

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**FISCAL YEAR ENDED JUNE 30, 2006**



**TOWN OF VIENNA,  
VIRGINIA**

**- Introductory Section -**

**TOWN OF VIENNA, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2006**

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**PREPARED BY:**

**Department of Finance**  
**Philip R. Grant, Director of Finance/Treasurer**

TOWN OF VIENNA, VIRGINIA

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2006

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**TOWN OF VIENNA, VIRGINIA**

**TOWN OFFICIALS**

**COUNCIL**

**M. Jane Seeman, Mayor**

**Laurie Genevro Cole**

**Michael J. Polychrones**

**Edythe Frankel Kelleher**

**Maud F. Robinson**

**George E. Lovelace**

**Sidney H. Verinder**

**TOWN MANAGER**

**John H. Schoeberlein**

**TOWN ATTORNEY**

**Steven D. Briglia**

**TOWN CLERK**

**Carol A. Orndorff**

**DIRECTOR OF FINANCE/TREASURER**

**Philip R. Grant**

**DIRECTOR OF ADMINISTRATIVE SERVICES**

**Nancy N. Novak**

**INDEPENDENT AUDITORS**

**Robinson, Farmer, Cox Associates  
Certified Public Accountants  
Charlottesville, Virginia**

November 14, 2006

To the Citizens of the Town of Vienna:

The comprehensive annual financial report of the Town of Vienna for the fiscal year ended June 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, the Town's organizational chart, a list of principal officials, and the Government Finance Officers Association's Certificate of Achievement. The financial section includes the Management's Discussion and Analysis, basic financial statements and notes and the combining and individual fund statements and schedules as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section contains the reports on the internal control structure and compliance with laws and regulations. As part of the basic financial statements, we have included the statement of net assets and the statement of activities on a government-wide basis that, along with the Management's Discussion and Analysis, brings us into compliance with current requirements promulgated by the Governmental Accounting Standards Board.

This report includes all funds under the jurisdiction and oversight of the Town of Vienna government. The Town was incorporated in 1890, consists of 4.41 square miles, has a population of 15,122 and operates under the council-manager form of government. Policy-making and legislative authority are vested in the Town Council, consisting of a mayor and six other members, all elected on a non-partisan, at-large basis. The Town Council appoints the town manager, town attorney, town clerk and treasurer. The town manager in turn appoints the heads of the various departments. Council members serve two-year terms on a staggered election cycle with three members on one and four members on the other.

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

Located in northern Virginia near Washington, D.C., Vienna is one of the more stable areas of the country. With its close proximity to the Dulles Airport corridor and the area's metropolitan transit systems, Vienna continues to enjoy a healthy economic base. Property values increased last year by more than 22 percent, continuing the upward trend of the previous nine years. The area's economic vitality is further evidenced by its June, 2006 unemployment rate of 2.5 percent, significantly less than Virginia's 3.1 percent and the national average of 4.6 percent. According to Fairfax County's demographic data, the area's median family income has increased from \$33,200 in 1979 to \$90,000 in 2004 and 56 percent of families have incomes of at least \$100,000.

Local revenue patterns are consistent with area trends. Revenue from sources such as utility, meals, and bank stock taxes have increased over the past year by 10.5 percent, 3.1 percent, and 22.1 percent respectively. Software, telecommunications, internet, and other high-technology industries continue to be a major component of the area's economy. Area development plans include the addition of a mass transit link to Dulles Airport. It is estimated that approximately 25,000 additional jobs will be created as a result. Within the Town, Navy Federal Credit Union has been engaged in a major expansion that has added upwards of a half-million square feet of office space with a corresponding increase in staffing. A nearby commercial park has also been engaged in a major expansion of office space. According to most estimates, the area economy will continue its growth, providing the Town with a healthy economic base to support its quality services within the limits of sound fiscal management.

## **MAJOR INITIATIVES**

During this past fiscal year, various projects were completed or continued. These include sidewalk, curb and gutter, and storm drainage projects. Work continued on installation of computers in police vehicles and various improvements to the Town's web site were undertaken. Major improvements to parks maintenance facilities and street reconstruction projects were continued or completed. Work on the development of a geographic information system and the replacement of the Town's financial software system continued. A new phase of capital project planning was completed; design of the Town Green was completed and \$4,950,000 worth of financing for the next phase of capital improvements was secured at below market rates. Finally, the Town established a defined contribution pension plan to eventually replace its local defined benefit pension plan. Almost 66 percent of current employees opted to convert to the new plan.

Work on the Town Green began as well as on several sanitary sewer relining projects. Work began on converting a section of the Town Hall basement for Police operations, improvements were made to the Community Center's reception area; and improvements to the Finance front counter layout and operations were begun.

## **OPERATIONAL FOCUS**

Since 1990, the Town has utilized a capital improvements system tied to general obligation debt financing supported by revenue from the Town's meals and lodging taxes plus transfers from the Water and Sewer Fund. Those transfers are prorated to reflect the use of debt proceeds for water and sewer capital improvements. In keeping with the Town's tradition of smaller debt issues with relatively rapid repayment, each of its debt issues during the past 16 years have been under \$5,000,000 and financed for no more than 15 years. This practice has enhanced the Town's credit rating and has attracted financing rates at or below market rates at the time of issuance. New debt is issued only when conservative estimates of future meals and lodging tax revenues predict the Debt Service Fund's capacity to absorb additional debt retirement costs. Interest earnings are reserved to support debt service payments in the event that meals and lodging tax revenues fail to meet estimates.

## **OPERATIONAL FOCUS (continued)**

Since 1990, \$32,450,000 worth of general obligation debt has been issued to finance a variety of capital improvement projects. Approximately 36 percent of the proceeds have been allocated to street, curb and gutter, sidewalk, and storm drainage improvements. Another 50 percent of the proceeds have been used primarily for a wide variety of recreational, public safety, and public works facility and equipment improvements. About 14 percent have funded water and sewer improvement projects such as upgrading water tanks and relining or replacing water and sewer lines.

## **GOVERNMENTAL FUNDS SUMMARY**

The General and Debt Service Funds ended fiscal year 2006 with combined revenues of \$19,243,591, an increase of \$89,872 or .47 percent over the preceding year. The very modest increase resulted primarily from an 8.3 percent reduction in the property tax rate, non-recurrence of rental income from the property now being used for other purposes, state-mandated cessation of the photo traffic light system, non-recurrence of public safety grants and insurance reimbursements that occurred in the preceding year. Resulting revenue reductions from the previous year were slightly exceeded by increases in several other revenue categories. Specifically, the slight increase in property taxes of only 1.11 percent reflected the Town's 4.5 cent rate reduction for tax year 2005. Revenue from fines and forfeitures dropped by \$306,405 or 55.1 percent as a result of photo traffic light legislative sunset provisions. Miscellaneous revenue was down by \$98,269 or 32.3 percent due to a large insurance reimbursement paid to the Town in the preceding year. A \$251,632 or 12 percent reduction in intergovernmental revenues reflect the non-recurrence of public safety grants that were received in the previous year. Offsetting these reductions were a \$403,991 or 4.91 percent increase in other local tax revenue that was due primarily to increases in bank stock, meals and lodging, cell phone, utility, and telecommunication taxes. The reduction in rental income previously mentioned, was offset by a rise in interest income that resulted in a net increase of \$141,985 or 24.3 percent. Service charge revenue was up by \$96,566, primarily reflecting increases in revenue generated by community center program fees.

Taxable residential and commercial property values for Tax Year 2005 totaled \$3,062,950,480, an increase of 22.1 percent over the previous year. Property taxes as a percentage of total revenues increased slightly to 35.51 percent from 35.28 percent the year before. 99.89 percent of current year property taxes were collected, making last year the 12th consecutive year in which current year tax collections exceeded 99 percent.

