Award in 2014. 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, CGMA
Director of Finance/Treasurer

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Government Finance Officers Association

**Certificate of
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for Excellence
in Financial
Reporting**

Presented to

**Town of Vienna
Virginia**

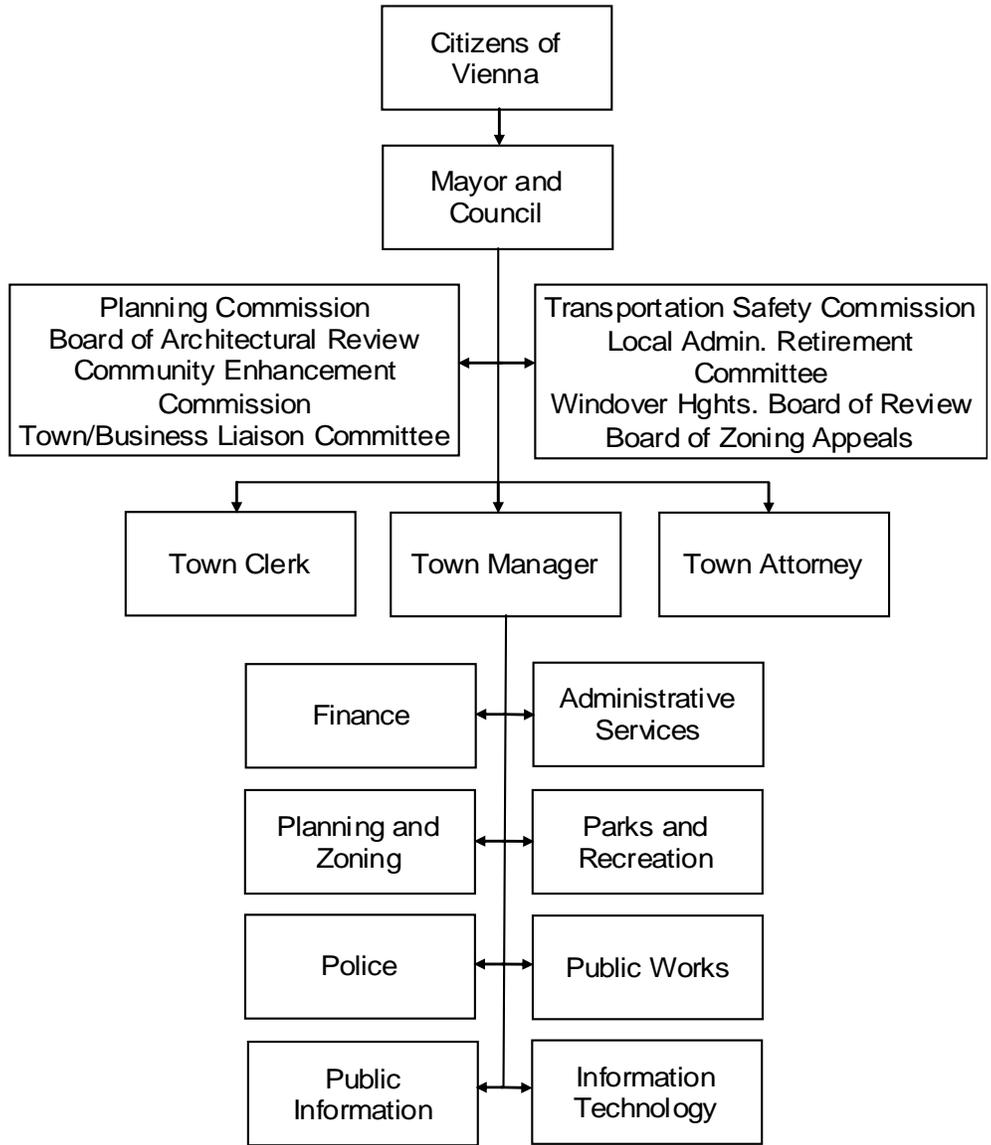
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2014, the Town adopted new accounting guidance, GASB Statement No. 67, *Financial Reporting for Pension Plans*. 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, budgetary comparison information, schedule of pension and OPEB funding progress, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 5-14, 79-80, 81, 82, 83, and 84 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 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 24, 2014, 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 24, 2014

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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, 2014. 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, 2014 was \$58,257,001 a decrease of \$854,315 or 1.4 percent. This was caused primarily from the issuance of bonds in FY 2014 partially offset by decreases in net capital assets. Unrestricted Net Position decreased by \$90,106 or .6 percent over 2013. 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 \$26,862,239, an increase of \$4,529,279 or 20.3 percent compared with the prior year. The increase was primarily due to the receipt of bond proceeds partially offset by expenditures for building and sidewalk projects in the Capital Projects Fund. The Debt Service Fund's balance of \$4,928,551 is assigned for the retirement of current and future debt issues and the \$12,678,854 balance of the Capital Projects Fund is assigned for completion of capital projects. The \$872,153 fund balance in the Non-major Governmental Funds consists of \$245,030 reserved for Stormwater projects and \$627,123 reserved for projects sponsored by the Northern Virginia Regional Gang Task Force. The General Fund's balance includes \$4,243,138 as unassigned. This represents 19.5 percent of total General Fund FYE 2014 budgeted expenditures.
- The Town's long-term obligations due in more than one year increased by \$4,283,323 or 25.4 percent during last fiscal year. The increase resulted primarily from the issuance of general obligation and capital lease debt in 2014. Long-term obligations totaled \$21,158,524 at year-end. Of this amount, outstanding bonds totaled \$19,549,027, capital leases totaled \$1,060,903 and post-employment benefits totaled \$421,457. The above amounts do not include the Town's obligations related to accounts payable and total compensated absences, which totaled \$3,615,009 and \$1,271,373 respectively, at year-end. Accounts payable and an estimated amount of \$1,144,236 worth of compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences decreased by \$3,015 or 0.2 percent over the preceding year.
- Excluding Pension Trust Funds, total cash and cash equivalents grew by \$5,131,639 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 Water and Sewer Fund. Water and Sewer Fund operating, non-operating revenues, capital contributions, and incoming transfers exceeded operating and non-operating expenses and outgoing transfers by \$492,865. Pension funds expenditures exceeded contributions and interest earnings by \$27,319. The following table denotes cash increases and decreases by fund.

Fund	FY 14 Cash	FY 13 Cash	Increase (Decrease)
General	\$ 8,442,612	\$ 9,770,801	\$ (1,328,189)
Debt Service	4,348,098	4,332,767	15,331
Capital Projects	12,831,156	8,297,241	4,533,915
Special Transportation	504,558	-	504,558
Nonmajor Governmental	1,135,469	674,121	461,348
Water & Sewer	2,057,225	1,112,549	944,676
Total Cash	<u>\$ 29,319,118</u>	<u>\$ 24,187,479</u>	<u>\$ 5,131,639</u>
Pension Trust	<u>\$ 5,247,268</u>	<u>\$ 5,274,587</u>	<u>\$ (27,319)</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 and deferred inflows of resources, 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 six individual governmental funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, the Gang Task Force Fund, the Stormwater Fund and the Special Transportation Special Revenue 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 \$58,257,001 at year-end, a decrease of \$854,315 or 1.4 percent. Of the total net position, governmental activities totaled \$50,293,806 down \$1,347,180 or 2.61 percent while business-type activities totaled \$7,963,195 an increase of \$492,865 or 6.6 percent. The decrease in net position of governmental activities was primarily due to depreciation exceeding capital outlays in 2014. The increase in net position of the business type activities was primarily due to 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 \$56,717,524 at June 30, 2014; of which, governmental activities totaled \$47,027,735, a decrease of \$917,076 or 1.9 percent. The decrease was due primarily to depreciation expense in excess of spending on capital assets in 2014. 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		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
<u>Assets:</u>						
Current and other assets	\$ 31,197,634	\$ 25,710,399	\$ 2,169,349	\$ 1,795,402	\$ 33,366,983	\$ 27,505,801
Capital assets	47,027,735	47,944,811	9,689,789	9,691,569	56,717,524	57,636,380
Total assets	<u>\$ 78,225,369</u>	<u>\$ 73,655,210</u>	<u>\$ 11,859,138</u>	<u>\$ 11,486,971</u>	<u>\$ 90,084,507</u>	<u>\$ 85,142,181</u>
<u>Liabilities:</u>						
Long-term liabilities outstanding	\$ 23,435,407	\$ 18,440,414	\$ 1,857,971	\$ 1,927,776	\$ 25,293,378	\$ 20,368,190
Other liabilities	4,437,027	3,490,596	2,037,972	2,088,865	6,474,999	5,579,461
Total liabilities	<u>\$ 27,872,434</u>	<u>\$ 21,931,010</u>	<u>\$ 3,895,943</u>	<u>\$ 4,016,641</u>	<u>\$ 31,768,377</u>	<u>\$ 25,947,651</u>
<u>Deferred Inflows of Resources:</u>						
Unavailable revenue	\$ 59,129	\$ 83,214	\$ -	\$ -	\$ 59,129	\$ 83,214
<u>Net Position:</u>						
Net investment in capital assets	\$ 35,130,306	\$ 35,964,436	\$ 7,981,491	\$ 7,911,570	\$ 43,111,797	\$ 43,876,006
Unrestricted	15,163,500	15,676,550	(18,296)	(441,240)	15,145,204	15,235,310
Total net position	<u>\$ 50,293,806</u>	<u>\$ 51,640,986</u>	<u>\$ 7,963,195</u>	<u>\$ 7,470,330</u>	<u>\$ 58,257,001</u>	<u>\$ 59,111,316</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, for the Town as a whole.

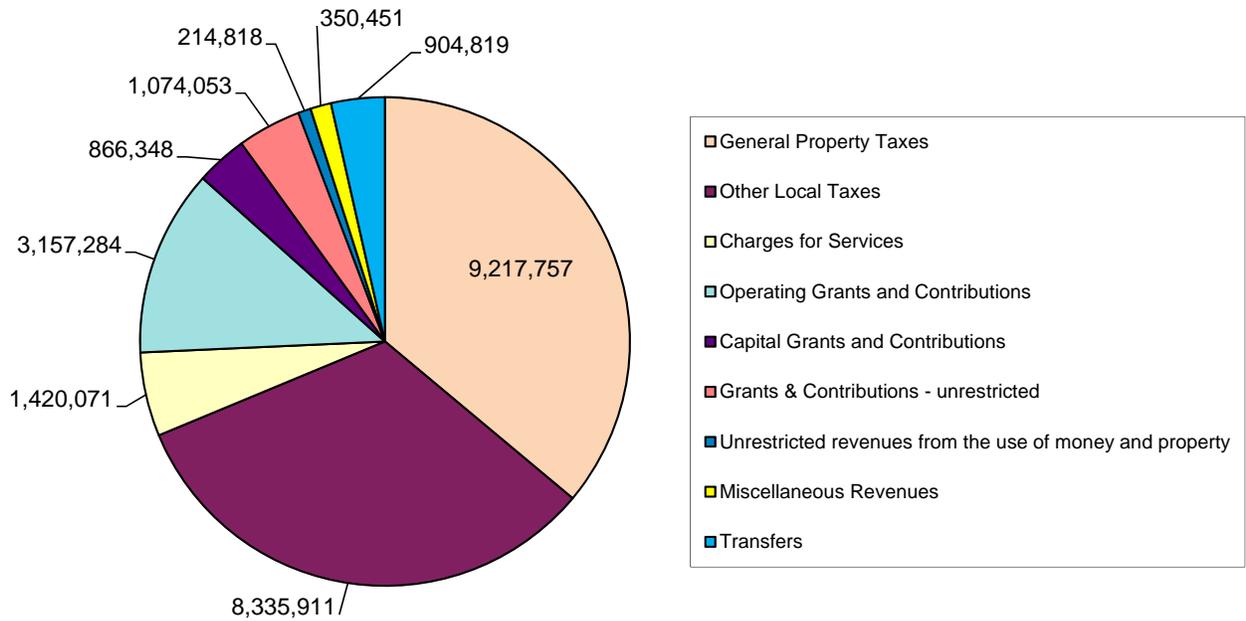
Governmental Activities - Governmental and business-type activities reflect changes in net position of (\$1,347,180) and \$492,865 respectively. The following table provides an overview of revenues, expenses and the changes in net position for the fiscal year.

Town of Vienna, Virginia
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,420,071	\$ 1,394,698	\$ 6,985,412	\$ 7,129,668	\$ 8,405,483	\$ 8,524,366
Operating grants and contributions	3,157,284	3,082,757	-	-	3,157,284	3,082,757
Capital grants and contributions	866,348	1,610,089	-	-	866,348	1,610,089
General revenues:						
Property taxes	9,217,757	9,193,705	-	-	9,217,757	9,193,705
Other local taxes	8,335,911	8,247,649	-	-	8,335,911	8,247,649
Grants & contributions - unrestricted	1,074,053	1,092,804	-	-	1,074,053	1,092,804
Unrestricted revenues from the use of money and property	214,818	224,039	2,116	2,474	216,934	226,513
Miscellaneous	350,451	244,303	318,019	225,843	668,470	470,146
Total revenues	\$ 24,636,693	\$ 25,090,044	\$ 7,305,547	\$ 7,357,985	\$ 31,942,240	\$ 32,448,029
Expenses:						
General government administration	\$ 4,356,498	\$ 4,147,172	\$ -	\$ -	\$ 4,356,498	\$ 4,147,172
Public safety	7,415,110	6,429,827	-	-	7,415,110	6,429,827
Public works	10,311,313	10,286,260	-	-	10,311,313	10,286,260
Health and welfare	240,913	261,658	-	-	240,913	261,658
Parks, recreation and cultural	3,110,412	3,228,786	-	-	3,110,412	3,228,786
Community development	857,727	867,961	-	-	857,727	867,961
Interest on long-term debt	596,719	602,885	-	-	596,719	602,885
Water and sewer	-	-	5,907,863	6,151,284	5,907,863	6,151,284
Total Expenses	\$ 26,888,692	\$ 25,824,549	\$ 5,907,863	\$ 6,151,284	\$ 32,796,555	\$ 31,975,833
Net Position:						
Income before capital contributions and transfers	\$ (2,251,999)	\$ (734,505)	\$ 1,397,684	\$ 1,206,701	\$ (854,315)	\$ 472,196
Transfers	904,819	982,977	(904,819)	(982,977)	-	-
Increase (Decrease) in net position	\$ (1,347,180)	\$ 248,472	\$ 492,865	\$ 223,724	\$ (854,315)	\$ 472,196
Net position, beginning of year, as restated	51,640,986	51,392,514	7,470,330	7,246,606	59,111,316	58,639,120
Net position, end of year	\$ 50,293,806	\$ 51,640,986	\$ 7,963,195	\$ 7,470,330	\$ 58,257,001	\$ 59,111,316

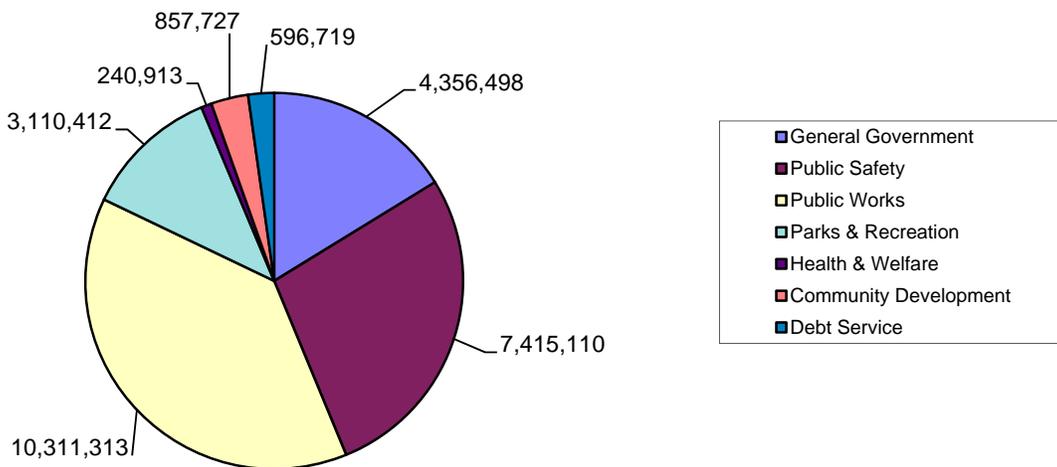
Program, general revenues, and transfers for governmental activities totaled \$25,541,512, a decrease of \$531,509 or 2.04 percent over the previous fiscal year. Of the total amount, property taxes totaled \$9,217,757 and other local taxes totaled \$8,335,911. The increase in property taxes was due to new residential construction plus a 4.9 percent increase in assessments. The 1.1 percent increase in other local taxes primarily reflected a 5.0 percent increase in Business License Taxes and a 2.3 percent increase in meals and lodging taxes. Capital grants and contributions totaled \$866,348, down by 46 percent from the previous year. The \$904,819 worth of transfers between governmental activities and business-type activities was \$78,158 or 8.0 percent less than that of the preceding year. The transfers consist of those from the Water and Sewer Fund and the Stormwater Fund to the Debt Service Fund for those funds' 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 decrease was due primarily to capital projects completed for the Water and Sewer Fund during the year. The chart below provides an overview of the FY 2013-2014 revenues by program source.

