

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FISCAL YEAR ENDED JUNE 30, 2017



**TOWN OF VIENNA,
VIRGINIA**

- Introductory Section -

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TOWN OF VIENNA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY:

Department of Finance
Marion K. Serfass, Director of Finance/Treasurer

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TOWN OF VIENNA, VIRGINIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

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TOWN OF VIENNA, VIRGINIA

TOWN OFFICIALS

TOWN COUNCIL

Laurie A. DiRocco, Mayor

Tara Bloch, Vice Mayor

Linda J. Colbert

Douglas Noble

Pasha M. Majdi

Carey J. Sienicki

Howard J. Springsteen

MANAGEMENT TEAM

Town Manager

Mercury T. Payton

Town Attorney

Steven D. Briglia

Town Clerk

Melanie J. Clark

Michael Gallagher, P.E.

Director of Public Works

Maggie Kain

Director of Human Resources

James Morris

Chief of Police

Patrick J. Mulhern, AICP

Director of Planning and Zoning

Antoine Mull

Director of Information Technology

Leslie Herman

Director of Parks and Recreation

Marion K. Serfass, CPA

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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Department of Finance

November 28, 2017

To the Citizens of the Town of Vienna:

The Town of Vienna's comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017, is hereby submitted. Town Code, 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 an independent certified public accountant, in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia, conduct an annual audit of accounts and records for all counties, cities, and towns with populations greater than 3,500. 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 accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with Town management. 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 the results of operations of various Town funds and account groups. All disclosures necessary to enable the reader to gain a clear 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 Town's assets are protected from loss, theft, or misuse. It is also the Town's responsibility to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States. The Town's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that cost of a control should not exceed benefits likely to be derived. The evaluation of costs and benefits of internal controls requires management to make estimates and judgments.

The Town's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. An independent audit is conducted to provide reasonable assurance that the Town's financial statements for the fiscal year ended June 30, 2017 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting amounts and disclosures in financial statements; assessing accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented in the first part of this report's financial section.

FINANCIAL REPORTING ENTITY

This report includes all funds under the jurisdiction and oversight of the Town of Vienna government. The Town of Vienna 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. Policymaking and legislative authority are vested in Town Council, which consists of a mayor and six additional members, all elected on a nonpartisan, at-large basis. Councilmembers and the Mayor serve two-year terms on a staggered election cycle, with three members on one and four members on the other. Town Council appoints the Town Manager, Town Attorney, Town Clerk, and Treasurer. The Town Manager, in turn, appoints various department heads.

The Town provides a full range of municipal services contemplated by statute. Services include police protection; sanitation services; 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 located in one of the country's more stable areas. 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 increased in each of the previous six years. Construction of upscale homes and residential renovations have continued in many areas of Town. Vienna continues to attract new restaurants and commercial businesses as well. The area's relatively low unemployment rate, according to the Bureau of Labor Statistics as of June 30, 2017, was 3.2 percent, comparing favorably with the State's 3.7 percent rate and the national rate of 4.4 percent. Local and State unemployment rates were unchanged from 2016, which, coupled with a 0.3 percent decrease in the national rate, has created 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 households having incomes of at least \$100,000 and 31.2 percent having incomes of at least \$150,000.

Revenue trends for recurring items were favorable for 2017. Assessed property values increased 4.5 percent from tax year 2015 to 2016, the sixth consecutive year of an increase. The Town's tax rate was held constant from 2016 to 2017 at \$0.225, which resulted in a 4.7 percent increase in property tax revenue. Both these revenue sources reflect the pace of newly constructed and remodeled homes in Town, about 75 in fiscal 2017. Other favorable trends in 2017 include meals and lodging taxes, which increased 6.8 percent over 2016, and business license fees, which increased 1.7 percent. These increases indicate a positive economic condition in Vienna in 2016. However, these positive trends were partially offset by a 22.3 percent decrease in bank stock taxes and a 4.0 percent decrease in sales taxes.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

In general, the area's underlying economy remains relatively stable. Software, telecommunications, internet, and other high-technology industries, along with Northern Virginia's proximity to the federal government and related businesses, remain major components of the area's economy. Major commercial expansion continues to occur adjacent to Vienna, in the Tysons and Dulles Airport corridor areas. Fairfax County continues to approve mixed-use commercial and residential developments in the adjacent Tysons area and forecasts an additional 100,000 residents and 200,000 jobs in the region by 2050.

Long-Term Financial Planning and Outlook

Town Council meets periodically with Town staff to discuss vision and long-term financial planning. With expansion of the Washington-area Metro subway system and commercial development increasing in the nearby edge city of Tysons, Town staff is exploring ways to capitalize on that development while maintaining the small-town feel that residents enjoy. The Planning and Zoning Department has spearheaded a commercial construction revitalization plan for the Maple Avenue corridor, studying and evaluating existing land use and zoning to promote mixed-use and increased density. The first mixed-use residential and commercial projects have been presented to Council, which will vote on whether or not to move forward on these projects in 2018. A committee was formed to study development of additional walking and biking trails in order to decrease vehicle congestion in Town, and Town management is working on developing a site or several sites for additional municipal parking in commercial corridors. The Town also is working with the Northern Virginia Transportation Authority to utilize congestion mitigation grants to help fund future commercial parking structures.

A budget committee, comprised of department heads from Finance, Human Resources, Public Works as well as the Town Manager, Finance staff, and two other rotating department heads, was established in 2012. This committee performs an intensive review of the Town's annual operating budget and presents Council with a conservative, achievable budget. In fiscal year 2017, the budget committee also worked with Council to develop and refine long-term capital project planning. Projects were identified and prioritized for potential debt offerings over the next 20 years.

These processes and studies have been developed to help the Town maintain its AAA bond rating and its "location of choice" status for national and local businesses and homeowners.

Relevant Financial Policies

Town Council is required to adopt a final budget no later than close of the previous fiscal year. This annual budget serves as the foundation for 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 Town Council at the fund level. Department heads may transfer resources within their department 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. This policy has helped Vienna continue to provide quality services within the limits of sound fiscal management and has enabled the Town to retain its coveted AAA bond rating. In 2012, Council formally adopted a Fund Balance policy, in accordance with GASB 54, which requires the Town to have an unassigned General Fund Balance of at least 10 percent of the subsequent year's budget. For FY 2017, 18.3 percent of the FY 2018 budget was allocated to unassigned Fund Balance, well in excess of the adopted policy and GFOA's suggested best practice of 16.7 percent.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

Major Initiatives

Among significant projects undertaken during this past fiscal year were sidewalk, curb and gutter, street rebuilding, and storm drainage projects, several of which were financed in conjunction with grants from the Virginia Department of Transportation, Northern Virginia Transportation Authority, and state stormwater grants. In addition, several underground water lines were repaired and upgraded, a major project to renovate and upgrade the Community Center neared completion, and efforts to identify a site or sites for a municipal parking structure moved forward.

The Town continued to promote commercial construction and renovation in the Maple Avenue and Church Street corridors to spur revitalization. Standards for zoning in the main commercial area, while still retaining Vienna's small-town feel, were updated in early 2015; several projects adopting the new standards were presented to Council in 2017. These projects will continue to improve the Maple Avenue commercial area, making it a destination of choice for the region.

Implementation of a new financial software system that will consolidate all financial functions and add operating functions as well as a customer portal neared completion. In 2017, the permitting system, work order, real estate taxes, vehicle license fees, business license, and meals tax revenue modules were implemented. The final system, utility billing, will be implemented in early 2018. Customer portal development started in 2017 and will go live within the first half of fiscal 2018, allowing customers to look up and pay bills online. The Vienna Public Art Commission, established in 2015, began implementing beautification projects and neared completion of its first donation-funded public art project in conjunction with the planned re-opening of the Community. Work also continued to update a strategic plan and vision for the Town.

Bond financing is planned for every other year with the next issuance planned in 2018. A capital lease to finance vehicle purchases for \$700,000 was completed during the year at an interest rate of 1.232 percent; this low rate confirms 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, 2017. 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

2015 Best Cities for Young Families

NerdWallet, a web application that provides comparative information about credit cards, named Vienna the 4th best city on their list of "Best Cities for Young Families in Virginia" in 2015. Also noted in the NerdWallet list was that Vienna earned a Great Schools ranking of 8, based on how local schools do on standardized tests vs. the State of Virginia as a whole. This is almost double the statewide rating, further enhancing Vienna's appeal to young families.

OTHER INFORMATION (CONTINUED)

Zippia's Hardest Working Places in Virginia

Zippia, a web-based career expert organization, named the Town the second-hardest working place in Virginia. Criteria for the award included average hours worked, average commute time, workers per household, and adults with college degrees, as determined by the U.S. Census Bureau's five-year estimate.

Safewise Safest Places to Live in Virginia

Safewise, an authority on safety and home security news, rated the Commonwealth of Virginia as the third-lowest state for violent crime and the tenth-lowest state for property crime, putting it in the top ten for both categories. Safewise rated Vienna as the 6th safest place to live in Virginia for 2017, based on FBI crime statistics.

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, 2016; this was the 30th year in a row that the Town received this recognition. 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. The Town believes that its current comprehensive annual financial report continues to meet Certificate of Achievement requirements and is submitting the report to GFOA to determine its eligibility for another certificate.

GFOA Distinguished Budget Presentation Award

For the 23rd year in a row, the Town received GFOA's Distinguished Budget Presentation Award for the FY 2016-17 Budget. This award is presented to local governments who prepare a budget that satisfies rigorous criteria that defines the document as a policy document, operations guide, financial plan, and communications device. Submitted budgets are reviewed by GFOA and selected outside reviewers with experience in public-sector budgeting. In July 2017, the Town submitted its FY 2017-18 budget documents for consideration for the award.

Tree City USA

The National Arbor Day Foundation recognized Vienna as a Tree City USA for the 15th consecutive year, confirming Vienna's commitment to its tree canopy and environmental stewardship.

Virginia Municipal League's Green Government Award

Recognizing the Town's commitment to conducting business in environmentally friendly ways, the Town received the Virginia Municipal League's Green Government Silver Award in 2017. The award was received in recognition of the Town's effort to reduce carbon emissions, the positive impact of the annual Green Expo event, and Vienna's commitment to developing biking and walking traffic-calming alternatives.

OTHER INFORMATION (CONTINUED)

Fairfax County 2016 Environmental Excellence Award / National Wildlife Federation Certified Community Wildlife Habitat

The Town's Community Enhancement Commission (CEC) was one of seven individuals and organizations recognized by Fairfax County with a 2016 Environmental Excellence Award. The citizen-based, Town Council-appointed board is committed to making real improvements in the quality of life for citizens, businesses, and other Town organizations. CEC efforts also resulted in the Town of Vienna earning certification from the National Wildlife Federation as a Community Wildlife Habitat.

League of American Bicyclists Bicycle Friendly Community

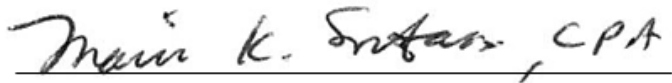
The Town has been recognized by the League of American Bicyclists as a bicycle-friendly community - bronze level for the Town's commitment to developing bicycle routes and commute options.

ACKNOWLEDGEMENTS

Preparation of this report on a timely basis requires the dedicated services of all Finance Department staff members along with support from other Town departments. Gratitude and appreciation are extended to the staff members whose efforts contributed to this report. Staff also thanks Town Council for its leadership and support, which makes the Town's responsible and progressive financial management possible.



Mercury T. Payton
Town Manager



Marion K. Serfass, CPA
Director of Finance/Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Vienna
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

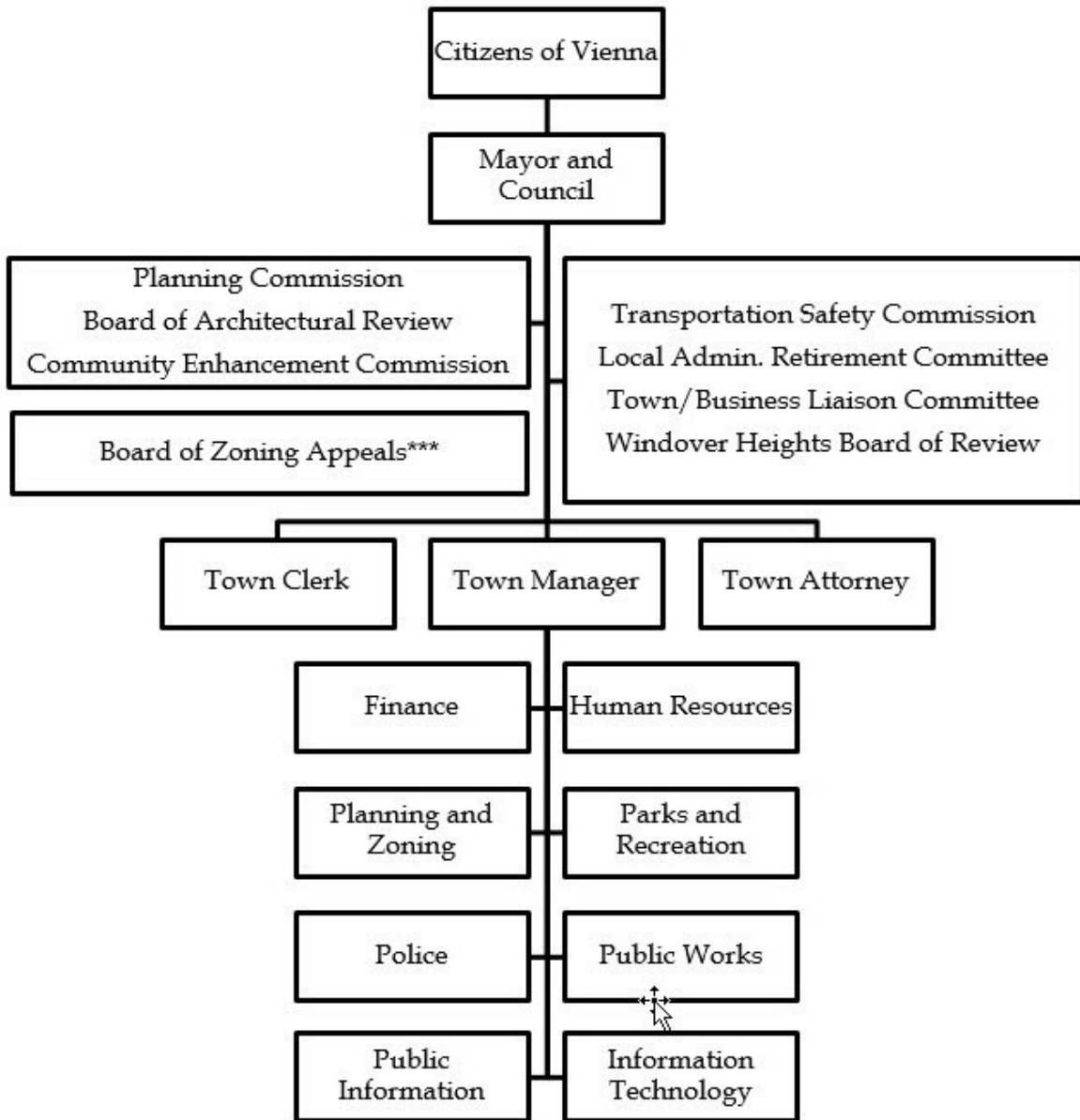
June 30, 2016

Christopher P. Morill

Executive Director/CEO

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Town of Vienna, Virginia Organizational Chart



***The Board of Zoning Appeals is a quasi-judicial body whose members are appointed by the Fairfax County Circuit Court.

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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 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 the Town of Vienna, Virginia, as of and for the year ended June 30, 2017 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-14, 87-88, and 89-95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vienna, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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.

Other Information (continued)

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 28, 2017, 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 the Town of Vienna, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia

November 28, 2017

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

The Town of Vienna offers readers of the Town's financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented in this analysis in conjunction with additional information furnished in the letter of transmittal.

Financial Highlights

- Total net position on June 30, 2017 was \$61,621,788, compared to \$58,105,113 in 2016. Total net position increased \$3,516,675 or 6.0 percent, mainly due to investment in capital assets from bond proceeds received in 2016. The Town's unrestricted net position decreased by \$3,222,566 or 43.0 percent from 2016 because resources were transferred to investment in capital assets, for the same reason noted above. Unrestricted net position funds may be appropriated by Town Council to meet ongoing obligations to citizens, water and sewer customers, and creditors.
- As of the close of the reported fiscal year, the Town's governmental funds balance sheet (Exhibit 3) reported a combined ending fund balance of \$19,283,193, a decrease of \$7,131,274 or 27.0 percent compared with the prior year. The decrease is due primarily to a decrease in cash, receivables from other governments, and accounts payable as funds were converted to capital assets. The Debt Service Fund's balance of \$6,696,150 is assigned to retirement of current and future debt issues, and the \$3,278,467 balance of the Capital Projects Fund is assigned for completion of capital projects. The \$1,042,724 fund balance in Non-Major Governmental Funds consists of \$321,799 restricted for stormwater projects and \$720,925 restricted for projects sponsored by the Northern Virginia Regional Gang Task Force. The General Fund's balance includes \$4,469,240 in unassigned balance. This represents 18.3 percent of total fiscal year 2018 General Fund budgeted expenditures.
- The Town's long-term obligations, which are due across multiple years, increased by \$2,066,594 or 5 percent during last fiscal year. This increase resulted primarily from accrual of long-term pension obligations. Long-term obligations due in more than one year totaled \$39,019,304 at yearend. Of this amount, outstanding bonds and notes totaled \$21,540,708, capital leases totaled \$1,236,578, and pension and post-employment benefits totaled \$16,242,018. The above amounts do not include the Town's obligations related to accounts payable and total compensated absences, which totaled \$6,094,214 and \$1,542,655 respectively at yearend. Accounts payable and an amount estimated at \$1,388,390 for compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences increased by \$49,505 or 3.3 percent over the preceding year.
- Excluding Pension Trust Funds, total cash and cash equivalents decreased by \$5,113,859 when compared to the prior fiscal year. The decrease is mainly attributed to capital spending in 2017. Water and Sewer Fund operating, non-operating revenues, capital contributions, and incoming transfers exceeded operating and non-operating expenses and outgoing transfers by \$522,272. Pension fund contributions and interest earnings exceeded benefits payments by \$93,857. The following table denotes cash increases and decreases by fund.

| Fund | FY 17 Cash | FY 16 Cash | Increase (Decrease) |
|------------------------|-----------------------|-----------------------|--------------------------------|
| General | \$ 10,705,059 | \$ 10,674,615 | \$ 30,444 |
| Debt Service | 6,425,246 | 6,089,610 | 335,636 |
| Capital Projects | 4,623,530 | 9,275,459 | (4,651,929) |
| Special Transportation | 928,562 | 1,799,394 | (870,832) |
| Nonmajor Governmental | 1,184,618 | 1,139,050 | 45,568 |
| Water & Sewer | 1,455,019 | 1,457,765 | (2,746) |
| Total Cash | <u>\$ 25,322,034</u> | <u>\$ 30,435,893</u> | <u>\$ (5,113,859)</u> |
| Pension Trust | <u>\$ 5,564,334</u> | <u>\$ 5,325,977</u> | <u>\$ 238,357</u> |

Overview of 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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- A. **Government-wide financial statements** - 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between assets and deferred outflows, liabilities, and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.
 2. **Statement of Activities** - Presents information showing how the Town's 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 timing of related cash flows. Thus, revenues and expenses are reported in a 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 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 costs through user fees and charges (business-type activities). The Town's governmental activities include general government, police, public works, community development, and recreation. 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 and 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 Town funds 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, 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: General Fund, Debt Service Fund, Capital Projects Fund, Gang Task Force Fund, Stormwater Fund, and 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, Capital Projects, and Stormwater 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 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 governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the 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 (depreciated) to operations over the estimated useful life of the assets in government-wide financial statements.
 - b. Interest expense is reflected as an expenditure when due in governmental fund financial statements, but is posted as an accrued expense in the government-wide financial statements.
 - c. Receivables reported in government-wide financial statements when a claim is established (or revenue is earned) are reported as deferred revenues in 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 of Vienna does not utilize internal service funds, but does maintain one enterprise fund that accounts for 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 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 defined benefit pension plans under direction of the Town Retirement Committee. The Local Retirement Pension Plan, which was closed to new entrants in 2006, covers non-sworn employees, and police officers are covered by the Police Retirement Pension Plan. Although reported in 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 essential to a full understanding of the data provided in 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 and deferred outflows exceeded total liabilities and deferred inflows of resources by \$61,621,788 at yearend, an increase of \$3,516,675 or 6.0 percent. Of the total net position, governmental activities totaled \$51,727,661, up \$2,994,403 or 6.14 percent, while business-type activities totaled \$9,894,127, an increase of \$522,272 or 5.6 percent. The increase in net position of governmental activities was due primarily to investments in capital assets after the issuance of bonds in 2016. The increase in net position of business-type activities is also due to investments in Water and Sewer infrastructure partially offset by obligations due to other governments.

The Town's investment in capital assets such as land, buildings, and equipment, net of depreciation, totaled \$82,816,486 on June 30, 2017, of which governmental activities totaled \$68,198,390, an increase of \$7,818,046 or 13.0 percent. The increase is due primarily to issuance of bonds in 2016 and the corresponding increase in investments in infrastructure and other capital projects in 2017. 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 resources needed to repay this debt must be provided from other sources since 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 fiscal year 2017.

| Town of Vienna, Virginia | | | | | | |
|--|-----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Schedule of Assets, Liabilities, Deferred Inflows and Net Position | | | | | | |
| | Governmental | | Business-type | | Total | |
| | Activities | | Activities | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets: | | | | | | |
| Current and other assets | \$ 26,577,104 | \$ 35,329,623 | \$ 14,618,096 | \$ 2,993,182 | \$ 41,195,200 | \$ 38,322,805 |
| Capital assets | 68,198,390 | 60,380,344 | 3,272,791 | 11,355,073 | 71,471,181 | 71,735,417 |
| Total assets | <u>\$ 94,775,494</u> | <u>\$ 95,709,967</u> | <u>\$ 17,890,887</u> | <u>\$ 14,348,255</u> | <u>\$ 112,666,381</u> | <u>\$ 110,058,222</u> |
| Deferred Inflows of Resources | <u>\$ 3,285,913</u> | <u>\$ 2,235,195</u> | <u>\$ 399,291</u> | <u>\$ 299,039</u> | <u>\$ 3,685,204</u> | <u>\$ 2,534,234</u> |
| Liabilities: | | | | | | |
| Long-term liabilities outstanding | \$ 38,174,690 | \$ 38,268,815 | \$ 5,300,889 | \$ 3,140,170 | \$ 43,475,579 | \$ 41,408,985 |
| Other liabilities | 7,382,170 | 9,078,323 | 2,959,899 | 2,036,391 | 10,342,069 | 11,114,714 |
| Total liabilities | <u>\$ 45,556,860</u> | <u>\$ 47,347,138</u> | <u>\$ 8,260,788</u> | <u>\$ 5,176,561</u> | <u>\$ 53,817,648</u> | <u>\$ 52,523,699</u> |
| Deferred Inflows of Resources | <u>\$ 776,886</u> | <u>\$ 1,864,766</u> | <u>\$ 135,263</u> | <u>\$ 98,878</u> | <u>\$ 912,149</u> | <u>\$ 1,963,644</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | \$ 46,259,237 | \$ 40,770,246 | \$ 11,096,338 | \$ 9,846,088 | \$ 57,355,575 | \$ 50,616,334 |
| Unrestricted | 5,468,424 | 7,963,012 | (1,202,211) | (474,233) | 4,266,213 | 7,488,779 |
| Total net position | <u><u>\$ 51,727,661</u></u> | <u><u>\$ 48,733,258</u></u> | <u><u>\$ 9,894,127</u></u> | <u><u>\$ 9,371,855</u></u> | <u><u>\$ 61,621,788</u></u> | <u><u>\$ 58,105,113</u></u> |

At the end of the most recent fiscal year, the Town of Vienna is able to report positive balances for the Town as a whole in both categories of net position.