Total expenditures of the General and Debt Service Funds declined by \$296,922, a reduction of 1.49 percent as compared with the preceding year. The decrease was due primarily to reductions in non-personnel costs that together exceeded the usual annual increases in salary, wage, and fringe costs distributed among the various divisions. Specifically, personnel related costs rose by \$509,118 or 4.4 percent. Offsetting the increases were reductions in repair and maintenance costs primarily in traffic engineering; lower insurance retention costs; non-recurring grant expenditures for police and information technology projects; lower snow removal, asphalt overlay, and curb and gutter expenditures; and termination of the photo traffic light system contract. In addition debt service costs declined with the payoff of the 1990 bonds the preceding year.

The Management's Discussion and Analysis that begins the financial section of this report provides more detail on revenues and expenditures of the governmental funds.

## **GENERAL FUND BALANCE**

The unreserved, undesignated General Fund balance increased by \$346,584 or 8.3 percent to end the year at \$4,560,584. The balance is 24.6 percent of the subsequent year's General Fund budget and is equivalent to 89.6 calendar days of expenditures. The increase was primarily the result of the changes in revenue and expenditures previously discussed.

## WATER AND SEWER OPERATIONS

Last year's operating revenue was up by \$1,090,473 over the preceding year, ending last year at \$5,717,486. The 23.6 percent increase primarily reflected an increase in the Town's water and sewer rates plus higher water usage as compared to the previous year. Operating expenses ended the year at \$5,130,485, an increase of \$461,199 or 9.9 percent. The resulting operating gain for the year was \$587,001, a significant reversal of the \$42,273 loss in the preceding year. This improvement plus higher interest earnings, miscellaneous revenue, and a transfer from the Capital Projects Fund, combined to limit last year's reduction in net assets to \$211,208, an improvement of \$861,648 over that of the preceding year.

Comparative data for the last four years is shown in the following schedule.

<u>Water and Sewer Fund Analysis</u>	<u>Fiscal Year Ended 2006</u>	<u>Fiscal Year Ended 2005</u>	<u>Fiscal Year Ended 2004</u>	<u>Fiscal Year Ended 2003</u>
Operating Revenues	\$ 5,717,486	\$ 4,627,013	\$ 4,388,312	\$ 4,335,339
Operating Expenses	5,130,485	4,669,286	4,631,094	3,958,352
Operating Income (Loss)	587,001	(42,273)	(242,782)	376,987
Net of Non-Operating Revenues, Expenses and Transfers	(798,209)	(1,030,583)	(1,099,189)	(666,946)
Change in Net Assets	(211,208)	(1,072,856)	(1,341,971)	(289,959)
Net Assets, Beginning of Year	8,858,646	9,931,502	11,273,473	11,563,432
Net Assets, End of Year	8,647,438	8,858,646	9,931,502	11,273,473

## PENSION FUNDS

During the past year, the Town established a defined contribution plan option for members of the local pension plan. Well over half of the eligible employees opted to convert to the new plan which is administered by the ICMA retirement corporation. The resulting payout from old plan assets to the new plan caused significant changes last year. Compared with the year before, local and police pension plan contributions dropped by almost \$109,000. Payouts to the new plan along with benefit payments increased deductions by almost \$1,058,000 over the preceding year and consulting costs associated with the new plan caused other charges to more than double. An increase in interest earnings of \$95,448 or 82.9 percent due to rising market rates partially offset the lower contributions and higher costs and the two plans ended last year with combined net assets of \$4,792,270, a net reduction of \$850,318.

## DEBT ADMINISTRATION

\$1,596,667 worth of 1993, 1996, 1998, 1999, and 2002 general obligation debt was retired last year and \$4,950,000 in new general obligation debt was issued, bringing total outstanding general obligation debt at year-end to \$16,223,337. The balance represented .6 percent of the 2005 taxable assessed property values, well within the Town's legal debt limit and its debt retirement capacity. The General and Water and Sewer Funds issued \$534,000 in new capital lease debt, but retired \$583,120 worth of prior debt, ending the year with a balance of \$1,096,680. Total compensated absence obligations for the General and Water and Sewer Funds increased by \$70,168 to \$954,794.

## CASH MANAGEMENT

The Town's cash reserves were invested in the Commonwealth of Virginia Local Government Investment Pool (LGIP) and interest-bearing deposit and cash accounts during the year. Maturities ranged from one to 30 days for all investments. At year-end, \$25,659,845 or 99.9999 percent of the Town's cash was invested in the LGIP and other interest bearing accounts. Total interest income for the year was \$929,941, an increase of \$442,636 from the year before. The 90.9 percent increase was due to an increase in market yields and greater investment volume. By year end, LGIP yield had increased to 5.119 percent as compared to 3.064 percent the year before.

### Independent Audit

The Town Charter required an annual audit by independent certified public accountants. Robinson, Farmer, Cox Associates performed the audit for fiscal year ending June 30, 2006 as part of its three-year contract with the Town of Vienna. The auditor's report on the basic financial statements, combining and individual fund statements and schedules is included in the financial section of this report.

### 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, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

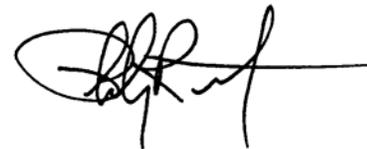
## ACKNOWLEDGEMENTS

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



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John H. Schoeberlein  
Town Manager



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Philip R. Grant  
Director of Finance/Treasurer

# 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, 2005

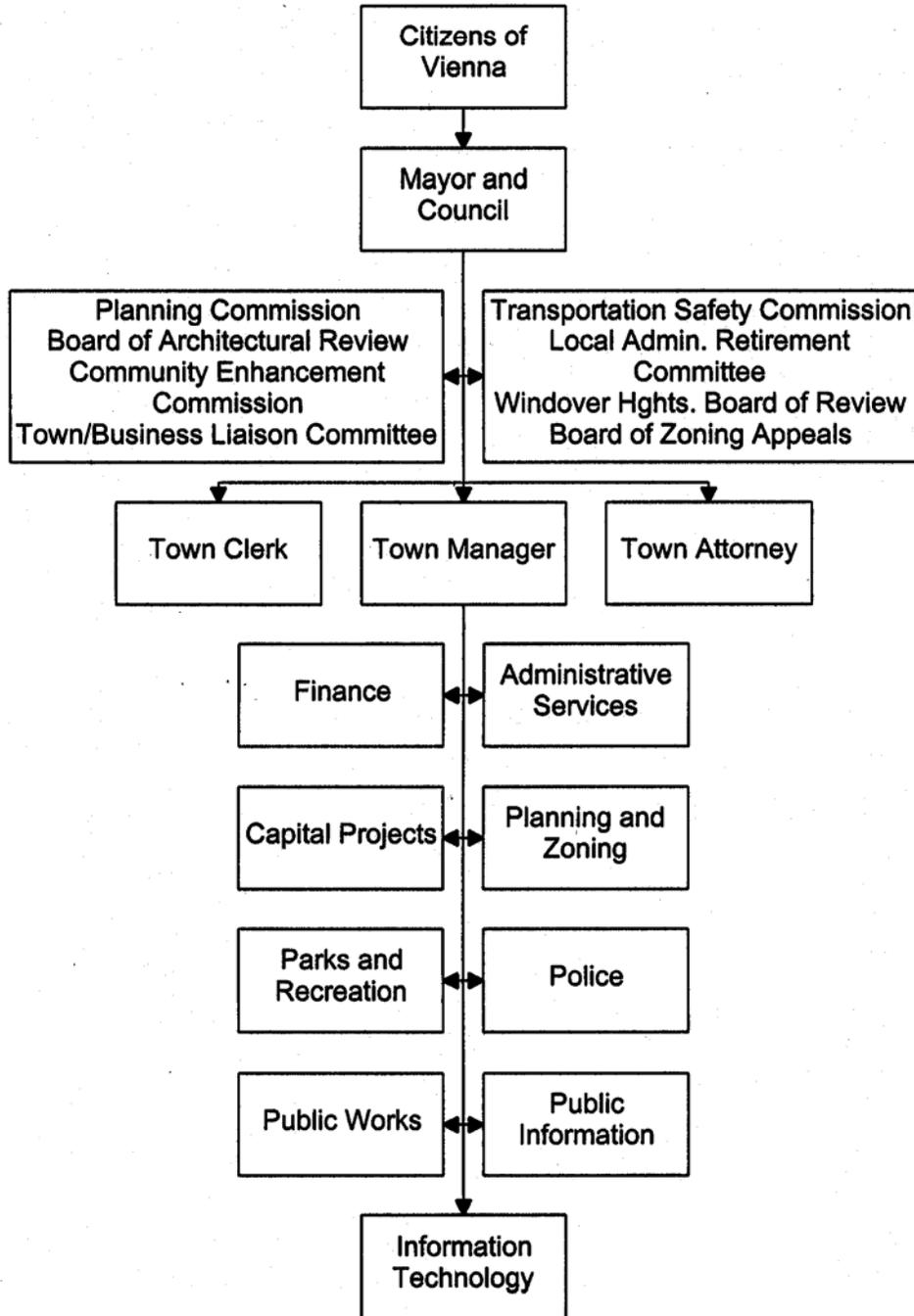
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# TOWN OF VIENNA, VIRGINIA Organizational Chart