Governmental Activities Revenues By Source



The government-wide statement of activities (Exhibit 2) 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 \$26,888,692, an increase of \$1,064,143 or 4.1 percent. Directly supporting these expenditures were charges for services generating \$1,420,071 plus operating grants and contributions totaling \$3,157,284 and capital grants and contributions of \$866,348 for total program revenues of \$5,443,703. This represents an increase of \$28,429 or 0.5 percent. The increase was mainly due to small increases in charges for services. General revenue support of these activities increased by \$112,332 or 0.6 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 \$492,865 to end the year with a net position balance of \$7,963,195. Before net transfers of \$904,819 to the General and Debt Service Funds, Water and Sewer Fund operating income and capital transfers ended the year with a net gain of \$1,397,684. The key contributors to the increase in net position were decreased sewer processing costs and funds received for new residential water mains due to residential renovations and constructions.

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 six funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, the Gang Task Force Fund, Special Transportation 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, unassigned 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 six governmental funds reported combined ending fund balances of \$26,862,239, an increase of \$4,529,279 or 20.3 percent from the prior year. The change was mainly the result of an increase in the Capital Project Funds of \$4,774,887 due to the issuance of bonds in 2014. \$22,619,101 or 84.2 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 \$4,243,138 or 15.8 percent of the total available for spending by Council appropriation.

Debt Service Fund revenues were up by \$45,865 or 2.0 percent, primarily because of rising meals and lodging tax collections. Transfers from the Water and Sewer Fund increased by \$179,332 or 85.9 percent due to the 2014 bond issue. Expenditures were up by 80 percent for the same reason. Capital Project Fund year-end balance increased by \$4,774,887 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	
<u>General, Debt Service, Capital Projects, and Special Revenue Funds</u>	
Nonspendable:	
Inventory	\$ 130,424
Prepaid items	327,000
Total Nonspendable	<u>\$ 457,424</u>
Restricted:	
Unappropriated PEG Funds	\$ 497,367
Gang task force funds	627,123
Stormwater funds	245,030
Total Restricted	<u>\$ 1,369,520</u>
Committed:	
VRP reserves	\$ 439,601
Subsequent year budget support	753,940
New financial system	400,001
Total Committed	<u>\$ 1,593,542</u>
Assigned:	
Encumbrance reserves	\$ 35,820
Carryforward	226,000
Wright Building	872,301
Federal AF Funds	388,298
State AF Funds	273,791
Other postemployment benefits	122,000
Debt service	4,601,551
Capital projects	12,678,854
Total Assigned	<u>\$ 19,198,615</u>
Unassigned:	
General fund	\$ 4,243,138
Total Fund Balance	<u>\$ 26,862,239</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 \$8,382,681, which equates to 31.2 percent of the \$26,862,239 combined fund balance for the six 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 18.6 percent of total General Fund expenditures, while total fund balance represents 36.7 percent of that same amount.

The total fund balance for the General Fund decreased \$627,080 from the previous fiscal year. The unassigned component of fund balance was \$4,243,138 at year-end, a decrease over the prior fiscal year of \$472,783 or 10 percent. Both changes were the function of the following:

- Overall, General Fund revenues were up by \$276,413 or 1.4 percent, primarily as a result of increased business license taxes and local sales tax revenues partially offset by a 5.5 percent decrease in the property tax rate.
- General Fund expenditures rose by \$1,091,165 or 5 percent over the previous year. Approximately half of the increase was due to Council's appropriation of \$506,486 of prior year reserved fund balances to complete various capital projects. Increases in General Government Administration of 10.9 percent, Parks and Recreation of 4.7 percent, and Public Works of 4.3 percent accounted for the remainder of the change.

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 2014 budgets. These differences totaled \$288,147 for revenues and \$737,218 for expenditures. Donations to the Police and Parks and Recreation departments and completion of Public Works projects 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 paid for by the appropriation of reserved fund balances mentioned above comprise the remainder of the increase to expenditure budgets. Details are summarized in the following table:

	Amount Amended
Revenues:	
Miscellaneous	\$ 184,122
State revenues	95,025
Federal revenues	9,000
Total	<u>\$ 288,147</u>
Expenditures:	
General government administration	\$ 368,465
Public safety	166,349
Public works	93,172
Parks, recreation and cultural	89,891
Community development	19,341
Total	<u>\$ 737,218</u>

General Fund Budgetary Variances

General Fund actual revenues were \$217,197 or 1.1 percent more than amended budgetary estimates. The difference was largely due to favorable local sales taxes and State categorical aid. General Fund actual expenditures were \$214,842 or 1.0 percent more than amended budgets. The majority of the budgetary expenditure overages occurred in the categories of public safety and public works and resulted from the cost of retirements during the year.

Capital Assets and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities totaled \$47,027,735 (net of accumulated depreciation), a decrease of \$917,076 or 1.9 percent. The decrease was primarily due to the changes in infrastructure values and building values in which depreciation exceeded net additions. 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		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 3,032,919	\$ 3,030,872	\$ -	\$ -	\$ 3,032,919	\$ 3,030,872
Land improvements	2,036,397	2,082,845	-	-	2,036,397	2,082,845
Construction in progress	6,413,467	4,440,541	-	-	6,413,467	4,440,541
Buildings and improvements	6,792,836	7,219,200	-	-	6,792,836	7,219,200
Infrastructure	24,614,804	27,254,774	9,229,291	9,309,823	33,844,095	36,564,597
Office and other equipment	1,250,657	1,208,034	-	-	1,250,657	1,208,034
Automotive and other equipment	2,886,655	2,708,545	460,498	381,746	3,347,153	3,090,291
Total assets - net of depreciation	<u>\$ 47,027,735</u>	<u>\$ 47,944,811</u>	<u>\$ 9,689,789</u>	<u>\$ 9,691,569</u>	<u>\$ 56,717,524</u>	<u>\$ 57,636,380</u>

Long-term obligations - At the conclusion of the fiscal year, long-term obligations totaled \$21,892,250 for General Fund activities and \$1,708,298 for the Water and Sewer Fund. Of these amounts, outstanding bonds totaled \$21,880,489 and capital leases totaled \$1,720,059. The above amounts do not include the Town's obligations related to accounts payable, compensated absences, and other post-employment benefits which totaled \$3,615,009, \$1,271,373 and \$421,457 respectively, at year-end. Except for \$127,137 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 2014 by 4.9 percent, mainly due to continued construction of upscale homes and residential renovations in many areas of Vienna. Overall property values increased by 5.8 percent during the past calendar year and are projected to increase moderately 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 4.4 percent as compared to 5.3 percent and 6.1 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 General Fund revenue budget for the fiscal year ending June 30, 2015 totals \$22,590,440 which equates to an increase of \$780,270 or 3.6 percent from the previous fiscal year. General property taxes are expected to decrease \$622,956 or 3.7 percent. The tax rate for fiscal year 2015 is \$0.2288, the same as fiscal year 2014. The following table provides a comparison of the FYE 2014 actual revenue and the FYE 2015 adopted revenue budget for the Town of Vienna.

Revenue Source	FY 2015 Budget	FY 2014 Actual	Expected Increase (Decrease)
Property taxes	\$ 9,760,000	\$ 9,210,898	\$ 549,102
Other local taxes	6,205,100	6,072,461	132,639
Permits, fees & licenses	180,400	171,876	8,524
Fines and forfeitures	435,000	438,510	(3,510)
Use of money & property	170,000	195,112	(25,112)
Charges for services	808,200	809,685	(1,485)
State revenues	3,162,500	3,293,082	(130,582)
Federal revenues	94,000	103,536	(9,536)
Transfers-in	900,000	925,000	(25,000)
Capital lease proceeds	-	619,455	(619,455)
Other	121,300	350,354	(229,054)
Total Revenue Budget	\$ 21,836,500	\$ 22,189,969	\$ (353,469)

Request for Information

This financial report is designed to provide a general overview of Town's finances for the fiscal year ended June 30, 2014. 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.

Basic Financial Statements:

- Government-wide Financial Statements -

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TOWN OF VIENNA, VIRGINIA

Statement of Net Position

At June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 25,909,468	\$ 2,057,225	\$ 27,966,693
Receivables, (net of allowances for uncollectibles):	688,826	1,537,358	2,226,184
Prepaid items	327,000	875	327,875
Due from other governments	1,349,217	-	1,349,217
Internal balances	1,440,274	(1,440,274)	-
Inventory, at cost	130,424	14,165	144,589
Restricted:			
Temporarily restricted:			
Cash and cash equivalents	1,352,425	-	1,352,425
Capital assets:			
Land	3,032,919	-	3,032,919
Construction in progress	6,413,467	-	6,413,467
Other capital assets, net of accumulated depreciation	37,581,349	9,689,789	47,271,138
Capital assets, net	<u>\$ 47,027,735</u>	<u>\$ 9,689,789</u>	<u>\$ 56,717,524</u>
Total assets	<u>\$ 78,225,369</u>	<u>\$ 11,859,138</u>	<u>\$ 90,084,507</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 1,964,987	\$ 1,650,022	\$ 3,615,009
Unearned revenue	894,253	-	894,253
Escrow and other deposits	1,526,504	135,043	1,661,547
Due to other governments	51,283	252,907	304,190
Long-term liabilities:			
Due within one year:			
Bonds payable	2,223,462	108,000	2,331,462
Capital leases	611,394	47,762	659,156
Compensated absences	1,045,471	98,765	1,144,236
Due in more than one year:			
Bonds payable	18,081,027	1,468,000	19,549,027
Capital leases	976,367	84,536	1,060,903
Net OPEB obligation	381,523	39,934	421,457
Compensated absences	116,163	10,974	127,137
Total liabilities	<u>\$ 27,872,434</u>	<u>\$ 3,895,943</u>	<u>\$ 31,768,377</u>
Deferred Inflows of Resources:			
Deferred revenue - property taxes	<u>\$ 59,129</u>	<u>\$ -</u>	<u>\$ 59,129</u>
Net Position:			
Net investment in capital assets	\$ 35,130,306	\$ 7,981,491	\$ 43,111,797
Unrestricted (deficit)	<u>15,163,500</u>	<u>(18,296)</u>	<u>15,145,204</u>
Total net position	<u>\$ 50,293,806</u>	<u>\$ 7,963,195</u>	<u>\$ 58,257,001</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, 2014

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	\$ 4,356,498	\$ 27,895	\$ -	\$ -	\$ (4,328,603)	\$ -	\$ (4,328,603)
Public safety	7,415,110	629,143	1,148,571	-	(5,637,396)	-	(5,637,396)
Public works	10,311,313	-	1,976,487	866,348	(7,468,478)	-	(7,468,478)
Health and welfare	240,913	-	-	-	(240,913)	-	(240,913)
Parks, recreation and cultural	3,110,412	763,033	-	-	(2,347,379)	-	(2,347,379)
Community development	857,727	-	-	-	(857,727)	-	(857,727)
Interest on long-term debt	596,719	-	32,226	-	(564,493)	-	(564,493)
Total governmental activities	\$ 26,888,692	\$ 1,420,071	\$ 3,157,284	\$ 866,348	\$ (21,444,989)	\$ -	\$ (21,444,989)
Business type activities							
Water and sewer	5,907,863	6,985,412	-	-	-	1,077,549	1,077,549
Total Primary Government	\$ 32,796,555	\$ 8,405,483	\$ 3,157,284	\$ 866,348	\$ (21,444,989)	\$ 1,077,549	\$ (20,367,440)
General Revenues							
Taxes:							
General real property taxes					\$ 9,217,757	\$ -	\$ 9,217,757
Local sales and use taxes					1,350,263	-	1,350,263
Consumer utility taxes					667,116	-	667,116
Business license taxes					2,329,139	-	2,329,139
Meals and lodging taxes					2,263,450	-	2,263,450
Bank franchise taxes					697,798	-	697,798
Other					1,028,145	-	1,028,145
Grants and contributions not restricted to specific programs					1,074,053	-	1,074,053
Unrestricted revenues from the use of money and property					214,818	2,116	216,934
Miscellaneous					350,451	318,019	668,470
Transfers					904,819	(904,819)	-
Total general revenues and transfers					\$ 20,097,809	\$ (584,684)	\$ 19,513,125
Change in net position					\$ (1,347,180)	\$ 492,865	\$ (854,315)
Net position, beginning of year, as restated					51,640,986	7,470,330	59,111,316
Net position, end of year					\$ 50,293,806	\$ 7,963,195	\$ 58,257,001

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, 2014

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Transportation Fund</u>	<u>Nonmajor Funds</u>	
Assets:						
Cash and cash equivalents	\$ 8,442,612	\$ 4,348,098	\$ 12,831,156	\$ -	\$ 287,602	\$ 25,909,468
Receivables (net of allowance for uncollectibles):						
Taxes including penalties	22,142	-	-	-	-	22,142
Accounts	416,645	249,779	260	-	-	666,684
Prepaid items	-	327,000	-	-	-	327,000
Due from other governments	617,960	-	686,257	-	45,000	1,349,217
Due from other funds	1,537,772	3,758	-	-	22,568	1,564,098
Inventory, at cost	130,424	-	-	-	-	130,424
Restricted:						
Cash and cash equivalents	-	-	-	504,558	847,867	1,352,425
Total assets	<u>\$ 11,167,555</u>	<u>\$ 4,928,635</u>	<u>\$ 13,517,673</u>	<u>\$ 504,558</u>	<u>\$ 1,203,037</u>	<u>\$ 31,321,458</u>
Liabilities:						
Accounts payable	\$ 701,007	-	\$ 734,066	-	\$ 148,625	\$ 1,583,698
Accrued liabilities	199,464	-	-	-	-	199,464
Escrow and other deposits	1,526,504	-	-	-	-	1,526,504
Due to other governments	-	-	6,283	-	45,000	51,283
Due to other funds	270	84	98,470	-	25,000	123,824
Unearned revenue	277,436	-	-	504,558	112,259	894,253
Total liabilities	<u>\$ 2,704,681</u>	<u>\$ 84</u>	<u>\$ 838,819</u>	<u>\$ 504,558</u>	<u>\$ 330,884</u>	<u>\$ 4,379,026</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	<u>\$ 80,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,193</u>
Fund Balance:						
Nonspendable:						
Inventory	\$ 130,424	-	-	-	-	\$ 130,424
Prepaid items	-	327,000	-	-	-	327,000
Restricted:						
Unappropriated PEG Funds	497,367	-	-	-	-	497,367
Stormwater funds	-	-	-	-	245,030	245,030
Gang task force funds	-	-	-	-	627,123	627,123
Committed:						
VRP reserves	439,601	-	-	-	-	439,601
Subsequent year budget support	753,940	-	-	-	-	753,940
New financial system	400,001	-	-	-	-	400,001
Assigned:						
Encumbrance reserves	35,820	-	-	-	-	35,820
Carryforward	226,000	-	-	-	-	226,000
Wright Building	872,301	-	-	-	-	872,301
Federal AF funds	388,298	-	-	-	-	388,298
State AF funds	273,791	-	-	-	-	273,791
Other postemployment benefits	122,000	-	-	-	-	122,000
Debt service	-	4,601,551	-	-	-	4,601,551
Capital projects	-	-	12,678,854	-	-	12,678,854
Unassigned	4,243,138	-	-	-	-	4,243,138
Total fund balance	<u>\$ 8,382,681</u>	<u>\$ 4,928,551</u>	<u>\$ 12,678,854</u>	<u>\$ -</u>	<u>\$ 872,153</u>	<u>\$ 26,862,239</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 11,167,555</u>	<u>\$ 4,928,635</u>	<u>\$ 13,517,673</u>	<u>\$ 504,558</u>	<u>\$ 1,203,037</u>	<u>\$ 31,321,458</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, 2014