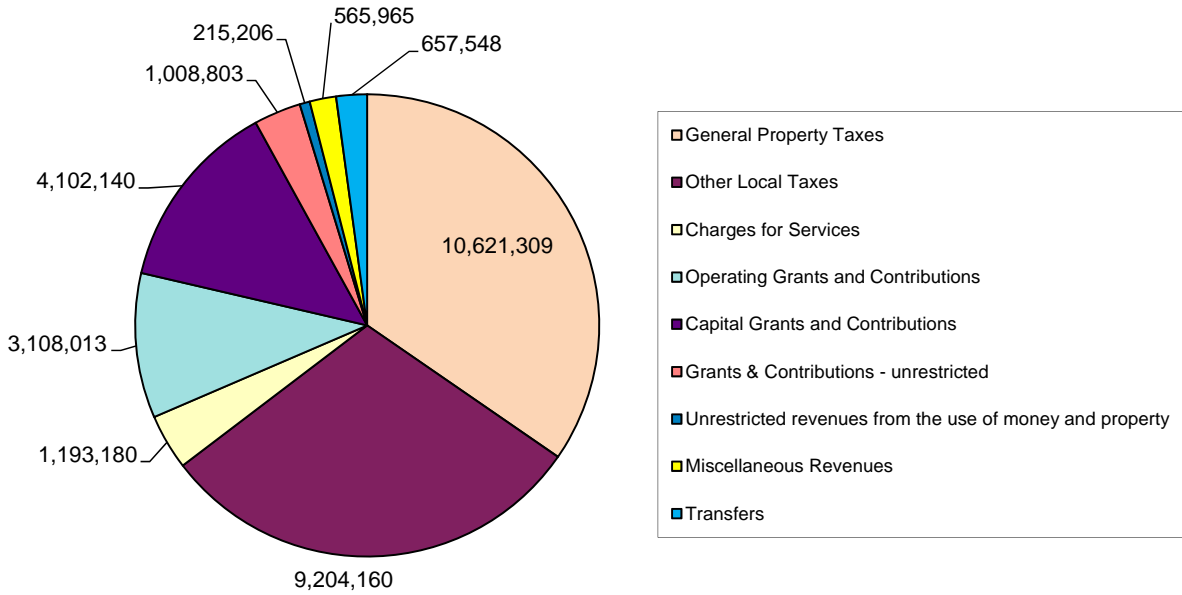
Governmental Activities - Governmental and business-type activities reflect changes in net position of \$2,994,403 and \$522,272 respectively. The following table provides an overview of revenues, expenses, and changes in net position for the fiscal year.

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

| | Governmental | | Business-type | | Total | |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,193,180 | \$ 1,185,623 | \$ 7,386,960 | \$ 6,902,605 | \$ 8,580,140 | \$ 8,088,228 |
| Operating grants and contributions | 3,108,013 | 3,194,985 | - | - | 3,108,013 | 3,194,985 |
| Capital grants and contributions | 4,102,140 | 8,394,653 | 486,400 | 213,405 | 4,588,540 | 8,608,058 |
| General revenues: | | | | | | |
| Property taxes | 10,621,309 | 10,174,969 | - | - | 10,621,309 | 10,174,969 |
| Other local taxes | 9,204,160 | 9,320,164 | - | - | 9,204,160 | 9,320,164 |
| Grants & contributions - unrestricted | 1,008,803 | 1,033,119 | - | - | 1,008,803 | 1,033,119 |
| Unrestricted revenues from the use of money and property | 215,206 | 179,769 | 8,997 | 6,029 | 224,203 | 185,798 |
| Miscellaneous | 565,965 | 1,560,383 | 319,789 | 262,214 | 885,754 | 1,822,597 |
| Total revenues | \$ 30,018,776 | \$ 35,043,665 | \$ 8,202,146 | \$ 7,384,253 | \$ 38,220,922 | \$ 42,427,918 |
| Expenses: | | | | | | |
| General government administration | \$ 5,094,803 | \$ 4,922,997 | \$ - | \$ - | \$ 5,094,803 | \$ 4,922,997 |
| Public safety | 7,363,849 | 7,052,929 | - | - | 7,363,849 | 7,052,929 |
| Public works | 10,566,449 | 8,917,396 | - | - | 10,566,449 | 8,917,396 |
| Health and welfare | 232,186 | 240,410 | - | - | 232,186 | 240,410 |
| Parks, recreation and cultural | 3,100,416 | 3,040,826 | - | - | 3,100,416 | 3,040,826 |
| Community development | 850,738 | 781,494 | - | - | 850,738 | 781,494 |
| Interest on long-term debt | 473,480 | 707,242 | - | - | 473,480 | 707,242 |
| Water and sewer | - | - | 7,022,326 | 6,096,402 | 7,022,326 | 6,096,402 |
| Total Expenses | \$ 27,681,921 | \$ 25,663,294 | \$ 7,022,326 | \$ 6,096,402 | \$ 34,704,247 | \$ 31,759,696 |
| Net Position: | | | | | | |
| Income before capital contributions and transfers | \$ 2,336,855 | \$ 9,380,371 | \$ 1,179,820 | \$ 1,287,851 | \$ 3,516,675 | \$ 10,668,222 |
| Transfers | 657,548 | 681,332 | (657,548) | (681,332) | - | - |
| Increase (Decrease) in net position | \$ 2,994,403 | \$ 10,061,703 | \$ 522,272 | \$ 606,519 | \$ 3,516,675 | \$ 10,668,222 |
| Net position, beginning of year | 48,733,258 | 38,671,555 | 9,371,855 | 8,765,336 | 58,105,113 | 47,436,891 |
| Net position, end of year | \$ 51,727,661 | \$ 48,733,258 | \$ 9,894,127 | \$ 9,371,855 | \$ 61,621,788 | \$ 58,105,113 |

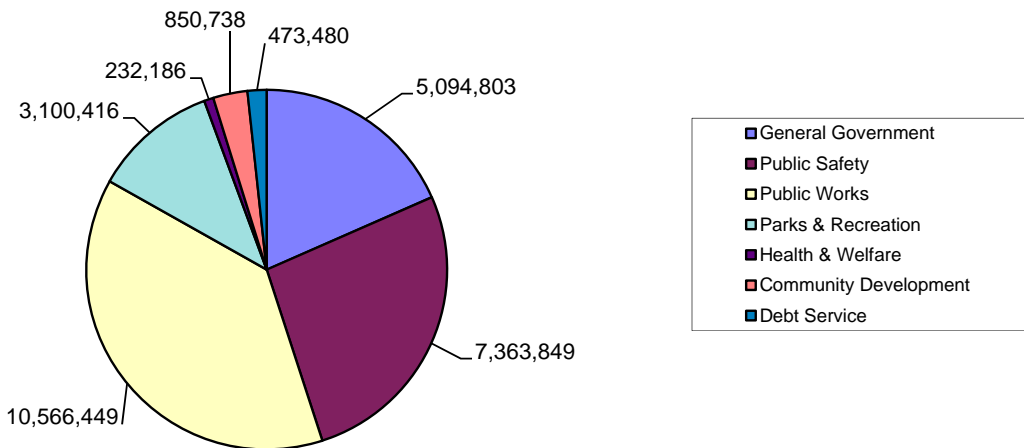
Program, general revenues, and transfers for governmental activities totaled \$30,018,776, a decrease of \$5,024,889 or 14.3 percent over the previous fiscal year. Of that total amount, property tax revenue totaled \$10,621,309 and other local taxes totaled \$9,204,160. The 4.4 percent increase in property taxes was due to new residential and commercial construction plus a 4.5 percent increase in assessments. The 1.2 percent decrease in other local taxes primarily reflected a 22.3 percent decrease in bank franchise taxes, partially offset by a 6.8 percent increase in meals taxes. Capital grants and contributions totaled \$4,102,140, a decrease of \$4,292,513 from the previous year. The \$657,548 worth of transfers between governmental activities and business-type activities was net \$23,784 less than the preceding year. The transfers are from the Water and Sewer Fund to the Debt Service Fund, to cover water and sewer fund's share of debt retirement, and to the General Fund to recover the General Fund's cost related to support of water and sewer 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 is due primarily to declining debt payments compared to 2016. The chart below provides an overview of the FY 2017 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. Expenses associated with individual functions are compared to non-tax revenues generated by charges for services and intergovernmental grants. As indicated in the Statement of Activities, governmental activities expenses totaled \$27,681,921, an increase of \$2,081,627 or 7.9 percent. Directly supporting these expenditures were charges for services, which generated \$1,193,180, plus operating grants and contributions totaling \$3,108,013, and capital grants and contributions of \$4,102,140 for total program revenues of \$8,403,333. This represents a decrease from 2016 of \$4,371,928 or 26.7 percent due mainly to a decline in funds received for capital grants and contributions both from outside entities and compared to the 2016 bond issue. General revenue support of these activities decreased by \$676,745 or 26.0 percent, mainly due to one-time donations in 2016. 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 \$522,272 to end the year with a net position balance of \$9,894,127. Before net transfers out of \$657,548 to the General, Debt Service, and Capital Project funds, other grants and revenues from the use of money and property, Water and Sewer Fund operating income, and capital transfers ended the year with a net gain of \$366,878. Key contributors to the increase in net position are increases in fees from development and contributed capital and decreased personnel costs, partially offset by increases in sewer treatment costs.

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. As noted above, the Town employs six funds: General Fund, Debt Service Fund, Capital Projects Fund, Gang Task Force Fund, Special Transportation Fund, and 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 FY 2017, the Town's six governmental funds reported combined ending fund balances of \$19,283,193, a decrease of \$7,131,274 or 27.0 percent from the prior year. The change is mainly the result of decreased cash due to investments in capital assets after the bond issuance in 2016 and decreased receivables for grants collected in 2017. \$14,813,953 or 76.8 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 \$4,469,240 or 23.2 percent of the total available for spending by Council appropriation.

Debt Service Fund revenues were up by \$194,332 or 7.6 percent, primarily because of rising meals and lodging tax collections. Transfers from the General Fund and Water and Sewer Fund decreased by \$884,172, mainly due to a one-time transfer of funds reserved for debt service from the General Fund in 2016. Expenditures were up by 13.0 percent due to debt payments from newer bond funds. The Capital Project Fund balance decreased by \$7,551,935, reflecting the investment in capital assets from spending of 2016 bond proceeds. The balance at yearend is reserved for various projects for which the 2016 debt was issued. The reserved portions of fund balances are not available for new spending because they already have been committed for expenditures, as follows:

| Town of Vienna, Virginia | |
|---|-----------------------------|
| Fund Balance Components | |
| General, Debt Service, Capital Projects, and Special Revenue Funds | |
| Nonspendable: | |
| Inventory | \$ 111,338 |
| Total Nonspendable | <u>\$ 111,338</u> |
| Restricted: | |
| Unappropriated PEG Funds | \$ 975,373 |
| E-911 | 45,200 |
| Gang task force funds | 720,925 |
| Stormwater funds | 321,799 |
| Total Restricted | <u>\$ 2,063,297</u> |
| Committed: | |
| VRP reserves | \$ 700,000 |
| Subsequent year budget support | 550,000 |
| New financial system | 156,460 |
| Total Committed | <u>\$ 1,406,460</u> |
| Assigned: | |
| Carryforward | \$ 101,100 |
| Encumbrances | 74,450 |
| Federal AF Funds | 371,065 |
| State AF Funds | 266,388 |
| Other postemployment benefits | 445,238 |
| Debt service | 6,696,150 |
| Capital projects | 3,278,467 |
| Total Assigned | <u>\$ 11,232,858</u> |
| Unassigned: | |
| General fund | \$ 4,469,240 |
| Total Fund Balance | <u><u>\$ 19,283,193</u></u> |

The General Fund is the primary operating fund of the Town. At the end of the fiscal year, the fund balance of the General Fund totaled \$8,265,852, which equates to 30.9 percent of the \$19,283,193 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 of \$4,469,240 represents 19.6 percent of total General Fund expenditures, while total fund balance represents 36.3 percent of that same amount.

The total fund balance for the General Fund increased \$107,516 or 1.3 percent from the previous fiscal year. The unassigned component of fund balance was \$4,469,240 at yearend, a decrease over the prior fiscal year of \$298,929 or 6.3 percent. Both changes were functions of the following:

- Overall, General Fund revenues, excluding one-time donations for capital projects in 2016, were up by \$182,016 or 1.0 percent, primarily as a result of increased real estate assessments and business license taxes, partially offset by decreases in bank franchise and sales taxes.
- General Fund expenditures increased by \$222,207 or 1.0 percent over the previous year. Increased landfill costs, salary increases, and several filled positions partially offset by savings in snow removal costs accounted for most of the increase.

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

General Fund Budgetary Highlights

During the year, various budget amendments resulted in differences between the original and final FY 2017 budgets. These differences totaled \$69,250 for revenues and \$856,821 for expenditures. Donations for Police and Parks and Recreation department projects comprise most of the miscellaneous revenue budget amendments. Budgeting of capital lease expenditures during 2017 accounted for most of the expenditure budget increases. Details are summarized in the following table:

| | Amount Amended |
|-----------------------------------|---------------------------|
| Revenues: | |
| Miscellaneous | \$ 38,230 |
| Charges for services | 31,020 |
| Total | <u>\$ 69,250</u> |
| Expenditures: | |
| General government administration | \$ 150,693 |
| Public safety | 115,035 |
| Public works | 462,566 |
| Parks, recreation and cultural | 77,969 |
| Community development | 50,558 |
| Total | <u>\$ 856,821</u> |

General Fund Budgetary Variances

General Fund actual revenues were \$246,418 or 1.1 percent more than amended budgetary estimates. The difference is due largely to favorable real estate and sales taxes, partially offset by lower bank stock and tobacco taxes. General Fund actual expenditures were \$690,409 or 2.9 percent less than amended budgets. The majority of budgetary expenditure savings occurred in the categories of parks and recreation, general government administration, and snow removal costs due to open positions, the lower cost of insurance coverage, and mild winter weather. This was partially offset by higher landfill fee costs.

Capital Assets and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities totaled \$68,198,390 (net of accumulated depreciation), an increase of \$7,818,046 or 13.0 percent. Capital assets for business-type activities increased by \$3,263,023 or 28.7 percent. The increases are due to spending increases from the 2016 bond proceeds and matching grants. The schedule below provides an overview of capital asset balances at yearend, 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 | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 3,032,919 | \$ 3,032,919 | \$ - | \$ - | \$ 3,032,919 | \$ 3,032,919 |
| Land improvements | 2,834,770 | 2,917,354 | - | - | 2,834,770 | 2,917,354 |
| Construction in progress | 16,067,798 | 9,784,455 | 83,606 | 83,606 | 16,151,404 | 9,868,061 |
| Buildings and improvements | 8,056,614 | 8,480,410 | - | - | 8,056,614 | 8,480,410 |
| Infrastructure | 32,501,260 | 30,370,179 | 13,890,434 | 10,802,716 | 46,391,694 | 41,172,895 |
| Office and other equipment | 3,008,100 | 2,896,316 | - | - | 3,008,100 | 2,896,316 |
| Automotive and other equipment | 2,696,929 | 2,898,711 | 644,056 | 468,751 | 3,340,985 | 3,367,462 |
| Total assets - net of depreciation | <u>\$ 68,198,390</u> | <u>\$ 60,380,344</u> | <u>\$ 14,618,096</u> | <u>\$ 11,355,073</u> | <u>\$ 82,816,486</u> | <u>\$ 71,735,417</u> |

Long-term obligations - At the conclusion of the fiscal year, long-term obligations totaled \$36,790,227 for governmental activities and \$5,142,697 for business-type activities. Of these amounts, outstanding bonds and notes totaled \$23,757,124 and capital leases totaled \$1,933,782. These amounts do not include the Town's obligations related to accounts payable and compensated absences, which totaled \$6,094,214 and \$1,542,655 respectively at yearend. Except for \$154,265 worth of compensated absences, these obligations will be paid from current resources and are 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 10 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 increased over the past several years, climbing by 4.5 percent in FY 2017, mainly due to continued construction of upscale homes and residential renovations in many areas of Vienna. Overall property values increased by 3.0 percent during the past calendar year and are projected to increase moderately during the next several years. The Town continues to enjoy the benefits of the area's relatively low unemployment rate, which at the end of the fiscal year, according to the Bureau of Labor Statistics, was 3.2 percent as compared to 3.7 percent and 4.4 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 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, 2018 totals \$24,207,310 which equates to an increase of \$1,592,990 or 7.0 percent from the previous fiscal year. \$700,000 of this increase relates to budgeting for capital lease spending in 2018, which was not part of the original budget in 2017. The remainder relates to increased revenues and expenditures as the expanded community center opens in 2018 and increases in asphalt overlay and landfill costs in public works. General property tax revenue is expected to increase \$412,500 or 3.9 percent. The tax rate for fiscal year 2018 is \$0.2250, no change from fiscal years 2016 and 2017. The following table provides a comparison of the Town's FY 2017 actual revenue and the FY 2018 adopted revenue budget.

| Revenue Source | FY 2018 Budget | FY 2017 Budget | Expected Increase (Decrease) |
|-----------------------------|---------------------------|---------------------------|---|
| Property taxes | \$ 10,840,000 | \$ 10,427,500 | \$ 412,500 |
| Other local taxes | 6,681,000 | 6,451,000 | 230,000 |
| Permits, fees & licenses | 242,200 | 246,200 | (4,000) |
| Fines and forfeitures | 409,000 | 462,500 | (53,500) |
| Use of money & property | 152,000 | 136,000 | 16,000 |
| Charges for services | 770,000 | 625,000 | 145,000 |
| State revenues | 3,278,410 | 3,203,210 | 75,200 |
| Federal revenues | 85,000 | 113,500 | (28,500) |
| Transfers-in | 323,900 | 243,410 | 80,490 |
| Other | 109,800 | 156,000 | (46,200) |
| Prior year reserves | 616,000 | 550,000 | 66,000 |
| Equip. Repl. Reserve/PEG | 700,000 | - | 700,000 |
| Total Revenue Budget | \$ 24,207,310 | \$ 22,614,320 | \$ 1,592,990 |

Request for Information

This financial report is designed to provide a general overview of Town's finances for the fiscal year ended June 30, 2017. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 127 Center Street S, Vienna, Virginia 22180. Information relative to the Town of Vienna government also may be obtained by visiting the Town of Vienna website 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, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 22,120,767 | \$ 1,455,019 | \$ 23,575,786 |
| Receivables, (net of allowances for uncollectibles): | 569,126 | 1,800,243 | 2,369,369 |
| Due from other governments | 2,029,625 | - | 2,029,625 |
| Inventory, at cost | 111,338 | 17,529 | 128,867 |
| Restricted: | | | |
| Cash and cash equivalents | 1,746,248 | - | 1,746,248 |
| Capital assets: | | | |
| Land | 3,032,919 | - | 3,032,919 |
| Construction in progress | 16,067,798 | 83,606 | 16,151,404 |
| Other capital assets, net of accumulated depreciation | 49,097,673 | 14,534,490 | 63,632,163 |
| Capital assets, net | <u>\$ 68,198,390</u> | <u>\$ 14,618,096</u> | <u>\$ 82,816,486</u> |
| Total assets | <u>\$ 94,775,494</u> | <u>\$ 17,890,887</u> | <u>\$ 112,666,381</u> |
| Deferred outflows of resources: | | | |
| Pension contributions subsequent to the measurement date | \$ 1,194,135 | \$ 129,153 | \$ 1,323,288 |
| Change in proportionate share of net pension liability | 107,453 | 49,922 | 157,375 |
| Items related to the measurement of the net pension liability | <u>1,984,325</u> | <u>220,216</u> | <u>2,204,541</u> |
| Total deferred outflows of resources | <u>\$ 3,285,913</u> | <u>\$ 399,291</u> | <u>\$ 3,685,204</u> |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 3,896,079 | \$ 2,198,135 | \$ 6,094,214 |
| Unearned revenue | 1,575,390 | - | 1,575,390 |
| Escrow and other deposits | 1,910,701 | 129,549 | 2,040,250 |
| Due to other governments | - | 632,215 | 632,215 |
| Long-term liabilities: | | | |
| Due within one year: | | | |
| Bonds payable | 2,020,461 | 115,000 | 2,135,461 |
| Notes payable | - | 80,955 | 80,955 |
| Capital leases | 599,253 | 97,951 | 697,204 |
| Compensated absences | 1,246,017 | 142,373 | 1,388,390 |
| Due in more than one year: | | | |
| Bonds payable | 18,483,401 | 1,130,000 | 19,613,401 |
| Notes payable | - | 1,927,307 | 1,927,307 |
| Capital leases | 1,066,033 | 170,545 | 1,236,578 |
| Net OPEB obligation | 540,514 | 53,137 | 593,651 |
| Net pension liability | 14,080,565 | 1,567,802 | 15,648,367 |
| Compensated absences | <u>138,446</u> | <u>15,819</u> | <u>154,265</u> |
| Total liabilities | <u>\$ 45,556,860</u> | <u>\$ 8,260,788</u> | <u>\$ 53,817,648</u> |
| Deferred Inflows of Resources: | | | |
| Items related to the measurement of the net pension liability | \$ 674,921 | \$ 27,810 | \$ 702,731 |
| Change in proportionate share of net pension liability | 49,922 | 107,453 | 157,375 |
| Deferred revenue - property taxes | <u>52,043</u> | <u>-</u> | <u>52,043</u> |
| Total deferred inflows of resources | <u>\$ 776,886</u> | <u>\$ 135,263</u> | <u>\$ 912,149</u> |
| Net Position: | | | |
| Net investment in capital assets | \$ 46,259,237 | \$ 11,096,338 | \$ 57,355,575 |
| Unrestricted | <u>5,468,424</u> | <u>(1,202,211)</u> | <u>4,266,213</u> |
| Total net position | <u>\$ 51,727,661</u> | <u>\$ 9,894,127</u> | <u>\$ 61,621,788</u> |

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

TOWN OF VIENNA, VIRGINIA

Statement of Activities
Year Ended June 30, 2017

| 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 | \$ 5,094,803 | \$ 40,719 | \$ - | \$ - | \$ (5,054,084) | \$ - | \$ (5,054,084) |
| Public safety | 7,363,849 | 651,247 | 546,081 | - | (6,166,521) | - | (6,166,521) |
| Public works | 10,566,449 | - | 2,532,371 | 4,102,140 | (3,931,938) | - | (3,931,938) |
| Health and welfare | 232,186 | - | - | - | (232,186) | - | (232,186) |
| Parks, recreation and cultural | 3,100,416 | 501,214 | - | - | (2,599,202) | - | (2,599,202) |
| Community development | 850,738 | - | - | - | (850,738) | - | (850,738) |
| Interest on long-term debt | 473,480 | - | 29,561 | - | (443,919) | - | (443,919) |
| Total governmental activities | \$ 27,681,921 | \$ 1,193,180 | \$ 3,108,013 | \$ 4,102,140 | \$ (19,278,588) | \$ - | \$ (19,278,588) |
| Business-type activities | | | | | | | |
| Water and sewer | 7,022,326 | 7,386,960 | - | 486,400 | - | 851,034 | 851,034 |
| Total Primary Government | \$ 34,704,247 | \$ 8,580,140 | \$ 3,108,013 | \$ 4,588,540 | \$ (19,278,588) | \$ 851,034 | \$ (18,427,554) |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| General real property taxes | | | | | \$ 10,621,309 | \$ - | \$ 10,621,309 |
| Local sales and use taxes | | | | | 1,425,248 | - | 1,425,248 |
| Consumer utility taxes | | | | | 654,778 | - | 654,778 |
| Business license taxes | | | | | 2,258,387 | - | 2,258,387 |
| Meals and lodging taxes | | | | | 2,691,356 | - | 2,691,356 |
| Bank franchise taxes | | | | | 1,100,576 | - | 1,100,576 |
| Other | | | | | 1,073,815 | - | 1,073,815 |
| Grants and contributions not restricted to specific programs | | | | | 1,008,803 | - | 1,008,803 |
| Unrestricted revenues from the use of money and property | | | | | 215,206 | 8,997 | 224,203 |
| Miscellaneous | | | | | 565,965 | 319,789 | 885,754 |
| Transfers | | | | | 657,548 | (657,548) | - |
| Total general revenues and transfers | | | | | \$ 22,272,991 | \$ (328,762) | \$ 21,944,229 |
| Change in net position | | | | | \$ 2,994,403 | \$ 522,272 | \$ 3,516,675 |
| Net position, beginning of year | | | | | 48,733,258 | 9,371,855 | 58,105,113 |
| Net position, end of year | | | | | \$ 51,727,661 | \$ 9,894,127 | \$ 61,621,788 |