**- Financial Section -**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

### TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF VIENNA VIENNA, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Vienna, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006, on our consideration of the Town of Vienna, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and Schedule of Funding Progress for Town Retirement Plans as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Vienna, Virginia, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, and the budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Tamm, Cox Associates*

Charlottesville, Virginia  
November 14, 2006

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

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

As management of the Town of Vienna we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented in this analysis in conjunction with additional information that we have furnished in the letter of transmittal.

**Financial Highlights**

- Total net assets exceeded total liabilities on June 30, 2006 by \$51,383,670, an increase of \$672,442 or 1.33 percent. Although liabilities increased by \$3,218,748 primarily because of a new general obligation debt issue, it was offset by a \$3,891,190 increase in assets, largely due to a \$4,231,665 increase in cash and equivalents as a result of an increase in debt service reserves and proceeds from the new general obligation debt issue. Unrestricted net assets ended the year at \$11,219,189, an increase of \$348,941 or 3.21 percent. The increase was primarily due to an \$875,377 rise in unrestricted net assets of governmental activities that was partially offset by a \$526,436 decrease in those of business-type activities. Unrestricted net assets may be appropriated by the Town Council to meet the ongoing obligations to citizens, water and sewer customers, and creditors.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet (Exhibit 3) reported a combined ending fund balance of \$17,652,853, an increase of \$4,589,559 in comparison with the prior year. Almost \$3.6 million of the increase was due to proceeds from the general obligation debt issue last year. The balance resulted from increases in the General and Debt Service Fund reserves caused by a combination of revenue increases and reductions in the expenditures of those funds. The Debt Service Fund's balance of almost \$3.7 million is reserved for the retirement of current and future debt issues and the \$6.152 million balance of the Capital Projects Fund is reserved and designated for completion of capital projects. \$4,560,584 of the General Fund's balance is unrestricted and represents 26 percent of total General Fund FYE 2006 expenditures.
- The Town's long-term obligations increased by \$3,273,471 (21.6 percent) during last fiscal year. The increase consisted of debt payments in the amount of \$2,210,529 and new general obligation and capital lease debt issued in the amount of \$5,484,000. Long-term obligations totaled \$18,451,720 at year-end. Of this amount, outstanding bonds totaled \$16,223,337, notes payable totaled \$1,131,603, and capital leases totaled \$1,096,780. The above amounts do not include the Town's obligations related to accounts payable and compensated absences, which totaled \$3,050,820 and \$954,794 respectively, at year-end. Accounts payable and an estimated amount of \$859,314 worth of compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences increased by \$70,168 or 7.9 percent over the preceding year.
- Excluding Pension Trust Funds, total cash and cash equivalents increased \$4,231,665 when compared to the prior fiscal year. Most of the 25.4 percent increase was due to the deposit of proceeds from the new general obligation debt issued last year and also related to revenue growth in the other funds. The \$837,226 reduction in pension funds' cash was the result of employee conversions to the Town's defined contribution plan set up last year. The following table denotes cash increases and decreases by fund.

<b>Fund</b>	<b>FY 06 Cash</b>	<b>FY 05 Cash</b>	<b>Increase (Decrease)</b>
General	\$ 8,365,898	\$ 7,746,039	\$ 619,859
Debt Service	3,454,452	2,906,258	548,194
Capital Projects	6,627,772	3,758,062	2,869,710
Water & Sewer	2,433,380	2,239,478	193,902
Total Cash	<u>\$ 20,881,502</u>	<u>\$ 16,649,837</u>	<u>\$ 4,231,665</u>
Pension Trust	<u>\$ 4,780,337</u>	<u>\$ 5,617,563</u>	<u>\$ (837,226)</u>

## **Overview of the Financial Statements**

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

- A. Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of Town finances, in a manner similar to a private-sector business.
1. Statement of Net Assets - Presents information on all Town assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
  2. Statement of Activities - Presents information showing how Town net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

- a. Asset purchases for land, buildings and equipment are reflected as expenditures in governmental fund financial statements; whereas, these same expenditures are capitalized and allocated (depreciation) to operations over the estimated useful lives of the assets in the government-wide financial statements.
  - b. Interest expense is reflected as an expenditure, when due, in the governmental fund financial statements, but is posted as an accrued expense in the government-wide financial statements.
  - c. Receivables reported in the government-wide financial statements when a claim is established (or revenue is earned), are reported as deferred revenues in the government fund financial statements if not available to pay current-period expenditures.
2. Proprietary funds - Proprietary funds consist of enterprise and internal service funds. Enterprise funds are predominantly used to account to goods and services that are offered for sale to the general public. Whereas, internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town does not utilize internal service funds, but does maintain one enterprise fund that accounts for the delivery and sale of water and sewer services. Enterprise funds employ the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements.
  3. Fiduciary funds - Fiduciary funds account for assets held by the Town as a trustee or agent for individuals (pension plan), private organizations or other government units. The Town administers two employee defined benefit pension plans under the direction of the Town Retirement Committee. The Local Retirement Pension Plan covers all full-time employees, except police and fire, who are covered under the Police Retirement Pension Plan. Although reported in the governmental fund financial statements, fiduciary funds are not reported in the Town's government-wide financial statement because the funds are not available to support Town programs. Fiduciary funds employ the accrual basis of accounting.

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The Town's total assets exceeded total liabilities by \$51,383,670 at year-end, an increase of \$672,442 or 1.33 percent. Of the total net assets, governmental activities totaled \$42,736,232, up by \$883,650 or 2.11 percent while business-type activities totaled \$8,647,438 a decline of \$211,208 or 2.38 percent. The increase in net assets of governmental activities was primarily due to growth in unrestricted assets and investment in capital assets. The decline in net assets of business type activities slowed to only 20 percent of the preceding year's decrease. The \$861,648 improvement was primarily due to an increase of \$1,090,473 or 23.6 percent in operating revenues generated by rate increases accompanied by higher water usage.

The Town's investment in capital assets such as land, buildings and equipment totaled \$52,464,103 at June 30, 2006; of which, governmental activities totaled \$43,176,562 a decrease of \$158,886 or .04 percent. The reduction was due primarily to the conversion of construction-in-progress values to capital assets. The Town uses these capital assets to provide services to citizens; and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b><u>Assets:</u></b>						
Current and other assets	\$20,116,390	\$16,267,022	\$ 3,381,863	\$ 3,349,430	\$23,498,253	\$ 19,616,452
Capital assets	43,176,562	43,335,448	9,287,541	9,119,266	52,464,103	52,454,714
Total assets	\$63,292,952	\$59,602,470	\$12,669,404	\$12,468,696	\$75,962,356	\$ 72,071,166
<b><u>Liabilities:</u></b>						
Long-term liabilities outstanding	\$17,964,527	\$14,479,672	\$ 1,441,987	\$ 1,583,203	\$19,406,514	\$ 16,062,875
Other liabilities	2,592,193	3,270,216	2,579,979	2,026,847	5,172,172	5,297,063
Total liabilities	\$20,556,720	\$17,749,888	\$ 4,021,966	\$ 3,610,050	\$24,578,686	\$ 21,359,938
<b><u>Net Assets:</u></b>						
Invested in capital assets, net of related debt	\$26,085,741	\$29,665,051	\$ 7,926,642	\$ 7,611,414	\$34,012,383	\$ 37,276,465
Restricted	6,152,098	2,564,515	-	-	6,152,098	2,564,515
Unrestricted	10,498,393	9,623,016	720,796	1,247,232	11,219,189	10,870,248
Total net assets	\$42,736,232	\$41,852,582	\$ 8,647,438	\$ 8,858,646	\$51,383,670	\$ 50,711,228

Restricted net assets represent resources that are subject to external restrictions on how they will be expended. The above-restricted assets totaling \$6,152,098 are designated for capital improvements in accordance with the bond covenants. The remaining balance of unrestricted assets (\$10,498,393 and \$720,796) maybe used to meet the Town's ongoing obligations to citizens and creditors.