Total fund balances for governmental funds (Exhibit 3)	\$	26,862,239
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	\$	3,032,919
Construction in progress		6,413,467
Depreciable capital assets, net of accumulated depreciation		<u>37,581,349</u>
Total capital assets		47,027,735
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.		
		21,064
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 payable	\$	(181,825)
Bonds and capital leases payable		(21,640,761)
Unamortized bond premium		(251,489)
Net OPEB obligation		(381,523)
Compensated absences		<u>(1,161,634)</u>
Total		<u>(23,617,232)</u>
Total net position of governmental activities (Exhibits 1 and 2)	\$	<u><u>50,293,806</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, 2014

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Nonmajor Funds</u>	
Revenues:					
General property taxes	\$ 9,210,898	\$ -	\$ -	\$ -	\$ 9,210,898
Other local taxes	6,072,461	2,263,450	-	-	8,335,911
Permits, privilege fees and regulatory licenses	171,876	-	-	-	171,876
Fines and forfeitures	438,510	-	-	-	438,510
Revenue from use of money and property	195,112	4,180	15,060	466	214,818
Charges for services	809,685	-	-	-	809,685
Miscellaneous	350,354	61	-	36	350,451
Intergovernmental	3,396,618	32,226	866,348	802,493	5,097,685
Total revenues	<u>\$ 20,645,514</u>	<u>\$ 2,299,917</u>	<u>\$ 881,408</u>	<u>\$ 802,995</u>	<u>\$ 24,629,834</u>
Expenditures:					
Current:					
General government administration	\$ 4,462,089	\$ -	\$ -	\$ -	\$ 4,462,089
Public safety	6,608,337	-	-	654,493	7,262,830
Public works	7,280,731	-	-	100,636	7,381,367
Health and welfare	240,455	-	-	-	240,455
Parks, recreation, and cultural	2,903,353	-	-	-	2,903,353
Community development	851,558	-	-	-	851,558
Capital projects	-	-	2,230,105	-	2,230,105
Debt service:					
Principal retirement	453,405	3,060,281	-	-	3,513,686
Interest and other fiscal charges	17,121	582,531	-	-	599,652
Bond issuance costs	-	-	76,347	-	76,347
Total expenditures	<u>\$ 22,817,049</u>	<u>\$ 3,642,812</u>	<u>\$ 2,306,452</u>	<u>\$ 755,129</u>	<u>\$ 29,521,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,171,535)</u>	<u>\$ (1,342,895)</u>	<u>\$ (1,425,044)</u>	<u>\$ 47,866</u>	<u>\$ (4,891,608)</u>
Other financing sources (uses):					
Issuance of capital lease	\$ 619,455	\$ -	\$ -	\$ -	\$ 619,455
Issuance of bonds	-	1,320,473	6,576,140	-	7,896,613
Transfers in	925,000	388,015	-	-	1,313,015
Transfers out	-	-	(376,209)	(31,987)	(408,196)
Total other financing sources (uses)	<u>\$ 1,544,455</u>	<u>\$ 1,708,488</u>	<u>\$ 6,199,931</u>	<u>\$ (31,987)</u>	<u>\$ 9,420,887</u>
Net changes in fund balances	\$ (627,080)	\$ 365,593	\$ 4,774,887	\$ 15,879	\$ 4,529,279
Fund balances at beginning of year, as restated	<u>9,009,761</u>	<u>4,562,958</u>	<u>7,903,967</u>	<u>856,274</u>	<u>22,332,960</u>
Fund balances at end of year	<u>\$ 8,382,681</u>	<u>\$ 4,928,551</u>	<u>\$ 12,678,854</u>	<u>\$ 872,153</u>	<u>\$ 26,862,239</u>

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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	4,529,279
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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 depreciation exceeded capital outlays in the current period. The following details support this adjustment:

Capital outlay	\$ 3,363,350	
Depreciation expense	<u>(4,273,095)</u>	(909,745)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		(7,331)
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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.		6,859
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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.

Debt issued:		
General obligation bonds	\$ (7,896,613)	
Capital leases	(619,455)	
Repayments:		
General obligation bonds	3,060,281	
Capital leases	<u>453,405</u>	
Net adjustment		(5,002,382)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$ 846	
Net OPEB obligation	(43,986)	
Bond premium	50,529	
Accrued interest payable	<u>28,751</u>	
Net adjustment		<u>36,140</u>

Change in net position of governmental activities (Exhibit 2)	\$	<u><u>(1,347,180)</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 Net Position
Proprietary Fund
At June 30, 2014

		Business-type Activities Enterprise Fund Water & Sewer Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$	2,057,225
Receivables: (net of allowance for uncollectibles)		
Accounts		833,198
Unbilled service charges		704,160
Prepaid items		875
Inventory, at cost		14,165
Total current assets	\$	3,609,623
Other capital assets, net of accumulated depreciation		9,689,789
Total assets	\$	13,299,412
Liabilities:		
Current liabilities:		
Accounts payable	\$	1,643,397
Accrued liabilities		6,625
Escrow and other deposits		135,043
Due to other governments		252,907
Due to other funds		1,440,274
Compensated absences - current portion		98,765
Bonds payable - current portion		108,000
Capital leases - current portion		47,762
Total current liabilities	\$	3,732,773
Noncurrent liabilities:		
Compensated absences - noncurrent portion	\$	10,974
Net OPEB obligation		39,934
Bonds payable - noncurrent portion		1,468,000
Capital leases - noncurrent portion		84,536
Total noncurrent liabilities	\$	1,603,444
Total liabilities	\$	5,336,217
Net Position:		
Net investment in capital assets	\$	7,981,491
Unrestricted		(18,296)
Total net position	\$	7,963,195

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, 2014

		Business-type Activities Enterprise Fund
		Water & Sewer Fund
Operating revenues:		
Charges for services	\$	<u>6,985,412</u>
Operating expenses:		
Personal services	\$	1,142,104
Fringe benefits		379,941
Contractual services		3,698,027
Other charges		129,074
Materials and supplies		115,011
Depreciation		<u>440,478</u>
Total operating expenses	\$	<u>5,904,635</u>
Operating income (loss)	\$	<u>1,080,777</u>
Nonoperating revenues (expenses):		
Interest revenue	\$	2,116
Miscellaneous income		318,019
Interest expense		<u>(3,228)</u>
Net nonoperating revenues (expenses)	\$	<u>316,907</u>
Income (loss) before transfers	\$	<u>1,397,684</u>
Transfers:		
Transfers in	\$	376,209
Transfers (out)		<u>(1,281,028)</u>
Net transfers	\$	<u>(904,819)</u>
Change in net position	\$	492,865
Net position, beginning of year		<u>7,470,330</u>
Net position, end of year	\$	<u><u>7,963,195</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, 2014**

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 6,381,628
Payments to and for employees	(1,520,608)
Payments to suppliers	(3,243,803)
Other receipts	318,019
Net cash provided by operating activities	<u>\$ 1,935,236</u>
Cash flows from investing activities:	
Investment revenue	<u>\$ 2,116</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (438,698)
Issuance of capital lease	80,545
Issuance of bonds payable	1,672,000
Principal payments on capital lease	(27,513)
Principal payments on note and bonds payable	(1,796,733)
Interest expense	(3,228)
Net cash provided by (used for) capital and related financing activities	<u>\$ (513,627)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 801,979
Transfers (to) other funds	<u>(1,281,028)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (479,049)</u>
Net increase (decrease) in cash and cash equivalents	\$ 944,676
Cash and cash equivalents at beginning of year	<u>1,112,549</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,057,225</u></u>

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2014 (continued)

		Business-type Activities Enterprise Fund
		Water & Sewer Fund
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$	1,080,777
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		440,478
Miscellaneous income		318,019
Increase (decrease) in allowance for uncollectibles		
Changes in operating accounts:		
Accounts receivable		88,978
Unbilled service charges		(14,128)
Inventory		70,984
Prepaid items		(875)
Accounts payable		628,200
Accrued liabilities		(459)
Escrow and other deposits		10,496
Due to other governments		(689,130)
Net OPEB obligation		4,065
Compensated absences		(2,169)
Net cash provided by (used for) operating activities	\$	<u><u>1,935,236</u></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, 2014

Assets:	
Investment in State Treasurer's Local Government Investment Pool	\$ <u>5,247,268</u>
Net Position:	
Held in trust for pension benefits	\$ <u><u>5,247,268</u></u>

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, 2014

Additions:	
Contributions:	
Employer	\$ 344,474
Plan members	<u>42,225</u>
Total contributions	\$ 386,699
Investment income:	
Interest earned on investments	<u>1,356</u>
Total additions	\$ <u>388,055</u>
Deductions:	
Pension benefit payments	\$ 359,487
Other charges	<u>55,887</u>
Total deductions	\$ <u>415,374</u>
Net increase in plan assets	\$ (27,319)
Net position held in trust for pension benefits:	
Balance, beginning of year	<u>5,274,587</u>
Balance, end of year	<u><u>\$ 5,247,268</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, 2014

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 accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. 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, 2014 (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). 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, 2014 (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, 2014 (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 2014.

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, Special Transportation Fund and the Gang Task Force Fund. The Special Transportation Fund is considered a major fund for reporting purposes.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (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 unearned revenue is removed from the combined balance sheet and revenue is recognized.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (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, 2014 (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, Stormwater 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, 2014.
10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2014.

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, 2014 (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 2014. 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, 2014.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (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 \$171,600 at June 30, 2014 and is comprised of the following:

General Fund:	
Property taxes receivable	\$ 2,000
Vehicle License Fee	11,600
Total general fund	<u>\$ 13,600</u>
Water and Sewer Fund:	
Accounts receivable	<u>158,000</u>
Grand total	<u>\$ 171,600</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, 2014 (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, 2014 (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).

V. Financial Reporting for Pension Plans, Statement No. 67 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2014. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

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

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

Custodial Credit Risk (Investments)

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

The Town's investments at June 30, 2014 consisted of investment in the Commonwealth of Virginia Local Government Investment Pool and investments in the State Non-Arbitrage Pool (SNAP).

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities

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

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

The Town's rated debt instruments as of June 30, 2014 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)	\$ 22,543,765
Virginia State Non-Arbitrage Program	10,062,865
	<u>\$ 32,606,630</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)	\$ 29,319,118
Fiduciary funds	5,247,268
Total cash and investments	<u>\$ 34,566,386</u>
Cash:	
Deposits	\$ 1,959,010
Cash on hand and cash items	746
Total cash	<u>\$ 1,959,756</u>
Investments	<u>\$ 32,606,630</u>
Total cash and investments	<u>\$ 34,566,386</u>

- (2) Includes temporarily restricted cash of \$1,352,425.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

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.

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 2014 was \$.2288 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 Activities
	General Fund	Debt Service Fund	Capital Projects Fund		Water & Sewer Fund
Property taxes	\$ 24,142	\$ -	\$ -	\$ 24,142	\$ -
Consumer utility taxes	87,390	-	-	87,390	-
PEG funds	43,093	-	-	43,093	-
Business license fees	33,565	-	-	33,565	-
Franchise fees	77,622	-	-	77,622	-
Meals taxes	-	249,779	-	249,779	-
Vehicle license fees	98,212	-	-	98,212	-
Water and sewer charges	-	-	-	-	991,198
Unbilled revenues	-	-	-	-	704,160
Other	88,363	-	260	88,623	-
Total	\$ 452,387	\$ 249,779	\$ 260	\$ 702,426	\$ 1,695,358
Less: Allowance for uncollectibles	(13,600)	-	-	(13,600)	(158,000)
Net receivables	\$ 438,787	\$ 249,779	\$ 260	\$ 688,826	\$ 1,537,358

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are detailed as follows:

	Governmental Activities			Total
	General Fund	Capital Projects Fund	Nonmajor Funds	
Commonwealth of Virginia:				
Virginia Department of Highways	\$ 86,766	\$ 568,648	\$ -	\$ 655,414
Department of criminal justice services	-	-	45,000	45,000
Other	-	137	-	137
Federal Government:				
Federal Highway Administration	-	117,472	-	117,472
Traffic enforcement	10,243	-	-	10,243
County of Fairfax, Virginia:				
Local sales tax	239,105	-	-	239,105
Communications tax	180,970	-	-	180,970
Court fines and forfeitures	57,360	-	-	57,360
Fire grant	7,449	-	-	7,449
Other	1,825	-	-	1,825
County of Loudoun, Virginia:				
Gang grant	21,010	-	-	21,010
County of Arlington, Virginia:				
Drug Trafficking Grant	13,232	-	-	13,232
Total	<u>\$ 617,960</u>	<u>\$ 686,257</u>	<u>\$ 45,000</u>	<u>\$ 1,349,217</u>

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Details of interfund receivables, payables and activity as of June 30, 2014 are as follows:

Interfund balances resulting from cash advances to the various funds:

Interfund Receivable	Interfund Payable	
General	Water and Sewer	\$ 1,440,209
Stormwater	Debt Service	84
Stormwater	Capital Projects	22,214
General	Capital Projects	72,563
General	Stormwater	25,000
Gang Task Force	General	270
Debt Service	Water and Sewer	65
Debt Service	Capital Projects	3,693
Total		<u>\$ 1,564,098</u>

Transfers to/from other funds:

Transfers to the General Fund from the Water and Sewer Fund to supplement General Fund operations	\$ 900,000
Transfers to the General Fund from the Stormwater Fund for Stormwater expenditures	25,000
Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects	376,209
Transfers to the Debt Service Fund from the Stormwater Fund to supplement debt service funding for general long-term obligation debt	6,987
Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt	381,028
Total transfers	<u>\$ 1,689,224</u>

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 7 - CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 3,030,872	\$ 2,047	\$ -	\$ 3,032,919
Construction in progress - infrastructure	1,619,431	935,894	156,558	2,398,767
Construction in progress - other	2,821,110	1,246,822	53,232	4,014,700
Total capital assets not being depreciated	<u>\$ 7,471,413</u>	<u>\$ 2,184,763</u>	<u>\$ 209,790</u>	<u>\$ 9,446,386</u>
Other capital assets:				
Land improvements	\$ 2,322,382	\$ -	\$ -	\$ 2,322,382
Buildings and improvements	13,578,993	32,073	-	13,611,066
Infrastructure	77,094,210	452,856	-	77,547,066
Office and other equipment	2,878,743	287,359	-	3,166,102
Automotive and other equipment	5,237,292	616,089	344,333	5,509,048
Total other capital assets	<u>\$ 101,111,620</u>	<u>\$ 1,388,377</u>	<u>\$ 344,333</u>	<u>\$ 102,155,664</u>
Accumulated depreciation:				
Land improvements	\$ 239,537	\$ 46,448	\$ -	\$ 285,985
Buildings and improvements	6,359,793	458,437	-	6,818,230
Infrastructure	49,839,436	3,092,826	-	52,932,262
Office and other equipment	1,670,709	244,736	-	1,915,445
Automotive and other equipment	2,528,747	430,648	337,002	2,622,393
Total accumulated depreciation	<u>\$ 60,638,222</u>	<u>\$ 4,273,095</u>	<u>\$ 337,002</u>	<u>\$ 64,574,315</u>
Net capital assets	<u>\$ 47,944,811</u>	<u>\$ (699,955)</u>	<u>\$ 217,121</u>	<u>\$ 47,027,735</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 183,973		
Public safety		241,735		
Public works		3,591,360		
Parks and recreation		251,344		
Community development		4,683		
Total depreciation expense		<u>\$ 4,273,095</u>		

Business-type Activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Other capital assets:				
Automotive equipment	\$ 1,000,965	\$ 162,326	\$ 117,577	\$ 1,045,714
Improvements	19,721,359	278,149	-	19,999,508
Total capital assets	<u>\$ 20,722,324</u>	<u>\$ 440,475</u>	<u>\$ 117,577</u>	<u>\$ 21,045,222</u>
Accumulated depreciation:				
Automotive equipment	\$ 619,219	\$ 81,797	\$ 115,800	\$ 585,216
Improvements	10,411,536	358,681	-	10,770,217
Total accumulated depreciation	<u>\$ 11,030,755</u>	<u>\$ 440,478</u>	<u>\$ 115,800</u>	<u>\$ 11,355,433</u>
Net capital assets	<u>\$ 9,691,569</u>	<u>\$ (3)</u>	<u>\$ 1,777</u>	<u>\$ 9,689,789</u>