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, 2017

| | Major Funds | | | | | Total Governmental Funds |
|--|----------------------|---------------------|---------------------|-----------------------------------|---------------------|--------------------------------|
| | General | Debt Service | Capital Projects | Special Transportation Fund | Nonmajor Funds | |
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 10,705,059 | \$ 6,425,246 | \$ 4,623,530 | \$ - | \$ 366,932 | \$ 22,120,767 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Taxes including penalties | 39,403 | - | - | - | - | 39,403 |
| Accounts | 258,819 | 270,904 | - | - | - | 529,723 |
| Due from other governments | 485,173 | - | 1,544,452 | - | - | 2,029,625 |
| Inventory, at cost | 111,338 | - | - | - | - | 111,338 |
| Restricted: | | | | | | |
| Cash and cash equivalents | - | - | - | 928,562 | 817,686 | 1,746,248 |
| Total assets | <u>\$ 11,599,792</u> | <u>\$ 6,696,150</u> | <u>\$ 6,167,982</u> | <u>\$ 928,562</u> | <u>\$ 1,184,618</u> | <u>\$ 26,577,104</u> |
| Liabilities: | | | | | | |
| Accounts payable | \$ 682,678 | \$ - | \$ 2,514,301 | \$ - | \$ 42,655 | \$ 3,239,634 |
| Accrued liabilities | 376,438 | - | - | - | 99,239 | 475,677 |
| Escrow and other deposits | 1,910,701 | - | - | - | - | 1,910,701 |
| Unearned revenue | 271,614 | - | 375,214 | 928,562 | - | 1,575,390 |
| Total liabilities | <u>\$ 3,241,431</u> | <u>\$ -</u> | <u>\$ 2,889,515</u> | <u>\$ 928,562</u> | <u>\$ 141,894</u> | <u>\$ 7,201,402</u> |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - property taxes | <u>\$ 92,509</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 92,509</u> |
| Fund Balance: | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | \$ 111,338 | \$ - | \$ - | \$ - | \$ - | \$ 111,338 |
| Restricted: | | | | | | |
| Unappropriated PEG Funds | 975,373 | - | - | - | - | 975,373 |
| E-911 | 45,200 | - | - | - | - | 45,200 |
| Stormwater funds | - | - | - | - | 321,799 | 321,799 |
| Gang task force funds | - | - | - | - | 720,925 | 720,925 |
| Committed: | | | | | | |
| VRP reserves | 700,000 | - | - | - | - | 700,000 |
| Subsequent year budget support | 550,000 | - | - | - | - | 550,000 |
| New financial system | 156,460 | - | - | - | - | 156,460 |
| Assigned: | | | | | | |
| Encumbrances | 74,450 | - | - | - | - | 74,450 |
| Carryforward | 101,100 | - | - | - | - | 101,100 |
| Federal AF funds | 371,065 | - | - | - | - | 371,065 |
| State AF funds | 266,388 | - | - | - | - | 266,388 |
| Other postemployment benefits | 445,238 | - | - | - | - | 445,238 |
| Debt service | - | 6,696,150 | - | - | - | 6,696,150 |
| Capital projects | - | - | 3,278,467 | - | - | 3,278,467 |
| Unassigned | <u>4,469,240</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,469,240</u> |
| Total fund balance | <u>\$ 8,265,852</u> | <u>\$ 6,696,150</u> | <u>\$ 3,278,467</u> | <u>\$ -</u> | <u>\$ 1,042,724</u> | <u>\$ 19,283,193</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 11,599,792</u> | <u>\$ 6,696,150</u> | <u>\$ 6,167,982</u> | <u>\$ 928,562</u> | <u>\$ 1,184,618</u> | <u>\$ 26,577,104</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, 2017

| | | |
|---|----|--------------------------|
| Total fund balances for governmental funds (Exhibit 3) | \$ | 19,283,193 |
| 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 | | 16,067,798 |
| Depreciable capital assets, net of accumulated depreciation | | <u>49,097,673</u> |
| Total capital assets | | 68,198,390 |
| Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. This item is comprised of: | | |
| Items related to the measurement of the net pension liability. | | (674,921) |
| Change in proportionate share of the net pension liability | | <u>(49,922)</u> |
| Total | | (724,843) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | | |
| | | 1,194,135 |
| 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. | | |
| | | 40,465 |
| 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 | \$ | (180,767) |
| Bonds and capital leases payable | | (21,594,286) |
| Unamortized bond premium | | (574,862) |
| Net OPEB obligation | | (540,514) |
| Net pension liability | | (14,080,565) |
| Change in proportionate share of the net pension liability | | 107,453 |
| Items related to the measurement of net pension liability | | 1,984,325 |
| Compensated absences | | <u>(1,384,463)</u> |
| Total | | <u>(36,263,679)</u> |
| Total net position of governmental activities (Exhibits 1 and 2) | \$ | <u><u>51,727,661</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, 2017

| | Major Funds | | | | | Total Governmental Funds |
|--|----------------------|-------------------------|----------------------------|--|---------------------------|---|
| | General | Debt Service | Capital Project | Special Transportation Fund | Nonmajor Funds | |
| Revenues: | | | | | | |
| General property taxes | \$ 10,622,903 | \$ - | \$ - | \$ - | \$ - | \$ 10,622,903 |
| Other local taxes | 6,512,804 | 2,691,356 | - | - | - | 9,204,160 |
| Permits, privilege fees and regulatory licenses | 249,733 | - | - | - | - | 249,733 |
| Fines and forfeitures | 368,135 | - | - | - | - | 368,135 |
| Revenue from use of money and property | 126,870 | 41,012 | 41,502 | - | 5,822 | 215,206 |
| Charges for services | 575,312 | - | - | - | - | 575,312 |
| Miscellaneous | 313,012 | 80 | 252,095 | - | 778 | 565,965 |
| Intergovernmental | 3,367,809 | 29,561 | 2,637,041 | 1,530,763 | 653,782 | 8,218,956 |
| Total revenues | <u>\$ 22,136,578</u> | <u>\$ 2,762,009</u> | <u>\$ 2,930,638</u> | <u>\$ 1,530,763</u> | <u>\$ 660,382</u> | <u>\$ 30,020,370</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government administration | \$ 4,635,247 | \$ - | \$ - | \$ - | \$ - | \$ 4,635,247 |
| Public safety | 6,623,845 | - | - | - | 370,242 | 6,994,087 |
| Public works | 7,624,038 | - | - | 10,740 | 362,920 | 7,997,698 |
| Health and welfare | 232,186 | - | - | - | - | 232,186 |
| Parks, recreation, and cultural | 2,832,486 | - | - | - | - | 2,832,486 |
| Community development | 840,890 | - | - | - | - | 840,890 |
| Capital projects | - | - | 11,431,288 | - | - | 11,431,288 |
| Debt service: | | | | | | |
| Principal retirement | - | 2,722,249 | - | - | - | 2,722,249 |
| Interest and other fiscal charges | - | 641,061 | - | - | - | 641,061 |
| Total expenditures | <u>\$ 22,788,692</u> | <u>\$ 3,363,310</u> | <u>\$ 11,431,288</u> | <u>\$ 10,740</u> | <u>\$ 733,162</u> | <u>\$ 38,327,192</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (652,114)</u> | <u>\$ (601,301)</u> | <u>\$ (8,500,650)</u> | <u>\$ 1,520,023</u> | <u>\$ (72,780)</u> | <u>\$ (8,306,822)</u> |
| Other financing sources (uses): | | | | | | |
| Issuance of capital lease | \$ 518,000 | \$ - | \$ - | \$ - | \$ - | \$ 518,000 |
| Transfers in | 900,000 | 949,396 | 1,520,023 | - | 54,271 | 3,423,690 |
| Transfers out | (658,370) | - | (571,308) | (1,520,023) | (16,441) | (2,766,142) |
| Total other financing sources (uses) | <u>\$ 759,630</u> | <u>\$ 949,396</u> | <u>\$ 948,715</u> | <u>\$ (1,520,023)</u> | <u>\$ 37,830</u> | <u>\$ 1,175,548</u> |
| Net changes in fund balances | \$ 107,516 | \$ 348,095 | \$ (7,551,935) | \$ - | \$ (34,950) | \$ (7,131,274) |
| Fund balances at beginning of year | 8,158,336 | 6,348,055 | 10,830,402 | - | 1,077,674 | 26,414,467 |
| Fund balances at end of year | <u>\$ 8,265,852</u> | <u>\$ 6,696,150</u> | <u>\$ 3,278,467</u> | <u>\$ -</u> | <u>\$ 1,042,724</u> | <u>\$ 19,283,193</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, 2017**

| | | |
|--|--------------------|-------------------------|
| Net change in fund balances - total governmental funds (Exhibit 5) | \$ | (7,131,274) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The following details support this adjustment:</p> | | |
| Capital outlay | \$ 10,905,973 | |
| Depreciation expense | <u>(2,944,301)</u> | 7,961,672 |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.</p> | | |
| | | (143,626) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Property taxes | \$ (1,594) | |
| Change in deferred inflows - proportionate share of net pension liability | 48,703 | |
| Change in deferred inflows related to the measurement of the net pension liability | <u>1,042,823</u> | |
| Net adjustment | | 1,089,932 |
| <p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p> | | |
| <p>Debt issued:</p> | | |
| Capital leases | \$ (518,000) | |
| <p>Repayments:</p> | | |
| General obligation bonds | 2,259,000 | |
| Capital leases | <u>463,249</u> | |
| Net adjustment | | 2,204,249 |
| <p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:</p> | | |
| Compensated absences | \$ (34,923) | |
| Net OPEB obligation | (65,230) | |
| Bond premium | 94,724 | |
| Net pension liability | (2,104,696) | |
| Deferred outflows related to pensions | 1,050,718 | |
| Accrued interest payable | <u>72,857</u> | |
| Net adjustment | | <u>(986,550)</u> |
| Change in net position of governmental activities (Exhibit 2) | \$ | <u><u>2,994,403</u></u> |

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

TOWN OF VIENNA, VIRGINIA

Statement of Net Position
Proprietary Fund
At June 30, 2017

| | | Business-type Activities Enterprise Fund Water & Sewer Fund |
|---|----|--|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ | 1,455,019 |
| Receivables: (net of allowance for uncollectibles) | | |
| Accounts | | 999,695 |
| Unbilled service charges | | 800,548 |
| Inventory, at cost | | 17,529 |
| Total current assets | \$ | 3,272,791 |
| Other capital assets, net of accumulated depreciation | | 14,618,096 |
| Total assets | \$ | 17,890,887 |
| Deferred outflows of resources: | | |
| Pension contributions subsequent to the measurement date | \$ | 129,153 |
| Change in proportionate share of net pension liability | | 49,922 |
| Items related to the measurement of the net pension liability | | 220,216 |
| Total deferred outflows of resources | \$ | 399,291 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ | 2,157,746 |
| Accrued liabilities | | 40,389 |
| Escrow and other deposits | | 129,549 |
| Due to other governments | | 632,215 |
| Compensated absences - current portion | | 142,373 |
| Note payable - current portion | | 80,955 |
| Bonds payable - current portion | | 115,000 |
| Capital leases - current portion | | 97,951 |
| Total current liabilities | \$ | 3,396,178 |
| Noncurrent liabilities: | | |
| Compensated absences - noncurrent portion | \$ | 15,819 |
| Net OPEB obligation | | 53,137 |
| Net pension liability | | 1,567,802 |
| Note payable - noncurrent portion | | 1,927,307 |
| Bonds payable - noncurrent portion | | 1,130,000 |
| Capital leases - noncurrent portion | | 170,545 |
| Total noncurrent liabilities | \$ | 4,864,610 |
| Total liabilities | \$ | 8,260,788 |
| Deferred Inflows of Resources: | | |
| Items related to the measurement of the net pension liability | \$ | 27,810 |
| Change in proportionate share of net pension liability | | 107,453 |
| Total deferred outflows of resources | \$ | 135,263 |
| Net Position: | | |
| Net investment in capital assets | \$ | 11,096,338 |
| Unrestricted | | (1,202,211) |
| Total net position | \$ | 9,894,127 |

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, 2017

| | Business-type Activities Enterprise Fund |
|---|---|
| | Water & Sewer Fund |
| Operating revenues: | |
| Charges for services | \$ <u>7,386,960</u> |
| Operating expenses: | |
| Personal services | \$ 1,353,319 |
| Fringe benefits | 522,437 |
| Contractual services | 4,066,389 |
| Other charges | 207,956 |
| Materials and supplies | 203,800 |
| Depreciation | <u>666,181</u> |
| Total operating expenses | \$ <u>7,020,082</u> |
| Operating income (loss) | \$ <u>366,878</u> |
| Nonoperating revenues (expenses): | |
| Interest income | \$ 8,997 |
| Miscellaneous income | 319,789 |
| Interest expense | <u>(2,244)</u> |
| Net nonoperating revenues (expenses) | \$ <u>326,542</u> |
| Income (loss) before contributions and transfers | \$ <u>693,420</u> |
| Capital contributions | \$ <u>486,400</u> |
| Transfers: | |
| Transfers in | \$ 689,749 |
| Transfers (out) | <u>(1,347,297)</u> |
| Net transfers | \$ <u>(657,548)</u> |
| Change in net position | \$ 522,272 |
| Net position, beginning of year | <u>9,371,855</u> |
| Net position, end of year | <u><u>\$ 9,894,127</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, 2017

| | Business-type Activities Enterprise Fund |
|--|---|
| | Water & Sewer Fund |
| Cash flows from operating activities: | |
| Receipts from customers | \$ 7,150,566 |
| Payments to and for employees | (1,860,978) |
| Payments to suppliers | (3,481,297) |
| Other receipts | 319,789 |
| | \$ 2,128,080 |
| Cash flows from investing activities: | |
| Interest income | \$ 8,997 |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | \$ (3,929,204) |
| Issuance of capital lease | 182,000 |
| Capital contributions | 486,400 |
| Issuance of bonds payable | 2,008,262 |
| Principal payments on capital lease | (64,489) |
| Principal payments on note and bonds payable | (113,000) |
| Interest expense | (2,244) |
| | \$ (1,432,275) |
| Cash flows from noncapital financing activities: | |
| Transfers from other funds | \$ 639,749 |
| Transfers (to) other funds | (1,347,297) |
| | \$ (707,548) |
| Net increase (decrease) in cash and cash equivalents | \$ (2,746) |
| Cash and cash equivalents at beginning of year | 1,457,765 |
| Cash and cash equivalents at end of year | \$ 1,455,019 |

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2017 (continued)

| | | Business-type Activities Enterprise Fund |
|--|----|---|
| | | Water & Sewer Fund |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | | |
| Operating income | \$ | 366,878 |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | |
| Depreciation | | 666,181 |
| Miscellaneous income | | 319,789 |
| Increase (decrease) in allowance for uncollectibles | | |
| Changes in operating accounts: | | |
| Accounts receivable | | (189,150) |
| Unbilled service charges | | (61,195) |
| Inventory | | 17,846 |
| Prepaid items | | 144 |
| Deferred outflows - pension contributions subsequent to the measurement date | | 1,017 |
| Deferred outflows - change in proportionate share of net pension liability | | 48,703 |
| Deferred outflows - items related to measurement of the net pension liability | | (149,972) |
| Accounts payable | | 978,858 |
| Accrued liabilities | | (69,301) |
| Escrow and other deposits | | (4,173) |
| Due to other governments | | 18,124 |
| Net OPEB obligation | | 6,413 |
| Net pension liability | | 126,951 |
| Deferred inflows - items related to measurement of the net pension liability | | (71,068) |
| Deferred inflows - change in proportionate share of net pension liability | | 107,453 |
| Compensated absences | | 14,582 |
| Net cash provided by (used for) operating activities | \$ | <u><u>2,128,080</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, 2017

Assets:

| | |
|---|---------------------|
| Investment in State Treasurer's Local Government Investment Pool | \$ <u>5,564,334</u> |
| Total assets | \$ <u>5,564,334</u> |

Liabilities:

| | |
|------------------|---------------|
| Accounts payable | \$ <u>352</u> |
|------------------|---------------|

Net Position:

| | |
|------------------------------------|----------------------------|
| Held in trust for pension benefits | \$ <u><u>5,563,982</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, 2017

| | |
|--|----------------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 402,977 |
| Plan members | <u>46,296</u> |
| Total contributions | \$ 449,273 |
| Investment income: | |
| Interest earned on investments | <u>40,936</u> |
| Total additions | \$ <u>490,209</u> |
| Deductions: | |
| Pension benefit payments | \$ 384,542 |
| Other charges | <u>11,810</u> |
| Total deductions | \$ <u>396,352</u> |
| Net increase in plan assets | \$ 93,857 |
| Net position held in trust for pension benefits: | |
| Balance, beginning of year | <u>5,470,125</u> |
| Balance, end of year | \$ <u><u>5,563,982</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, 2017

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, 2017 (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 (governmental 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, 2017 (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, 2017 (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 2017.

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, 2017 (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, 2017 (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 unavailable 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 and all other grant requirements have been satisfied. 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.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation ordinance. The Town Council may approve supplemental appropriations.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

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

D. Budgets and Budgetary Accounting (continued)

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, 2017.
10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2017.

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 assigned 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.

G. Investments

External investment pools are measured at amortized cost in accordance with GASB 79. All other investments are reported at fair value.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

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

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 2017. 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 has items that qualify for reporting in this category. One item is comprised of certain items related to the measurement of the net pension asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. Lastly the Town reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (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 two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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 \$220,200 at June 30, 2017 and is comprised of the following:

| | |
|---------------------------|-------------------|
| General Fund: | |
| Property taxes receivable | \$ 4,000 |
| Vehicle License Fee | 61,200 |
| Total general fund | <u>\$ 65,200</u> |
| Water and Sewer Fund: | |
| Accounts receivable | <u>155,000</u> |
| Grand total | <u>\$ 220,200</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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

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

O. Pensions

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

P. 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.

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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

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

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.

U. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (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, 2017 consisted of investment in the Commonwealth of Virginia Local Government Investment Pool and investments in the State Non-Arbitrage Pool (SNAP).

Credit Risk of Debt Securities

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities (continued)

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, 2017 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

| Town's Rated Debt Investments | |
|--|----------------------|
| Rated Debt Investments | Fair Quality Ratings |
| | AAAm |
| Local Government Investment Pool (LGIP) | \$ 22,217,677 |
| Virginia State Non-Arbitrage Program | 896,489 |
| | <u>\$ 23,114,166</u> |
| <u>Reconciliation of Deposits and Investments</u> | |
| Cash and cash equivalents - Per Exhibit 1 (1) | \$ 25,322,034 |
| Fiduciary funds | 5,564,334 |
| Total cash and investments | <u>\$ 30,886,368</u> |
| Cash: | |
| Deposits | \$ 7,771,306 |
| Cash on hand and cash items | 896 |
| Total cash | <u>\$ 7,772,202</u> |
| Investments | <u>\$ 23,114,166</u> |
| Total cash and investments | <u>\$ 30,886,368</u> |

(1) Includes temporarily restricted cash of \$1,746,248

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

External Investment Pools (continued)

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
|--------------------------------------|----------------------|-------------------------|
| Local Government Investment Pool | \$ 22,217,677 | \$ 22,217,677 |
| Virginia State Non-Arbitrage Program | 896,489 | 896,489 |
| Total | <u>\$ 23,114,166</u> | <u>\$ 23,114,166</u> |

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 2016 was \$.225 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:

| | <u>Governmental Activities</u> | | | <u>Business Activities</u> |
|------------------------------------|--------------------------------|------------------------------|-------------------|-----------------------------------|
| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Water & Sewer Fund</u> |
| Property taxes | \$ 43,403 | \$ - | \$ 43,403 | \$ - |
| Consumer utility taxes | 58,906 | - | 58,906 | - |
| PEG funds | 43,793 | - | 43,793 | - |
| Business license fees | 103,761 | - | 103,761 | - |
| Meals taxes | - | 269,400 | 269,400 | - |
| Vehicle license fees | 87,785 | - | 87,785 | - |
| Water and sewer charges | - | - | - | 1,154,695 |
| Unbilled revenues | - | - | - | 800,548 |
| Other | 25,774 | 1,504 | 27,278 | - |
| Total | <u>\$ 363,422</u> | <u>\$ 270,904</u> | <u>\$ 634,326</u> | <u>\$ 1,955,243</u> |
| Less: Allowance for uncollectibles | (65,200) | - | (65,200) | (155,000) |
| Net receivables | <u>\$ 298,222</u> | <u>\$ 270,904</u> | <u>\$ 569,126</u> | <u>\$ 1,800,243</u> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are detailed as follows:

| | Governmental Activities | | |
|-------------------------------------|-------------------------|--------------------------|---------------------|
| | General Fund | Capital Projects Fund | Total |
| Commonwealth of Virginia: | | | |
| Virginia Department of Highways | \$ - | \$ 1,353,141 | \$ 1,353,141 |
| Department of Environmental Quality | - | 191,311 | 191,311 |
| Other | 1,322 | - | 1,322 |
| Federal Government: | | | |
| FEMA grant | 20,737 | - | 20,737 |
| County of Fairfax, Virginia: | | | |
| Local sales tax | 245,371 | - | 245,371 |
| Communications tax | 165,664 | - | 165,664 |
| Court fines and forfeitures | 27,129 | - | 27,129 |
| County of Loudoun, Virginia: | | | |
| Gang grants | 19,090 | - | 19,090 |
| County of Arlington, Virginia: | | | |
| Drug Trafficking Grant | 5,860 | - | 5,860 |
| Total | <u>\$ 485,173</u> | <u>\$ 1,544,452</u> | <u>\$ 2,029,625</u> |

NOTE 6 – INTERFUND TRANSFERS:

Details of interfund transfers as of June 30, 2017 are as follows:

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 Capital Projects Fund from the Special Transportation Fund for Capital Projects | 1,520,023 |
| Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects | 689,749 |
| Transfers to the Debt Service Fund from the General Fund to supplement debt service funding for general long-term obligation debt | 658,370 |
| Transfers to the Stormwater Fund from the Capital Projects Fund for stormwater projects | 54,271 |
| Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt | 291,026 |
| Total transfers | <u>\$ 4,113,439</u> |

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

NOTE 7 - CAPITAL ASSETS:

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

Governmental Activities:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---|-------------------------|---------------|--------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,032,919 | \$ - | \$ - | \$ 3,032,919 |
| Construction in progress - infrastructure | 2,326,237 | 2,022,033 | 3,116,791 | 1,231,479 |
| Construction in progress - other | 7,458,218 | 7,569,486 | 191,385 | 14,836,319 |
| Total capital assets not being depreciated | \$ 12,817,374 | \$ 9,591,519 | \$ 3,308,176 | \$ 19,100,717 |
| Other capital assets: | | | | |
| Land improvements | \$ 3,335,970 | \$ - | \$ - | \$ 3,335,970 |
| Buildings and improvements | 16,369,171 | 191,385 | - | 16,560,556 |
| Infrastructure | 87,716,509 | 3,623,341 | 82,916 | 91,256,934 |
| Office and other equipment | 5,160,259 | 394,530 | 32,554 | 5,522,235 |
| Automotive and other equipment | 5,754,578 | 1,600,867 | 1,577,577 | 5,777,868 |
| Total other capital assets | \$ 118,336,487 | \$ 5,810,123 | \$ 1,693,047 | \$ 122,453,563 |
| Accumulated depreciation: | | | | |
| Land improvements | \$ 418,617 | \$ 82,583 | \$ - | \$ 501,200 |
| Buildings and improvements | 7,888,760 | 615,182 | - | 8,503,942 |
| Infrastructure | 57,346,330 | 1,409,344 | - | 58,755,674 |
| Office and other equipment | 2,263,945 | 250,190 | - | 2,514,135 |
| Automotive and other equipment | 2,855,865 | 586,675 | 361,601 | 3,080,939 |
| Total accumulated depreciation | \$ 70,773,517 | \$ 2,943,974 | \$ 361,601 | \$ 73,355,890 |
| Net capital assets | \$ 60,380,344 | \$ 12,457,668 | \$ 4,639,622 | \$ 68,198,390 |
| Depreciation expense has been allocated as follows: | | | | |
| General government administration | | \$ 335,779 | | |
| Public safety | | 331,423 | | |
| Public works | | 1,957,473 | | |
| Parks and recreation | | 313,688 | | |
| Community development | | 5,611 | | |
| Total depreciation expense | | \$ 2,943,974 | | |

Business-type Activities:

| | Balance July 1, 2016 | Increases | Decreases | Balance June 30, 2017 |
|---------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 83,606 | \$ - | \$ - | \$ 83,606 |
| Other capital assets: | | | | |
| Automotive and other equipment | \$ 1,175,317 | \$ 265,487 | \$ 38,424 | \$ 1,402,380 |
| Improvements | 22,313,987 | 3,663,717 | - | 25,977,704 |
| Total other capital assets | \$ 23,489,304 | \$ 3,929,204 | \$ 38,424 | \$ 27,380,084 |
| Accumulated depreciation: | | | | |
| Automotive and other equipment | \$ 706,515 | \$ 90,233 | \$ 38,424 | \$ 758,324 |
| Improvements | 11,511,322 | 575,948 | - | 12,087,270 |
| Total accumulated depreciation | \$ 12,217,837 | \$ 666,181 | \$ 38,424 | \$ 12,845,594 |
| Net capital assets | \$ 11,355,073 | \$ 3,263,023 | \$ - | \$ 14,618,096 |

Assets acquired under capital leases included in above:

| | Cost | Depreciation Expense | Accumulated Depreciation |
|-------------------------|--------------|-------------------------|-----------------------------|
| Equipment: | | | |
| Governmental activities | \$ 3,060,917 | \$ 287,030 | \$ 729,766 |
| Business activities | 439,083 | 37,385 | 116,232 |
| Total | \$ 3,500,000 | \$ 324,415 | \$ 845,998 |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 8 - DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUE:

| | Government-wide Statements | Governmental Funds |
|---|------------------------------------|-----------------------|
| | <u>Governmental Activities</u> | <u>Funds</u> |
| A. <i>Deferred Property Tax Revenue</i> - deferred inflow of resources representing uncollected tax billings not available for funding of current expenditures | \$ - | \$ 40,466 |
| 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. | 52,043 | 52,043 |
| 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 | 266,614 | 266,614 |
| D. <i>Unearned revenues</i> - Special Transportation Fund | 928,562 | 928,562 |
| E. <i>Unearned revenues</i> - Capital Projects Fund | 375,214 | 375,214 |
| F. <i>Other</i> - unearned vehicle license fee revenue | 5,000 | 5,000 |
| Total | <u>\$ 1,627,433</u> | <u>\$ 1,667,899</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: | | Capital Leases | |
|-------------------------|---------------------------------|---------------------|---------------------|------------------|
| | General Obligation Bonds | | Principal | Interest |
| | Principal | Interest | | |
| 2018 | \$ 1,937,000 | \$ 557,997 | \$ 599,253 | \$ 25,039 |
| 2019 | 1,937,000 | 508,254 | 447,825 | 16,185 |
| 2020 | 1,937,000 | 453,924 | 306,766 | 9,425 |
| 2021 | 1,937,000 | 397,081 | 311,442 | 4,749 |
| 2022 | 1,607,000 | 337,828 | - | - |
| 2023 | 1,602,000 | 288,818 | - | - |
| 2024 | 1,602,000 | 240,405 | - | - |
| 2025 | 1,602,000 | 192,574 | - | - |
| 2026 | 1,567,000 | 145,230 | - | - |
| 2027 | 1,267,000 | 105,591 | - | - |
| 2028 | 1,267,000 | 73,003 | - | - |
| 2029 | 847,000 | 45,151 | - | - |
| 2030 | 410,000 | 21,525 | - | - |
| 2031 | 410,000 | 7,175 | - | - |
| Total | <u>\$ 19,929,000</u> | <u>\$ 3,374,556</u> | <u>\$ 1,665,286</u> | <u>\$ 55,398</u> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Business-type Activities:

| Year Ending June 30, | General Obligation Bonds | | Capital Leases | | Note Payable | |
|-------------------------|--------------------------|-------------------|-------------------|-----------------|--------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 115,000 | \$ 32,557 | \$ 97,951 | \$ 3,504 | \$ 80,955 | \$ 94,818 |
| 2019 | 118,000 | 29,745 | 78,431 | 2,183 | 56,145 | 61,037 |
| 2020 | 121,000 | 26,860 | 45,775 | 1,135 | 57,950 | 59,232 |
| 2021 | 124,000 | 23,902 | 46,339 | 571 | 59,814 | 57,368 |
| 2022 | 127,000 | 20,870 | - | - | 61,737 | 55,445 |
| 2023 | 130,000 | 17,765 | - | - | 63,722 | 53,460 |
| 2024 | 45,000 | 14,586 | - | - | 65,771 | 51,411 |
| 2025 | 46,000 | 13,299 | - | - | 67,886 | 49,296 |
| 2026 | 47,000 | 11,983 | - | - | 70,068 | 47,113 |
| 2027 | 49,000 | 10,639 | - | - | 72,321 | 44,860 |
| 2028 | 50,000 | 9,238 | - | - | 74,647 | 42,535 |
| 2029 | 52,000 | 7,808 | - | - | 77,047 | 40,135 |
| 2030 | 53,000 | 6,321 | - | - | 79,525 | 37,657 |
| 2031 | 54,000 | 4,805 | - | - | 82,082 | 35,100 |
| 2032 | 56,000 | 3,260 | - | - | 84,721 | 32,461 |
| 2033 | 58,000 | 1,659 | - | - | 87,445 | 29,737 |
| 2034 | - | - | - | - | 90,257 | 26,925 |
| 2035 | - | - | - | - | 93,159 | 24,023 |
| 2036 | - | - | - | - | 96,154 | 21,027 |
| 2037 | - | - | - | - | 99,246 | 17,936 |
| 2038 | - | - | - | - | 102,437 | 14,744 |
| 2039 | - | - | - | - | 105,731 | 11,450 |
| 2040 | - | - | - | - | 109,131 | 8,051 |
| 2041 | - | - | - | - | 112,640 | 4,542 |
| 2042 | - | - | - | - | 57,671 | 919 |
| Total | <u>\$ 1,245,000</u> | <u>\$ 235,297</u> | <u>\$ 268,496</u> | <u>\$ 7,393</u> | <u>\$2,008,262</u> | <u>\$921,282</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, 2017.

| | Bonds | Capital Leases | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| Balance, July 1, 2016 | <u>\$ 22,857,586</u> | <u>\$ 1,610,535</u> | <u>\$ 24,468,121</u> |
| Issuances/Increases: | | | |
| Capital leases | <u>\$ -</u> | <u>\$ 518,000</u> | <u>\$ 518,000</u> |
| Total issuances/increases | <u>\$ -</u> | <u>\$ 518,000</u> | <u>\$ 518,000</u> |
| Retirements/decreases: | | | |
| Public improvement bonds | <u>\$ 2,259,000</u> | <u>\$ -</u> | <u>\$ 2,259,000</u> |
| Bond premium | <u>94,724</u> | <u>-</u> | <u>94,724</u> |
| Capital leases | <u>-</u> | <u>463,249</u> | <u>463,249</u> |
| Total retirements/decreases | <u>\$ 2,353,724</u> | <u>\$ 463,249</u> | <u>\$ 2,816,973</u> |
| Balance, June 30, 2017 | <u>\$ 20,503,862</u> | <u>\$ 1,665,286</u> | <u>\$ 22,169,148</u> |

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (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, 2017.

| | Note Payable | Bonds | Capital Leases | Total |
|-----------------------------|----------------------------|----------------------------|--------------------------|----------------------------|
| Balance, July 1, 2016 | \$ - | \$ 1,358,000 | \$ 150,985 | \$ 1,508,985 |
| Issuances/increases: | | | | |
| Notes payable | \$ 2,008,262 | \$ - | \$ - | \$ 2,008,262 |
| Capital leases | - | - | 182,000 | 182,000 |
| Total issuances/increases | <u>\$ 2,008,262</u> | <u>\$ -</u> | <u>\$ 182,000</u> | <u>\$ 2,190,262</u> |
| Retirements/decreases: | | | | |
| Bonds payable | \$ - | \$ 113,000 | \$ - | \$ 113,000 |
| Capital leases | - | - | 64,489 | 64,489 |
| Total retirements/decreases | <u>\$ -</u> | <u>\$ 113,000</u> | <u>\$ 64,489</u> | <u>\$ 177,489</u> |
| Balance, June 30, 2017 | <u><u>\$ 2,008,262</u></u> | <u><u>\$ 1,245,000</u></u> | <u><u>\$ 268,496</u></u> | <u><u>\$ 3,521,758</u></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

| | Amount Outstanding | Amount Due In One Year |
|---|-----------------------------|----------------------------|
| <u>Governmental activities:</u> | | |
| <u>Public Improvement Bonds:</u> | | |
| \$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% | \$ 1,320,000 | \$ 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% | 670,000 | 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 \$425,000 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% | 4,620,000 | 420,000 |
| \$6,555,000 issued November 14, 2013, maturing in annual installments of \$437,000 through June 1, 2029, interest payable semiannually at 2.24% | 5,244,000 | 437,000 |
| \$6,180,000 issued December 23, 2015, maturing in annual installments ranging from \$410,000 to \$415,000 through August 1, 2030, interest payable semiannually at rates from 2.00% to 4.00% | <u>5,765,000</u> | <u>415,000.00</u> |
| Total public improvement bonds | <u><u>\$ 19,929,000</u></u> | <u><u>\$ 1,937,000</u></u> |

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (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> | | |
| \$518,000 capital lease obligations due in annual installments of \$133,513 through October 14, 2020, interest payable at 1.232% | \$ 518,000 | \$ 127,131 |
| \$619,455 capital lease obligations due in annual installments of \$160,282 through October 31, 2017, interest payable at 1.390% | 158,085 | 158,085 |
| \$570,028 capital lease obligations due in annual installments of \$147,818 through October 3, 2018, interest payable at 1.48% | 289,201 | 143,538 |
| \$700,000 capital lease obligations due in annual installments of \$182,678 through July 1, 2020, interest payable at 1.74% | <u>700,000</u> | <u>170,499</u> |
| Total capital leases | <u>\$ 1,665,286</u> | <u>\$ 599,253</u> |
| Unamortized bond premiums | <u>\$ 574,862</u> | <u>\$ 83,461</u> |
| Total general long-term obligations from governmental activities | <u>\$ 22,169,148</u> | <u>\$ 2,619,714</u> |
| <u>Business-type activities:</u> | | |
| <u>Notes Payable:</u> | | |
| Note payable to Fairfax County for Town share of Fairfax plant upgrade, maturing in various semiannual installments through October 1, 2041, interest at 3.19% | <u>\$ 2,008,262</u> | <u>\$ 80,955</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% | \$ 492,000 | \$ 77,000 |
| \$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>753,000</u> | <u>38,000</u> |
| Total public improvement bonds | <u>\$ 1,245,000</u> | <u>\$ 115,000</u> |
| <u>Capital Leases:</u> | | |
| \$182,000 capital lease obligations due in annual installments of \$46,910 through October 14, 2020, interest payable at 1.232% | \$ 182,000 | \$ 44,668 |
| \$80,545 capital lease obligations due in annual installments of \$20,841 through October 31, 2017, interest payable at 1.390% | 20,555 | 20,555 |
| \$129,972 capital lease obligations due in annual installments of \$33,704 through October 3, 2018, interest payable at 1.48% | <u>65,941</u> | <u>32,728</u> |
| Total capital leases | <u>\$ 268,496</u> | <u>\$ 97,951</u> |
| Total general long-term obligations from business-type activities | <u>\$ 3,521,758</u> | <u>\$ 293,906</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, 2017 (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.

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|-----------------------------|------------------------------------|-------------------------------------|---------------------|
| Balance, July 1, 2016 | \$ 1,349,540 | \$ 143,610 | \$ 1,493,150 |
| Increases | 1,384,463 | 158,192 | 1,542,655 |
| Decreases | <u>(1,349,540)</u> | <u>(143,610)</u> | <u>(1,493,150)</u> |
| Balance, June 30, 2017 | <u>\$ 1,384,463</u> | <u>\$ 158,192</u> | <u>\$ 1,542,655</u> |
| Amounts due within one year | \$ 1,246,017 | \$ 142,373 | \$ 1,388,390 |
| Amounts due after one year | <u>138,446</u> | <u>15,819</u> | <u>154,265</u> |
| Total | <u>\$ 1,384,463</u> | <u>\$ 158,192</u> | <u>\$ 1,542,655</u> |

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

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TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS:

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| RETIREMENT PLAN PROVISIONS | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2 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 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.</p> | <p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • 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. |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 (Cont.)</p> | <p>About Plan 2 (Cont.)</p> | <p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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. |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>Eligible Members Employees are in 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.</p> <p>Hybrid Opt-In Election Eligible 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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members (Cont.) 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> | <p>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.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> 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. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Vesting (Cont.)</p> | <p>Vesting (Cont.)</p> | <p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p> |
| <p>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.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Calculating the Benefit (Cont.) 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.</p> | <p>Calculating the Benefit (Cont.)</p> | <p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> 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.</p> |
| <p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>Service Retirement Multiplier VRS: 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 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p> | <p>Service Retirement Multiplier VRS: 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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> | <p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p> | <p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p> | <p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> | <p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |
| <p>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.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p> |

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

NOTE 11 - PENSION PLANS: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | 116 |
| Inactive members: | |
| Vested inactive members | 21 |
| Non-vested inactive members | 39 |
| Inactive members active elsewhere in VRS | <u>15</u> |
| Total inactive members | 75 |
| Active members | <u>167</u> |
| Total covered employees | <u><u>358</u></u> |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 11.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,323,288 and \$1,428,966 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town's net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.35% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 4.75% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Long-Term Expected Rate of Return

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

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|--------------------------|---|---|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | <u>100.00%</u> | | <u>5.83%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic nominal return | <u>8.33%</u> |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | \$ 60,774,986 | \$ 50,534,691 | \$ 10,240,295 |
| Changes for the year: | | | |
| Service cost | \$ 1,177,978 | \$ - | \$ 1,177,978 |
| Interest | 4,148,614 | - | 4,148,614 |
| Differences between expected and actual experience | (375,688) | - | (375,688) |
| Contributions - employer | - | 1,413,920 | (1,413,920) |
| Contributions - employee | - | 602,967 | (602,967) |
| Net investment income | - | 867,305 | (867,305) |
| Benefit payments, including refunds of employee contributions | (3,018,142) | (3,018,142) | - |
| Administrative expenses | - | (31,539) | 31,539 |
| Other changes | - | (369) | 369 |
| Net changes | \$ 1,932,762 | \$ (165,858) | \$ 2,098,620 |
| Balances at June 30, 2016 | \$ 62,707,748 | \$ 50,368,833 | \$ 12,338,915 |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

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

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | Rate | | |
|----------------------------|----------------|----------------|----------------|
| | <u>(6.00%)</u> | <u>(7.00%)</u> | <u>(8.00%)</u> |
| Town Net Pension Liability | \$ 20,183,810 | \$ 12,338,915 | \$ 5,794,048 |

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

For the year ended June 30, 2017, the Town recognized pension expense of \$1,284,903. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 245,425 | \$ 284,942 |
| Net difference between projected and actual earnings on pension plan investments | 1,299,142 | - |
| Employer contributions subsequent to the measurement date | <u>1,323,288</u> | <u>-</u> |
| Total | <u>\$ 2,867,855</u> | <u>\$ 284,942</u> |

\$1,323,288 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|-----------|
| 2018 | \$ 30,637 |
| 2019 | 30,639 |
| 2020 | 684,259 |
| 2021 | 514,090 |

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

NOTE 11 - PENSION PLANS: (continued)

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.

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

A. Plan Description (continued)

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.

B. Other Information

The Town's membership in the Local and Police Plans at July 1, 2015 is as follows:

| | <u>Local Retirement Plan</u> | <u>Police Retirement Plan</u> |
|---------------------------|--------------------------------------|---------------------------------------|
| Terminated vested members | 59 | - |
| Retired/disabled | 44 | 24 |
| Active members | 17 | 41 |
| Total | <u>120</u> | <u>65</u> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

B. Other Information (continued)

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 | \$ 2,413,167 | \$ 3,151,167 | \$ 5,564,334 |
| Total assets | \$ 2,413,167 | \$ 3,151,167 | \$ 5,564,334 |
| Liabilities: | | | |
| Accounts payable | \$ 92 | \$ 260 | \$ 352 |
| Net Position: | | | |
| Net position held in trust for pension benefits | \$ 2,413,075 | \$ 3,150,907 | \$ 5,563,982 |
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 194,186 | \$ 208,791 | \$ 402,977 |
| Plan members | - | 46,296 | 46,296 |
| Total contributions | \$ 194,186 | \$ 255,087 | \$ 449,273 |
| Investment income: | | | |
| Interest earned on investments | 17,518 | 23,418 | 40,936 |
| Total additions | \$ 211,704 | \$ 278,505 | \$ 490,209 |
| Deductions: | | | |
| Pension benefit payments | \$ 163,028 | \$ 221,514 | \$ 384,542 |
| Other charges | 4,225 | 7,585 | 11,810 |
| Total deductions | \$ 167,253 | \$ 229,099 | \$ 396,352 |
| Net increase (decrease) in plan assets | \$ 44,451 | \$ 49,406 | \$ 93,857 |
| Net position held in trust for pension benefits: | | | |
| Balance, beginning of year | 2,368,624 | 3,101,501 | 5,470,125 |
| Balance, end of year | \$ 2,413,075 | \$ 3,150,907 | \$ 5,563,982 |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

C. 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, 2017, 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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .70%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2017, were as follows:

| | <u>Civilian</u> | <u>Police</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Total pension liability | \$ 4,249,090 | \$ 4,624,344 | \$ 8,873,434 |
| Plan fiduciary net position | <u>(2,413,075)</u> | <u>(3,150,907)</u> | <u>(5,563,982)</u> |
| Authority's net pension liability | <u>\$ 1,836,015</u> | <u>\$ 1,473,437</u> | <u>\$ 3,309,452</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 56.79% | 68.14% | 62.70% |

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.50% |
| 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 | 4.25%, 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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

D. Net Pension Liability of the Town (continued)

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, 2017 (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) | 4.25% |

Discount rate. The discount rate used to measure the total pension liability was 4.25%. 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.

Changes in net pension liability

| | <u>Civilian Plan</u> | | |
|--|--|--|--|
| | <u>Increase (Decrease)</u> | | |
| | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability (a) - (b)</u> |
| Balances at June 30, 2016 | \$ 4,210,527 | \$ 2,368,624 | \$ 1,841,903 |
| Changes for the year: | | | |
| Service cost | \$ 26,020 | \$ - | \$ 26,020 |
| Interest | 175,572 | - | 175,572 |
| Contributions - employer | - | 194,186 | (194,186) |
| Net investment income | - | 17,518 | (17,518) |
| Benefit payments, including refunds of employee contributions | (163,029) | (163,029) | - |
| Administrative expenses | - | (4,224) | 4,224 |
| Net changes | \$ 38,563 | \$ 44,451 | \$ (5,888) |
| Balances at June 30, 2017 | \$ 4,249,090 | \$ 2,413,075 | \$ 1,836,015 |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

D. Net Pension Liability of the Town (continued)

Changes in net pension liability (continued)

| | Sworn Officer's Plan | | |
|--|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | \$ 4,436,024 | \$ 3,101,501 | \$ 1,334,523 |
| Changes for the year: | | | |
| Service cost | \$ 216,357 | \$ - | \$ 216,357 |
| Interest | 193,477 | - | 193,477 |
| Contributions - employer | - | 208,791 | (208,791) |
| Contributions - employee | - | 46,296 | (46,296) |
| Net investment income | - | 23,418 | (23,418) |
| Benefit payments, including refunds of employee contributions | (221,514) | (221,514) | - |
| Administrative expenses | - | (7,585) | 7,585 |
| Net changes | \$ 188,320 | \$ 49,406 | \$ 138,914 |
| Balances at June 30, 2016 | \$ 4,624,344 | \$ 3,150,907 | \$ 1,473,437 |

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 | \$ 2,346,610 | \$ 1,836,015 |

| | Sworn Officer's Plan | | |
|--|------------------------------------|--|------------------------------------|
| | 1% Decrease (4.00%) | Current Discount Rate (5.00%) | 1% Increase (6.00%) |
| | Net pension liability | \$ 2,071,088 | \$ 1,473,437 |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$162,801 and \$289,050 for the Civilian and Police Plans, respectively. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Civilian</u> | | <u>Police</u> | |
|--|---|--|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ - | \$ - | \$ 417,789 |
| Change in assumptions | - | - | 277,328 | - |
| Net difference between projected and actual earnings on pension plan investments | 168,464 | - | 214,182 | - |
| Total | <u>\$ 168,464</u> | <u>\$ -</u> | <u>\$ 491,510</u> | <u>\$ 417,789</u> |

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | <u>Civilian</u> | <u>Police</u> |
|---------------------------|-----------------|---------------|
| 2018 | \$ 58,227 | \$ 50,276 |
| 2019 | 58,229 | 50,278 |
| 2020 | 35,263 | 21,614 |
| 2021 | 16,745 | (1,622) |
| 2022 | - | (23,409) |
| Thereafter | - | (23,416) |

Combined Town Pension Items

| | <u>Net Pension Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------|--------------------------------------|---|--|
| Virginia Retirement System | \$ 12,338,915 | \$ 2,867,855 | \$ 284,942 |
| Civilian Plan | 1,836,015 | 168,464 | - |
| Sworn Officer's Plan | 1,473,437 | 491,510 | 417,789 |
| Total | <u>\$ 15,648,367</u> | <u>\$ 3,527,829</u> | <u>\$ 702,731</u> |

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

NOTE 12 - DEFINED CONTRIBUTION CIVILIAN RETIREMENT PLAN:

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

Total employer contributions to the plan totaled \$303,464, and employee contributions were \$148,104 for fiscal year 2017.

NOTE 13 - DEFERRED COMPENSATION PLAN:

The Town offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Permanent part-time and full-time Town employees are eligible to participate and may defer 25% of their gross income up to a maximum of \$18,000 in 2017. Employees who are age 50 or older may defer up to \$24,000 of their income. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

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

NOTE 14 - LITIGATION:

At June 30, 2017, there were no matters of litigation involving the Town for which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 15 - COMMITMENTS:

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 \$2,226 per month during the year ended June 30, 2017 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2017 approximated \$26,713.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

NOTE 16 - CONTINGENCIES:

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

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

State and Federal Programs

Federal programs in which the Town and all discretely presented component units participate are audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs are tested for compliance with applicable grant requirements.