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

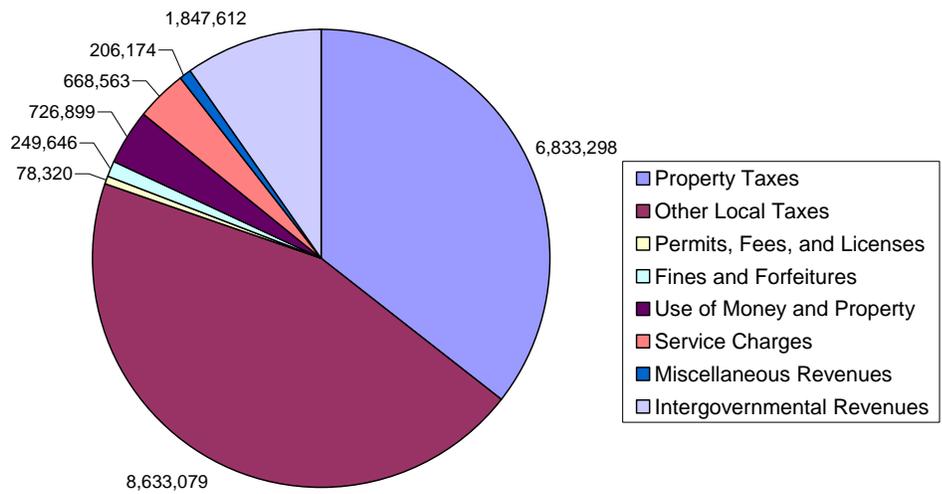
**Governmental Activities** - Governmental and business-type activities reflect changes in net assets of \$883,650 and (\$211,208) respectively. The following table provides an overview of revenues, expenses, and the changes in net assets for the fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,232,335	\$ 1,547,824	\$5,717,486	\$ 4,627,013	\$ 6,949,821	\$ 6,174,837
Operating grants and contributions	1,828,699	2,081,809	-	-	1,828,699	2,081,809
<b>General revenues:</b>						
Property taxes	6,817,919	6,768,321	-	-	6,817,919	6,768,321
Other local taxes	8,633,079	8,229,088	-	-	8,633,079	8,229,088
Grants & contributions -	18,913	17,435	-	-	18,913	17,435
Investment earnings	620,147	313,866	99,113	58,206	719,260	372,072
Miscellaneous	206,174	304,443	57,192	68,206	263,366	372,649
<b>Total revenues</b>	<b>\$19,357,266</b>	<b>\$19,262,786</b>	<b>\$5,873,791</b>	<b>\$ 4,753,425</b>	<b>\$25,231,057</b>	<b>\$24,016,211</b>
<b>Expenses:</b>						
General government	\$ 3,092,863	\$ 3,242,113	\$ -	\$ -	\$ 3,092,863	\$ 3,242,113
Public safety	4,800,550	5,143,055	-	-	4,800,550	5,143,055
Public works	7,697,348	7,696,605	-	-	7,697,348	7,696,605
Health and welfare	230,802	186,891	-	-	230,802	186,891
Parks, recreation and cultural	2,498,235	2,043,892	-	-	2,498,235	2,043,892
Community development	589,001	547,117	-	-	589,001	547,117
Interest on long-term debt	617,754	640,992	-	-	617,754	640,992
Water and sewer	-	-	5,144,312	4,679,889	5,144,312	4,679,889
<b>Total Expenses</b>	<b>\$19,526,553</b>	<b>\$19,500,665</b>	<b>\$5,144,312</b>	<b>\$ 4,679,889</b>	<b>\$24,670,865</b>	<b>\$24,180,554</b>
<b>Net Assets:</b>						
Income before capital contributions and transfers	\$ (169,287)	\$ (237,879)	\$ 729,479	\$ 73,536	\$ 560,192	\$ (164,343)
Capital contributions	-	-	112,250	24,000	112,250	24,000
Transfers	1,052,937	1,173,392	(1,052,937)	(1,193,488)	-	(20,096)
Increase (Decrease) in net assets	\$ 883,650	\$ 935,513	\$ (211,208)	\$ (1,095,952)	\$ 672,442	\$ (160,439)
Net assets, beginning of year	41,852,582	40,917,069	8,858,646	11,273,473	50,711,228	52,190,542
Net assets, end of year	<b>\$42,736,232</b>	<b>\$41,852,582</b>	<b>\$8,647,438</b>	<b>\$10,177,521</b>	<b>\$51,383,670</b>	<b>\$52,030,103</b>

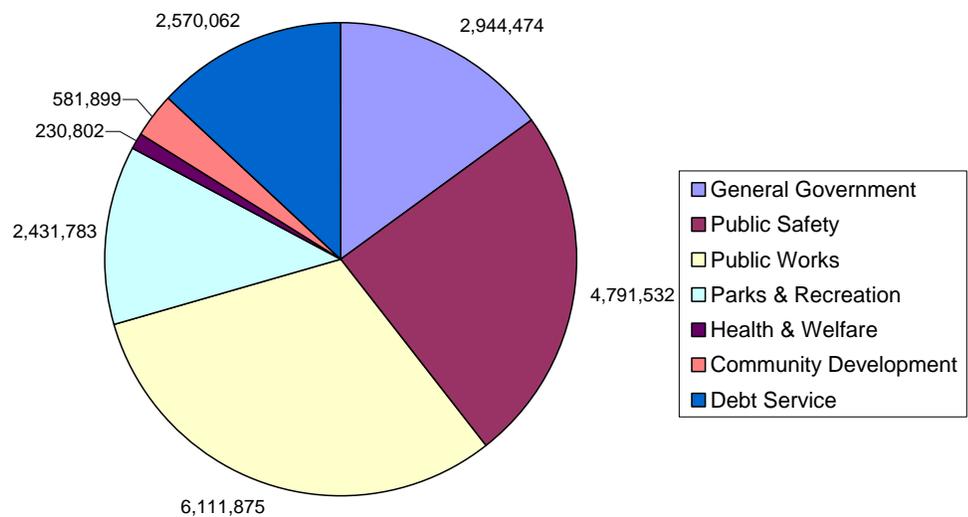
Program and general revenues for governmental activities totaled \$20,410,203 a decrease of \$25,975 or .01 percent over the previous fiscal year. Of this amount, property taxes totaled \$6,817,919 and other local taxes totaled \$8,633,079. These represent increases of .07 percent and 4.9 percent respectively. There were no capital grants and contributions. The \$112,250 capital contribution to business-type activities represents the value of capital improvements to the Town's water and sewer systems. The \$1,052,937 worth of transfers between governmental activities and business-type activities is \$120,455 less than that of the preceding year. Consisting of Water and Sewer Fund transfers to the Debt Service Fund for the former fund's share of debt retirement and the Water and Sewer Fund's transfer to the General Fund to recover the latter fund's costs related to the support of the water and sewer operations, the 10.3 percent decrease is primarily due to declining debt service costs related to the pay-down of the Town's long-term debt. The chart below provides an overview of the FY 2005-2006 revenues by program source.

**GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE**



The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of providing services by function. The expenses associated with individual functions are compared to the non-tax revenues generated by charges for services and intergovernmental grants. A review of the Statement of Activities reveals that governmental expenses totaled \$19,526,553, an increase of \$25,888 or .2 percent. Directly supporting these expenditures were charges for services generating \$1,232,335 plus operating grants and contributions generating \$1,828,699 for total program revenues of \$3,051,034. This represents a decrease of \$578,599 or 15.9 percent. The reduction was due primarily to the revenue lost from the termination of the Town’s photo red light program and the demolition of a commercial property owned by the Town. This plus the increased expenditures, account for the \$594,487 or 3.8 percent increase in general revenue support of these activities. The chart below provides a graphical comparison of expenses and non-tax revenues by function (general government, public works, etc.).

**GOVERNMENTAL ACTIVITIES EXPENDITURES BY TYPE**



**Business-type activities** - The Water and Sewer Fund concluded the year with a decrease in net assets of \$211,208 to end the year with a net assets balance of \$8,647,438. Before net transfers of \$1,052,937 to the General and Debt Service Funds, Water and Sewer Fund operating income and capital transfers ended the year with a net gain of \$841,729. Key elements of operating results include the following:

- A. Operating revenues totaled \$5,717,486, an increase of \$1,090,473 or 23.6 percent increase over FY 05 revenues of \$4,627,013. Non-operating revenues, transfers, and contributions netted to a negative \$798,209 as compared to a negative \$1,030,583 the previous year. The improvement was primarily due to increased investment income, greater contributed capital and capital transfers from the Capital Projects Fund, and lower debt service transfers to the Debt Service Fund.
- B. Operating expenses increased \$461,199, or 9.9 percent. The increase was due primarily to increased cost of wholesale water purchases and higher repair and maintenance costs.
- C. Delayed water purchase billings from a supplier were the primary reason for increases in accounts payable and cash of 60.9 percent and 8.7 percent respectively.
- D. Compared to the preceding year, operating transfers to other funds decreased \$23,767 or 1.9 percent while operating transfer from other funds increased by \$96,688. The result was a 10.7 percent decrease in the net outflow that ended the year at a negative \$1,052,937.

### **Financial Analysis of the Town's Funds**

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

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

As of the end of the current fiscal year the Town's three governmental funds reported combined ending fund balances of \$17,652,853, an increase of \$4,589,559 from the prior year. The change was the result of increases in the General, Debt Service, and Capital Project fund balances of \$433,060, \$568,916, and \$3,587,583 respectively. \$13,092,266 or 74.2 percent of the combined fund balance is reserved for capital projects, debt service, and other purposes, leaving an unreserved balance of \$4,560,587 or 25.8 percent of the total available for spending at the Council's discretion. The 18.2 percent rise in Debt Service Fund reserves was due to an increase in that fund's meals and lodging tax revenue over the preceding year and lower annual debt service payments. The \$3,587,583 increase in Capital Project Fund reserves reflects the unspent balance of the 2006 general obligation debt proceeds at year end reserved for the various projects for which the debt was issued. The reserved portion of fund balance indicates that it is not available for new spending because it has already been committed for expenditure, as follows:

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

	<b>Reserve Amount</b>
<b>Reserved:</b>	
Inventory	\$ 126,940
Encumbrances	3,164,833
Debt Service	3,687,475
Asset forfeiture programs	222,294
Vehicle replacement	806,288
PEG programs	84,124
Capital equipment and projects	1,084,326
Completion of Specific Projects	3,203,716
Subsequent year's expenditures	712,273
Total Reserved	\$ 13,092,269
<b>Unreserved:</b>	
Undesignated	4,560,584
Total Fund Balance	\$ 17,652,853

The General Fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the General Fund totaled \$7,802,833, which equates to 44.2 percent of the \$17,652,853 combined fund balance for the three funds the Town employs. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 26.1 percent of total General Fund expenditures, while total fund balance represents 44.6 percent of that same amount.

The total fund balance for the General Fund increased \$433,060 during the current fiscal year. The unreserved, undesignated component of fund balance, which totaled \$4,560,584 at year-end, increased \$346,584 over the prior fiscal year. Both increases were the function of the following changes:

- Overall, General Fund revenues decreased by \$42,465 or .3 percent, primarily as a result of declines in fines and forfeitures, intergovernmental revenues, and miscellaneous revenues. These changes were due to the termination of the photo red light program, loss of rental income from a Town-owned property that was demolished, completion of grant funded projects, and non-recurrence of large insurance reimbursements from the preceding year. Property taxes increased by only \$75,341 or 1.1 percent due to a reduction in the Town's tax rate.
- General Fund expenditures rose by \$19,508 or .11 percent over the previous year. Annual personnel cost increases were almost offset by expenditure reductions in the categories of general government administration and public safety due to completion of grant funded projects, non-recurrence of repairs funded by insurance reimbursements, and cessation of the Town's photo red light program.
- Net other financing sources dropped by \$145,511 from the previous year, primarily because of transfers to the Capital Projects Fund for new sidewalk construction projects that had not occurred in the preceding fiscal year.

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

## General Fund Budgetary Highlights

During the year Council adopted various budget amendments, which resulted in differences between the original and final FY 2006 budgets. These differences totaled \$83,209 for revenues and \$454,064 for expenditures. The increase in the miscellaneous revenue budget was due primarily to the budgeting of donations for designated purposes. Grants from the State are responsible for the increase in budgeted State revenues. The increase in general government administration expenditure budgets was primarily due to the supplemental appropriation of encumbrances and project balances carried forward from the preceding year. Supplemental appropriation of prior year encumbrances and project balances plus grants and donations account for most of the increase in public safety budgets. The increase in public works budgets was primarily due to supplemental appropriations of prior year encumbrances and project balances. Donations account for most of the increase in the budgets of parks, recreation, and cultural activities. The increase in community development was due entirely to interdepartmental transfers. Such transfers also account for part of the increases in the other categories. Details are summarized in the following table:

	<b>Amount Amended</b>
<b>Revenues:</b>	
Miscellaneous	\$ 45,709
State revenues	37,500
Total	<u>\$ 83,209</u>
<b>Expenditures:</b>	
General government administration	\$ 35,861
Public safety	193,333
Public works	190,305
Parks, recreation and cultural	28,333
Community development	6,232
Total	<u>\$ 454,064</u>

## Capital Assets and Debt Administration

**Capital assets** - The Town's investment in capital assets for governmental activities totaled \$43,176,562 (net of accumulated depreciation), a decrease of \$158,886. The schedule below provides an overview of capital asset balances at year-end, net of accumulated depreciation. More detailed information on capital asset activity is in Note 7 of the Notes to Financial Statements.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Land	\$ 2,999,387	\$ 2,624,522	\$ -	\$ -	\$ 2,999,387	\$ 2,624,522
Construction in progress	1,732,056	5,594,561	-	-	1,732,056	5,594,561
Buildings and improvements	9,624,033	10,045,447	-	8,863,927	9,624,033	18,909,374
Infrastructure	25,789,646	22,499,628	8,762,094	-	34,551,740	22,499,628
Office and other equipment	1,022,182	812,672	-	-	1,022,182	812,672
Automotive and other equipment	2,009,258	1,758,618	525,447	255,339	2,534,705	2,013,957
Total assets - net of depreciation	<u>\$43,176,562</u>	<u>\$43,335,448</u>	<u>\$9,287,541</u>	<u>\$9,119,266</u>	<u>\$52,464,103</u>	<u>\$52,454,714</u>

\* As adjusted for infrastructure

**Long-term obligations** - At the conclusion of the fiscal year, total long-term obligations totaled \$17,090,821 for General Fund activities and \$1,360,899 for the Water and Sewer Fund. Of these amounts, outstanding bonds totaled \$16,223,337, notes payable totaled \$1,131,603 and capital leases totaled \$1,096,770. The above amounts do not include the Town's obligations related to accounts payable and compensated absences, which totaled \$3,050,820 and \$954,794 respectively, at year-end. Except for \$859,314 worth of compensated absences, these obligations will be paid from current resources and were not included in long-term liabilities. Additional information relative to the Town's long-term obligations can be found in Note 9 of the Notes to Financial Statements.