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment:			
Governmental activities	\$ 2,201,255	\$ 208,611	\$ 411,886
Business activities	176,149	28,236	64,311
Total	<u>\$ 2,377,404</u>	<u>\$ 236,847</u>	<u>\$ 476,197</u>

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 8 - DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUE:

	Government-wide Statements	Governmental Funds
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
A. <i>Deferred Property Tax Revenue</i> - deferred inflow of resources representing uncollected tax billings not available for funding of current expenditures	\$ -	\$ 21,064
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.	59,129	59,129
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	250,969	250,969
D. <i>Unearned revenues</i> - Special Transportation Fund	504,558	504,558
E. <i>Unearned revenues</i> - asset forfeiture funds	112,259	112,259
F. <i>Other</i> - unearned vehicle license fee revenue	26,467	26,467
Total	<u>\$ 953,382</u>	<u>\$ 974,446</u>

NOTE 9 - LONG-TERM OBLIGATIONS:

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

Year Ending June 30,	Governmental Activities: General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 2,190,000	\$ 477,323	\$ 611,394	\$ 20,817
2016	1,855,000	429,108	496,478	12,299
2017	1,844,000	387,195	321,804	6,071
2018	1,522,000	344,962	158,085	2,197
2019	1,522,000	305,594	-	-
2020	1,522,000	266,059	-	-
2021	1,522,000	226,356	-	-
2022	1,192,000	186,435	-	-
2023	1,192,000	158,938	-	-
2024	1,192,000	130,064	-	-
2025	1,192,000	99,867	-	-
2026	1,157,000	69,988	-	-
2027	857,000	45,116	-	-
2028	857,000	24,828	-	-
2029	437,000	9,789	-	-
Total	<u>\$ 20,053,000</u>	<u>\$ 3,161,622</u>	<u>\$ 1,587,761</u>	<u>\$ 41,384</u>

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 108,000	\$ 40,641	\$ 47,762	\$ 2,099
2015	110,000	38,004	31,742	1,286
2016	113,000	35,317	32,239	790
2017	115,000	32,557	20,555	286
2018	118,000	29,745	-	-
2019	121,000	26,860	-	-
2020	124,000	23,902	-	-
2021	127,000	20,870	-	-
2022	130,000	17,765	-	-
2023	45,000	14,586	-	-
2024	46,000	13,299	-	-
2025	47,000	11,983	-	-
2026	49,000	10,639	-	-
2027	50,000	9,238	-	-
2028	52,000	7,808	-	-
2029	53,000	6,321	-	-
2030	54,000	4,805	-	-
2031	56,000	3,260	-	-
2032	58,000	1,659	-	-
Total	<u>\$ 1,576,000</u>	<u>\$ 349,259</u>	<u>\$ 132,298</u>	<u>\$ 4,461</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, 2014.

	Bonds	Capital Leases	Total
Balance, July 1, 2013	<u>\$ 15,518,686</u>	<u>\$ 1,421,711</u>	<u>\$ 16,940,397</u>
Issuances/increases:			
Public improvement bonds	\$ 7,896,613	\$ -	\$ 7,896,613
Capital leases	-	619,455	619,455
Total issuances/increases	<u>\$ 7,896,613</u>	<u>\$ 619,455</u>	<u>\$ 8,516,068</u>
Retirements/decreases:			
Public improvement bonds	\$ 3,060,281	\$ -	\$ 3,060,281
Bond premium	50,529	-	50,529
Capital leases	-	453,405	453,405
Total retirements/decreases	<u>\$ 3,110,810</u>	<u>\$ 453,405</u>	<u>\$ 3,564,215</u>
Balance, June 30, 2014	<u>\$ 20,304,489</u>	<u>\$ 1,587,761</u>	<u>\$ 21,892,250</u>

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Changes in Long-term Obligations: (continued)

The following is a summary of business-type activities long-term obligations of the Town for the year ended June 30, 2014.

	<u>Note Payable</u>	<u>Bonds Payable</u>	<u>Capital Leases</u>	<u>Total</u>
Balance, July 1, 2013	\$ 1,700,733	\$ -	\$ 79,266	\$ 1,779,999
Issuances/increases:				
Public improvement bonds	\$ -	\$ 1,672,000	\$ -	\$ 1,672,000
Capital leases	-	-	80,545	80,545
Total issuances/increases	\$ -	\$ 1,672,000	\$ 80,545	\$ 1,752,545
Retirements/decreases:				
Note payable	\$ 1,700,733	\$ 96,000	\$ -	\$ 1,796,733
Capital leases	-	-	27,513	27,513
Total retirements/decreases	\$ 1,700,733	\$ 96,000	\$ 27,513	\$ 1,824,246
Balance, June 30, 2014	<u>\$ -</u>	<u>\$ 1,576,000</u>	<u>\$ 132,298</u>	<u>\$ 1,708,298</u>

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

Details of Long-Term Obligations

	<u>Amount Outstanding</u>	<u>Amount Due In One Year</u>
<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%	\$ 320,000	\$ 320,000
\$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%	2,310,000	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%	1,675,000	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%	5,885,000	425,000
\$6,555,000 issued November 14, 2013, maturing in annual installments of \$437,000 through June 1, 2029, interest payable semiannually at 2.24%	6,555,000	437,000
\$1,334,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$322,000 to \$343,000 through February 1, 2017, interest payable semiannually at .89%	998,000	343,000
Total public improvement bonds	<u>\$ 20,053,000</u>	<u>\$ 2,190,000</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (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%	\$ 492,585	\$ 162,511
\$700,000 capital lease obligations due in annual installments of \$181,035 through October 31, 2015, interest payable at 1.37%	354,659	176,149
\$619,455 capital lease obligations due in annual installments of \$160,282 through October 31, 2017, interest payable at 1.390%	619,455	151,672
\$529,427 capital lease obligations due in annual installments of \$123,434 through June 1, 2015, interest payable at 1.94%	<u>121,062</u>	<u>121,062</u>
Total capital leases	<u>\$ 1,587,761</u>	<u>\$ 611,394</u>
Unamortized bond premiums	<u>\$ 251,489</u>	<u>\$ 33,462</u>
Total general long-term obligations from governmental activities	<u>\$ 21,892,250</u>	<u>\$ 2,834,856</u>
<u>Business-type activities:</u>		
<u>Public Improvement Bonds:</u>		
\$794,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$73,000 to \$87,000 through June 1, 2023, interest payable semiannually at 2.24%	\$ 715,000	\$ 73,000
\$878,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$17,000 to \$58,000 through April 1, 2033, interest payable semiannually at 2.86%	<u>861,000</u>	<u>35,000</u>
Total public improvement bonds	<u>\$ 1,576,000</u>	<u>\$ 108,000</u>
<u>Capital Leases:</u>		
\$80,545 capital lease obligations due in annual installments of \$20,841 through June 1, 2015, interest payable at 1.94%	\$ 80,545	\$ 19,721
\$46,566 capital lease obligations due in annual installments of \$12,188 through October 1, 2016, interest payable at 1.087%	35,245	11,533
\$70,573 capital lease obligations due in annual installments of \$16,831 through June 1, 2015, interest payable at 1.94%	<u>16,508</u>	<u>16,508</u>
Total capital leases	<u>\$ 132,298</u>	<u>\$ 47,762</u>
Total general long-term obligations from business-type activities	<u>\$ 1,708,298</u>	<u>\$ 155,762</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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

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

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2013	\$ 1,162,480	\$ 111,908	\$ 1,274,388
Increases	1,161,634	109,739	1,271,373
Decreases	(1,162,480)	(111,908)	(1,274,388)
Balance, June 30, 2014	<u>\$ 1,161,634</u>	<u>\$ 109,739</u>	<u>\$ 1,271,373</u>
Amounts due within one year	\$ 1,045,471	\$ 98,765	\$ 1,144,236
Amounts due after one year	116,163	10,974	127,137
Total	<u>\$ 1,161,634</u>	<u>\$ 109,739</u>	<u>\$ 1,271,373</u>

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

NOTE 11 - PENSION PLANS:

Virginia Retirement System

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
 Administering Entity: Virginia Retirement System (System)

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

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

VRS – PLAN 1

- Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

15. Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

4. **Retirement Contributions** - Same as VRS Plan 1 - Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1 - Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1 - Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1 - Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

11. Earliest Unreduced Retirement Eligibility - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. Earliest Reduced Retirement Eligibility - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. Eligibility - Same as VRS Plan 1 - Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 - Refer to Section 15.

16. Disability Coverage - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service - Same as VRS Plan 1 - Refer to Section 17.

HYBRID RETIREMENT PLAN

1. Plan Overview - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

1. Plan Overview (continued)

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

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

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

6. Vesting (continued)

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1 - Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as VRS Plan 2 - Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2 - Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2 - Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2 - Refer to Section 17.

Defined Contribution Component - Not Applicable.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% 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 2014 was 12.47% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, Town's annual pension cost of \$1,366,884 was equal to the Town's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) *	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 959,654	100%	\$ -
June 30, 2013	1,296,711	100%	-
June 30, 2014	1,366,884	100%	-

* Includes employer contributions only

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Virginia Retirement System (continued)

C. Annual Pension Cost (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 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.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 73.74% funded. The actuarial accrued liability for benefits was \$55,728,691, and the actuarial value of assets was \$41,092,295, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,636,396. The covered payroll (annual payroll of active employees covered by the plan) was \$10,631,213 and ratio of the UAAL to the covered payroll was 137.67%.

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 Retirement Plans

A. Plan Description

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

A. Plan Description (continued)

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. The Local Retirement Plan closed to new entrants in FY 2006 when the 401A plan was established. 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.

Police Retirement Plan

Any full-time, salaried sworn officers must 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

B. 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	10.30%	6.08%
Plan members	-	1.50%
Annual pension cost (1)	\$161,780	\$182,694
Contributions made (1)	\$161,780	\$182,694
Actuarial valuation date	July 1, 2013	July 1, 2013
Actuarial cost method	Individual entry age normal	Individual entry age normal
Amortization method	Level dollar (closed)	Level dollar (open)
Remaining amortization period	9 years	13 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	8.41% for 10 years, 4.28% thereafter
* Includes inflation at	3.25%	3.25%
Cost of living adjustments	3.25%	3.25%

(1) Employer portion only - year June 30, 2014

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

B. Funding Policy and Annual Pension Cost (continued)

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

<u>Trend Information</u>			
<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC) *</u>	<u>Percentage of APC</u>	<u>Net Pension Obligation</u>
Town Local Plan:			
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%	-
June 30, 2014	161,780	100%	-
Police Plan:			
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%	-
June 30, 2014	182,694	100%	-

* Employer cost only

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

C. Other Information

The Town's membership in the Local and Police Plans at July 1, 2013 is as follows:

	Local Retirement Plan	Police Retirement Plan
Retirees and beneficiaries	38	24
Terminated vested members	71	-
Disabled	3	-
Active members	24	39
Total	136	63

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	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268
Net Position:			
Net position held in trust for pension benefits	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268
Additions:			
Contributions:			
Employer	\$ 161,780	\$ 182,694	\$ 344,474
Plan members	-	42,225	42,225
Total contributions	\$ 161,780	\$ 224,919	\$ 386,699
Investment income:			
Interest earned on investments	2,354	(998)	1,356
Total additions	\$ 164,134	\$ 223,921	\$ 388,055
Deductions:			
Pension benefit payments	\$ 137,515	\$ 221,972	\$ 359,487
Other charges	4,499	51,388	55,887
Total deductions	\$ 142,014	\$ 273,360	\$ 415,374
Net increase (decrease) in plan assets	\$ 22,120	\$ (49,439)	\$ (27,319)
Net position held in trust for pension benefits:			
Balance, beginning of year	2,322,567	2,952,020	5,274,587
Balance, end of year	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the Local plan was 72.3% funded. The actuarial accrued liability for benefits was \$3,210,804, and the actuarial value of assets was \$2,322,568, resulting in an unfunded actuarial accrued liability (UAAL) of \$888,236. The covered payroll (annual payroll of active employees covered by the plan) was \$1,554,785, and ratio of the UAAL to the covered payroll was 57.1%.

As of July 1, 2013, the most recent actuarial valuation date, the Police plan was 80.50% funded. The actuarial accrued liability for benefits was \$3,666,472, and the actuarial value of assets was \$2,952,020, resulting in an unfunded actuarial accrued liability (UAAL) of \$714,452. The covered payroll (annual payroll of active employees covered by the plan) was \$2,969,712, and ratio of the UAAL to the covered payroll was 24.1%.

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

NOTE 12 - PENSION PLAN REPORTING - GASB 67:

This disclosure applies to the Pension Plan itself and includes specific additional pension disclosures required by GASB 67 *Financial Reporting for Pension Plans* not already included in Note 11.

Plan Description

Plan administration. The Town administers the Town's Local Retirement Plan and Police Retirement Pension Plan (Plan) - a single-employer defined benefit pension plans that provide pensions for all permanent full-time employees of the Town.

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. As of June 30, 2014, the asset allocation policy is to trust solely in the Local Government Investment Pool (fixed income).

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 12 - PENSION PLAN REPORTING - GASB 67: (continued)

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2014, were as follows:

	<u>Civilian</u>	<u>Police</u>	<u>Total</u>
Total pension liability	\$ 3,795,616	\$ 4,232,406	\$ 8,028,022
Plan fiduciary net position	<u>(2,344,687)</u>	<u>(2,902,581)</u>	<u>(5,247,268)</u>
Authority's net pension liability	<u>\$ 1,450,929</u>	<u>\$ 1,329,825</u>	<u>\$ 2,780,754</u> (1)
Plan fiduciary net position as a percentage of the total pension liability	61.77%	68.58%	65.36%

(1) Note - Net Pension Liability is calculated for the Plan at June 30, 2014 as required by GASB 67; however, it will not be included as a liability of the Town until the fiscal year ending June 30, 2015 when the Town implements GASB 68.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	in addition to inflation, 4.00% for Police Officers with less than 20 years of service; 5.00% for Civilian members with less than 10 years of service, and 1.00% thereafter.
Investment rate of return	5.00%, compounded annually, net of investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Non-disabled Males or Females, as appropriate. RP-2000 Disabled tables are used for disability retirements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income (LGIP)	5.00%

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 12 - PENSION PLAN REPORTING - GASB 67: (continued)

Net Pension Liability of the Town (continued)

Discount rate. The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates at lesser equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Town, calculated using the discount rate of 5.00%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.00%) or 1 percentage-point higher (6.00%) than the current rate:

		Civilian Plan					
		1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)			
	Net pension liability	\$	1,911,431	\$	1,450,929	\$	1,030,437
		Sworn Officer's Plan					
		1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)			
	Net pension liability	\$	1,829,908	\$	1,329,825	\$	913,780

NOTE 13 - 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 \$230,528, and employee contributions were \$112,161 for fiscal year 2014.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2014 (continued)

NOTE 14 - 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 2014. 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 15 - LITIGATION:

At June 30, 2014, 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 16 - COMMITMENTS:

Operating 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 \$1,707 per month during the year ended June 30, 2014 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2014 approximated \$20,487.

NOTE 17 - 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 18 - 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.

NOTE 19 - 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (continued)

Town (continued)

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	\$ 106,281
Interest on net OPEB obligation	14,936
Adjustment to annual required contribution	<u>(13,797)</u>
Annual OPEB cost (expense)	\$ 107,420
Contributions made	<u>(59,369)</u>
Increase in net OPEB obligation	\$ 48,051
Net OPEB obligation - beginning of year	<u>373,406</u>
Net OPEB obligation - end of year	<u><u>\$ 421,457</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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, 2012	\$ 127,461	55%	\$ 322,720
June 30, 2013	105,404	52%	373,406
June 30, 2014	107,420	55%	421,457

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (continued)

Town (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 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.