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

NOTE 17 - RISK MANAGEMENT:

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

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

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

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

| <u>Employee</u> | <u>Title</u> | <u>Amount of Surety Bond</u> |
|-----------------|--------------------------------------|----------------------------------|
| Marion Serfass | Director of Finance - Town Treasurer | \$ 50,000 |
| James Morris | Police Chief | 5,000 |

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

Town

A. Plan Description

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

| | |
|--|--------------------------|
| Annual required contribution | \$ 116,580 |
| Interest on net OPEB obligation | 18,270 |
| Adjustment to annual required contribution | <u>(19,960)</u> |
| Annual OPEB cost (expense) | \$ 114,890 |
| Contributions made | <u>(43,247)</u> |
| Increase in net OPEB obligation | \$ 71,643 |
| Net OPEB obligation - beginning of year | <u>522,008</u> |
| Net OPEB obligation - end of year | <u><u>\$ 593,651</u></u> |

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

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

Town (continued)

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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, 2015 | \$ 92,218 | 59% | \$ 459,575 |
| June 30, 2016 | 92,094 | 32% | 522,008 |
| June 30, 2017 | 114,890 | 38% | 593,651 |

D. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017, the most recent actuarial valuation, is as follows:

| | |
|---|--------------|
| Actuarial accrued liability (AAL) | \$ 1,695,434 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability | 1,695,434 |
| Funded ratio (actuarial value of plan assets / AAL) | - |
| Covered payroll (active plan members) | 12,801,489 |
| UAAL as a percentage of covered payroll | 13.24% |

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.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2017 (continued)

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

Town (continued)

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.

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.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2017 (continued)**

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

Town (continued)

E. Actuarial Methods and Assumptions (continued)

Interest Assumptions

In the January 1, 2017, most recent, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.5 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 6.00 percent initially, reduced by decrements to an ultimate rate of 4.25 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 January 1, 2017 was thirty years.

| | |
|----------------|-----------------|
| | <u>Unfunded</u> |
| Discount rate | 3.50% |
| Payroll growth | 2.50% |

Net OPEB Obligation

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------|------------------------------------|-------------------------------------|-------------------|
| Balance, July 1, 2016 | \$ 475,284 | \$ 46,724 | \$ 522,008 |
| Increases | 104,606 | 10,284 | 114,890 |
| Decreases | (39,376) | (3,871) | (43,247) |
| Balance, June 30, 2017 | <u>\$ 540,514</u> | <u>\$ 53,137</u> | <u>\$ 593,651</u> |
| Total | <u>\$ 540,514</u> | <u>\$ 53,137</u> | <u>\$ 593,651</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, 2017 (continued)

NOTE 19 - UPCOMING GASB PRONOUNCEMENTS:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 20 - SUBSEQUENT EVENT:

Subsequent to June 30, 2017 the Town issued a capital lease in the amount of \$730,000.

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- Required Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| Revenues | | | | |
| General property taxes | \$ 10,467,500 | \$ 10,467,500 | \$ 10,622,903 | \$ 155,403 |
| Other local taxes | 6,411,000 | 6,411,000 | 6,512,804 | 101,804 |
| Permits, privilege fees and regulatory licenses | 246,200 | 246,200 | 249,733 | 3,533 |
| Fines and forfeitures | 462,500 | 462,500 | 368,135 | (94,365) |
| Revenue from the use of money and property | 136,000 | 136,000 | 126,870 | (9,130) |
| Charges for services | 634,300 | 665,320 | 575,312 | (90,008) |
| Miscellaneous | 146,700 | 184,930 | 313,012 | 128,082 |
| Intergovernmental: | | | | |
| Commonwealth | 3,203,210 | 3,203,210 | 3,268,326 | 65,116 |
| Federal Government | 113,500 | 113,500 | 99,483 | (14,017) |
| Total revenues | \$ 21,820,910 | \$ 21,890,160 | \$ 22,136,578 | \$ 246,418 |
| Expenditures | | | | |
| Current: | | | | |
| General Government Administration: | | | | |
| Legislative | \$ 403,850 | \$ 408,860 | \$ 401,578 | \$ 7,282 |
| General and financial administration | 4,419,320 | 4,565,003 | 4,233,669 | 331,334 |
| Total general government administration | \$ 4,823,170 | \$ 4,973,863 | \$ 4,635,247 | \$ 338,616 |
| Public Safety: | | | | |
| Law enforcement and traffic control | \$ 6,476,850 | \$ 6,591,885 | \$ 6,469,674 | \$ 122,211 |
| Fire and rescue | 59,710 | 59,710 | 60,906 | (1,196) |
| Other protection | 92,850 | 92,850 | 93,265 | (415) |
| Total public safety | \$ 6,629,410 | \$ 6,744,445 | \$ 6,623,845 | \$ 120,600 |
| Public Works: | | | | |
| Maintenance of streets, highways, bridges and sidewalks | \$ 2,929,260 | \$ 2,839,495 | \$ 2,833,704 | \$ 5,791 |
| Sanitation and waste removal | 1,636,050 | 1,856,053 | 1,946,488 | (90,435) |
| Maintenance of buildings and grounds | 2,398,310 | 2,730,638 | 2,843,846 | (113,208) |
| Total public works | \$ 6,963,620 | \$ 7,426,186 | \$ 7,624,038 | \$ (197,852) |

TOWN OF VIENNA, VIRGINIA

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017 (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 | \$ 242,600 | \$ 242,600 | \$ 232,186 | \$ 10,414 |
| Parks, recreation and cultural: | | | | |
| Parks and recreation | \$ 3,094,380 | \$ 3,172,349 | \$ 2,832,486 | \$ 339,863 |
| Community Development: | | | | |
| Planning and community development | \$ 869,100 | \$ 919,658 | \$ 840,890 | \$ 78,768 |
| Total expenditures | \$ 22,622,280 | \$ 23,479,101 | \$ 22,788,692 | \$ 690,409 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (801,370) | \$ (1,588,941) | \$ (652,114) | \$ 936,827 |
| Other Financing Sources (Uses) | | | | |
| Issuance of capital lease | \$ - | \$ 518,000 | \$ 518,000 | \$ - |
| Transfers in | 1,015,000 | 1,015,000 | 900,000 | (115,000) |
| Transfers out | (656,590) | (656,590) | (658,370) | (1,780) |
| Total other financing sources (uses) | \$ 358,410 | \$ 876,410 | \$ 759,630 | \$ (116,780) |
| Net change in fund balance | \$ (442,960) | \$ (712,531) | \$ 107,516 | \$ 820,047 |
| Fund balance, beginning of year | 442,960 | 712,531 | 8,158,336 | 7,445,805 |
| Fund balance, end of year | \$ - | \$ - | \$ 8,265,852 | \$ 8,265,852 |

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 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) |
|--------------------------------|---|---|--|--------------------------|---------------------------|--|
| Other Postemployment Benefits: | | | | | | |
| July 1, 2013 | \$ - | \$ 1,477,014 | \$ 1,477,014 | 0.0% | \$ 11,276,000 | 13.10% |
| July 1, 2015 | - | 1,400,061 | 1,400,061 | 0.0% | 12,589,810 | 11.12% |
| January 1, 2017 | - | 1,695,434 | 1,695,434 | 0.0% | 12,801,489 | 13.24% |

TOWN OF VIENNA, VIRGINIA

Schedule of Changes in the Net Pension Liability and Related Ratios

| | Civilian | Sworn Officers' | Total 2017 | Civilian | Sworn Officers' | Total 2016 | Civilian | Sworn Officers' | Total 2015 | Civilian | Sworn Officers' | Total 2014 |
|--|--------------|-----------------|--------------|--------------|-----------------|--------------|--------------|-----------------|--------------|--------------|-----------------|--------------|
| Total pension liability | | | | | | | | | | | | |
| Service cost | \$ 26,020 | \$ 216,357 | \$ 242,377 | \$ 26,838 | \$ 202,475 | \$ 229,313 | \$ 27,877 | \$ 191,175 | \$ 219,052 | \$ 29,828 | \$ 185,157 | \$ 214,985 |
| Interest | 175,572 | 193,477 | 369,049 | 174,950 | 185,520 | 360,470 | 187,309 | 216,781 | 404,090 | 184,058 | 208,131 | 392,189 |
| Differences between expected and actual experience | - | - | - | 73,228 | (557,051) | (483,823) | - | - | - | - | - | - |
| Changes in assumptions | - | - | - | 241,295 | 369,772 | 611,067 | - | - | - | - | - | - |
| Benefit payments, including refunds of member contributions | (163,029) | (221,514) | (384,543) | (160,052) | (226,973) | (387,025) | (156,534) | (178,081) | (334,615) | (137,515) | (273,360) | (410,875) |
| Net change in total pension liability | 38,563 | 188,320 | 226,883 | 356,259 | (26,257) | 330,002 | 58,652 | 229,875 | 288,527 | 76,371 | 119,928 | 196,299 |
| Total pension liability - beginning | 4,210,527 | 4,436,024 | 8,646,551 | 3,854,268 | 4,462,281 | 8,316,549 | 3,795,616 | 4,232,406 | 8,028,022 | 3,719,245 | 4,112,478 | 7,831,723 |
| Total pension liability - ending (a) | \$ 4,249,090 | \$ 4,624,344 | \$ 8,873,434 | \$ 4,210,527 | \$ 4,436,024 | \$ 8,646,551 | \$ 3,854,268 | \$ 4,462,281 | \$ 8,316,549 | \$ 3,795,616 | \$ 4,232,406 | \$ 8,028,022 |
| Plan fiduciary net position | | | | | | | | | | | | |
| Contributions - employer | \$ 194,186 | \$ 208,791 | \$ 402,977 | \$ 170,324 | \$ 322,248 | \$ 492,572 | \$ 163,000 | \$ 191,369 | \$ 354,369 | \$ 161,780 | \$ 182,694 | \$ 344,474 |
| Contributions - member | - | 46,296 | 46,296 | - | 38,552 | 38,552 | - | 43,064 | 43,064 | - | 42,225 | 42,225 |
| Net investment income | 17,518 | 23,418 | 40,936 | 7,434 | 9,498 | 16,932 | 2,544 | 3,163 | 5,707 | 2,354 | (998) | 1,356 |
| Benefit payments, including refunds of member contributions | (163,029) | (221,514) | (384,543) | (160,052) | (226,973) | (387,025) | (156,534) | (178,081) | (334,615) | (137,515) | (273,360) | (410,875) |
| Administrative expense | (4,224) | (7,585) | (11,809) | (1,800) | (1,800) | (3,600) | (980) | (2,120) | (3,100) | (4,499) | - | (4,499) |
| Net change in plan fiduciary net position | 44,451 | 49,406 | 93,857 | 15,906 | 141,525 | 157,431 | 8,030 | 57,395 | 65,425 | 22,120 | (49,439) | (27,319) |
| Plan fiduciary net position - beginning | 2,368,624 | 3,101,501 | 5,470,125 | 2,352,718 | 2,959,976 | 5,312,694 | 2,344,687 | 2,902,581 | 5,247,268 | 2,322,567 | 2,952,020 | 5,274,587 |
| Plan fiduciary net position - ending (b) | \$ 2,413,075 | \$ 3,150,907 | \$ 5,563,982 | \$ 2,368,624 | \$ 3,101,501 | \$ 5,470,125 | \$ 2,352,717 | \$ 2,959,976 | \$ 5,312,693 | \$ 2,344,687 | \$ 2,902,581 | \$ 5,247,268 |
| Net pension liability (a) - (b) | \$ 1,836,015 | \$ 1,473,437 | \$ 3,309,452 | \$ 1,841,903 | \$ 1,334,523 | \$ 3,176,426 | \$ 1,501,551 | \$ 1,502,305 | \$ 3,003,856 | \$ 1,450,929 | \$ 1,329,825 | \$ 2,780,754 |
| Plan fiduciary net position as a percentage of the total pension liability | 56.8% | 68.1% | 62.7% | 56.3% | 69.9% | 63.3% | 61.0% | 66.3% | 63.9% | 61.8% | 68.6% | 65.4% |
| Covered - payroll | \$ 739,312 | \$ 3,138,408 | \$ 3,877,720 | \$ 739,312 | \$ 3,138,408 | \$ 3,877,720 | \$ 1,115,015 | \$ 2,820,889 | \$ 3,935,904 | \$ 1,178,949 | \$ 2,732,096 | \$ 3,911,045 |
| Net Pension Liability as a percentage of covered - payroll | 248.3% | 46.9% | 85.3% | 249.1% | 42.5% | 81.9% | 134.7% | 53.3% | 76.3% | 123.1% | 48.7% | 71.1% |

Note: The Town implemented GASB 67 in fiscal year 2014. Information for the previous 6 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions
Last Ten Fiscal Years

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|--------------------|--------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Civilian Plan: | | | | | | | | | | |
| Actuarially determined contribution | \$ 167,445.00 | \$ 167,445 | \$ 165,879 | \$ 161,780 | \$ 148,159 | \$ 137,817 | \$ 143,200 | \$ 138,196 | \$ 155,751 | \$ 145,979 |
| Contributions in relation to the actuarially determined contribution | 194,186 | 170,324 | 163,000 | 161,780 | 148,159 | 137,817 | 143,200 | 138,196 | 155,751 | 145,979 |
| Contribution deficiency (excess) | <u>\$ (26,741)</u> | <u>\$ (2,879)</u> | <u>\$ 2,879</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - payroll | \$ 687,551 | \$ 739,312 | \$ 1,115,015 | \$ 1,178,949 | \$ 1,559,568 | \$ 1,701,444 | \$ 1,835,897 | \$ 1,919,389 | \$ 1,971,532 | \$ 1,717,400 |
| Contributions as a percentage of covered - payroll | 28.2% | 23.0% | 14.6% | 13.7% | 9.5% | 8.1% | 7.8% | 7.2% | 7.9% | 8.5% |
| Sworn Officers' Plan: | | | | | | | | | | |
| Actuarially determined contribution | \$ 264,970 | \$ 258,507 | \$ 255,110 | \$ 182,694 | \$ 167,299 | \$ 172,524 | \$ 133,248 | \$ 136,942 | \$ 148,117 | \$ 140,348 |
| Contributions in relation to the actuarially determined contribution | 208,791 | 322,248 | 191,369 | 182,694 | 167,299 | 172,524 | 133,248 | 136,942 | 148,117 | 140,348 |
| Contribution deficiency (excess) | <u>\$ 56,179</u> | <u>\$ (63,741)</u> | <u>\$ 63,741</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered - payroll | \$ 3,216,868 | \$ 3,138,408 | \$ 2,820,889 | \$ 2,732,096 | \$ 2,987,482 | \$ 2,738,476 | \$ 2,664,960 | \$ 2,794,735 | \$ 2,794,660 | \$ 2,648,075 |
| Contributions as a percentage of covered - payroll | 6.5% | 10.3% | 6.8% | 6.7% | 5.6% | 6.3% | 5.0% | 4.9% | 5.3% | 5.3% |

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 (open) |
| Remaining amortization period | 15 years | 15 years |
| Asset valuation method | Market | Market |
| Inflation | 2.50% | 2.50% |
| Salary increases | 4.00% first 20 years, 1.00% thereafter | 4.00% first 20 years, 1.00% thereafter |
| Investment rate of return | 4.25% | 4.25% |
| 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

| Annual money-weighted rate of return, net of investment expense | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|
| Civilian Plan | 0.70% | 0.30% | 0.10% | 0.10% |
| Sworn Officers' Plan | 0.70% | 0.30% | 0.10% | 0.10% |

Note: The Town implemented GASB 67 in fiscal year 2014.
 Information for the previous 6 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
VRS Pension Plan
For the Years Ended June 30, 2015 through June 30, 2017

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|----------------------|
| Total pension liability | | | |
| Service cost | \$ 1,177,978 | \$ 1,159,362 | \$ 1,111,037 |
| Interest | 4,148,614 | 3,962,616 | 3,809,732 |
| Differences between expected and actual experience | (375,688) | 476,957 | - |
| Benefit payments, including refunds of employee contributions | <u>(3,018,142)</u> | <u>(2,865,505)</u> | <u>(2,607,904)</u> |
| Net change in total pension liability | \$ 1,932,762 | \$ 2,733,430 | \$ 2,312,865 |
| Total pension liability - beginning | <u>60,774,986</u> | <u>58,041,556</u> | <u>55,728,691</u> |
| Total pension liability - ending (a) | <u>\$ 62,707,748</u> | <u>\$ 60,774,986</u> | <u>\$ 58,041,556</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 1,413,920 | \$ 1,356,538 | \$ 1,365,804 |
| Contributions - employee | 602,967 | 567,236 | 546,977 |
| Net investment income | 867,305 | 2,242,886 | 6,777,243 |
| Benefit payments, including refunds of employee contributions | (3,018,142) | (2,865,505) | (2,607,904) |
| Administrative expense | (31,539) | (31,154) | (36,819) |
| Other | <u>(369)</u> | <u>(471)</u> | <u>357</u> |
| Net change in plan fiduciary net position | \$ (165,858) | \$ 1,269,530 | \$ 6,045,658 |
| Plan fiduciary net position - beginning | <u>50,534,691</u> | <u>49,265,161</u> | <u>43,219,503</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 50,368,833</u> | <u>\$ 50,534,691</u> | <u>\$ 49,265,161</u> |
| Town's net pension liability - ending (a) - (b) | \$ 12,338,915 | \$ 10,240,295 | \$ 8,776,395 |
| Plan fiduciary net position as a percentage of the total pension liability | 80.32% | 83.15% | 84.88% |
| Covered payroll | \$ 11,598,748 | \$ 11,075,000 | \$ 10,962,381 |
| Town's net pension liability as a percentage of covered payroll | 106.38% | 92.46% | 80.06% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions - VRS
For the Years Ended June 30, 2008 through June 30, 2017

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|--|---|---|---|--|
| 2017 | \$ 1,323,288 | \$ 1,323,288 | - | \$ 11,986,303 | 11.04% |
| 2016 | 1,428,966 | 1,428,966 | - | 11,598,748 | 12.32% |
| 2015 | 1,364,440 | 1,364,440 | - | 11,075,000 | 12.32% |
| 2014 | 1,366,884 | 1,366,884 | - | 10,961,381 | 12.47% |
| 2013 | 1,296,157 | 1,296,157 | - | 10,394,199 | 12.47% |
| 2012 | 959,768 | 959,768 | - | 9,793,554 | 9.80% |
| 2011 | 963,357 | 963,357 | - | 9,830,170 | 9.80% |
| 2010 | 1,015,873 | 1,015,873 | - | 10,038,271 | 10.12% |
| 2009 | 1,004,962 | 1,004,962 | - | 9,930,448 | 10.12% |
| 2008 | 1,107,669 | 1,107,669 | - | 9,435,000 | 11.74% |

TOWN OF VIENNA, VIRGINIA

**Notes to Required Supplementary Information
For the Year Ended June 30, 2017**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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- Other Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2017

| | <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 | \$ 366,932 | \$ - | \$ 366,932 |
| Restricted: | | | |
| Cash and cash equivalents | - | 817,686 | 817,686 |
| Total assets | <u>\$ 366,932</u> | <u>\$ 817,686</u> | <u>\$ 1,184,618</u> |
| Liabilities: | | | |
| Accounts payable | \$ 42,655 | \$ - | \$ 42,655 |
| Accrued liabilities | 2,478 | 96,761 | 99,239 |
| Total liabilities | <u>\$ 45,133</u> | <u>\$ 96,761</u> | <u>\$ 141,894</u> |
| Fund Balance: | | | |
| Restricted: | | | |
| Stormwater funds | \$ 321,799 | \$ - | \$ 321,799 |
| Gang task force funds | - | 720,925 | 720,925 |
| Total fund balance | <u>\$ 321,799</u> | <u>\$ 720,925</u> | <u>\$ 1,042,724</u> |
| Total liabilities and fund balance | <u>\$ 366,932</u> | <u>\$ 817,686</u> | <u>\$ 1,184,618</u> |

TOWN OF VIENNA, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2017

| | <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 | \$ 2,273 | \$ 3,549 | \$ 5,822 |
| Miscellaneous | 778 | - | 778 |
| Intergovernmental | <u>313,172</u> | <u>340,610</u> | <u>653,782</u> |
| Total revenues | <u>\$ 316,223</u> | <u>\$ 344,159</u> | <u>\$ 660,382</u> |
| Expenditures: | | | |
| Current: | | | |
| Public safety | \$ - | \$ 370,242 | \$ 370,242 |
| Public works | <u>362,920</u> | <u>-</u> | <u>362,920</u> |
| Total expenditures | <u>\$ 362,920</u> | <u>\$ 370,242</u> | <u>\$ 733,162</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (46,697)</u> | <u>\$ (26,083)</u> | <u>\$ (72,780)</u> |
| Other financing sources (uses): | | | |
| Transfers in | \$ 54,271 | \$ - | \$ 54,271 |
| Transfers out | <u>(16,441)</u> | <u>-</u> | <u>(16,441)</u> |
| Total other financing sources (uses) | <u>\$ 37,830</u> | <u>\$ -</u> | <u>\$ 37,830</u> |
| Net changes in fund balances | \$ (8,867) | \$ (26,083) | \$ (34,950) |
| Fund balances at beginning of year | <u>330,666</u> | <u>747,008</u> | <u>1,077,674</u> |
| Fund balances at end of year | <u><u>\$ 321,799</u></u> | <u><u>\$ 720,925</u></u> | <u><u>\$ 1,042,724</u></u> |

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Position
At June 30, 2017

| | Pension Trust Funds | | |
|--|-----------------------|------------------------|--------------|
| | Local Retirement Fund | Police Retirement Fund | Total |
| Assets: | | | |
| Investment in State Treasurer's Local Government Investment Pool | \$ 2,413,167 | \$ 3,151,167 | \$ 5,564,334 |
| Total assets | \$ 2,413,167 | \$ 3,151,167 | \$ 5,564,334 |
| Liabilities: | | | |
| Accounts payable | \$ 92 | \$ 260 | \$ 352 |
| Total liabilities | \$ 92 | \$ 260 | \$ 352 |
| Net Position: | | | |
| Held in trust for pension benefits | \$ 2,413,075 | \$ 3,150,907 | \$ 5,563,982 |

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

**Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017**

| | <u>Local Retirement Fund</u> | <u>Police Retirement Fund</u> | <u>Total</u> |
|--|--------------------------------------|---------------------------------------|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 194,186 | \$ 208,791 | \$ 402,977 |
| Plan members | - | 46,296 | 46,296 |
| Total contributions | \$ 194,186 | \$ 255,087 | \$ 449,273 |
| Investment income: | | | |
| Interest earned on investments | 17,518 | 23,418 | 40,936 |
| Total additions | \$ 211,704 | \$ 278,505 | \$ 490,209 |
| Deductions: | | | |
| Pension benefit payments | \$ 163,028 | \$ 221,514 | \$ 384,542 |
| Other charges | 4,225 | 7,585 | 11,810 |
| Total deductions | \$ 167,253 | \$ 229,099 | \$ 396,352 |
| Net increase in plan assets | \$ 44,451 | \$ 49,406 | \$ 93,857 |
| Net position held in trust for pension benefits: | | | |
| Balance, beginning of year | 2,368,624 | 3,101,501 | 5,470,125 |
| Balance, end of year | \$ 2,413,075 | \$ 3,150,907 | \$ 5,563,982 |