**Economic Factors and Next Year's Budget and Rates**

Located in northern Virginia, approximately 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. Property values are expected to increase by at least 10 percent, continuing the upward trend of the previous nine years. The area's economic vitality is further evidenced by its low unemployment rate, which totaled 2.5 percent as June 30, 2006. This rate is significantly less than the state average of 3.1 percent and the national average of 4.6 percent, for the same period. According to recent Fairfax County demographic data, median family income increased from \$33,200 in 1979 to almost \$90,000 in 2004 and 56 percent of families have incomes of at least \$100,000.

The General Fund revenue budget for the fiscal year ending June 30, 2007 totals \$18,567,233 which equates to an increase of \$362,774 or 2.0 percent from the last fiscal year. General property taxes are expected to increase \$266,814 or 3.9 percent. Tax rates were reduced by 3.38 cents in the subsequent fiscal year of 2006-07. The following table provides a comparison of the FY 2006 actual revenue and 2007 adopted revenue budget for the Town of Vienna.

<b>Revenue Source</b>	<b>FY 2007 Budget</b>	<b>FY 2006 Actual</b>	<b>Expected Increase (Decrease)</b>
Property taxes	\$ 7,100,112	\$ 6,833,298	\$ 266,814
Other local taxes	6,468,600	6,335,500	133,100
Permits, fees & licenses	52,100	78,320	(26,220)
Fines and forfeitures	267,500	249,646	17,854
Use of money & property	424,500	606,441	(181,941)
Charges for services	655,600	668,563	(12,963)
State revenues	1,868,248	1,796,909	71,339
Federal revenues	-	50,703	(50,703)
Transfers-in	942,900	909,424	33,476
Other	787,673	675,655	112,018
<b>Total Revenue Budget</b>	<b>\$18,567,233</b>	<b>\$18,204,459</b>	<b>\$ 362,774</b>

**Request for Information**

This financial report is designed to provide a general overview of Town's finances for the fiscal year ended June 30, 2006. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 127 Center Street, South, Vienna, Virginia 22180. Information relative to Town government may also be obtained by visiting the Town of Vienna web site at [www.viennava.gov](http://www.viennava.gov).

**Basic Financial Statements:**

**- Government-wide Financial Statements -**

## TOWN OF VIENNA, VIRGINIA

## Statement of Net Assets

At June 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 18,448,122	\$ 2,433,380	\$ 20,881,502
Receivables, net	568,325	1,169,057	1,737,382
Due from other governments	644,891	-	644,891
Internal balances	328,112	(328,112)	-
Inventory, at cost	126,940	107,538	234,478
Capital assets:			
Land and land improvements	2,999,387	-	2,999,387
Construction in progress	1,732,056	-	1,732,056
Other capital assets, net of accumulated depreciation	38,445,119	9,287,541	47,732,660
Capital assets, net	<u>\$ 43,176,562</u>	<u>\$ 9,287,541</u>	<u>\$ 52,464,103</u>
Total assets	<u>\$ 63,292,952</u>	<u>\$ 12,669,404</u>	<u>\$ 75,962,356</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 1,590,812	\$ 1,460,008	\$ 3,050,820
Unearned revenue	467,452	-	467,452
Escrow and other deposits	533,929	101,310	635,239
Due to other governments	-	1,018,661	1,018,661
Long-term liabilities:			
Due within one year:			
Bonds and notes payable	1,926,667	36,615	1,963,282
Capital leases	350,183	123,210	473,393
Compensated absences	786,335	72,979	859,314
Due in more than one year:			
Bonds and notes payable	14,296,670	1,094,988	15,391,658
Capital leases	517,301	106,086	623,387
Compensated absences	87,371	8,109	95,480
Total liabilities	<u>\$ 20,556,720</u>	<u>\$ 4,021,966</u>	<u>\$ 24,578,686</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 26,085,741	\$ 7,926,642	\$ 34,012,383
Restricted:			
Capital projects	6,152,098	-	6,152,098
Unrestricted	10,498,393	720,796	11,219,189
Total net assets	<u>\$ 42,736,232</u>	<u>\$ 8,647,438</u>	<u>\$ 51,383,670</u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
<b>Governmental activities</b>							
General government	\$ 3,092,863	\$ 11,420	\$ -	\$ -	\$ (3,081,443)	\$ -	\$ (3,081,443)
Public safety	4,800,550	336,558	522,017	-	(3,941,975)	-	(3,941,975)
Public works	7,697,348	235,806	1,306,682	-	(6,154,860)	-	(6,154,860)
Health and welfare	230,802	-	-	-	(230,802)	-	(230,802)
Parks, recreation and cultural	2,498,235	648,551	-	-	(1,849,684)	-	(1,849,684)
Community development	589,001	-	-	-	(589,001)	-	(589,001)
Interest on long-term debt	617,754	-	-	-	(617,754)	-	(617,754)
Total governmental activities	\$ 19,526,553	\$ 1,232,335	\$ 1,828,699	\$ -	\$ (16,465,519)	\$ -	\$ (16,465,519)
<b>Business type activities</b>							
Water and sewer	5,144,312	5,717,486	-	112,250	-	685,424	685,424
<b>Total</b>	\$ 24,670,865	\$ 6,949,821	\$ 1,828,699	\$ 112,250	\$ (16,465,519)	\$ 685,424	\$ (15,780,095)
<b>General Revenues</b>							
Taxes:							
General real property taxes					\$ 6,817,919	\$ -	\$ 6,817,919
Local sales and use taxes					1,154,058	-	1,154,058
Consumer utility taxes and cell phone tax					1,663,824	-	1,663,824
Business license taxes					1,964,737	-	1,964,737
Meals and lodging taxes					2,297,579	-	2,297,579
Other					1,552,881	-	1,552,881
Grants and contributions not restricted to specific programs					18,913	-	18,913
Investment earnings					620,147	99,113	719,260
Miscellaneous					206,174	57,192	263,366
<b>Transfers</b>					1,052,937	(1,052,937)	-
Total general revenues					\$ 17,349,169	\$ (896,632)	\$ 16,452,537
Change in net assets					\$ 883,650	\$ (211,208)	\$ 672,442
Net assets, beginning of year					41,852,582	8,858,646	50,711,228
Net assets, end of year					\$ 42,736,232	\$ 8,647,438	\$ 51,383,670

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

**Basic Financial Statements:**

**- Fund Financial Statements -**

## TOWN OF VIENNA, VIRGINIA

**Balance Sheet**  
**Governmental Funds**  
**At June 30, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 8,365,898	\$ 3,454,452	\$ 6,627,772	\$ 18,448,122
Receivables (net of allowances for uncollectibles):				
Taxes including penalties	16,772	-	-	16,772
Accounts	315,280	236,273	-	551,553
Due from other governments	593,765	50,989	137	644,891
Due from other funds	571,003	798	99,919	671,720
Inventory, at cost	126,940	-	-	126,940
Total assets	<u>\$ 9,989,658</u>	<u>\$ 3,742,512</u>	<u>\$ 6,727,828</u>	<u>\$ 20,459,998</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,003,190	\$ 44,590	\$ 332,041	\$ 1,379,821
Accrued liabilities	38,504	-	-	38,504
Escrow and other deposits	533,929	-	-	533,929
Due to other funds	99,919	-	243,689	343,608
Unearned revenues	511,283	-	-	511,283
Total liabilities	<u>\$ 2,186,825</u>	<u>\$ 44,590</u>	<u>\$ 575,730</u>	<u>\$ 2,807,145</u>
<b>Fund Balance:</b>				
Reserved for:				
Inventory	\$ 126,940	\$ -	\$ -	\$ 126,940
Encumbrances	206,004	10,447	2,948,382	3,164,833
Debt service	-	3,687,475	-	3,687,475
Asset forfeiture programs	222,294	-	-	222,294
Vehicle replacement	806,288	-	-	806,288
PEG program	84,124	-	-	84,124
Capital equipment and projects	1,084,326	-	-	1,084,326
Unreserved:				
Designated:				
Completion of specific projects	-	-	3,203,716	3,203,716
Subsequent year's expenditures	712,273	-	-	712,273
Undesignated	4,560,584	-	-	4,560,584
Total fund balance	<u>\$ 7,802,833</u>	<u>\$ 3,697,922</u>	<u>\$ 6,152,098</u>	<u>\$ 17,652,853</u>
Total liabilities and fund balance	<u>\$ 9,989,658</u>	<u>\$ 3,742,512</u>	<u>\$ 6,727,828</u>	<u>\$ 20,459,998</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 Assets  
At June 30, 2006

Total fund balances for governmental funds (Exhibit 3) \$ 17,652,853

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	\$ 2,999,387
Construction in progress	1,732,056
Depreciable capital assets, net of accumulated depreciation	<u>38,445,119</u>

Total capital assets 43,176,562

Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as deferred revenue in the funds.