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 19 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE: (continued)

Town (continued)

E. Actuarial Methods and Assumptions (continued)

Cost Method (continued)

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%

Net OPEB Obligation

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance, July 1, 2013	\$ 337,537	\$ 35,869	\$ 373,406
Increases	97,730	9,690	107,420
Decreases	(53,744)	(5,625)	(59,369)
Balance, June 30, 2014	<u>\$ 381,523</u>	<u>\$ 39,934</u>	<u>\$ 421,457</u>
Total	<u>\$ 381,523</u>	<u>\$ 39,934</u>	<u>\$ 421,457</u>

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

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2014 (continued)**

NOTE 20 - UPCOMING GASB PRONOUNCEMENTS:

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

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

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

NOTE 21 - RESTATEMENT:

Balances as of July 1, 2013 were restated as follows:

	<u>Net Position</u> Governmental Activities	<u>Fund Balance</u> Gang Task Force Fund
Beginning of year, as previously reported	\$ 50,968,716	\$ -
Reclassification of Gang Task Force balances	<u>672,270</u>	<u>672,270</u>
Beginning of year, as restated	<u>\$ 51,640,986</u>	<u>\$ 672,270</u>

NOTE 22 - DEBT REFUNDING:

On November 14, 2013 the Town of Vienna, Virginia issued \$794,000 of Public Improvement Refunding Bonds, Series 2013A, with an effective interest rate of 2.40%. The bonds were issued to refund \$769,208 of Notes Payable. The bonds will be repaid in various installments beginning June 1, 2014 to June 1, 2023. This represented a current refunding. The reacquisition price equaled the carrying amount of the old debt. The current refunding reduced the total debt service payments over 10 years by \$158,898 and resulted in an economic gain of \$139,961.

On November 14, 2013 the Town of Vienna, Virginia issued \$1,334,000 of Public Improvement Refunding Bonds, Series 2013B, with an effective interest rate of .89%. The bonds were issued to refund \$1,306,666 of General Obligation Bonds. The bonds will be repaid in various installments beginning February 1, 2014 to February 1, 2017. This represented a current refunding. The reacquisition price equaled the carrying amount of the old debt. The current refunding reduced the total debt service payments over 4 years by \$61,525 and resulted in an economic gain of \$60,036.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2014 (continued)

NOTE 22 - DEBT REFUNDING: (continued)

On November 14, 2013 the Town of Vienna, Virginia issued \$878,000 of Public Improvement Refunding Bonds, Series 2013C, with an effective interest rate of 2.86%. The bonds were issued to refund \$865,174 of Notes Payable. The bonds will be repaid in various installments beginning April 1, 2014 to April 1, 2033. This represented a current refunding. The reacquisition price equaled the carrying amount of the old debt. The current refunding reduced the total debt service payments over 20 years by \$254,787 and resulted in an economic gain of \$183,626.

- Required Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General property taxes	\$ 9,137,044	\$ 9,137,044	\$ 9,210,898	\$ 73,854
Other local taxes	6,057,500	6,057,500	6,072,461	14,961
Permits, privilege fees and regulatory licenses	148,800	148,800	171,876	23,076
Fines and forfeitures	460,500	460,500	438,510	(21,990)
Revenue from the use of money and property	195,365	195,365	195,112	(253)
Charges for services	773,000	773,000	809,685	36,685
Miscellaneous	112,300	296,422	350,354	53,932
Intergovernmental:				
Commonwealth	3,188,661	3,283,686	3,293,082	9,396
Federal Government	67,000	76,000	103,536	27,536
Total revenues	<u>\$ 20,140,170</u>	<u>\$ 20,428,317</u>	<u>\$ 20,645,514</u>	<u>\$ 217,197</u>
Expenditures				
Current:				
General Government Administration:				
Legislative	\$ 455,954	\$ 668,124	\$ 602,561	\$ 65,563
General and financial administration	3,774,500	3,930,795	3,859,528	71,267
Total general government administration	<u>\$ 4,230,454</u>	<u>\$ 4,598,919</u>	<u>\$ 4,462,089</u>	<u>\$ 136,830</u>
Public Safety:				
Law enforcement and traffic control	\$ 6,251,225	\$ 6,417,574	\$ 6,461,730	\$ (44,156)
Fire and rescue	51,935	51,935	57,133	(5,198)
Other protection	82,415	82,415	89,474	(7,059)
Total public safety	<u>\$ 6,385,575</u>	<u>\$ 6,551,924</u>	<u>\$ 6,608,337</u>	<u>\$ (56,413)</u>
Public Works:				
Maintenance of streets, highways, bridges and sidewalks	\$ 2,806,377	\$ 2,878,084	\$ 2,820,638	\$ 57,446
Sanitation and waste removal	1,606,588	1,605,803	2,097,708	(491,905)
Maintenance of buildings and grounds	2,433,613	2,455,863	2,362,385	93,478
Total public works	<u>\$ 6,846,578</u>	<u>\$ 6,939,750</u>	<u>\$ 7,280,731</u>	<u>\$ (340,981)</u>

TOWN OF VIENNA, VIRGINIA

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014 (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	\$ 258,700	\$ 258,700	\$ 240,455	\$ 18,245
Parks, recreation and cultural:				
Parks and recreation	\$ 2,798,910	\$ 2,888,801	\$ 2,903,353	\$ (14,552)
Community Development:				
Planning and community development	\$ 857,889	\$ 877,230	\$ 851,558	\$ 25,672
Debt Service:				
Principal	\$ 468,149	\$ 468,149	\$ 453,405	\$ 14,744
Interest and fiscal charges	18,734	18,734	17,121	1,613
Total debt service	\$ 486,883	\$ 486,883	\$ 470,526	\$ 16,357
Total expenditures	\$ 21,864,989	\$ 22,602,207	\$ 22,817,049	\$ (214,842)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,724,819)	\$ (2,173,890)	\$ (2,171,535)	\$ 2,355
Other Financing Sources (Uses)				
Issuance of capital lease	\$ -	\$ -	\$ 619,455	\$ 619,455
Transfers in	920,000	920,000	925,000	5,000
Total other financing sources (uses)	\$ 920,000	\$ 920,000	\$ 1,544,455	\$ 624,455
Net change in fund balance	\$ (804,819)	\$ (1,253,890)	\$ (627,080)	\$ 626,810
Fund balance, beginning of year	<u>804,819</u>	<u>1,253,890</u>	<u>9,009,761</u>	<u>7,755,871</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,382,681</u>	<u>\$ 8,382,681</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

Schedule 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, 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%
June 30, 2013	41,092,295	55,728,691	14,636,396	73.74%	10,631,213	137.67%
Town Local Plan:						
January 1, 2001	\$ 1,943,183	\$ 3,171,648	\$ 1,228,465	61.3%	\$ 4,539,662	27.1%
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%
July 1, 2013	2,322,568	3,210,804	888,236	72.3%	1,554,785	57.1%
Police Plan:						
January 1, 2001	\$ 2,763,713	\$ 2,454,649	\$ (309,064)	112.6%	\$ 1,887,441	-16.4%
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%
July 1, 2013	2,952,020	3,666,472	714,452	80.5%	2,969,712	24.1%
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%

TOWN OF VIENNA, VIRGINIA

Schedule of Changes in the Net Pension Liability and Related Ratios

	<u>Civilian</u>	<u>Sworn Officers'</u>	<u>Total 2014</u>
Total pension liability			
Service cost	\$ 29,828	\$ 185,157	\$ 214,985
Interest	184,058	208,131	392,189
Benefit payments, including refunds of member contributions	<u>(137,515)</u>	<u>(273,360)</u>	<u>(410,875)</u>
Net change in total pension liability	76,371	119,928	196,299
Total pension liability - beginning	<u>3,719,245</u>	<u>4,112,478</u>	<u>7,831,723</u>
Total pension liability - ending (a)	<u>\$ 3,795,616</u>	<u>\$ 4,232,406</u>	<u>\$ 8,028,022</u>
Plan fiduciary net position			
Contributions - employer	\$ 161,780	\$ 182,694	\$ 344,474
Contributions - member	-	42,225	42,225
Net investment income	2,354	(998)	1,356
Benefit payments, including refunds of member contributions	(137,515)	(273,360)	(410,875)
Administrative expense	<u>(4,499)</u>	<u>-</u>	<u>(4,499)</u>
Net change in plan fiduciary net position	22,120	(49,439)	(27,319)
Plan fiduciary net position - beginning	<u>2,322,567</u>	<u>2,952,020</u>	<u>5,274,587</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,344,687</u>	<u>\$ 2,902,581</u>	<u>\$ 5,247,268</u>
Net pension liability (a) - (b)	<u>\$ 1,450,929</u>	<u>\$ 1,329,825</u>	<u>\$ 2,780,754</u>
Plan fiduciary net position as a percentage of the total pension liability	61.8%	68.6%	65.4%
Covered - employee payroll	\$ 1,178,949	\$ 2,732,096	\$ 3,911,045
Net Pension Liability as a percentage of covered - employee payroll	123.1%	48.7%	71.1%

Note: The Town implemented GASB 67 in fiscal year 2014. Information for the previous 9 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions
Last Ten Fiscal Years

Civilian Plan:	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 161,780	\$ 148,159	\$ 137,817	\$ 143,200	\$ 138,196	\$ 155,751	\$ 145,979	\$ 134,812	\$ 124,416	\$ 295,157
Contributions in relation to the actuarially determined contribution	<u>161,780</u>	<u>148,159</u>	<u>137,817</u>	<u>143,200</u>	<u>138,196</u>	<u>155,751</u>	<u>145,979</u>	<u>134,812</u>	<u>124,416</u>	<u>295,157</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered - employee payroll	\$ 1,178,949	\$ 1,559,568	\$ 1,701,444	\$ 1,835,897	\$ 1,919,389	\$ 1,971,532	\$ 1,717,400	\$ 1,872,389	\$ 2,006,710	\$ 5,178,193
Contributions as a percentage of covered - employee payroll	13.7%	9.5%	8.1%	7.8%	7.2%	7.9%	8.5%	7.2%	6.2%	5.7%
Sworn Officers' Plan:	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 182,694	\$ 167,299	\$ 172,524	\$ 133,248	\$ 136,942	\$ 148,117	\$ 140,348	\$ 98,762	\$ 58,596	\$ 59,001
Contributions in relation to the actuarially determined contribution	<u>182,694</u>	<u>167,299</u>	<u>172,524</u>	<u>133,248</u>	<u>136,942</u>	<u>148,117</u>	<u>140,348</u>	<u>98,762</u>	<u>58,596</u>	<u>59,001</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered - employee payroll	\$ 2,732,096	\$ 2,987,482	\$ 2,738,476	\$ 2,664,960	\$ 2,794,735	\$ 2,794,660	\$ 2,648,075	\$ 2,351,476	\$ 2,343,840	\$ 2,269,269
Contributions as a percentage of covered - employee payroll	6.7%	5.6%	6.3%	5.0%	4.9%	5.3%	5.3%	4.2%	2.5%	2.6%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 18 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	Civilian Plan	Sworn Officers' Plan
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar (closed)	Level dollar (closed)
Remaining amortization period	9 years	13 years
Asset valuation method	Market	Market
Inflation	3.25%	3.25%
Salary increases	7.25% first 20 years, 3.25% thereafter	8.41% for 10 years, 4.28% thereafter
Investment rate of return	5.00%	5.00%
Retirement age	The earlier of attainment of age 65 or attainment of age 50 and 30 years of service.	The earlier of attainment of age 65 or attainment of age 50 and 30 years of service.
Mortality	RP-2000 mortality tables	RP-2000 mortality tables

TOWN OF VIENNA, VIRGINIA

Schedule of Investment Returns

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.00%

Note: The Town implemented GASB 67 in fiscal year 2014.
Information for the previous 9 years is unavailable.

- Other Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

**Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2014**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Stormwater Fund</u>	<u>Gang Task Force Fund</u>	
Assets:			
Cash and cash equivalents	\$ 287,602	\$ -	\$ 287,602
Due from other governments	-	45,000	45,000
Due from other funds	22,298	270	22,568
Restricted:			
Cash and cash equivalents	-	847,867	847,867
Total assets	<u>\$ 309,900</u>	<u>\$ 893,137</u>	<u>\$ 1,203,037</u>
Liabilities:			
Accounts payable	\$ 39,870	\$ 108,755	\$ 148,625
Due to other governments	-	45,000	45,000
Due to other funds	25,000	-	25,000
Unearned revenue	-	112,259	112,259
Total liabilities	<u>\$ 64,870</u>	<u>\$ 266,014</u>	<u>\$ 330,884</u>
Fund Balance:			
Restricted:			
Stormwater funds	\$ 245,030	\$ -	\$ 245,030
Gang task force funds	-	627,123	627,123
Total fund balance	<u>\$ 245,030</u>	<u>\$ 627,123</u>	<u>\$ 872,153</u>
Total liabilities and fund balance	<u>\$ 309,900</u>	<u>\$ 893,137</u>	<u>\$ 1,203,037</u>

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

TOWN OF VIENNA, VIRGINIA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Stormwater Fund</u>	<u>Gang Task Force Fund</u>	
Revenues:			
Revenue from use of money and property	\$ 231	\$ 235	\$ 466
Miscellaneous	-	36	36
Intergovernmental	193,418	609,075	802,493
Total revenues	<u>\$ 193,649</u>	<u>\$ 609,346</u>	<u>\$ 802,995</u>
Expenditures:			
Current:			
Public safety	\$ -	\$ 654,493	\$ 654,493
Public works	100,636	-	100,636
Total expenditures	<u>\$ 100,636</u>	<u>\$ 654,493</u>	<u>\$ 755,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 93,013</u>	<u>\$ (45,147)</u>	<u>\$ 47,866</u>
Other financing sources (uses):			
Transfers out	<u>\$ (31,987)</u>	<u>\$ -</u>	<u>\$ (31,987)</u>
Net changes in fund balances	\$ 61,026	\$ (45,147)	\$ 15,879
Fund balances at beginning of year, as restated	184,004	672,270	856,274
Fund balances at end of year	<u><u>\$ 245,030</u></u>	<u><u>\$ 627,123</u></u>	<u><u>\$ 872,153</u></u>

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

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Position
At June 30, 2014

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Total
Assets:			
Investment in State Treasurer's Local Government Investment Pool	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268
Net Position:			
Held in trust for pension benefits	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

**Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014**

	Local Retirement Fund	Police Retirement Fund	Total
Additions:			
Contributions:			
Employer	\$ 161,780	\$ 182,694	\$ 344,474
Plan members	-	42,225	42,225
Total contributions	\$ 161,780	\$ 224,919	\$ 386,699
Investment income:			
Interest earned on investments	2,354	(998)	1,356
Total additions	\$ 164,134	\$ 223,921	\$ 388,055
Deductions:			
Pension benefit payments	\$ 137,515	\$ 221,972	\$ 359,487
Other charges	4,499	51,388	55,887
Total deductions	\$ 142,014	\$ 273,360	\$ 415,374
Net increase in plan assets	\$ 22,120	\$ (49,439)	\$ (27,319)
Net position held in trust for pension benefits:			
Balance, beginning of year	2,322,567	2,952,020	5,274,587
Balance, end of year	\$ 2,344,687	\$ 2,902,581	\$ 5,247,268

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 8,997,044	\$ 8,997,044	\$ 9,044,914	\$ 47,870
Public service corporation taxes:				
Real property	90,000	90,000	81,856	(8,144)
Penalties and interest	50,000	50,000	84,128	34,128
Total general property taxes	<u>\$ 9,137,044</u>	<u>\$ 9,137,044</u>	<u>\$ 9,210,898</u>	<u>\$ 73,854</u>
Other local taxes:				
Local sales and use taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,350,263	\$ 75,263
Consumer utility taxes	657,000	657,000	667,116	10,116
Business license tax	2,400,000	2,400,000	2,329,139	(70,861)
Motor vehicle license tax	365,000	365,000	354,312	(10,688)
Bank franchise taxes	780,000	780,000	697,798	(82,202)
Tobacco tax	335,000	335,000	302,198	(32,802)
Fiber-optic franchise tax	30,500	30,500	31,931	1,431
Telecommunications tax	120,000	120,000	111,570	(8,430)
Media general franchise fees and related taxes	40,000	40,000	167,905	127,905
Utility consumption taxes	55,000	55,000	60,229	5,229
Total other local taxes	<u>\$ 6,057,500</u>	<u>\$ 6,057,500</u>	<u>\$ 6,072,461</u>	<u>\$ 14,961</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 15,306	\$ 306
Other permits, privilege fees and regulatory licenses	133,800	133,800	156,570	22,770
Total permits, privilege fees and regulatory licenses	<u>\$ 148,800</u>	<u>\$ 148,800</u>	<u>\$ 171,876</u>	<u>\$ 23,076</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 460,500	\$ 460,500	\$ 438,510	\$ (21,990)