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2017

| 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 | \$ 10,305,000 | \$ 10,305,000 | \$ 10,454,032 | \$ 149,032 |
| Public service corporation taxes: | | | | |
| Real property | 89,500 | 89,500 | 94,246 | 4,746 |
| Penalties and interest | 73,000 | 73,000 | 74,625 | 1,625 |
| Total general property taxes | <u>\$ 10,467,500</u> | <u>\$ 10,467,500</u> | <u>\$ 10,622,903</u> | <u>\$ 155,403</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 1,400,000 | \$ 1,400,000 | \$ 1,425,248 | \$ 25,248 |
| Consumer utility taxes | 665,000 | 665,000 | 654,778 | (10,222) |
| Business license tax | 2,301,000 | 2,301,000 | 2,258,387 | (42,613) |
| Motor vehicle license tax | 385,000 | 385,000 | 364,648 | (20,352) |
| Bank franchise taxes | 1,170,000 | 1,170,000 | 1,100,576 | (69,424) |
| Tobacco tax | 260,000 | 260,000 | 233,877 | (26,123) |
| Fiber-optic franchise tax | - | - | 32,992 | 32,992 |
| Telecommunications tax | 120,000 | 120,000 | 209,291 | 89,291 |
| Media general franchise fees and related taxes | 55,000 | 55,000 | 176,952 | 121,952 |
| Utility consumption taxes | 55,000 | 55,000 | 56,055 | 1,055 |
| Total other local taxes | <u>\$ 6,411,000</u> | <u>\$ 6,411,000</u> | <u>\$ 6,512,804</u> | <u>\$ 101,804</u> |
| Permits, privilege fees and regulatory licenses: | | | | |
| Animal licenses | \$ 15,000 | \$ 15,000 | \$ 14,206 | \$ (794) |
| Other permits, privilege fees and regulatory licenses | 231,200 | 231,200 | 235,527 | 4,327 |
| Total permits, privilege fees and regulatory licenses | <u>\$ 246,200</u> | <u>\$ 246,200</u> | <u>\$ 249,733</u> | <u>\$ 3,533</u> |
| Fines and Forfeitures: | | | | |
| Court fines and forfeitures | <u>\$ 462,500</u> | <u>\$ 462,500</u> | <u>\$ 368,135</u> | <u>\$ (94,365)</u> |

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2017 (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 | \$ 10,000 | \$ 10,000 | \$ 69,595 | \$ 59,595 |
| Concessions and rentals | 126,000 | 126,000 | 57,275 | (68,725) |
| Total revenue from use of money and property | <u>\$ 136,000</u> | <u>\$ 136,000</u> | <u>\$ 126,870</u> | <u>\$ (9,130)</u> |
| Charges for services: | | | | |
| Recreation fees | \$ 595,000 | \$ 595,000 | \$ 501,214 | \$ (93,786) |
| Police reimbursements | 9,300 | 40,320 | 33,379 | (6,941) |
| Special service fees | 30,000 | 30,000 | 40,719 | 10,719 |
| Total charges for services | <u>\$ 634,300</u> | <u>\$ 665,320</u> | <u>\$ 575,312</u> | <u>\$ (90,008)</u> |
| Miscellaneous: | | | | |
| Miscellaneous income | \$ 146,700 | \$ 184,930 | \$ 313,012 | \$ 128,082 |
| Total revenue from local sources | <u>\$ 18,504,200</u> | <u>\$ 18,573,450</u> | <u>\$ 18,768,769</u> | <u>\$ 195,319</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Communication sales and use tax | \$ 1,070,000 | \$ 1,070,000 | \$ 1,007,669 | \$ (62,331) |
| Rolling stock tax | - | - | 1,134 | 1,134 |
| Total non-categorical aid | <u>\$ 1,070,000</u> | <u>\$ 1,070,000</u> | <u>\$ 1,008,803</u> | <u>\$ (61,197)</u> |
| Categorical aid: | | | | |
| Street and highway maintenance | \$ 1,700,000 | \$ 1,700,000 | \$ 1,812,925 | \$ 112,925 |
| Law enforcement assistance | 7,500 | 7,500 | 7,500 | - |
| Public safety grants | 376,000 | 376,000 | 388,192 | 12,192 |
| Fire funds | 49,710 | 49,710 | 50,906 | 1,196 |
| Total Categorical aid | <u>\$ 2,133,210</u> | <u>\$ 2,133,210</u> | <u>\$ 2,259,523</u> | <u>\$ 126,313</u> |
| Total revenue from the Commonwealth | <u>\$ 3,203,210</u> | <u>\$ 3,203,210</u> | <u>\$ 3,268,326</u> | <u>\$ 65,116</u> |

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2017 (continued)

| Fund, Major and Minor Revenue Source | Original Budget | Amended Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|----------------------|------------------------------------|
| General Fund: (continued) | | | | |
| Intergovernmental: (continued) | | | | |
| Revenue from federal government: | | | | |
| Categorical aid: | | | | |
| Public safety grants | \$ 98,500 | \$ 98,500 | \$ 66,312 | \$ (32,188) |
| DMV grants | 15,000 | 15,000 | 33,171 | 18,171 |
| Total revenue from the federal government | <u>\$ 113,500</u> | <u>\$ 113,500</u> | <u>\$ 99,483</u> | <u>\$ (14,017)</u> |
| Total General Fund | <u>\$ 21,820,910</u> | <u>\$ 21,890,160</u> | <u>\$ 22,136,578</u> | <u>\$ 246,418</u> |
| Debt Service Fund: | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| Meals and lodging tax | \$ 2,550,000 | \$ 2,550,000 | \$ 2,691,356 | \$ 141,356 |
| Revenue from use of money and property: | | | | |
| Interest on bank deposits | 6,000 | 6,000 | 41,012 | 35,012 |
| Miscellaneous: | | | | |
| Miscellaneous income | - | - | 80 | 80 |
| Intergovernmental: | | | | |
| Revenue from federal government: | | | | |
| Build America Bonds interest subsidy | 35,010 | 35,010 | 29,561 | (5,449) |
| Total Debt Service Fund | <u>\$ 2,591,010</u> | <u>\$ 2,591,010</u> | <u>\$ 2,762,009</u> | <u>\$ 170,999</u> |
| Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Interest on investments | \$ - | \$ - | \$ 41,502 | \$ 41,502 |
| Miscellaneous: | | | | |
| Donations and contributions | \$ - | \$ - | \$ 250,000 | \$ 250,000 |
| Other | - | - | 2,095 | 2,095 |
| Total miscellaneous | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 252,095</u> | <u>\$ 252,095</u> |
| Total revenue from local sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 293,597</u> | <u>\$ 293,597</u> |
| Intergovernmental: | | | | |
| Fairfax County - streets | \$ - | \$ - | \$ 65,664 | \$ 65,664 |
| Revenue from the Commonwealth: | | | | |
| VDOT grants | \$ 1,195,860 | \$ 2,030,860 | \$ 1,035,667 | \$ (995,193) |
| Stormwater local assistance | - | - | 450,866 | 450,866 |
| Total revenue from the Commonwealth | <u>\$ 1,195,860</u> | <u>\$ 2,030,860</u> | <u>\$ 1,486,533</u> | <u>\$ (544,327)</u> |
| Revenue from federal government: | | | | |
| Federal transit grants | \$ 800,321 | \$ 800,321 | \$ 1,084,844 | \$ 284,523 |
| Total Capital Projects Fund | <u>\$ 1,996,181</u> | <u>\$ 2,831,181</u> | <u>\$ 2,930,638</u> | <u>\$ 99,457</u> |
| Special Revenue Funds: | | | | |
| Stormwater Fund | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Interest on investments | \$ - | \$ - | \$ 2,273 | \$ 2,273 |
| Miscellaneous: | | | | |
| Miscellaneous income | - | - | 778 | 778 |
| Intergovernmental: | | | | |
| Fairfax County - stormwater tax | \$ 272,390 | \$ 272,390 | \$ 313,172 | \$ 40,782 |
| Total Stormwater Fund | <u>\$ 272,390</u> | <u>\$ 272,390</u> | <u>\$ 316,223</u> | <u>\$ 43,833</u> |

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2017 (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 | \$ - | \$ - | \$ 3,549 | \$ 3,549 |
| Intergovernmental: | | | | |
| Local governments | \$ - | \$ - | \$ 325,000 | \$ 325,000 |
| Revenue from federal government: | | | | |
| Asset forfeiture funds | \$ - | \$ - | \$ 15,610 | \$ 15,610 |
| Total Gang Task Force Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 344,159</u> | <u>\$ 344,159</u> |
| Special Transportation Fund | | | | |
| Intergovernmental: | | | | |
| Northern Virginia Transportation Authority | \$ - | \$ - | \$ 1,530,763 | \$ 1,530,763 |
| Total Special Revenue Funds | <u>\$ 272,390</u> | <u>\$ 272,390</u> | <u>\$ 2,191,145</u> | <u>\$ 1,918,755</u> |
| Total All Governmental Funds | <u>\$ 26,680,491</u> | <u>\$ 27,584,741</u> | <u>\$ 30,020,370</u> | <u>\$ 2,435,629</u> |

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2017

| Fund, Function, Activity and Elements | Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| General Fund: | | | | |
| General Government Administration: | | | | |
| Legislative: | | | | |
| Town council | \$ 84,410 | \$ 82,910 | \$ 75,609 | \$ 7,301 |
| Boards and commissions | 50,590 | 52,090 | 50,292 | 1,798 |
| PEG project | - | 4,500 | 4,500 | - |
| Town clerk | 268,850 | 269,360 | 271,177 | (1,817) |
| Total legislative | <u>\$ 403,850</u> | <u>\$ 408,860</u> | <u>\$ 401,578</u> | <u>\$ 7,282</u> |
| General and Financial Administration: | | | | |
| Town manager | \$ 335,540 | \$ 336,420 | \$ 341,047 | \$ (4,627) |
| Administrative services | 502,610 | 528,120 | 468,368 | 59,752 |
| Legal services | 277,850 | 294,550 | 292,040 | 2,510 |
| Financial administration | 642,820 | 654,800 | 722,085 | (67,285) |
| Disbursement operations | 195,720 | 197,490 | 205,864 | (8,374) |
| Risk management | 568,730 | 528,670 | 418,906 | 109,764 |
| Information technology | 792,740 | 851,743 | 759,213 | 92,530 |
| Purchasing | 160,690 | 160,690 | 151,549 | 9,141 |
| Revenue operations | 552,540 | 553,230 | 456,611 | 96,619 |
| Public information | 286,270 | 355,390 | 308,562 | 46,828 |
| Central services | 53,810 | 53,900 | 59,729 | (5,829) |
| PC replacement | 50,000 | 50,000 | 49,695 | 305 |
| Total general and financial administration | <u>\$ 4,419,320</u> | <u>\$ 4,565,003</u> | <u>\$ 4,233,669</u> | <u>\$ 331,334</u> |
| Total general government administration | <u>\$ 4,823,170</u> | <u>\$ 4,973,863</u> | <u>\$ 4,635,247</u> | <u>\$ 338,616</u> |
| Public Safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police administration | \$ 903,770 | \$ 896,950 | \$ 789,321 | \$ 107,629 |
| Uniform patrol | 2,366,290 | 2,389,950 | 2,518,665 | (128,715) |
| Communications | 1,065,940 | 1,069,645 | 1,087,445 | (17,800) |
| Investigations | 1,163,510 | 1,171,575 | 1,088,206 | 83,369 |
| Community services | 136,300 | 148,830 | 108,931 | 39,899 |
| Traffic unit | 748,270 | 770,930 | 699,264 | 71,666 |
| Equipment replacement | - | 40,755 | 40,755 | - |
| Gang task force | 92,770 | 92,770 | 81,233 | 11,537 |
| Other law enforcement and traffic control | - | 10,480 | 55,854 | (45,374) |
| Total law enforcement and traffic control | <u>\$ 6,476,850</u> | <u>\$ 6,591,885</u> | <u>\$ 6,469,674</u> | <u>\$ 122,211</u> |

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2017 (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 | \$ 59,710 | \$ 59,710 | \$ 60,906 | \$ (1,196) |
| Other protection: | | | | |
| Personal property/animal control | \$ 92,850 | \$ 92,850 | \$ 93,265 | \$ (415) |
| Total public safety | <u>\$ 6,629,410</u> | <u>\$ 6,744,445</u> | <u>\$ 6,623,845</u> | <u>\$ 120,600</u> |
| Public Works: | | | | |
| Maintenance of streets, highways, bridges, and sidewalks: | | | | |
| General administration | \$ 661,370 | \$ 603,240 | \$ 657,319 | \$ (54,079) |
| Street maintenance | 1,669,150 | 1,679,380 | 1,659,221 | 20,159 |
| Snow removal | 247,550 | 204,550 | 158,528 | 46,022 |
| Traffic engineering | 351,190 | 352,325 | 358,636 | (6,311) |
| Total maintenance of streets, highways, bridges, and sidewalks | <u>\$ 2,929,260</u> | <u>\$ 2,839,495</u> | <u>\$ 2,833,704</u> | <u>\$ 5,791</u> |
| Sanitation and waste removal: | | | | |
| Sanitation | \$ 1,551,320 | \$ 1,694,570 | \$ 1,789,174 | \$ (94,604) |
| Sanitation equipment | - | 139,753 | 139,753 | - |
| Fall/spring cleanup - leaf collection and other | 84,730 | 21,730 | 17,561 | 4,169 |
| Total sanitation and waste removal | <u>\$ 1,636,050</u> | <u>\$ 1,856,053</u> | <u>\$ 1,946,488</u> | <u>\$ (90,435)</u> |
| Maintenance of buildings and grounds: | | | | |
| Vehicle and equipment maintenance | \$ 1,188,660 | \$ 1,191,390 | \$ 1,098,885 | \$ 92,505 |
| Vehicle maintenance equipment | - | 306,673 | 521,930 | (215,257) |
| Maintenance of buildings and grounds | 1,209,650 | 1,232,575 | 1,223,031 | 9,544 |
| Total maintenance of buildings and grounds | <u>\$ 2,398,310</u> | <u>\$ 2,730,638</u> | <u>\$ 2,843,846</u> | <u>\$ (113,208)</u> |
| Total public works | <u>\$ 6,963,620</u> | <u>\$ 7,426,186</u> | <u>\$ 7,624,038</u> | <u>\$ (197,852)</u> |
| Health and Welfare: | | | | |
| Welfare/Social Services: | | | | |
| Property tax relief for the elderly | \$ 242,600 | \$ 242,600 | \$ 232,186 | \$ 10,414 |

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2017 (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 | \$ 695,660 | \$ 695,520 | \$ 660,494 | \$ 35,026 |
| Parks and recreation programs | 455,590 | 451,516 | 340,352 | 111,164 |
| General maintenance | 1,043,670 | 1,075,575 | 1,045,249 | 30,326 |
| Community center | 526,140 | 520,355 | 415,839 | 104,516 |
| Special events | 148,600 | 162,499 | 141,344 | 21,155 |
| Parks and recreation equipment | - | 30,819 | 30,819 | - |
| Teen Center | 188,750 | 188,995 | 153,702 | 35,293 |
| Historic preservation | 35,970 | 47,070 | 44,687 | 2,383 |
| Total parks and recreation | <u>\$ 3,094,380</u> | <u>\$ 3,172,349</u> | <u>\$ 2,832,486</u> | <u>\$ 339,863</u> |
| Community Development: | | | | |
| Planning and community development: | | | | |
| Planning and zoning | \$ 847,050 | \$ 897,608 | \$ 828,840 | \$ 68,768 |
| Various contributions | 22,050 | 22,050 | 12,050 | 10,000 |
| Total planning and community development | <u>\$ 869,100</u> | <u>\$ 919,658</u> | <u>\$ 840,890</u> | <u>\$ 78,768</u> |
| Total General Fund | <u>\$ 22,622,280</u> | <u>\$ 23,479,101</u> | <u>\$ 22,788,692</u> | <u>\$ 690,409</u> |
| <u>Debt Service Fund:</u> | | | | |
| Debt Service: | | | | |
| Principal retirement | \$ 2,894,850 | \$ 2,894,850 | \$ 2,722,249 | \$ 172,601 |
| Interest and fiscal charges | 649,680 | 649,680 | 641,061 | 8,619 |
| Total Debt Service Fund | <u>\$ 3,544,530</u> | <u>\$ 3,544,530</u> | <u>\$ 3,363,310</u> | <u>\$ 181,220</u> |

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2017 (continued)

| Fund, Function, Activity and Elements | Original Budget | Revised Budget | Actual | Variance Positive (Negative) |
|---|--------------------|-------------------|---------------|------------------------------------|
| Capital Projects Fund: | | | | |
| Capital projects: | | | | |
| Facilities projects | \$ - | \$ - | \$ 7,368,497 | \$ (7,368,497) |
| Sidewalk, curb, and gutter projects | - | - | 601,789 | (601,789) |
| Street improvement projects | - | - | 2,913,586 | (2,913,586) |
| Stormwater projects | - | - | 302,194 | (302,194) |
| Other capital projects and administration | - | - | 245,222 | (245,222) |
| Total capital projects | \$ - | \$ - | \$ 11,431,288 | \$ (11,431,288) |
| Total Capital Projects Fund | \$ - | \$ - | \$ 11,431,288 | \$ (11,431,288) |
| Special Revenue Funds: | | | | |
| Gang Task Force Fund | | | | |
| Public Safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Asset forfeiture program | \$ - | \$ - | \$ 370,242 | \$ (370,242) |
| Stormwater Fund | | | | |
| Public Works: | | | | |
| Stormwater | \$ 423,830 | \$ 423,830 | \$ 362,920 | \$ 60,910 |
| Special Transportation Fund | | | | |
| Public Works: | | | | |
| NVTA administration | \$ - | \$ - | \$ 10,740 | \$ (10,740) |
| Total Special Revenue Funds | \$ 423,830 | \$ 423,830 | \$ 743,902 | \$ (320,072) |
| Total All Governmental Funds | \$ 26,590,640 | \$ 27,447,461 | \$ 38,327,192 | \$ (10,879,731) |

- Statistical Section -

| Contents | Tables |
|--|---------|
| <p>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.</p> | 1 - 6 |
| <p>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.</p> | 7 - 10 |
| <p>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.</p> | 11 - 15 |
| <p>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.</p> | 16 |
| <p>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.</p> | 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>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 37,791,201 | \$ 37,874,402 | \$ 38,411,117 | \$ 37,675,832 |
| Unrestricted | <u>15,284,033</u> | <u>14,730,114</u> | <u>13,077,123</u> | <u>13,025,908</u> |
| Total governmental activities net position | <u><u>\$ 53,075,234</u></u> | <u><u>\$ 52,604,516</u></u> | <u><u>\$ 51,488,240</u></u> | <u><u>\$ 50,701,740</u></u> |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 7,624,024 | \$ 7,782,540 | \$ 7,927,058 | \$ 8,069,308 |
| Unrestricted | <u>1,431,406</u> | <u>1,054,949</u> | <u>287,487</u> | <u>(52,010)</u> |
| Total business-type activities net position | <u><u>\$ 9,055,430</u></u> | <u><u>\$ 8,837,489</u></u> | <u><u>\$ 8,214,545</u></u> | <u><u>\$ 8,017,298</u></u> |
| Primary government: | | | | |
| Net investment in capital assets | \$ 45,415,225 | \$ 45,656,942 | \$ 46,338,175 | \$ 45,745,140 |
| Unrestricted | <u>16,715,439</u> | <u>15,785,063</u> | <u>13,364,610</u> | <u>12,973,898</u> |
| Total primary government net position | <u><u>\$ 62,130,664</u></u> | <u><u>\$ 61,442,005</u></u> | <u><u>\$ 59,702,785</u></u> | <u><u>\$ 58,719,038</u></u> |

Table 1

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 37,173,866 | \$ 35,964,436 | \$ 35,130,306 | \$ 33,907,664 | \$ 40,770,246 | \$ 46,259,237 |
| 14,218,648 | 15,676,550 | 15,163,500 | 4,763,891 | 7,963,012 | 5,468,424 |
| <u>\$ 51,392,514</u> | <u>\$ 51,640,986</u> | <u>\$ 50,293,806</u> | <u>\$ 38,671,555</u> | <u>\$ 48,733,258</u> | <u>\$ 51,727,661</u> |
| \$ 8,183,057 | \$ 7,911,570 | \$ 7,981,491 | \$ 9,358,019 | \$ 9,846,088 | \$ 11,096,338 |
| (936,451) | (441,240) | (18,296) | (592,683) | (474,233) | (1,202,211) |
| <u>\$ 7,246,606</u> | <u>\$ 7,470,330</u> | <u>\$ 7,963,195</u> | <u>\$ 8,765,336</u> | <u>\$ 9,371,855</u> | <u>\$ 9,894,127</u> |
| \$ 45,356,923 | \$ 43,876,006 | \$ 43,111,797 | \$ 43,265,683 | \$ 50,616,334 | \$ 57,355,575 |
| 13,282,197 | 15,235,310 | 15,145,204 | 4,171,208 | 7,488,779 | 4,266,213 |
| <u>\$ 58,639,120</u> | <u>\$ 59,111,316</u> | <u>\$ 58,257,001</u> | <u>\$ 47,436,891</u> | <u>\$ 58,105,113</u> | <u>\$ 61,621,788</u> |

TOWN OF VIENNA, VIRGINIA

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

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|------------------------|------------------------|------------------------|------------------------|
| Expenses: | | | | |
| Governmental Activities: | | | | |
| General government administration | \$ 3,119,608 | \$ 3,466,917 | \$ 3,647,013 | \$ 3,595,123 |
| Public safety | 5,616,582 | 5,845,864 | 5,971,132 | 5,755,847 |
| Public works | 8,995,488 | 9,379,606 | 9,593,548 | 9,813,232 |
| Health and welfare | 294,054 | 292,930 | 290,773 | 284,914 |
| Parks, recreation and cultural | 2,797,313 | 2,871,670 | 2,836,757 | 3,015,055 |
| Community development | 734,650 | 755,281 | 711,824 | 714,927 |
| Interest on long-term debt | 599,829 | 523,205 | 441,336 | 469,103 |
| Total governmental activities expenses | <u>\$ 22,157,524</u> | <u>\$ 23,135,473</u> | <u>\$ 23,492,383</u> | <u>\$ 23,648,201</u> |
| Business type activities: | | | | |
| Water and sewer | 5,147,109 | 5,315,042 | 5,777,244 | 5,535,934 |
| Total business type activities expenses | <u>\$ 27,304,633</u> | <u>\$ 28,450,515</u> | <u>\$ 29,269,627</u> | <u>\$ 29,184,135</u> |
| Program Revenues: | | | | |
| Governmental Activities: | | | | |
| Charges for services | | | | |
| General government | \$ 9,931 | \$ 9,833 | \$ 12,019 | \$ 13,714 |
| Public safety | 337,235 | 376,512 | 425,829 | 547,135 |
| Public works | - | - | - | - |
| Parks, recreation and cultural | 786,722 | 718,204 | 675,784 | 705,587 |
| Operating grants and contributions | 2,062,483 | 2,115,797 | 2,315,236 | 2,137,763 |
| Capital grants and contributions | 5,540,058 | 334,464 | 930,188 | 687,923 |
| Total governmental activities program revenues | <u>\$ 8,736,429</u> | <u>\$ 3,554,810</u> | <u>\$ 4,359,056</u> | <u>\$ 4,092,122</u> |
| Business type activities: | | | | |
| Water and sewer | | | | |
| Charges for services | \$ 6,181,491 | \$ 5,753,330 | \$ 5,839,658 | \$ 6,071,383 |
| Operating grants and contributions | 240,507 | - | - | - |
| Capital grants and contributions | - | 277,977 | 5,553 | 4,000 |
| Total business type activities | <u>\$ 6,421,998</u> | <u>\$ 6,031,307</u> | <u>\$ 5,845,211</u> | <u>\$ 6,075,383</u> |
| Total business type activities revenues | <u>\$ 15,158,427</u> | <u>\$ 9,586,117</u> | <u>\$ 10,204,267</u> | <u>\$ 10,167,505</u> |
| Net (expenses)/revenues | <u>\$ (12,146,206)</u> | <u>\$ (18,864,398)</u> | <u>\$ (19,065,360)</u> | <u>\$ (19,016,630)</u> |
| General Revenues and Other Changes in Net Position: | | | | |
| Governmental Activities: | | | | |
| Taxes: | | | | |
| General real property taxes | \$ 7,838,966 | \$ 8,523,543 | \$ 8,668,872 | \$ 8,626,227 |
| Local sales and use taxes | 1,214,258 | 1,224,471 | 1,285,506 | 1,336,821 |
| Consumer utility taxes | 660,742 | 659,932 | 656,858 | 660,823 |
| Business license taxes | 2,095,137 | 2,204,093 | 1,973,781 | 1,964,360 |
| Meals and lodging taxes | 2,385,355 | 1,691,961 | 1,698,298 | 1,795,855 |
| Other | 1,181,323 | 1,177,426 | 1,279,989 | 1,915,710 |
| Grants and contributions not restricted | | | | |
| to specific programs | 1,243,315 | 1,113,597 | 1,118,153 | 1,112,301 |
| Unrestricted revenues from the use of money and property | 845,947 | 411,190 | 265,712 | 219,127 |
| Miscellaneous | 368,838 | 1,060,904 | 274,906 | 262,553 |
| Transfers | 1,277,950 | 1,042,828 | 794,976 | 875,802 |
| Total governmental activities general revenues | <u>\$ 19,111,831</u> | <u>\$ 19,109,945</u> | <u>\$ 18,017,051</u> | <u>\$ 18,769,579</u> |
| Business type activities: | | | | |
| Interest revenue | \$ 67,458 | \$ 30,702 | \$ 3,099 | \$ 2,176 |
| Miscellaneous | 77,415 | 77,920 | 100,966 | 136,930 |
| Capital contributions | - | - | - | - |
| Transfers | (1,277,950) | (1,042,828) | (794,976) | (875,802) |
| Total business-type activities general revenues | <u>\$ (1,133,077)</u> | <u>\$ (934,206)</u> | <u>\$ (690,911)</u> | <u>\$ (736,696)</u> |
| Total general revenues | <u>\$ 17,978,754</u> | <u>\$ 18,175,739</u> | <u>\$ 17,326,140</u> | <u>\$ 18,032,883</u> |
| Changes in net position: | | | | |
| Governmental activities | \$ 5,690,736 | \$ (470,718) | \$ (1,116,276) | \$ (786,500) |
| Business-type activities | 141,812 | (217,941) | (622,944) | (197,247) |
| Total changes in net position | <u>\$ 5,832,548</u> | <u>\$ (688,659)</u> | <u>\$ (1,739,220)</u> | <u>\$ (983,747)</u> |