43,831

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are as follows:

Accrued interest on debt	\$ (172,487)
Bonds, notes and capital leases payable	(17,090,821)
Compensated absences	<u>(873,706)</u>

Total (18,137,014)

Total net assets of governmental activities (Exhibits 1 and 2) \$ 42,736,232

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, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Revenues:				
General property taxes	\$ 6,833,298	\$ -	\$ -	\$ 6,833,298
Other local taxes	6,335,500	2,297,579	-	8,633,079
Permits, privilege fees and regulatory licenses	78,320	-	-	78,320
Fines and forfeitures	249,646	-	-	249,646
Revenue from use of money and property	606,441	120,458	129,054	855,953
Charges for services	668,563	-	-	668,563
Miscellaneous	206,134	40	-	206,174
Intergovernmental	1,847,612	-	-	1,847,612
Total revenues	<u>\$ 16,825,514</u>	<u>\$ 2,418,077</u>	<u>\$ 129,054</u>	<u>\$ 19,372,645</u>
Expenditures:				
Current:				
General government administration	\$ 2,944,474	\$ -	\$ -	\$ 2,944,474
Public safety	4,791,532	-	-	4,791,532
Public works	6,111,875	-	-	6,111,875
Health and welfare	230,802	-	-	230,802
Parks, recreation, and cultural	2,431,783	-	-	2,431,783
Community development	581,899	-	-	581,899
Capital projects	-	-	1,593,117	1,593,117
Debt service:				
Principal retirement	402,430	1,596,667	-	1,999,097
Interest and other fiscal charges	21,088	549,877	-	570,965
Total expenditures	<u>\$ 17,515,883</u>	<u>\$ 2,146,544</u>	<u>\$ 1,593,117</u>	<u>\$ 21,255,544</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (690,369)</u>	<u>\$ 271,533</u>	<u>\$ (1,464,063)</u>	<u>\$ (1,882,899)</u>
Other financing sources (uses):				
Long term debt issued	\$ 469,521	\$ -	\$ 4,950,000	\$ 5,419,521
Transfers in	909,424	297,383	255,516	1,462,323
Transfers out	<u>(255,516)</u>	<u>-</u>	<u>(153,870)</u>	<u>(409,386)</u>
Total other financing sources (uses)	<u>\$ 1,123,429</u>	<u>\$ 297,383</u>	<u>\$ 5,051,646</u>	<u>\$ 6,472,458</u>
Net changes in fund balances	\$ 433,060	\$ 568,916	\$ 3,587,583	\$ 4,589,559
Fund balances at beginning of year	<u>7,369,773</u>	<u>3,129,006</u>	<u>2,564,515</u>	<u>13,063,294</u>
Fund balances at end of year	<u>\$ 7,802,833</u>	<u>\$ 3,697,922</u>	<u>\$ 6,152,098</u>	<u>\$ 17,652,853</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, 2006**

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Net change in fund balances - total governmental funds (Exhibit 5) \$ 4,589,559

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (162,134)

Other items affecting capital assets 3,248

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis. (15,379)

Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

## Debt issued:

Bonds \$ (4,950,000)

Capital leases (469,521)

## Repayments:

General obligation bonds 1,596,667

Capital leases 402,430

Net adjustment (3,420,424)

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

Compensated absences \$ (64,431)

Accrued interest on bonds and loans (46,789)

Net adjustment (111,220)

Change in net assets of governmental activities (Exhibit 2) \$ 883,650

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

## TOWN OF VIENNA, VIRGINIA

**Statement of Net Assets**  
**Proprietary Fund**  
**At June 30, 2006**

	<b>Business-Type Activities Enterprise Fund Water &amp; Sewer Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 2,433,380
Receivables: (net of allowances for uncollectibles)	
Accounts	611,943
Unbilled service charges	557,114
Inventory, at cost	107,538
Total current assets	\$ 3,709,975
Capital assets, net of accumulated depreciation	9,287,541
Total assets	\$ 12,997,516
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 1,451,106
Accrued liabilities	8,902
Escrow and other deposits	101,310
Due to other governments	1,018,661
Due to other funds	328,112
Compensated absences - current portion	72,979
Note payable - current portion	36,615
Capital lease obligations payable - current portion	123,210
Total current liabilities	\$ 3,140,895
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ 8,109
Note payable - noncurrent portion	1,094,988
Capital lease obligations payable - noncurrent portion	106,086
Total noncurrent liabilities	\$ 1,209,183
Total liabilities	\$ 4,350,078
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$ 7,926,642
Unrestricted	720,796
Total net assets	\$ 8,647,438

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 Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	<b>Business Type Activities Enterprise Fund</b> <hr style="border: 0.5px solid black;"/> <b>Water &amp; Sewer Fund</b> <hr style="border: 0.5px solid black;"/>
<b>Operating revenues:</b>	
Charges for services	\$ <u>5,717,486</u>
<b>Operating expenses:</b>	
Personal services	\$ 1,069,873
Fringe benefits	331,400
Contractual services	3,077,787
Other charges	89,200
Materials and supplies	127,192
Depreciation	<u>435,033</u>
Total operating expenses	\$ <u>5,130,485</u>
Operating income (loss)	\$ <u>587,001</u>
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	\$ 99,113
Miscellaneous	57,192
Interest expense	<u>(13,827)</u>
Net nonoperating revenues	\$ <u>142,478</u>
<b>Income (loss) before contributions and transfers</b>	\$ <u>729,479</u>
<b>Capital contributions</b>	\$ <u>112,250</u>
<b>Transfers:</b>	
Transfers in	\$ 142,446
Transfers (out)	<u>(1,195,383)</u>
Net transfers	\$ <u>(1,052,937)</u>
Change in net assets	\$ (211,208)
Net assets, beginning of year	<u>8,858,646</u>
Net assets, end of year	\$ <u><u>8,647,438</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, 2006**

		<b>Business Type Activities Enterprise Fund</b>
		<b>Water &amp; Sewer Fund</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$	5,563,566
Payments to and for employees		(1,401,273)
Payments to suppliers		(2,441,081)
Other receipts		57,192
Net cash provided by operating activities	\$	<u>1,778,404</u>
<b>Cash flows from investing activities:</b>		
Investment income	\$	<u>99,113</u>
<b>Cash flows from (to) capital and related financing activities:</b>		
Purchase of capital assets	\$	(536,816)
Proceeds from capital lease obligations		64,479
Principal payments on capital lease agreements		(116,211)
Principal payments on note payable		(34,542)
Interest expense		(13,827)
Other		21,325
Net cash provided (used) by capital and related financing activities	\$	<u>(615,592)</u>
<b>Cash flows from noncapital and related financing activities:</b>		
Net transfers from (to) other funds	\$	<u>(1,068,023)</u>
Net cash used by noncapital and related financing activities	\$	<u>(1,068,023)</u>
Net increase (decrease) in cash and cash equivalents	\$	193,902
Cash and cash equivalents at beginning of year		<u>2,239,478</u>
Cash and cash equivalents at end of year	\$	<u><u>2,433,380</u></u>
<b>Noncash transactions affecting financial position:</b>		
Capital assets acquired from capital contributions	\$	<u><u>112,250</u></u>