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
General Fund: (continued)				
Revenue from use of money and property:				
Interest on bank deposits	\$ 17,000	\$ 17,000	\$ 10,257	\$ (6,743)
Concessions and rentals	178,365	178,365	184,855	6,490
Total revenue from use of money and property	<u>\$ 195,365</u>	<u>\$ 195,365</u>	<u>\$ 195,112</u>	<u>\$ (253)</u>
Charges for services:				
Recreation fees	\$ 761,000	\$ 761,000	\$ 763,033	\$ 2,033
Police reimbursements	-	-	18,757	18,757
Special service fees	12,000	12,000	27,895	15,895
Total charges for services	<u>\$ 773,000</u>	<u>\$ 773,000</u>	<u>\$ 809,685</u>	<u>\$ 36,685</u>
Miscellaneous revenue:				
Miscellaneous income	\$ 112,300	\$ 296,422	\$ 350,354	\$ 53,932
Total revenue from local sources	<u>\$ 16,884,509</u>	<u>\$ 17,068,631</u>	<u>\$ 17,248,896</u>	<u>\$ 180,265</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	\$ 1,123,000	\$ 1,123,000	\$ 1,073,958	\$ (49,042)
Rolling stock tax	-	-	95	95
Total non-categorical aid	<u>\$ 1,123,000</u>	<u>\$ 1,123,000</u>	<u>\$ 1,074,053</u>	<u>\$ (48,947)</u>
Categorical aid:				
Street and highway maintenance	\$ 1,647,700	\$ 1,737,462	\$ 1,783,069	\$ 45,607
Law enforcement assistance	-	-	7,500	7,500
VML safety grant	-	3,159	3,159	-
Public safety grants	376,026	376,026	376,084	58
Fire funds	41,935	41,935	47,113	5,178
Other	-	2,104	2,104	-
Total Categorical aid	<u>\$ 2,065,661</u>	<u>\$ 2,160,686</u>	<u>\$ 2,219,029</u>	<u>\$ 58,343</u>
Total revenue from the Commonwealth	<u>\$ 3,188,661</u>	<u>\$ 3,283,686</u>	<u>\$ 3,293,082</u>	<u>\$ 9,396</u>

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014 (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	\$ 67,000	\$ 76,000	\$ 65,788	\$ (10,212)
DMV grants	-	-	37,748	37,748
Total revenue from the federal government	\$ 67,000	\$ 76,000	\$ 103,536	\$ 27,536
Total General Fund	\$ 20,140,170	\$ 20,428,317	\$ 20,645,514	\$ 217,197
<u>Debt Service Fund:</u>				
Revenue from local sources:				
Other local taxes:				
Meals and lodging tax	\$ 1,906,833	\$ 1,906,833	\$ 2,263,450	\$ 356,617
Revenue from use of money and property:				
Interest on bank deposits	4,700	4,700	4,180	(520)
Miscellaneous revenue:				
Miscellaneous income	-	-	61	61
Intergovernmental:				
Revenue from federal government:				
Build America Bonds interest subsidy	35,010	35,010	32,226	(2,784)
Total Debt Service Fund	\$ 1,946,543	\$ 1,946,543	\$ 2,299,917	\$ 353,374
<u>Capital Projects Fund:</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	-	-	15,060	15,060
Total revenue from use of money and property	-	-	15,060	15,060
Total revenue from local sources	-	-	15,060	15,060
Intergovernmental:				
Revenue from the Commonwealth:				
VDOT revenue sharing	-	-	78,743	78,743
Revenue from federal government:				
Federal transit grants	-	-	787,605	787,605
Total Capital Projects Fund	-	-	881,408	881,408
<u>Special Revenue Funds:</u>				
Stormwater Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	-	-	231	231
Intergovernmental:				
Fairfax County - stormwater tax	\$ 226,000	\$ 226,000	\$ 193,418	\$ (32,582)
Total Stormwater Fund	\$ 226,000	\$ 226,000	\$ 193,649	\$ (32,351)

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2014 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Special Revenue Funds: (continued)				
Gang Task Force Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 235	\$ 235
Miscellaneous revenue:				
Miscellaneous income	-	-	36	36
Total revenue from local sources	\$ -	\$ -	\$ 271	\$ 271
Intergovernmental:				
Local governments	\$ -	\$ -	\$ 325,000	\$ 325,000
Revenue from the Commonwealth:				
Asset forfeiture funds	\$ -	\$ -	\$ 203,177	\$ 203,177
Revenue from federal government:				
Asset forfeiture funds	\$ -	\$ -	\$ 80,898	\$ 80,898
Total Gang Task Force Fund	\$ -	\$ -	\$ 609,346	\$ 609,346
Total Special Revenue Funds	\$ 226,000	\$ 226,000	\$ 802,995	\$ 576,995
Total All Governmental Funds	\$ 22,312,713	\$ 22,600,860	\$ 24,629,834	\$ 2,028,974

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
General Fund:				
General Government Administration:				
Legislative:				
Town council	\$ 88,827	\$ 100,997	\$ 80,836	\$ 20,161
Boards and commissions	50,700	50,700	44,583	6,117
PEG project	40,000	240,000	214,520	25,480
Town clerk	276,427	276,427	262,622	13,805
Total legislative	<u>\$ 455,954</u>	<u>\$ 668,124</u>	<u>\$ 602,561</u>	<u>\$ 65,563</u>
General and Financial Administration:				
Town manager	\$ 317,953	\$ 324,125	\$ 318,983	\$ 5,142
Administrative services	475,192	516,804	538,188	(21,384)
Legal services	249,920	249,920	255,705	(5,785)
Financial administration	541,886	545,166	528,837	16,329
Disbursement operations	176,695	176,695	192,505	(15,810)
Data processing	62,500	62,500	60,948	1,552
Risk management	595,300	589,276	514,477	74,799
Information technology	586,283	586,283	569,184	17,099
Purchasing	140,070	140,070	140,075	(5)
Revenue operations	345,199	348,469	359,852	(11,383)
Public information	206,363	212,700	199,506	13,194
Central services	77,139	77,139	80,137	(2,998)
PC replacement	-	101,648	101,131	517
Total general and financial administration	<u>\$ 3,774,500</u>	<u>\$ 3,930,795</u>	<u>\$ 3,859,528</u>	<u>\$ 71,267</u>
Total general government administration	<u>\$ 4,230,454</u>	<u>\$ 4,598,919</u>	<u>\$ 4,462,089</u>	<u>\$ 136,830</u>
Public Safety:				
Law enforcement and traffic control:				
Police administration	\$ 899,299	\$ 901,403	\$ 848,597	\$ 52,806
Uniform patrol	2,212,730	2,215,915	2,359,003	(143,088)
Communications	1,150,923	1,150,923	1,107,500	43,423
Investigations	1,048,049	1,048,049	985,524	62,525
Community services	129,534	133,179	132,868	311
Traffic unit	738,249	741,664	660,588	81,076
Equipment replacement	-	-	123,426	(123,426)
Gang task force	72,441	81,441	78,036	3,405
Other law enforcement and traffic control	-	145,000	166,188	(21,188)
Total law enforcement and traffic control	<u>\$ 6,251,225</u>	<u>\$ 6,417,574</u>	<u>\$ 6,461,730</u>	<u>\$ (44,156)</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (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	\$ 51,935	\$ 51,935	\$ 57,133	\$ (5,198)
Other protection:				
Personal property/animal control	82,415	82,415	89,474	(7,059)
Total public safety	<u>\$ 6,385,575</u>	<u>\$ 6,551,924</u>	<u>\$ 6,608,337</u>	<u>\$ (56,413)</u>
Public Works:				
Maintenance of streets, highways, bridges, and sidewalks:				
General administration	\$ 753,749	\$ 722,794	\$ 678,718	\$ 44,076
Street maintenance	1,569,150	1,659,182	1,612,784	46,398
Snow removal	178,939	178,939	241,575	(62,636)
Traffic engineering	304,539	317,169	287,561	29,608
Total maintenance of streets, highways, bridges, and sidewalks	<u>\$ 2,806,377</u>	<u>\$ 2,878,084</u>	<u>\$ 2,820,638</u>	<u>\$ 57,446</u>
Sanitation and waste removal:				
Sanitation	\$ 1,522,460	\$ 1,523,025	\$ 1,622,175	\$ (99,150)
Sanitation equipment	-	-	411,600	(411,600)
Fall/spring cleanup - leaf collection and other	84,128	82,778	63,933	18,845
Total sanitation and waste removal	<u>\$ 1,606,588</u>	<u>\$ 1,605,803</u>	<u>\$ 2,097,708</u>	<u>\$ (491,905)</u>
Maintenance of buildings and grounds:				
Vehicle and equipment maintenance	\$ 1,164,527	\$ 1,164,527	\$ 1,150,854	\$ 13,673
Maintenance of buildings and grounds	1,269,086	1,291,336	1,211,531	79,805
Total maintenance of buildings and grounds	<u>\$ 2,433,613</u>	<u>\$ 2,455,863</u>	<u>\$ 2,362,385</u>	<u>\$ 93,478</u>
Total public works	<u>\$ 6,846,578</u>	<u>\$ 6,939,750</u>	<u>\$ 7,280,731</u>	<u>\$ (340,981)</u>
Health and Welfare:				
Welfare/Social Services:				
Property tax relief for the elderly	<u>\$ 258,700</u>	<u>\$ 258,700</u>	<u>\$ 240,455</u>	<u>\$ 18,245</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (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	\$ 578,113	\$ 594,898	\$ 598,527	\$ (3,629)
Parks and recreation programs	426,185	461,697	456,053	5,644
General maintenance	943,406	998,492	1,041,176	(42,684)
Community center	483,317	484,237	487,039	(2,802)
Special events	145,075	137,275	108,051	29,224
Vehicle replacement	-	-	13,356	(13,356)
Teen Center	193,214	142,532	130,104	12,428
Historic preservation	29,600	69,670	69,047	623
Total parks and recreation	<u>\$ 2,798,910</u>	<u>\$ 2,888,801</u>	<u>\$ 2,903,353</u>	<u>\$ (14,552)</u>
Community Development:				
Planning and community development:				
Planning and zoning	\$ 847,339	\$ 866,680	\$ 824,303	\$ 42,377
Vehicle replacement	-	-	16,705	(16,705)
Various contributions	10,550	10,550	10,550	-
Total planning and community development	<u>\$ 857,889</u>	<u>\$ 877,230</u>	<u>\$ 851,558</u>	<u>\$ 25,672</u>
Debt Service:				
Principal on capital lease obligation	\$ 468,149	\$ 468,149	\$ 453,405	\$ 14,744
Interest on capital leases	18,734	18,734	17,121	1,613
Total debt service	<u>\$ 486,883</u>	<u>\$ 486,883</u>	<u>\$ 470,526</u>	<u>\$ 16,357</u>
Total General Fund	<u>\$ 21,864,989</u>	<u>\$ 22,602,207</u>	<u>\$ 22,817,049</u>	<u>\$ (214,842)</u>
<u>Debt Service Fund:</u>				
Debt Service:				
Principal retirement	\$ 1,736,667	\$ 1,736,667	\$ 3,060,281	\$ (1,323,614)
Interest and fiscal charges	520,581	520,581	582,531	(61,950)
Total Debt Service Fund	<u>\$ 2,257,248</u>	<u>\$ 2,257,248</u>	<u>\$ 3,642,812</u>	<u>\$ (1,385,564)</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2014 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Capital Projects Fund:				
Capital projects:				
Town hall renovation	\$ -	\$ 300,000	\$ 682,630	\$ (382,630)
Police facility	-	100,000	52,341	47,659
Emergency power generator	-	235,000	44,364	190,636
Police facility land acquisition	-	525,000	2,047	522,953
Sidewalk projects	-	500,000	114,241	385,759
Water and sewer projects (A)	-	1,590,000	-	1,590,000
Community center	-	125,000	76,902	48,098
Trail connections	-	-	26,944	(26,944)
Traffic signals	-	-	84,894	(84,894)
Phone system	-	-	107,360	(107,360)
Federal highway administration grant	-	1,200,000	271,073	928,927
Street improvement projects	-	3,000,000	550,487	2,449,513
Storm drainage projects	-	971,400	80,807	890,593
Other capital projects and administration	-	3,600	136,015	(132,415)
Total capital projects	<u>\$ -</u>	<u>\$ 8,550,000</u>	<u>\$ 2,230,105</u>	<u>\$ 6,319,895</u>
Debt Service:				
Bond issuance costs	<u>\$ -</u>	<u>\$ 161,000</u>	<u>\$ 76,347</u>	<u>\$ 84,653</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 8,711,000</u>	<u>\$ 2,306,452</u>	<u>\$ 6,404,548</u>
Special Revenue Funds:				
Gang Task Force Fund				
Public Safety:				
Law enforcement and traffic control:				
Asset forfeiture program	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,493</u>	<u>\$ (654,493)</u>
Stormwater Fund				
Public Works:				
Stormwater	<u>\$ 226,000</u>	<u>\$ 226,000</u>	<u>\$ 100,636</u>	<u>\$ 125,364</u>
Total Special Revenue Funds	<u>\$ 226,000</u>	<u>\$ 226,000</u>	<u>\$ 755,129</u>	<u>\$ (529,129)</u>
Total All Governmental Funds	<u>\$ 24,348,237</u>	<u>\$ 33,796,455</u>	<u>\$ 29,521,442</u>	<u>\$ 4,275,013</u>

(A) \$376,209 spent in 2014 transferred to the Water and Sewer Fund.

- Statistical Section -

<u>Contents</u>	<u>Tables</u>
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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:				
Net investment in capital assets	\$ 29,665,051	\$ 26,085,741	\$ 31,965,939	\$ 37,791,201
Unrestricted	<u>12,187,531</u>	<u>16,650,491</u>	<u>15,418,559</u>	<u>15,284,033</u>
Total governmental activities net position	<u>\$ 41,852,582</u>	<u>\$ 42,736,232</u>	<u>\$ 47,384,498</u>	<u>\$ 53,075,234</u>
Business-type activities:				
Net investment in capital assets	\$ 7,611,414	\$ 7,926,642	\$ 7,633,717	\$ 7,624,024
Unrestricted	<u>1,247,232</u>	<u>720,796</u>	<u>567,337</u>	<u>1,431,406</u>
Total business-type activities net position	<u>\$ 8,858,646</u>	<u>\$ 8,647,438</u>	<u>\$ 8,201,054</u>	<u>\$ 9,055,430</u>
Primary government:				
Net investment in capital assets	\$ 37,276,465	\$ 34,012,383	\$ 39,599,656	\$ 45,415,225
Unrestricted	<u>13,434,763</u>	<u>17,371,287</u>	<u>15,985,896</u>	<u>16,715,439</u>
Total primary government net position	<u>\$ 50,711,228</u>	<u>\$ 51,383,670</u>	<u>\$ 55,585,552</u>	<u>\$ 62,130,664</u>

Table 1

2009	2010	2011	2012	2013	2014
\$ 37,874,402	\$ 38,411,117	\$ 37,675,832	\$ 37,173,866	\$ 35,964,436	\$ 35,130,306
<u>14,730,114</u>	<u>13,077,123</u>	<u>13,025,908</u>	<u>14,218,648</u>	<u>15,676,550</u>	<u>15,163,500</u>
<u><u>\$ 52,604,516</u></u>	<u><u>\$ 51,488,240</u></u>	<u><u>\$ 50,701,740</u></u>	<u><u>\$ 51,392,514</u></u>	<u><u>\$ 51,640,986</u></u>	<u><u>\$ 50,293,806</u></u>
\$ 7,782,540	\$ 7,927,058	\$ 8,069,308	\$ 8,183,057	\$ 7,911,570	\$ 7,981,491
<u>1,054,949</u>	<u>287,487</u>	<u>(52,010)</u>	<u>(936,451)</u>	<u>(441,240)</u>	<u>(18,296)</u>
<u><u>\$ 8,837,489</u></u>	<u><u>\$ 8,214,545</u></u>	<u><u>\$ 8,017,298</u></u>	<u><u>\$ 7,246,606</u></u>	<u><u>\$ 7,470,330</u></u>	<u><u>\$ 7,963,195</u></u>
\$ 45,656,942	\$ 46,338,175	\$ 45,745,140	\$ 45,356,923	\$ 43,876,006	\$ 43,111,797
<u>15,785,063</u>	<u>13,364,610</u>	<u>12,973,898</u>	<u>13,282,197</u>	<u>15,235,310</u>	<u>15,145,204</u>
<u><u>\$ 61,442,005</u></u>	<u><u>\$ 59,702,785</u></u>	<u><u>\$ 58,719,038</u></u>	<u><u>\$ 58,639,120</u></u>	<u><u>\$ 59,111,316</u></u>	<u><u>\$ 58,257,001</u></u>