Table 2

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 3,635,414 | \$ 4,147,172 | \$ 4,356,498 | \$ 4,599,322 | \$ 4,922,997 | \$ 5,094,803 |
| 6,100,525 | 6,429,827 | 7,415,110 | 6,815,222 | 7,052,929 | 7,363,849 |
| 9,220,813 | 10,286,260 | 10,311,313 | 10,217,103 | 8,917,396 | 10,566,449 |
| 275,881 | 261,658 | 240,913 | 236,811 | 240,410 | 232,186 |
| 2,863,152 | 3,228,786 | 3,110,412 | 3,271,954 | 3,040,826 | 3,100,416 |
| 846,444 | 867,961 | 857,727 | 665,881 | 781,494 | 850,738 |
| 468,645 | 602,885 | 596,719 | 479,678 | 707,242 | 473,480 |
| <u>\$ 23,410,874</u> | <u>\$ 25,824,549</u> | <u>\$ 26,888,692</u> | <u>\$ 26,285,971</u> | <u>\$ 25,663,294</u> | <u>\$ 27,681,921</u> |
| 6,223,267 | 6,151,284 | 5,907,863 | 5,713,223 | 6,096,402 | 7,022,326 |
| <u>\$ 29,634,141</u> | <u>\$ 31,975,833</u> | <u>\$ 32,796,555</u> | <u>\$ 31,999,194</u> | <u>\$ 31,759,696</u> | <u>\$ 34,704,247</u> |
| \$ 21,341 | \$ 23,030 | \$ 27,895 | \$ 27,620 | \$ 35,896 | \$ 40,719 |
| 660,559 | 617,223 | 629,143 | 641,051 | 613,564 | 651,247 |
| - | - | - | - | - | - |
| 737,865 | 754,445 | 763,033 | 737,297 | 536,163 | 501,214 |
| 2,134,393 | 3,082,757 | 3,157,284 | 3,018,343 | 3,194,985 | 3,108,013 |
| 497,335 | 1,610,089 | 866,348 | 2,209,526 | 8,394,653 | 4,102,140 |
| <u>\$ 4,051,493</u> | <u>\$ 6,087,544</u> | <u>\$ 5,443,703</u> | <u>\$ 6,633,837</u> | <u>\$ 12,775,261</u> | <u>\$ 8,403,333</u> |
| \$ 6,065,317 | \$ 7,129,668 | \$ 6,985,412 | \$ 7,018,076 | \$ 6,902,605 | \$ 7,386,960 |
| - | 486,400 | - | - | - | - |
| 112,490 | - | - | 264,630 | 213,405 | 486,400 |
| <u>\$ 6,177,807</u> | <u>\$ 7,616,068</u> | <u>\$ 6,985,412</u> | <u>\$ 7,282,706</u> | <u>\$ 7,116,010</u> | <u>\$ 7,873,360</u> |
| <u>\$ 10,229,300</u> | <u>\$ 13,703,612</u> | <u>\$ 12,429,115</u> | <u>\$ 13,916,543</u> | <u>\$ 19,891,271</u> | <u>\$ 16,276,693</u> |
| <u>\$ (19,404,841)</u> | <u>\$ (18,272,221)</u> | <u>\$ (20,367,440)</u> | <u>\$ (18,082,651)</u> | <u>\$ (11,868,425)</u> | <u>\$ (18,427,554)</u> |
| \$ 9,055,525 | \$ 9,193,705 | \$ 9,217,757 | \$ 9,820,079 | \$ 10,174,969 | \$ 10,621,309 |
| 1,259,235 | 1,320,803 | 1,350,263 | 1,465,129 | 1,484,216 | 1,425,248 |
| 645,869 | 660,323 | 667,116 | 668,218 | 659,320 | 654,778 |
| 2,288,730 | 2,217,307 | 2,329,139 | 2,334,987 | 2,221,072 | 2,258,387 |
| 2,016,210 | 2,212,543 | 2,263,450 | 2,339,686 | 2,520,856 | 2,691,356 |
| 1,892,753 | 1,836,673 | 1,725,943 | 2,170,698 | 2,434,700 | 2,174,391 |
| 1,090,891 | 1,092,804 | 1,074,053 | 1,064,604 | 1,033,119 | 1,008,803 |
| 199,270 | 224,039 | 214,818 | 265,103 | 179,769 | 215,206 |
| 720,327 | 244,303 | 350,451 | 799,340 | 1,560,383 | 565,965 |
| 881,345 | 982,977 | 904,819 | (235,961) | 681,332 | 657,548 |
| <u>\$ 20,050,155</u> | <u>\$ 19,985,477</u> | <u>\$ 20,097,809</u> | <u>\$ 20,691,883</u> | <u>\$ 22,949,736</u> | <u>\$ 22,272,991</u> |
| \$ 1,327 | \$ 2,474 | \$ 2,116 | \$ 3,240 | \$ 6,029 | \$ 8,997 |
| 154,786 | 225,843 | 318,019 | 255,595 | 262,214 | 319,789 |
| - | - | - | - | - | - |
| (881,345) | (982,977) | (904,819) | 235,961 | (681,332) | (657,548) |
| <u>\$ (725,232)</u> | <u>\$ (754,660)</u> | <u>\$ (584,684)</u> | <u>\$ 494,796</u> | <u>\$ (413,089)</u> | <u>\$ (328,762)</u> |
| <u>\$ 19,324,923</u> | <u>\$ 19,230,817</u> | <u>\$ 19,513,125</u> | <u>\$ 21,186,679</u> | <u>\$ 22,536,647</u> | <u>\$ 21,944,229</u> |
| \$ 690,774 | \$ 248,472 | \$ (1,347,180) | \$ 1,039,749 | \$ 10,061,703 | \$ 2,994,403 |
| (770,692) | 710,124 | 492,865 | 2,064,279 | 606,519 | 522,272 |
| <u>\$ (79,918)</u> | <u>\$ 958,596</u> | <u>\$ (854,315)</u> | <u>\$ 3,104,028</u> | <u>\$ 10,668,222</u> | <u>\$ 3,516,675</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 |
|------------------------|-------------------------|--------------------------------------|---------------------------------|---|--|
| 2017 | \$ 10,621,309 | \$ 1,425,248 | \$ 654,778 | \$ 2,258,387 | \$ 2,691,356 |
| 2016 | 10,174,969 | 1,484,216 | 659,320 | 2,221,072 | 2,520,856 |
| 2015 | 9,820,079 | 1,465,129 | 668,218 | 2,334,987 | 2,339,686 |
| 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 |

Table 3

| Motor Vehicle License Tax | Bank Franchise Tax | Tobacco Taxes | Other Taxes | Total |
|--|-----------------------------------|--------------------------|------------------------|---------------|
| \$ 364,648 | \$ 1,100,576 | \$ 233,877 | \$ 475,290 | \$ 19,825,469 |
| 383,469 | 1,416,573 | 249,175 | 385,483 | 19,495,133 |
| 368,070 | 1,153,976 | 262,035 | 386,617 | 18,798,797 |
| 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 |

TOWN OF VIENNA, VIRGINIA

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

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund: | | | | |
| Reserved | \$ 3,437,540 | \$ 3,321,836 | \$ 2,694,439 | \$ - |
| Designated | 963,786 | 1,097,048 | 1,250,000 | - |
| Undesignated | 3,805,255 | 3,691,280 | 3,602,251 | - |
| Nonspendable | - | - | - | 139,340 |
| Restricted | - | - | - | 455,135 |
| Committed | - | - | - | 1,856,398 |
| Assigned | - | - | - | 1,265,848 |
| Unassigned | - | - | - | 4,089,728 |
| Total General Fund | <u><u>\$ 8,206,581</u></u> | <u><u>\$ 8,110,164</u></u> | <u><u>\$ 7,546,690</u></u> | <u><u>\$ 7,806,449</u></u> |
| Debt Service Fund: | | | | |
| Reserved | \$ 4,317,423 | \$ 3,964,342 | \$ 3,882,446 | \$ - |
| Nonspendable | - | - | - | - |
| Assigned | - | - | - | 3,916,827 |
| Total Debt Service Fund | <u><u>\$ 4,317,423</u></u> | <u><u>\$ 3,964,342</u></u> | <u><u>\$ 3,882,446</u></u> | <u><u>\$ 3,916,827</u></u> |
| Capital Projects Fund: | | | | |
| Reserved | \$ 646,428 | \$ 885,721 | \$ 891,162 | \$ - |
| Designated | 3,260,662 | 2,962,845 | 2,331,166 | - |
| Assigned | - | - | - | 7,379,562 |
| Total Capital Projects Fund | <u><u>\$ 3,907,090</u></u> | <u><u>\$ 3,848,566</u></u> | <u><u>\$ 3,222,328</u></u> | <u><u>\$ 7,379,562</u></u> |
| Nonmajor Funds: | | | | |
| Restricted | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <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

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 149,756 | 139,335 | 130,424 | 245,742 | 108,149 | 111,338 |
| 500,716 | 543,982 | 497,367 | 621,991 | 798,241 | 1,020,573 |
| 1,854,854 | 1,740,672 | 1,593,542 | 1,508,479 | 1,620,960 | 1,406,460 |
| 1,769,805 | 1,869,852 | 1,918,210 | 2,042,064 | 1,183,920 | 1,258,241 |
| 4,585,175 | 4,715,920 | 4,243,138 | 4,768,169 | 4,447,066 | 4,469,240 |
| <u>\$ 8,860,306</u> | <u>\$ 9,009,761</u> | <u>\$ 8,382,681</u> | <u>\$ 9,186,445</u> | <u>\$ 8,158,336</u> | <u>\$ 8,265,852</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 327,000 | - | - | - |
| 4,120,330 | 4,562,958 | 4,601,551 | 4,922,622 | 6,348,055 | 6,696,150 |
| <u>\$ 4,120,330</u> | <u>\$ 4,562,958</u> | <u>\$ 4,928,551</u> | <u>\$ 4,922,622</u> | <u>\$ 6,348,055</u> | <u>\$ 6,696,150</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 6,544,456 | 7,903,967 | 12,678,854 | 8,820,174 | 10,830,402 | 3,378,467 |
| <u>\$ 6,544,456</u> | <u>\$ 7,903,967</u> | <u>\$ 12,678,854</u> | <u>\$ 8,820,174</u> | <u>\$ 10,830,402</u> | <u>\$ 3,378,467</u> |
| <u>\$ -</u> | <u>\$ 856,270</u> | <u>\$ 872,153</u> | <u>\$ 1,056,442</u> | <u>\$ 1,077,674</u> | <u>\$ 1,042,724</u> |

TOWN OF VIENNA, VIRGINIA

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

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues: | | | | |
| General property taxes | \$ 7,850,154 | \$ 8,473,707 | \$ 8,689,481 | \$ 8,633,014 |
| Other local taxes | 8,761,959 | 8,071,034 | 6,894,432 | 7,673,569 |
| Permits, privilege fees and regulatory licenses | 106,291 | 88,388 | 101,143 | 117,484 |
| Fines and forfeitures | 227,215 | 277,174 | 298,921 | 414,608 |
| Revenue from use of money and property | 845,947 | 411,190 | 265,712 | 219,127 |
| Charges for services | 800,382 | 738,987 | 713,568 | 734,344 |
| Miscellaneous | 368,838 | 432,804 | 274,906 | 262,553 |
| Intergovernmental | 2,080,654 | 2,450,707 | 4,363,577 | 3,937,987 |
| Total revenues | <u>\$ 21,041,440</u> | <u>\$ 20,943,991</u> | <u>\$ 21,601,740</u> | <u>\$ 21,992,686</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | \$ 3,284,008 | \$ 3,317,553 | \$ 3,545,989 | \$ 3,569,339 |
| Public safety | 5,714,956 | 5,968,972 | 5,850,604 | 5,725,283 |
| Public works | 6,388,010 | 6,847,062 | 6,617,842 | 6,914,263 |
| Health and welfare | 294,054 | 291,386 | 290,027 | 284,147 |
| Parks, recreation, and cultural | 2,863,952 | 2,651,234 | 2,729,770 | 2,803,448 |
| Community development | 729,537 | 742,287 | 728,309 | 722,868 |
| Capital projects | 799,922 | 305,176 | 1,294,779 | 1,499,027 |
| Debt service: | | | | |
| Principal retirement | 2,307,428 | 2,336,039 | 2,152,250 | 2,043,511 |
| Interest and other fiscal charges | 623,551 | 547,157 | 458,754 | 436,827 |
| Total expenditures | <u>\$ 23,005,418</u> | <u>\$ 23,006,866</u> | <u>\$ 23,668,324</u> | <u>\$ 23,998,713</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,963,978)</u> | <u>\$ (2,062,875)</u> | <u>\$ (2,066,584)</u> | <u>\$ (2,006,027)</u> |
| Other financing sources (uses): | | | | |
| Issuance of capital lease | \$ 600,000 | \$ 512,025 | \$ - | \$ 529,427 |
| Long term debt issued | - | - | - | 4,990,000 |
| Premium on issuance of long-term obligations | - | - | - | 62,172 |
| Transfers in | 1,387,610 | 1,592,104 | 1,515,425 | 1,153,957 |
| Transfers out | (109,660) | (549,276) | (720,449) | (278,155) |
| Total other financing sources (uses) | <u>\$ 1,877,950</u> | <u>\$ 1,554,853</u> | <u>\$ 794,976</u> | <u>\$ 6,457,401</u> |
| Net changes in fund balances | <u>\$ (86,028)</u> | <u>\$ (508,022)</u> | <u>\$ (1,271,608)</u> | <u>\$ 4,451,374</u> |
| | | | | |
| Debt service as a percentage of noncapital expenditures | 13.87% | 13.60% | 11.99% | 11.32% |

Table 5

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 9,017,905 | \$ 9,280,201 | \$ 9,210,898 | \$ 9,824,996 | \$ 10,149,056 | \$ 10,622,903 |
| | 8,102,797 | 8,247,649 | 8,335,911 | 8,978,718 | 9,320,164 | 9,204,160 |
| | 135,197 | 152,114 | 171,876 | 195,316 | 268,314 | 249,733 |
| | 512,500 | 449,649 | 438,510 | 429,366 | 331,935 | 368,135 |
| | 199,270 | 224,039 | 214,818 | 265,103 | 179,769 | 215,206 |
| | 772,068 | 792,935 | 809,685 | 781,286 | 585,374 | 575,312 |
| | 720,327 | 244,303 | 350,451 | 799,340 | 1,560,383 | 565,965 |
| | 3,722,619 | 5,785,650 | 5,097,685 | 6,292,473 | 10,272,286 | 8,218,956 |
| \$ | <u>23,182,683</u> | <u>\$ 25,176,540</u> | <u>\$ 24,629,834</u> | <u>\$ 27,566,598</u> | <u>\$ 32,667,281</u> | <u>\$ 30,020,370</u> |
| \$ | 3,663,319 | \$ 4,022,335 | \$ 4,462,089 | \$ 4,505,608 | \$ 4,676,681 | \$ 4,635,247 |
| | 6,089,459 | 6,408,461 | 7,262,830 | 6,867,167 | 7,014,272 | 6,994,087 |
| | 6,765,678 | 6,978,990 | 7,381,367 | 7,063,724 | 7,436,218 | 7,997,698 |
| | 275,187 | 261,088 | 240,455 | 236,416 | 239,830 | 232,186 |
| | 2,935,398 | 2,773,680 | 2,903,353 | 2,946,390 | 3,083,069 | 2,832,486 |
| | 863,380 | 863,286 | 851,558 | 711,077 | 784,698 | 840,890 |
| | 1,200,696 | 6,651,007 | 2,230,105 | 5,111,855 | 12,072,085 | 11,431,288 |
| | 2,053,478 | 2,103,421 | 3,513,686 | 2,801,394 | 2,490,860 | 2,722,249 |
| | 495,179 | 506,152 | 675,999 | 533,590 | 484,952 | 641,061 |
| \$ | <u>24,341,774</u> | <u>\$ 30,568,420</u> | <u>\$ 29,521,442</u> | <u>\$ 30,777,221</u> | <u>\$ 38,282,665</u> | <u>\$ 38,327,192</u> |
| \$ | <u>(1,159,091)</u> | <u>\$ (5,391,880)</u> | <u>\$ (4,891,608)</u> | <u>\$ (3,210,623)</u> | <u>\$ (5,615,384)</u> | <u>\$ (8,306,822)</u> |
| \$ | 700,000 | \$ 653,434 | \$ 619,455 | \$ 570,028 | \$ 700,000 | \$ 518,000 |
| | - | 6,310,000 | 7,896,613 | - | 6,180,000 | - |
| | - | 253,337 | - | - | 482,836 | - |
| | 1,198,168 | 1,061,487 | 1,313,015 | 1,265,748 | 3,573,591 | 3,423,690 |
| | (316,823) | (78,510) | (408,196) | (1,501,709) | (2,892,259) | (2,766,142) |
| \$ | <u>1,581,345</u> | <u>\$ 8,199,748</u> | <u>\$ 9,420,887</u> | <u>\$ 334,067</u> | <u>\$ 8,044,168</u> | <u>\$ 1,175,548</u> |
| \$ | <u>422,254</u> | <u>\$ 2,807,868</u> | <u>\$ 4,529,279</u> | <u>\$ (2,876,556)</u> | <u>\$ 2,428,784</u> | <u>\$ (7,131,274)</u> |
| | 11.85% | 11.24% | 16.59% | 13.20% | 11.59% | 12.27% |

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 |
|------------------------|--------------------------|------------------------|-----------------------------|--|--|
| 2017 | \$ 10,622,903 | \$ 1,425,248 | \$ 654,778 | \$ 2,258,387 | \$ 2,691,356 |
| 2016 | 10,149,056 | 1,484,216 | 659,320 | 2,221,072 | 2,520,856 |
| 2015 | 9,824,996 | 1,465,129 | 668,218 | 2,334,987 | 2,339,686 |
| 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 |

Table 6

| Motor Vehicle License | Bank Franchise | Tobacco | Other Taxes | Total |
|--------------------------------------|---------------------------|----------------|------------------------|---------------|
| \$ 364,648 | \$ 1,100,576 | \$ 233,877 | \$ 475,290 | \$ 19,827,063 |
| 383,469 | 1,416,573 | 249,175 | 385,483 | 19,469,220 |
| 368,070 | 1,153,976 | 262,035 | 386,617 | 18,803,714 |
| 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 |

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 | |
| 2017 | \$ 4,625,397,360 | \$ 4,625,397,360 | 0.2250 | \$ 39,797,131 | \$ 39,797,131 | \$ 4,665,194,491 | \$ 4,665,194,491 | 100% |
| 2016 | 4,428,395,010 | 4,428,395,010 | 0.2250 | 39,797,131 | 39,797,131 | 4,468,192,141 | 4,468,192,141 | 100% |
| 2015 | 4,201,089,380 | 4,201,089,380 | 0.2288 | 37,186,660 | 37,186,660 | 4,238,276,040 | 4,238,276,040 | 100% |
| 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 | 3,664,249,050 | 3,664,249,050 | 0.2421 | 36,325,461 | 36,325,461 | 3,700,574,511 | 3,700,574,511 | 100% |
| 2011 | 3,467,055,990 | 3,467,055,990 | 0.2448 | 39,591,839 | 39,591,839 | 3,506,647,829 | 3,506,647,829 | 100% |
| 2010 | 3,760,518,320 | 3,760,518,320 | 0.2281 | 40,475,624 | 40,475,624 | 3,800,993,944 | 3,800,993,944 | 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 | 3,986,152,090 | 3,986,152,090 | 0.1996 | 39,616,343 | 39,616,343 | 4,025,768,433 | 4,025,768,433 | 100% |

Notes: Real property is assessed effective January 1 of each year by the Supervisor of Assessments of Fairfax County for the concurrent use of the Town and County. In the above tabulation \$4,665,194,491 is the assessed valuation effective January 1, 2016, which was used as a basis for billing taxes in the fiscal year 2016-2017.

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.

TOWN OF VIENNA, VIRGINIA
Property Tax Rate (1)
Direct and Overlapping Governments
Last Ten Fiscal years

| Fiscal Year | Town of Vienna | County of Fairfax | Total Tax Rate |
|----------------|-------------------|----------------------|-------------------|
| 2017 | 0.2250 | 1.130 | 1.3550 |
| 2016 | 0.2250 | 1.130 | 1.3550 |
| 2015 | 0.2288 | 1.090 | 1.3188 |
| 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 |

(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 2017 | | | Fiscal Year 2008 | | |
|-----------------------------------|-------|-------------------------|------|--|-------------------------|------|--|
| | | 2016 Assessed Valuation | Rank | Percentage of Total Assessed Valuation | 2007 Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Navy Federal Credit Union | | \$ 146,608,470 | 1 | 3.17% | \$ 200,567,850 | 1 | 5.17% |
| GI TC 801 Follin Lane | (1) | 84,284,500 | 2 | 1.82% | 26,265,920 | 3 | 0.68% |
| Vienna Park LLC | (2) | 38,338,540 | 3 | 0.83% | 25,861,430 | 4 | 0.67% |
| Maple Avenue Shopping | | 31,835,080 | 4 | 0.69% | 35,225,510 | 2 | 0.91% |
| Vienna Shopping Center, LP | | 24,088,530 | 5 | 0.52% | 21,753,780 | 6 | 0.56% |
| Maryland Gardens Ltd. Partnership | | 21,859,010 | 6 | 0.47% | 25,653,130 | 5 | 0.66% |
| P. Daniel & Diana S. Orlich | | 16,888,180 | 7 | 0.37% | 18,845,870 | 7 | 0.49% |
| Frank Zafren & Alec Jacobson, Tr. | | 15,074,510 | 8 | 0.33% | 15,970,810 | 8 | 0.41% |
| JBG Vienna Retail Center | (3) | 15,038,250 | 9 | 0.33% | - | N/A | N/A |
| GRI Cedar Park LLC | | 11,583,870 | 10 | 0.25% | - | N/A | N/A |
| Swart Vienna LLC | | 11,562,460 | 11 | 0.25% | 8,653,760 | 14 | 0.22% |
| BFH Danor Plaza | | 11,474,660 | 12 | 0.25% | 10,961,490 | 11 | 0.28% |
| Westwood Country Club | | 11,464,780 | 13 | 0.25% | 11,148,680 | 10 | 0.29% |
| Cubalmart L P | | 10,310,150 | 14 | 0.22% | - | N/A | N/A |
| JDC Maple Avenue LLC | | 6,991,410 | 15 | 0.15% | - | N/A | N/A |
| RDT Electric Avenue LLC | | - | N/A | N/A | 13,640,510 | 9 | 0.35% |
| Sidney Albrittain | | - | N/A | N/A | 10,879,210 | 12 | 0.28% |
| Vienna 301 Maple Venture | | - | N/A | N/A | 9,978,900 | 13 | 0.26% |
| Storage Partners of Vienna | | - | N/A | N/A | 8,486,030 | 15 | 0.22% |
| Total | | \$ 457,402,400 | | 9.89% | \$ 443,892,880 | | 11.45% |

- (1) Name change to GI TC Follin Lane LLC in 2013
- (2) Name change to Vienna Park LLC in 2010
- (3) Ownership change from AN WG Vienna LP in 2015

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 |
| 2017 | \$ 10,459,537 | \$ 10,440,600 | 99.78% | \$ - | \$ 10,440,600 | 99.82% |
| 2016 | 9,968,163 | 9,946,258 | 99.78% | 8,095 | 9,954,353 | 99.86% |
| 2015 | 9,616,236 | 9,598,815 | 99.82% | 14,994 | 9,613,809 | 99.97% |
| 2014 | 9,017,093 | 9,002,376 | 99.84% | 13,106 | 9,015,482 | 99.98% |
| 2013 | 9,094,000 | 9,081,793 | 99.87% | 11,211 | 9,093,004 | 99.99% |
| 2012 | 8,871,145 | 8,841,354 | 99.66% | 28,806 | 8,870,160 | 99.99% |
| 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% |

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 | | | |
| 2017 | \$20,503,862 | \$1,665,286 | \$3,253,262 | \$268,496 | \$25,690,906 | 3.02% | \$1,638 |
| 2016 | 22,857,586 | 1,610,535 | 1,358,000 | 150,985 | 25,977,106 | 3.05% | 1,656 |
| 2015 | 18,081,026 | 1,546,395 | 1,468,000 | 214,508 | 21,309,929 | 2.50% | 1,358 |
| 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 |

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, 2017**

| | <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 | \$ 22,169,148 | 100.00% | \$ 22,169,148 |
| Overlapping Debt: (1) | | | |
| County of Fairfax General Bonded Debt | <u>2,173,150,000</u> | 1.96% | <u>42,681,189</u> |
| Total direct and overlapping debt | <u>\$ 2,195,319,148</u> | | <u>\$ 64,850,337</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) |
|------------------------|----------------------------------|--|------------------------------------|---|---|
| 2017 | \$ 23,757,124 | \$ - | \$ 23,757,124 | 0.51% | \$ 1,514.45 |
| 2016 | 24,215,586 | - | 24,215,586 | 0.55% | 1,543.67 |
| 2015 | 19,549,026 | - | 19,549,026 | 0.47% | 1,246.19 |
| 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 |

(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>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Debt limit | \$ 390,338,664 | \$ 404,083,054 | \$ 379,979,764 | \$ 350,664,783 |
| Total net debt applicable to limit | <u>12,370,003</u> | <u>10,443,336</u> | <u>8,816,669</u> | <u>12,242,174</u> |
| Legal debt margin | <u>\$ 377,968,661</u> | <u>\$ 393,639,718</u> | <u>\$ 371,163,095</u> | <u>\$ 338,422,609</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 3.17% | 2.58% | 2.32% | 3.49% |

Table 14

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 384,150,833 | \$ 389,989,663 | \$ 412,218,932 | \$ 389,989,663 | \$ 457,199,173 | \$ 478,972,652 |
| <u>10,598,614</u> | <u>15,518,686</u> | <u>21,880,489</u> | <u>19,549,026</u> | <u>24,215,586</u> | <u>23,757,124</u> |
| <u>\$ 373,552,219</u> | <u>\$ 374,470,977</u> | <u>\$ 390,338,443</u> | <u>\$ 370,440,637</u> | <u>\$ 432,983,587</u> | <u>\$ 455,215,528</u> |
| 2.76% | 3.98% | 5.31% | 5.01% | 5.30% | 4.96% |

Legal Debt Margin Calculation for Fiscal Year 2017

| | |
|--|-------------------------|
| Assessed value | \$ 4,625,397,360 |
| Add back: exempt real property | <u>164,329,160</u> |
| Total assessed value | <u>\$ 4,789,726,520</u> |
| Debt limit (10% of total assessed value) | \$ 478,972,652 |
| Net debt applicable to limit | <u>23,757,124</u> |
| Legal debt margin | <u>\$ 455,215,528</u> |

TOWN OF VIENNA, VIRGINIA

Revenue Bond Coverage
Last Ten Fiscal Years

| Fiscal Year | (1) Gross Revenue | (2) Direct Operating Expenses | Net Revenue Available for Debt Service | (3) Principal | (3) Interest | Total | Coverage |
|--------------------|------------------------------|--|---|--------------------------|-------------------------|--------------|-----------------|
| 2017 | \$ 7,715,746 | \$ 6,353,901 | \$ 1,361,845 | \$ - | \$ - | \$ - | N/A |
| 2016 | 7,170,848 | 5,616,292 | 1,554,556 | - | - | - | N/A |
| 2015 | 7,276,911 | 5,255,495 | 2,021,416 | - | - | - | N/A |
| 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 |

(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

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) |
|--------------------|-------------------|------------------------|-----------------------------------|-------------------|------------------------------|
| 2017 | 15,687 | \$851,945,283 | \$54,309 | 40.7 | 3.20% |
| 2016 | 15,687 | \$851,945,283 | 54,309 | 40.7 | 3.20% |
| 2015 | 15,687 | 851,945,283 | 54,309 | 40.7 | 4.40% |
| 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% |

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 (1)</u> | <u>Fiscal Year 2017</u> | | <u>Fiscal Year 2008</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 | 250 to 499 | 2 |
| Contemporary Electrical Services, Inc | 100 to 249 | 3 | 100 to 249 | 7 |
| Giant Foods | 100 to 249 | 4 | 100 to 249 | 8 |
| Whole Foods Market Group | 100 to 249 | 5 | 100 to 249 | 6 |
| Town of Vienna | 100 to 249 | 6 | 100 to 249 | 3 |
| Westwood Country Club | 100 to 249 | 7 | 100 to 249 | 5 |
| Wheat's Lawn and Custom Land Inc | 100 to 249 | 8 | N/A | 9 |
| The Hope Center for Advanced Veterinary Medicine | 100 to 249 | 9 | N/A | N/A |
| U.S. Postal Service | 50 to 99 | 10 | 100 to 249 | 10 |
| Cardiovascular Management Group | N/A | N/A | 100 to 249 | 4 |

(1) Each employer's percentage of total employment not available.

TOWN OF VIENNA, VIRGINIA

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

| Function | | 2008 | 2009 | 2010 | 2011 |
|---------------------------|--|----------------|----------------|----------------|----------------|
| Legislative | | | | | |
| | Town Council | 0.5 | 0.500 | 0.500 | 0.500 |
| | Town Clerk | 2.000 | 2.000 | 2.000 | 2.000 |
| | Town Attorney | 0.500 | 0.500 | 0.500 | 0.500 |
| | Subtotal | 3.000 | 3.000 | 3.000 | 3.000 |
| Administration | | | | | |
| | Town manager | 1.500 | 1.500 | 1.500 | 1.500 |
| | Administrative Services | 2.000 | 2.000 | 2.000 | 2.000 |
| | Public Information | 1.000 | 1.000 | 1.000 | 1.000 |
| | Information Technology | 2.000 | 2.000 | 2.000 | 2.000 |
| | Subtotal | 6.500 | 6.500 | 6.500 | 6.500 |
| Finance | | | | | |
| | Administration | 3.000 | 3.000 | 3.000 | 3.000 |
| | Disbursement Operations | 1.625 | 1.625 | 1.625 | 1.625 |
| | Purchasing | 1.625 | 1.625 | 1.625 | 1.625 |
| | Central Services | 1.000 | 1.000 | 1.000 | 1.000 |
| | Revenue Operations | 3.500 | 3.500 | 3.500 | 3.500 |
| | Gang Task Force | 0.000 | 0.000 | 0.000 | 0.000 |
| | Subtotal | 10.750 | 10.750 | 10.750 | 10.750 |
| Police | | | | | |
| | Administration | 3.000 | 3.000 | 3.000 | 3.000 |
| | Patrol | 21.000 | 21.000 | 21.000 | 21.000 |
| | Communications | 11.000 | 11.000 | 11.000 | 11.000 |
| | Community Services | 1.000 | 1.000 | 1.000 | 1.000 |
| | Traffic | 6.000 | 6.000 | 6.000 | 6.000 |
| | Personnel/Accreditation/ Animal Control | 1.000 | 1.000 | 1.000 | 1.000 |
| | Investigations | 9.000 | 9.000 | 9.000 | 9.000 |
| | Subtotal | 52.000 | 52.000 | 52.000 | 52.000 |
| Public Works | | | | | |
| | Administration | 6.500 | 6.500 | 6.500 | 6.500 |
| | Street Maintenance | 15.000 | 15.000 | 15.000 | 15.000 |
| | Vehicle Maintenance | 9.000 | 9.000 | 9.000 | 9.000 |
| | General Maintenance | 8.000 | 8.000 | 8.000 | 8.000 |
| | Sanitation | 14.000 | 14.000 | 14.000 | 14.000 |
| | Traffic Engineering | 2.000 | 2.000 | 2.000 | 2.000 |
| | Subtotal | 54.500 | 54.500 | 54.500 | 54.500 |
| Parks and Recreation | | | | | |
| | Administration | 4.750 | 4.750 | 4.750 | 4.750 |
| | Parks Maintenance | 10.000 | 10.000 | 10.000 | 10.000 |
| | Community Center Operations | 4.500 | 4.500 | 4.500 | 4.500 |
| | Teen Center | 1.500 | 1.500 | 1.500 | 1.500 |
| | Subtotal | 20.750 | 20.750 | 20.750 | 20.750 |
| Planning and Zoning | | | | | |
| | Planning and Zoning | 7.000 | 7.000 | 7.000 | 7.000 |
| | Subtotal | 7.000 | 7.000 | 7.000 | 7.000 |
| GENERAL FUND TOTAL | | 154.500 | 154.500 | 154.500 | 154.500 |
| Water and Sewer | | | | | |
| | (1) Water Operations | | | | 8.500 |
| | (1) Sewer Operations | | | | 6.000 |
| | (1) Operations and Maintenance | 14.500 | 14.500 | 14.500 | |
| | Meter Maintenance and Reading | 4.000 | 4.000 | 4.000 | 4.000 |
| | Billing/Customer Service | 2.000 | 2.000 | 2.000 | 2.000 |
| | TOTAL WATER & SEWER FUND | 20.500 | 20.500 | 20.500 | 20.500 |
| Storm Water Fund | | 0.000 | 0.000 | 0.000 | 0.000 |
| GRAND TOTAL | | 175.000 | 175.000 | 175.000 | 175.000 |

Source: Town of Vienna Budget

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

Table 18

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 0.500 | 0.500 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| 0.500 | 0.500 | 0.500 | 0.500 | 0.500 | 0.500 |
| 3.000 | 3.000 | 2.500 | 2.500 | 2.500 | 2.500 |
| 1.500 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| 2.000 | 2.000 | 2.000 | 3.000 | 3.000 | 3.000 |
| 1.000 | 1.000 | 1.725 | 1.725 | 2.000 | 2.000 |
| 2.000 | 3.000 | 3.000 | 4.000 | 4.000 | 4.000 |
| 6.500 | 8.000 | 8.725 | 10.725 | 11.000 | 11.000 |
| 3.000 | 3.625 | 3.625 | 3.625 | 3.625 | 3.625 |
| 1.625 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| 1.625 | 1.625 | 1.625 | 1.625 | 1.625 | 1.625 |
| 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 3.500 | 3.000 | 3.000 | 3.500 | 4.000 | 5.000 |
| 0.000 | 0.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 10.750 | 11.250 | 12.250 | 12.750 | 13.250 | 14.250 |
| 3.000 | 3.000 | 3.000 | 3.000 | 3.000 | 3.000 |
| 21.000 | 21.000 | 21.000 | 21.000 | 21.000 | 21.000 |
| 10.000 | 11.000 | 11.000 | 11.000 | 10.000 | 10.000 |
| 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 |
| 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 10.000 | 9.000 | 9.000 | 9.000 | 9.000 | 9.000 |
| 52.000 | 52.000 | 52.000 | 52.000 | 51.000 | 51.000 |
| 6.500 | 6.500 | 7.500 | 6.500 | 6.500 | 8.000 |
| 15.000 | 13.000 | 12.000 | 12.000 | 12.000 | 12.000 |
| 9.000 | 9.000 | 9.000 | 8.000 | 8.000 | 8.000 |
| 8.000 | 8.000 | 8.000 | 9.000 | 9.000 | 9.000 |
| 14.000 | 16.000 | 16.000 | 16.000 | 16.000 | 16.000 |
| 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| 54.500 | 54.500 | 54.500 | 53.500 | 53.500 | 55.000 |
| 4.750 | 4.750 | 4.750 | 4.500 | 4.500 | 5.000 |
| 10.000 | 10.000 | 10.000 | 10.000 | 10.000 | 10.000 |
| 4.500 | 4.500 | 4.000 | 4.000 | 4.000 | 4.000 |
| 1.500 | 1.500 | 1.800 | 1.800 | 1.800 | 2.000 |
| 20.750 | 20.750 | 20.550 | 20.300 | 20.300 | 21.000 |
| 7.000 | 7.000 | 7.000 | 7.000 | 7.000 | 7.000 |
| 7.000 | 7.000 | 7.000 | 7.000 | 7.000 | 7.000 |
| 154.500 | 156.500 | 157.525 | 158.775 | 158.550 | 161.750 |
| 8.500 | 8.500 | 8.500 | 8.000 | 7.000 | 7.000 |
| 6.000 | 6.000 | 6.000 | 6.000 | 7.000 | 7.000 |
| 4.000 | 4.000 | 4.000 | 4.000 | 4.000 | 4.000 |
| 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| 20.500 | 20,500 | 20,500 | 20.000 | 20.000 | 20.000 |
| 0.00 | 0.000 | 1.000 | 1.000 | 1.000 | 1.000 |
| 175.000 | 177.000 | 179.025 | 179.775 | 179.550 | 182.750 |

TOWN OF VIENNA, VIRGINIA

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

| Function | (1) | 2008 | 2009 | 2010 | 2011 |
|---|------------|-------------|-------------|-------------|-------------|
| General Government Administration | | | | | |
| Administrative Service | | | | | |
| Job applications processed | | 468 | 586 | 620 | 675 |
| Public Information | | | | | |
| Information requests responded to | | 2,000 | 1,600 | 1,600 | 1,225 |
| Press releases per year | | 240 | 254 | 254 | 245 |
| (a) Web Site Visits | | - | - | - | - |
| (b) Twitter and Facebook followers | | - | - | - | 1,547 |
| Finance | | | | | |
| Real Estate bills processed | | 12,225 | 12,300 | 12,300 | 12,300 |
| Water and Sewer bills processed | | 37,500 | 38,000 | 38,000 | 38,000 |
| (c) Vehicle license fee bills processed | | - | - | - | 12,395 |
| (d) Payroll checks/Direct Deposits | | 7,688 | 8,915 | 7,870 | 7,311 |
| (d) Vendor check issued | | 4,695 | 5,355 | 4,600 | 4,300 |
| (e) Competitive bids completed | | 30 | 30 | 30 | 30 |
| Public Safety | | | | | |
| Number of Calls for Service received | | 11,654 | 13,000 | 13,000 | 13,000 |
| Number of Citations issued | | 5,216 | 7,400 | 7,200 | 7,000 |
| Number of Animal complaints | | 387 | 400 | 400 | 400 |
| Public Works | | | | | |
| Tons of asphalt installed | | 1,480 | 1,500 | 1,721 | 5,300 |
| Linear feet of sidewalk replaced / installed | | - | - | 150 | 188 |
| (f) Vehicles Maintained | | 145 | 145 | 140 | 145 |
| Tons of Waste collected | | 6,883 | 6,001 | 6,001 | 5,810 |
| Tons of Recycled materials collected | | 2,067 | 2,036 | 2,036 | 1,840 |
| Cubic Yards/Tons of leaves collected | | 14,042 | 14,000 | 13,500 | 13,000 |
| Water and Sewer Operations | | | | | |
| Repair Water Main breaks | | 72 | 68 | 50 | 68 |
| Repair defective sewer lines | | 12 | 15 | 15 | 15 |
| Footage of Sewer Mains cleaned | | - | - | 279,556 | 343,543 |
| Completed work orders | | 4,200 | 3,800 | 3,800 | 3,800 |
| Parks and Recreation | | | | | |
| Number of programs held | | 573 | 642 | 642 | 660 |
| Daily average number of teens using Teen Center | | 30 | 35 | 35 | 35 |
| Planning and Zoning | | | | | |
| Permit applications | | 880 | 829 | 829 | 820 |
| New single-family dwellings | | - | - | 43 | 65 |
| New zoning violation cases opened | | 413 | 557 | 557 | 550 |

Sources: Town Budget unless noted

- (a) New measuring system in 2013
- (b) Instagram added in 2016
- (c) Decal logs; decal program ended in FY 2007
 Fee instituted in 2011; number of bills sent
- (d) Check logs
- (e) Over \$10k through 2016; over \$20k thereafter
- (f) Fixed Asset Records

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

Table 19

| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------|---------|---------|---------|---------|---------|
| 1,294 | 2,745 | 2,186 | 2,674 | 2,385 | 2,671 |
| - | - | - | - | - | - |
| 585 | 585 | 600 | 600 | 994 | 265 |
| - | 367,000 | 370,000 | 303,829 | 351,723 | 352,789 |
| 2,430 | 3,313 | 4,196 | 4,099 | 8,736 | 8,907 |
| 12,400 | 11,125 | 11,151 | 11,244 | 11,122 | 11,336 |
| 38,000 | 37,350 | 38,047 | 38,285 | 38,042 | 38,087 |
| 12,810 | 13,301 | 13,301 | 12,378 | 12,503 | 12,878 |
| 6,956 | 7,452 | 7,652 | 6,946 | 7,405 | 7,405 |
| 4,315 | 4,432 | 5,329 | 4,449 | 3,792 | 3,792 |
| 35 | 17 | 30 | 9 | 14 | 20 |
| 20,500 | 20,500 | 17,500 | 41,000 | 45,564 | 46,000 |
| 10,200 | 10,000 | 10,000 | 8,600 | 8,058 | 8,500 |
| 380 | 380 | 350 | 390 | 439 | 400 |
| 5,000 | 5,000 | 5,000 | 3,000 | 1,900 | 2,300 |
| 200 | 200 | 200 | 2,662 | 4,070 | 3,800 |
| 153 | 155 | 153 | 144 | 143 | 144 |
| 7,940 | 4,500 | 5,800 | 4,250 | 4,242 | 5,550 |
| 1,825 | 2,000 | 2,000 | 1,850 | 1,776 | 1,810 |
| 11,000 | 11,000 | 11,500 | 11,500 | 9,590 | 8,500 |
| 50 | 55 | 55 | 75 | 73 | 60 |
| - | - | - | - | - | - |
| 350,000 | 355,000 | 355,000 | 350,000 | 120,000 | 3,100 |
| 3,000 | 3,390 | 3,722 | 3,100 | 4,017 | 4,000 |
| 641 | 650 | 650 | 650 | 501 | 462 |
| 30 | 30 | 30 | 30 | 30 | 25 |
| 650 | 650 | 650 | 680 | 456 | 900 |
| 50 | 50 | 70 | 85 | 89 | 91 |
| 671 | 487 | 384 | 400 | 400 | - |

TOWN OF VIENNA, VIRGINIA

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

| Function | 2008 | 2009 | 2010 |
|--|-------------|-------------|-------------|
| General government administration | | | |
| Administration buildings | 4 | 4 | 4 |
| Vehicles | 6 | 6 | 6 |
| Public safety | | | |
| Patrol units | 18 | 19 | 18 |
| Motorcycles | 5 | 6 | 4 |
| Other vehicles | 3 | 3 | 3 |
| Public works | | | |
| Trucks/vehicles | 84 | 88 | 85 |
| Parks and recreation | | | |
| Community center | 1 | 1 | 1 |
| Vehicles | 25 | 20 | 20 |
| Number of parks | 10 | 10 | 10 |
| Park acres | 93.47 | 93.47 | 93.47 |
| Community development | | | |
| Planning vehicles | 4 | 3 | 4 |

Source: Individual Town Departments

Table 20

| <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| 6 | 7 | 6 | 5 | 4 | 6 | 5 |
| 18 | 19 | 25 | 22 | 20 | 18 | 19 |
| 4 | 4 | 4 | 4 | 4 | 5 | 4 |
| 3 | 3 | 3 | 3 | 4 | 3 | 5 |
| 89 | 94 | 91 | 92 | 86 | 85 | 84 |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 21 | 22 | 22 | 23 | 23 | 23 | 24 |
| 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| 93.47 | 93.47 | 93.47 | 93.47 | 93.47 | 93.47 | 93.47 |
| 4 | 4 | 4 | 4 | 3 | 3 | 3 |

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- Compliance Section -

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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, 2017, 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 28, 2017.

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 28, 2017

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Vienna, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Vienna, Virginia's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the Town of Vienna, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 28, 2017

TOWN OF VIENNA, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017**

| <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>81,922</u> |
| Total Department of Justice | | | \$ <u>81,922</u> |
| <u>DEPARTMENT OF TRANSPORTATION:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | 104326/104325/106524/ 109297/102852/103593/ 103851/105220/105283/ 106049/107242/107661/ 103858 | \$ 1,084,844 |
| Virginia Department of Motor Vehicles: | | | |
| Highway Safety Cluster: | | | |
| National Priority Safety Programs | 20.616 | M60T-16-56099/M60T-17-57039 | 18,962 |
| State and Community Highway Safety | 20.600 | SC-16-56105/SC-17-57040 | <u>14,209</u> |
| Total Highway Safety Cluster | | | \$ <u>33,171</u> |
| Total Department of Transportation | | | \$ <u>1,118,015</u> |
| <u>DEPARTMENT OF HOMELAND SECURITY:</u> | | | |
| <u>Pass through payments:</u> | | | |
| Virginia Department of Emergency Services: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DEM0016799 | \$ <u>85,531</u> |
| Total Department of Homeland Security | | | \$ <u>85,531</u> |
| Total Expenditures of Federal Awards | | | \$ <u>1,285,468</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, 2017**

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) The Town did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) No awards were passed through to subrecipients.

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 12/24):

| | |
|---|----------------------------|
| Primary government: | |
| General Fund | \$ 99,483 |
| Capital Projects Fund | 1,084,844 |
| Debt Service Fund | 29,561 |
| Gang Task Force Fund | <u>15,610</u> |
| Total federal expenditures per basic financial statements | <u>\$ 1,229,498</u> |
| Less: Build America Bonds Interest Subsidy | \$ (29,561) |
| Add: Disaster Grants - Public Assistance | <u>85,531</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 1,285,468</u></u> |

TOWN OF VIENNA, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

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 2 CFR Section 200.516(a)? | No |
| Identification of major programs: | |

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------|--|
|----------------------|--|

| | |
|--------|-----------------------------------|
| 20.205 | Highway Planning and Construction |
|--------|-----------------------------------|

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

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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