TOWN OF VIENNA, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses:				
Governmental Activities:				
General government administration	\$ 3,242,113	\$ 3,092,863	\$ 3,081,052	\$ 3,119,608
Public safety	5,143,055	4,800,550	5,225,145	5,616,582
Public works	7,696,605	7,697,348	8,716,466	8,995,488
Health and welfare	186,891	230,802	305,332	294,054
Parks, recreation and cultural	2,043,892	2,498,235	2,706,829	2,797,313
Community development	547,117	589,001	691,665	734,650
Interest on long-term debt	640,992	617,754	672,020	599,829
Total governmental activities expenses	<u>\$ 19,500,665</u>	<u>\$ 19,526,553</u>	<u>\$ 21,398,509</u>	<u>\$ 22,157,524</u>
Business type activities:				
Water and sewer	4,679,889	5,144,312	5,043,291	5,147,109
Total business type activities expenses	<u>\$ 4,679,889</u>	<u>\$ 5,144,312</u>	<u>\$ 5,043,291</u>	<u>\$ 5,147,109</u>
Program Revenues:				
Governmental Activities:				
Charges for services				
General government	\$ 9,454	\$ 11,420	\$ 10,043	\$ 9,931
Public safety	617,402	336,558	357,090	337,235
Public works	369,751	235,806	85,328	-
Parks, recreation and cultural	551,217	648,551	771,169	786,722
Operating grants and contributions	2,081,809	1,828,699	2,251,198	2,062,483
Capital grants and contributions	-	-	4,191,946	5,540,058
Total governmental activities program revenues	<u>\$ 3,629,633</u>	<u>\$ 3,061,034</u>	<u>\$ 7,666,774</u>	<u>\$ 8,736,429</u>
Business type activities:				
Water and sewer				
Charges for services	\$ 4,627,013	\$ 5,717,486	\$ 5,692,069	\$ 6,181,491
Operating grants and contributions	-	-	-	240,507
Capital grants and contributions	-	-	-	-
Total business type activities	<u>\$ 4,627,013</u>	<u>\$ 5,717,486</u>	<u>\$ 5,692,069</u>	<u>\$ 6,421,998</u>
Total business type activities revenues	<u>\$ 8,256,646</u>	<u>\$ 8,778,520</u>	<u>\$ 13,358,843</u>	<u>\$ 15,158,427</u>
Net (expenses)/revenues	<u>\$ (15,923,908)</u>	<u>\$ (15,892,345)</u>	<u>\$ (13,082,957)</u>	<u>\$ (12,146,206)</u>
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Taxes:				
General real property taxes	\$ 6,768,321	\$ 6,817,919	\$ 7,094,275	\$ 7,838,966
Local sales and use taxes	1,134,790	1,154,058	1,197,980	1,214,258
Consumer utility taxes	1,341,121	1,336,727	1,153,656	660,742
Business license taxes	1,850,557	1,964,737	1,994,824	2,095,137
Meals and lodging taxes	2,230,408	2,297,579	2,335,577	2,385,355
Other	1,672,212	1,879,978	1,892,970	1,181,323
Grants and contributions not restricted to specific programs	17,435	18,913	18,759	1,243,315
Unrestricted revenues from the use of money and property	313,866	620,147	991,582	845,947
Miscellaneous	304,443	206,174	304,100	368,838
Transfers	1,173,392	1,052,937	1,237,675	1,277,950
Total governmental activities general revenues	<u>\$ 16,806,545</u>	<u>\$ 17,349,169</u>	<u>\$ 18,221,398</u>	<u>\$ 19,111,831</u>
Business type activities:				
Interest revenue	\$ 58,206	\$ 99,113	\$ 100,211	\$ 67,458
Miscellaneous	68,206	57,192	42,302	77,415
Capital contributions	27,000	112,250	-	-
Transfers	(1,173,392)	(1,052,937)	(1,237,675)	(1,277,950)
Total business-type activities general revenues	<u>\$ (1,019,980)</u>	<u>\$ (784,382)</u>	<u>\$ (1,095,162)</u>	<u>\$ (1,133,077)</u>
Total general revenues	<u>\$ 15,786,565</u>	<u>\$ 16,564,787</u>	<u>\$ 17,126,236</u>	<u>\$ 17,978,754</u>
Changes in net position:				
Governmental activities	\$ 935,513	\$ 883,650	\$ 4,489,663	\$ 5,690,736
Business-type activities	(1,072,856)	(211,208)	(446,384)	141,812
Total changes in net position	<u>\$ (137,343)</u>	<u>\$ 672,442</u>	<u>\$ 4,043,279</u>	<u>\$ 5,832,548</u>

Table 2

2009	2010	2011	2012	2013	2014
\$ 3,466,917	\$ 3,647,013	\$ 3,595,123	\$ 3,635,414	\$ 4,147,172	\$ 4,356,498
5,845,864	5,971,132	5,755,847	6,100,525	6,429,827	7,415,110
9,379,606	9,593,548	9,813,232	9,220,813	10,286,260	10,311,313
292,930	290,773	284,914	275,881	261,658	240,913
2,871,670	2,836,757	3,015,055	2,863,152	3,228,786	3,110,412
755,281	711,824	714,927	846,444	867,961	857,727
523,205	441,336	469,103	468,645	602,885	596,719
<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>	<u>\$ 26,888,692</u>
5,315,042	5,777,244	5,535,934	6,223,267	6,151,284	5,907,863
<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>	<u>\$ 32,796,555</u>
\$ 9,833	\$ 12,019	\$ 13,714	\$ 21,341	\$ 23,030	\$ 27,895
376,512	425,829	547,135	660,559	617,223	629,143
-	-	-	-	-	-
718,204	675,784	705,587	737,865	754,445	763,033
2,115,797	2,315,236	2,137,763	2,134,393	3,082,757	3,157,284
334,464	930,188	687,923	497,335	1,610,089	866,348
<u>\$ 3,554,810</u>	<u>\$ 4,359,056</u>	<u>\$ 4,092,122</u>	<u>\$ 4,051,493</u>	<u>\$ 6,087,544</u>	<u>\$ 5,443,703</u>
\$ 5,753,330	\$ 5,839,658	\$ 6,071,383	\$ 6,065,317	\$ 7,129,668	\$ 6,985,412
-	-	-	-	-	-
277,977	5,553	4,000	112,490	-	-
<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>\$ 6,985,412</u>
<u>\$ 9,586,117</u>	<u>\$ 10,204,267</u>	<u>\$ 10,167,505</u>	<u>\$ 10,229,300</u>	<u>\$ 13,217,212</u>	<u>\$ 12,429,115</u>
<u>\$ (18,864,398)</u>	<u>\$ (19,065,360)</u>	<u>\$ (19,016,630)</u>	<u>\$ (19,404,841)</u>	<u>\$ (18,758,621)</u>	<u>\$ (20,367,440)</u>
\$ 8,523,543	\$ 8,668,872	\$ 8,626,227	\$ 9,055,525	\$ 9,193,705	\$ 9,217,757
1,224,471	1,285,506	1,336,821	1,259,235	1,320,803	1,350,263
659,932	656,858	660,823	645,869	660,323	667,116
2,204,093	1,973,781	1,964,360	2,288,730	2,217,307	2,329,139
1,691,961	1,698,298	1,795,855	2,016,210	2,212,543	2,263,450
1,177,426	1,279,989	1,915,710	1,892,753	1,836,673	1,725,943
1,113,597	1,118,153	1,112,301	1,090,891	1,092,804	1,074,053
411,190	265,712	219,127	199,270	224,039	214,818
1,060,904	274,906	262,553	720,327	244,303	350,451
1,042,828	794,976	875,802	881,345	982,977	904,819
<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>	<u>\$ 20,097,809</u>
\$ 30,702	\$ 3,099	\$ 2,176	\$ 1,327	\$ 2,474	\$ 2,116
77,920	100,966	136,930	154,786	225,843	318,019
-	-	-	-	-	-
(1,042,828)	(794,976)	(875,802)	(881,345)	(982,977)	(904,819)
<u>\$ (934,206)</u>	<u>\$ (690,911)</u>	<u>\$ (736,696)</u>	<u>\$ (725,232)</u>	<u>\$ (754,660)</u>	<u>\$ (584,684)</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>	<u>\$ 19,513,125</u>
\$ (470,718)	\$ (1,116,276)	\$ (786,500)	\$ 690,774	\$ 248,472	\$ (1,347,180)
(217,941)	(622,944)	(197,247)	(770,692)	223,724	492,865
<u>\$ (688,659)</u>	<u>\$ (1,739,220)</u>	<u>\$ (983,747)</u>	<u>\$ (79,918)</u>	<u>\$ 472,196</u>	<u>\$ (854,315)</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
2014	\$ 9,217,757	\$ 1,350,263	\$ 667,116	\$ 2,329,139	\$ 2,263,450
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

Table 3

Motor Vehicle License Tax	Bank Franchise Tax	Tobacco Taxes	Other Taxes	Total
\$ 354,312	\$ 697,798	\$ 302,198	\$ 371,635	\$ 17,553,668
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

TOWN OF VIENNA, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund:				
Reserved	\$ 2,555,773	\$ 2,529,976	\$ 3,138,779	\$ 3,437,540
Designated	600,000	712,273	950,000	963,786
Undesignated	4,214,000	4,560,584	4,166,530	3,805,255
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 7,369,773</u>	<u>\$ 7,802,833</u>	<u>\$ 8,255,309</u>	<u>\$ 8,206,581</u>
Debt Service Fund:				
Reserved	\$ 3,129,006	\$ 3,697,922	\$ 3,958,312	\$ 4,317,423
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Total Debt Service Fund	<u>\$ 3,129,006</u>	<u>\$ 3,697,922</u>	<u>\$ 3,958,312</u>	<u>\$ 4,317,423</u>
Capital Projects Fund:				
Reserved	\$ 2,564,515	\$ 2,948,382	\$ 45,931	\$ 646,428
Designated	-	3,203,716	4,257,570	3,260,662
Assigned	-	-	-	-
Total Capital Projects Fund	<u>\$ 2,564,515</u>	<u>\$ 6,152,098</u>	<u>\$ 4,303,501</u>	<u>\$ 3,907,090</u>
Nonmajor Funds:				
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

2009	2010	2011	2012	2013	2014
\$ 3,321,836	\$ 2,694,439	\$ -	\$ -	\$ -	\$ -
1,097,048	1,250,000	-	-	-	-
3,691,280	3,602,251	-	-	-	-
-	-	139,340	149,756	139,335	130,424
-	-	455,135	500,716	543,982	497,367
-	-	1,856,398	1,854,854	1,740,672	1,593,542
-	-	1,265,848	1,769,805	1,869,852	1,918,210
-	-	4,089,728	4,585,175	4,715,920	4,243,138
<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>	<u>\$ 8,382,681</u>
\$ 3,964,342	\$ 3,882,446	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	327,000
-	-	3,916,827	4,120,330	4,562,958	4,601,551
<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>	<u>\$ 4,928,551</u>
\$ 885,721	\$ 891,162	\$ -	\$ -	\$ -	\$ -
2,962,845	2,331,166	-	-	-	-
-	-	7,379,562	6,544,456	7,903,967	12,678,854
<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>\$ 12,678,854</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 856,270</u>	<u>\$ 872,153</u>

TOWN OF VIENNA, VIRGINIA

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:				
General property taxes	\$ 6,757,957	\$ 6,833,298	\$ 7,086,277	\$ 7,850,154
Other local taxes	8,229,088	8,633,079	8,575,007	8,761,959
Permits, privilege fees and regulatory licenses	50,025	78,320	90,652	106,291
Fines and forfeitures	556,051	249,646	257,589	227,215
Revenue from use of money and property	683,617	855,953	1,076,910	845,947
Charges for services	571,997	668,563	790,061	800,382
Miscellaneous	304,443	206,174	304,100	368,838
Intergovernmental	2,099,244	1,847,612	2,269,957	2,080,654
Total revenues	<u>\$ 19,252,422</u>	<u>\$ 19,372,645</u>	<u>\$ 20,450,553</u>	<u>\$ 21,041,440</u>
Expenditures:				
Current:				
General government administration	\$ 3,250,998	\$ 2,944,474	\$ 3,073,899	\$ 3,284,008
Public safety	4,921,959	4,791,532	5,248,899	5,714,956
Public works	5,954,747	6,111,875	6,136,304	6,388,010
Health and welfare	186,891	230,802	305,332	294,054
Parks, recreation, and cultural	2,272,337	2,431,783	2,676,393	2,863,952
Community development	543,506	581,899	676,402	729,537
Capital projects	169,741	1,593,117	2,429,327	799,922
Debt service:				
Principal retirement	2,170,312	1,999,097	2,275,881	2,307,428
Interest and other fiscal charges	658,599	570,965	684,805	623,551
Total expenditures	<u>\$ 20,129,090</u>	<u>\$ 21,255,544</u>	<u>\$ 23,507,242</u>	<u>\$ 23,005,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (876,668)</u>	<u>\$ (1,882,899)</u>	<u>\$ (3,056,689)</u>	<u>\$ (1,963,978)</u>
Other financing sources (uses):				
Issuance of capital lease	\$ 305,641	\$ 469,521	\$ 524,680	\$ 600,000
Long term debt issued	-	4,950,000	-	-
Premium on issuance of long-term obligations	-	-	-	-
Transfers in	1,327,224	1,462,323	1,367,613	1,387,610
Transfers out	(153,832)	(409,386)	(129,938)	(109,660)
Total other financing sources (uses)	<u>\$ 1,479,033</u>	<u>\$ 6,472,458</u>	<u>\$ 1,762,355</u>	<u>\$ 1,877,950</u>
Net changes in fund balances	<u>\$ 602,365</u>	<u>\$ 4,589,559</u>	<u>\$ (1,294,334)</u>	<u>\$ (86,028)</u>
Debt service as a percentage of noncapital expenditures	16.51%	15.04%	16.34%	13.87%

Table 5

	2009	2010	2011	2012	2013	2014
\$	8,473,707	\$ 8,689,481	\$ 8,633,014	\$ 9,017,905	\$ 9,280,201	\$ 9,210,898
	8,071,034	6,894,432	7,673,569	8,102,797	8,247,649	8,335,911
	88,388	101,143	117,484	135,197	152,114	171,876
	277,174	298,921	414,608	512,500	449,649	438,510
	411,190	265,712	219,127	199,270	224,039	214,818
	738,987	713,568	734,344	772,068	792,935	809,685
	432,804	274,906	262,553	720,327	244,303	350,451
	2,450,707	4,363,577	3,937,987	3,722,619	5,785,650	5,097,685
\$	<u>20,943,991</u>	<u>\$ 21,601,740</u>	<u>\$ 21,992,686</u>	<u>\$ 23,182,683</u>	<u>\$ 25,176,540</u>	<u>\$ 24,629,834</u>
\$	3,317,553	\$ 3,545,989	\$ 3,569,339	\$ 3,663,319	\$ 4,022,335	\$ 4,462,089
	5,968,972	5,850,604	5,725,283	6,089,459	6,408,461	7,262,830
	6,847,062	6,617,842	6,914,263	6,765,678	6,978,990	7,381,367
	291,386	290,027	284,147	275,187	261,088	240,455
	2,651,234	2,729,770	2,803,448	2,935,398	2,773,680	2,903,353
	742,287	728,309	722,868	863,380	863,286	851,558
	305,176	1,294,779	1,499,027	1,200,696	6,651,007	2,230,105
	2,336,039	2,152,250	2,043,511	2,053,478	2,103,421	3,513,686
	547,157	458,754	436,827	495,179	506,152	675,999
\$	<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>\$ 29,521,442</u>
\$	<u>(2,062,875)</u>	<u>\$ (2,066,584)</u>	<u>\$ (2,006,027)</u>	<u>\$ (1,159,091)</u>	<u>\$ (5,391,880)</u>	<u>\$ (4,891,608)</u>
\$	512,025	\$ -	\$ 529,427	\$ 700,000	\$ 653,434	\$ 619,455
	-	-	4,990,000	-	6,310,000	7,896,613
	-	-	62,172	-	253,337	-
	1,592,104	1,515,425	1,153,957	1,198,168	1,061,487	1,313,015
	(549,276)	(720,449)	(278,155)	(316,823)	(78,510)	(408,196)
\$	<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>\$ 9,420,887</u>
\$	<u>(508,022)</u>	<u>\$ (1,271,608)</u>	<u>\$ 4,451,374</u>	<u>\$ 422,254</u>	<u>\$ 2,807,868</u>	<u>\$ 4,529,279</u>
	13.60%	11.99%	11.32%	11.85%	11.24%	16.59%

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
2014	\$ 9,210,898	\$ 1,350,263	\$ 667,116	\$ 2,329,139	\$ 2,263,450
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

Table 6

Motor Vehicle License	Bank Franchise	Tobacco	Cable TV Fees	Other Taxes	Total
\$ 354,312	\$ 697,798	\$ 302,198	\$ -	\$ 371,635	\$ 17,546,809
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

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	
2014	\$ 3,939,375,260	\$ 3,939,375,260	0.2288	\$ 35,775,929	\$ 35,775,929	\$ 3,975,151,189	\$ 3,975,151,189	100%
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%

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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 \$3,975,151,189 is the assessed valuation effective January 1, 2013, which was used as a basis for billing taxes in the fiscal year 2013-2014.

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>
2014	0.2288	1.090	1.3188
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

(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 2014			Fiscal Year 2005		
		2013 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2004 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Navy Federal Credit Union		\$ 143,170,700	1	3.63%	\$ 128,769,755	1	5.34%
GI TC 801 Follin Lane	(1)	87,071,270	2	2.21%	13,261,550	6	0.52%
Vienna Park LLC		33,383,330	3	0.85%	17,230,050	3	0.68%
Maple Avenue Shopping	(2)	31,808,280	4	0.81%	24,340,060	2	0.96%
Vienna Shopping Center, LP		20,595,360	5	0.52%	12,694,795	7	0.50%
Maryland Gardens Ltd. Partnership		20,515,800	6	0.52%	13,651,745	5	0.54%
P. Daniel & Diana S. Orlich		17,255,050	7	0.44%	11,303,175	8	0.45%
Frank Zafren & Alec Jacobson, Tr.		15,556,210	8	0.39%	9,373,470	11	0.37%
GRI Cedar Park LLC	(4)	12,397,910	9	0.31%	7,383,085	13	0.29%
BFH Danor Plaza		10,739,210	10	0.27%	8,225,970	12	0.32%
Westwood Country Club		10,228,470	11	0.26%	9,570,960	10	0.38%
Walgreen Company		10,127,340	12	0.26%	-	N/A	N/A
Swart Vienna LLC		9,375,740	13	0.24%	6,742,480	13	0.27%
Storage Partners of Vienna		8,166,430	14	0.21%	5,806,660	14	0.23%
Jades Enterprises		7,067,610	15	0.18%	-	N/A	N/A
RDT Electric Avenue LLC	(3)	-	N/A	N/A	14,145,870	4	0.56%
Maple Professional Park		-	N/A	N/A	9,701,935	9	0.38%
Electric Avenue Associates		-	N/A	N/A	4,963,885	15	0.20%
Total		\$ 437,458,710		11.10%	\$ 297,165,445		11.99%

- (1) Ownership change from Rushmark Follin in 2005
Name change to GI TC Follin Lane LLC in 2013
- (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
2014	\$ 9,017,093	\$ 9,002,376	99.84%	\$ -	\$ 9,002,376	99.84%
2013	9,094,000	9,081,793	99.87%	9,811	9,091,604	99.97%
2012	8,871,145	8,841,354	99.66%	27,398	8,868,752	99.97%
2011	8,487,353	8,464,923	99.74%	21,427	8,486,350	99.99%
2010	8,575,014	8,551,194	99.72%	22,857	8,574,051	99.99%
2009	8,360,160	8,345,045	99.82%	14,208	8,359,253	99.99%
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%

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	Bonds/ Notes	Capital Leases			
2014	\$20,304,489	\$1,587,761	\$1,576,000	\$132,398	\$23,600,648	2.77%	\$1,504
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

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, 2014**

	<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	\$ 21,880,489	100.00%	\$ 21,880,489
Overlapping Debt: (1)			
County of Fairfax			
General Bonded Debt	<u>2,311,625,851</u>	1.9024%	<u>43,976,546</u>
Total direct and overlapping debt	<u>\$ 2,333,506,340</u>		<u>\$ 65,857,035</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 Restricted for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
2014	\$ 21,880,489	\$ -	\$ 21,880,489	0.56%	1,394.82
2013	15,518,686	-	15,518,686	0.41%	989.27
2012	10,598,614	-	10,598,614	0.30%	675.63
2011	12,242,174	-	12,242,174	0.35%	780.40
2010	8,816,669	-	8,816,669	0.23%	593.72
2009	10,443,336	-	10,443,336	0.26%	703.25
2008	12,370,003	-	12,370,003	0.32%	833.00
2007	14,296,670	-	14,296,670	0.38%	962.74
2006	16,223,337	-	16,223,337	0.53%	1,092.48
2005	12,870,004	-	12,870,004	0.51%	866.67

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

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

(3) 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 253,940,977	\$ 309,315,848	\$ 378,951,649	\$ 390,338,664
Total net debt applicable to limit	<u>12,870,004</u>	<u>16,223,337</u>	<u>14,296,670</u>	<u>12,370,003</u>
Legal debt margin	<u>\$ 241,070,973</u>	<u>\$ 293,092,511</u>	<u>\$ 364,654,979</u>	<u>\$ 377,968,661</u>
Total net debt applicable to the limit as a percentage of debt limit	5.07%	5.24%	3.77%	3.17%

Table 14

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 404,083,054	\$ 379,979,764	\$ 350,664,783	\$ 384,150,833	\$ 389,989,663	\$ 412,218,932
<u>10,443,336</u>	<u>8,816,669</u>	<u>12,242,174</u>	<u>10,598,614</u>	<u>15,518,686</u>	<u>21,880,489</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>	<u>\$ 390,338,443</u>
2.58%	2.32%	3.49%	2.76%	3.98%	5.31%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 3,975,151,189
Add back: exempt real property	<u>147,038,130</u>
Total assessed value	<u>\$ 4,122,189,319</u>
Debt limit (10% of total assessed value)	\$ 412,218,932
Net debt applicable to limit	<u>21,880,489</u>
Legal debt margin	<u>\$ 390,338,443</u>

TOWN OF VIENNA, VIRGINIA

Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Gross Revenue</u>	<u>(2) Direct Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>(3) Principal</u>	<u>(3) Interest</u>	<u>Total</u>	<u>Coverage</u>
2014	\$ 7,305,547	\$ 5,464,157	\$ 1,841,390	\$ -	\$ -	\$ -	N/A
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

(1) Includes interest earnings and other nonoperating 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)
2014	15,687	\$851,945,283	\$54,309	40.7	4.40%
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%

Source: <http://www.fairfaxcounty.gov/economic/indicat/2014/06.pdf>

(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 2014</u>		<u>Fiscal Year 2005</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
Whole Foods Market Group	100 to 249	5	100 to 249	8
Town of Vienna	100 to 249	6	100 to 249	5
Westwood Country Club	100 to 249	7	100 to 249	6
Wheat's Lawn and Custom Land Inc	100 to 249	8	100 to 249	7
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>2005</u>	<u>2006</u>	<u>2007</u>
Legislative			
Town Council	0.500	0.500	0.500
Town Clerk	2.000	2.000	2.000
Town Attorney	0.500	0.500	0.500
Subtotal	3.000	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	2.000	2.000	2.000
Subtotal	6.500	6.500	6.500
Finance			
Administration	2.000	2.000	2.500
Disbursement Operations	1.625	1.625	1.625
Purchasing	1.675	1.625	1.625
Central Services	1.000	1.000	1.000
Revenue Operations	3.500	3.500	3.500
Gang Task Force	0.000	0.000	0.000
Subtotal	9.800	9.750	10.250
Police			
Administration	4.000	3.000	3.000
Patrol	20.000	21.000	21.000
Communications	8.000	11.000	11.000
Community Services	2.000	1.000	1.000
Traffic	8.000	6.000	6.000
Personnel/Accreditation/ Animal Control	2.000	1.000	1.000
Investigations	7.000	9.000	9.000
Subtotal	51.000	52.000	52.000
Public Works			
Administration	6.000	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	54.000	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	4.500
Teen Center	1.000	1.000	1.500
Subtotal	19.750	19.750	20.750
Planning and Zoning			
Planning and Zoning	6.500	6.500	7.000
Subtotal	6.500	6.500	7.000
GENERAL FUND TOTAL	150.550	151.500	153.500
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
Storm Water Fund	0.000	0.000	0.000
GRAND TOTAL	171.050	172.000	174.000

Source: Town of Vienna Budget

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

Table 18

2008	2009	2010	2011	2012	2013	2014
0.500	0.500	0.500	0.500	0.500	0.500	0.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
0.500	0.500	0.500	0.500	0.500	0.500	0.500
3.000	3.000	3.000	3.000	3.000	3.000	2.500
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	2.000
1.000	1.000	1.000	1.000	1.000	1.000	1.725
2.000	2.000	2.000	2.000	2.000	3.000	3.000
6.500	6.500	6.500	6.500	6.500	8.000	8.725
3.000	3.000	3.000	3.000	3.000	3.625	3.625
1.625	1.625	1.625	1.625	1.625	2.000	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	3.000	3.000
0.000	0.000	0.000	0.000	0.000	0.000	1.000
10.750	10.750	10.750	10.750	10.750	11.250	12.250
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	10.000	11.000	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	10.000	9.000	9.000
52.000						
6.500	6.500	6.500	6.500	6.500	6.500	7.500
15.000	15.000	15.000	15.000	15.000	13.000	12.000
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	16.000	16.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
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	4.000
1.500	1.500	1.500	1.500	1.500	1.500	1.800
20.750	20.750	20.750	20.750	20.750	20.750	20.550
7.000	7.000	7.000	7.000	7.000	7.000	7.000
7.000						
154.500	154.500	154.500	154.500	154.500	156.500	157.525
			8.500	8.500	8.500	8.500
			6.000	6.000	6.000	6.000
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
0.000	0.000	0.000	0.000	0.00	0.000	1.000
175.000	175.000	175.000	175.000	175.000	177.000	179.025

TOWN OF VIENNA, VIRGINIA

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

Function	(1)	2005	2006	2007
General Government Administration				
Administrative Service				
Job applications processed		581	587	620
Public Information				
Information requests responded to		2,192	2,200	2,357
Press releases per year		221	225	233
(a) Web Site Visits		-	-	-
Twitter and Facebook followers		-	-	-
Finance				
Real Estate bills processed		12,130	12,136	12,080
Water and Sewer bills processed		36,950	36,850	36,500
(b) Vehicle decals issued	(2)	13,297	12,858	11,688
Vehicle license fee bills processed		-	-	-
(c) Payroll checks/Direct Deposits		7,689	7,500	7,560
(c) Vendor check issued		5,049	4,919	4,864
Competitive bids completed		18	22	17
Public Safety				
Number of Calls for Service received		11,786	11,519	12,849
Number of Citations issued		5,888	6,737	5,839
Number of Animal complaints		477	330	400
Public Works				
Tons of asphalt installed		788	662	700
Linear feet of sidewalk replaced / installed		-	-	-
(d) Vehicles Maintained		132	147	143
Tons of Waste collected		7,950	7,073	6,474
Tons of Recycled materials collected		1,701	1,809	1,878
Cubic Yards/Tons of leaves collected		13,719	15,227	15,850
Water and Sewer Operations				
Repair Water Main breaks		42	46	44
Repair defective sewer lines		12	12	13
Footage of Sewer Mains cleaned		-	-	-
Completed work orders		3,800	3,600	3,400
Parks and Recreation				
Number of programs held		450	520	592
Daily average number of teens using Teen Center		40	40	40
Planning and Zoning				
Permit applications		876	801	1,050
New single-family dwellings		-	-	-
New zoning violation cases opened		235	220	324

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

2008	2009	2010	2011	2012	2013	2014
468	586	620	675	1,294	2,745	2,186
2,000	1,600	1,600	1,225	-	-	-
240	254	254	245	585	585	600
-	-	-	-	-	367,000	370,000
-	-	-	1,547	2,430	3,313	4,196
12,225	12,300	12,300	12,300	12,400	11,125	11,151
37,500	38,000	38,000	38,000	38,000	37,350	38,047
-	-	-	-	-	-	-
-	-	-	12,395	12,810	13,301	13,301
7,688	8,915	7,870	7,311	6,956	7,452	7,652
4,695	5,355	4,600	4,300	4,315	4,432	5,329
30	30	30	30	35	17	30
11,654	13,000	13,000	13,000	20,500	20,500	17,500
5,216	7,400	7,200	7,000	10,200	10,000	10,000
387	400	400	400	380	380	350
1,480	1,500	1,721	5,300	5,000	5,000	5,000
-	-	150	188	200	200	200
145	145	140	145	153	155	153
6,883	6,001	6,001	5,810	7,940	4,500	5,800
2,067	2,036	2,036	1,840	1,825	2,000	2,000
14,042	14,000	13,500	13,000	11,000	11,000	11,500
72	68	50	68	50	55	55
12	15	15	15	-	-	-
-	-	279,556	343,543	350,000	355,000	355,000
4,200	3,800	3,800	3,800	3,000	3,390	3,722
573	642	642	660	641	650	650
30	35	35	35	30	30	30
880	829	829	820	650	650	650
-	-	43	65	50	50	70
413	557	557	550	671	487	384

TOWN OF VIENNA, VIRGINIA

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

Function	2005	2006	2007
General government administration			
Administration buildings	3	3	3
Vehicles	6	6	6
Public safety			
Patrol units	18	20	20
Motorcycles	5	5	5
Other vehicles	3	3	3
Public works			
Trucks/vehicles	75	85	83
Parks and recreation			
Community center	1	1	1
Vehicles	21	24	22
Number of parks	7	7	10
Park acres	74.32	74.32	93.47
Community development			
Planning vehicles	4	4	4

Source: Individual Town Departments

Table 20

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
4	4	4	5	5	5	5
6	6	6	6	7	6	5
18	19	18	18	19	25	22
5	6	4	4	4	4	4
3	3	3	3	3	3	3
84	88	85	89	94	91	92
1	1	1	1	1	1	1
25	20	20	21	22	22	23
10	10	10	10	10	10	10
93.47	93.47	93.47	93.47	93.47	93.47	93.47
4	3	4	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, 2014, and the related notes to the financial statements, which collectively comprise Town of Vienna, Virginia's basic financial statements, and have issued our report thereon dated November 24, 2014.

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 24, 2014

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, 2014. 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, 2014.

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 24, 2014

TOWN OF VIENNA, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

<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	\$ <u>146,688</u>
Total Department of Justice			\$ <u>146,688</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Highway Planning and Construction	20.205	N/A	\$ 787,605
<u>Pass through payments:</u>			
Virginia Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-53067	29,968
State and Community Highway Safety	20.600	60507-52022	<u>7,778</u>
Total Department of Transportation			\$ <u>825,351</u>
Total Expenditures of Federal Awards			\$ <u>972,039</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, 2014

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, 2014. 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 - 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	\$ 103,536
Capital Projects Fund	787,605
Debt Service Fund	32,226
Gang Task Force Fund	<u>80,898</u>
Total federal expenditures per basic financial statements	\$ <u>1,004,265</u>
Less: Build America Bonds Interest Subsidy	\$ <u>(32,226)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>972,039</u></u>

TOWN OF VIENNA, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' 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>
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20.205	Highway planning and construction
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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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