**TOWN OF VIENNA, VIRGINIA**

**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2006 (continued)**

		<b>Business Type Activities Enterprise Fund</b>
		<b>Water &amp; Sewer Fund</b>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>		
Operating income	\$	587,001
Adjustments to reconcile operating income to net cash provided (used for) operating activities:		
Depreciation		435,033
Increase in allowance for uncollectibles		37,000
Loss on disposition of capital assets		45,758
Changes in operating accounts:		
Accounts receivable		(140,182)
Unbilled service charges		(77,738)
Inventory		(5,648)
Accounts payable and accrued liabilities		557,990
Due to other funds		325,037
Escrow and other deposits		(1,283)
Due to other governments		9,699
Accrued leave		5,737
Net cash provided (used) by operating activities	\$	<u>1,778,404</u>

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

## TOWN OF VIENNA, VIRGINIA

**Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**At June 30, 2006**

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**Assets:**

Cash and cash equivalents	\$ 4,780,337
Accounts receivable	<u>11,933</u>
Total assets	<u>\$ 4,792,270</u>

**Liabilities:**

Accounts payable	<u>\$ -</u>
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**Net Assets:**

Held in trust for pension benefits	<u><u>\$ 4,792,270</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

## TOWN OF VIENNA, VIRGINIA

**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**Year Ended June 30, 2006**

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Additions:	
Contributions:	
Employer	\$ 245,683
Plan members	<u>35,550</u>
Total contributions	\$ 281,233
Investment income:	
Interest earned on investments	<u>210,681</u>
Total additions	<u>\$ 491,914</u>
Deductions:	
Pension benefit payments	\$ 246,400
Payment to defined contribution plan	1,079,183
Other charges	<u>16,649</u>
Total deductions	<u>\$ 1,342,232</u>
Net increase in plan assets	\$ (850,318)
Net assets held in trust for pension benefits:	
Balance, beginning of year	<u>5,642,588</u>
Balance, end of year	<u><u>\$ 4,792,270</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, 2006

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### **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. With a population of 14,453 and a land area of 4.40 square miles, Vienna is the second largest town in the Commonwealth of Virginia.

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

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

#### **A. Financial Reporting Entity**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- 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, 2006 (continued)

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

#### **A. Financial Reporting Entity** (continued)

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments will continue to provide budgetary comparison information in their annual reports, including the requirement to report the government's original budget in addition to the current comparison of final budget and actual results for its major funds.

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

#### **B. Government-Wide and Fund Financial Statements**

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

# TOWN OF VIENNA, VIRGINIA

## Notes to Financial Statements June 30, 2006 (continued)

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

#### **B. Government-Wide and Fund Financial Statements** (continued)

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation 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, 2006 (continued)**

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

**B. Government-Wide and Fund Financial Statements (continued)**

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

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

The Town's fiduciary funds are presented in the fund financial statements by type (pension trust). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the Town in FY 2006.

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

*Debt Service Fund* - Transactions related to resources obtained and used for the payment of interest and principal on long-term general obligation debt and capital leases, except for the debt payable by the enterprise funds, are accounted for in the Debt Service Fund. The Debt Service Fund revenues are derived primarily from other local taxes and transfers from the General Fund and Water and Sewer Fund.

*Capital Projects Funds* - The Capital Projects Funds account for all resources used in the acquisition, construction or improvement of the major capital facilities of the Town with the exception of those financed by the enterprise funds.

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

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.

## TOWN OF VIENNA, VIRGINIA

### Notes to Financial Statements June 30, 2006 (continued)

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

##### **B. Government-Wide and Fund Financial Statements** (continued)

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

3. *Fiduciary Funds* - Fiduciary Funds account for assets held by the Town in a Trustee capacity or as an agent 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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increase (e.g., revenues) and decrease (e.g., expenses) in net total assets.

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

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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

**C. Basis of Accounting (continued)**

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

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

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

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

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

**D. Budgets and Budgetary Accounting**

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

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

1. In April of each year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. At least one public hearing is conducted at the Town Hall to obtain taxpayer comments.

# TOWN OF VIENNA, VIRGINIA

## Notes to Financial Statements June 30, 2006 (continued)

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

#### **D. Budgets and Budgetary Accounting** (continued)

3. Prior to June 30, the budget is legally enacted through passage of an appropriation ordinance. The Town Council may approve supplemental appropriations.
4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. This is done during a quarterly review and analysis, and approved by motion by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and Capital Projects Fund. Capital Projects are budgeted on a project basis rather than on 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, 2006.
10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2006.

#### **E. Encumbrances**

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

#### **F. Cash Equivalents**

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

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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

**G. Investments**

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

**H. Inventory**

Inventory is valued at cost on a first-in, first-out basis. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are offset by a fund balance reserve 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 (2006). Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and related improvements	15 - 30 years
Water and sewer lines	50 years
Storage tanks and wells	40 years
Improvements	20 - 40 years
Machinery and equipment	5 - 10 years
Infrastructure	25 years

**K. Other Local Taxes**

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

# TOWN OF VIENNA, VIRGINIA

## Notes to Financial Statements June 30, 2006 (continued)

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

#### **L. Allowance for Uncollectible Accounts**

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$167,000 at June 30, 2006 and is composed of the following:

General Fund:		
Taxes receivable	\$	4,000
Water and Sewer Fund:		
Accounts receivable		<u>163,000</u>
Total	\$	<u><u>167,000</u></u>

#### **M. Accumulated Unpaid Vacation Pay and Other Employee Benefit Amounts**

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

#### **N. Unbilled Revenue**

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

#### **O. Retirement Plan**

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

#### **P. Use of Estimates**

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

#### **Q. Long-Term Obligations**

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

## TOWN OF VIENNA, VIRGINIA

### Notes to Financial Statements June 30, 2006 (continued)

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#### **NOTE 2 - DEPOSITS AND INVESTMENTS:**

##### **Deposits**

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The collateral pool is considered to fully insure 100% of deposits. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the bank balances, no amounts were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2006. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments. The carrying value of deposits with banks was \$336,725 and the bank balances were \$656,812.

##### **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, 2006 consisted solely of investment in the Commonwealth of Virginia Local Government Investment Pool.

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

**Credit Risk of Debt Securities**

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

The Town’s rated debt instruments as of June 30, 2006 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<u>Locality's Rated Debt Investments</u>					
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>				
	<u>AAAm</u>	<u>AAA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
Investment in State Treasurer's Local Government Investment Pool (LGIP) (1)	<u>\$ 25,323,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The fair value of the position in the pool is the same as the value of the pool shares. The Treasurer of Virginia is responsible for the regulatory oversight of the pool.

**Reconciliation of Deposits and Investments**

Cash and cash equivalents - Per Exhibit 1	\$ 20,881,502
Fiduciary funds	4,780,337
Total cash and investments	<u>\$ 25,661,839</u>
Cash:	
Deposits	\$ 336,725
Cash on hand and cash items	1,994
Total cash	<u>\$ 338,719</u>
Investments	<u>\$ 25,323,120</u>
Total cash and investments	<u>\$ 25,661,839</u>

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 3 - PROPERTY TAXES:**

Real property taxes are levied on July 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Supervisor of Assessments of Fairfax County. The Town does not levy personal property taxes. Neither the Town Charter nor the State of Virginia impose a limitation on the tax rate. Assessed value of all property is 100 percent of fair market value. Each year all property is reassessed as of January 1. The Town's tax rate for fiscal 2006 was \$.22 per \$100 of assessed valuation.

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

**NOTE 4 - ACCOUNTS RECEIVABLE:**

Accounts receivable are detailed as follows:

	Governmental Activities			Total	Business
	General Fund	Debt Service Fund	Capital Projects Fund		Water & Sewer Fund
Property taxes	\$ 20,772	\$ -	\$ -	\$ 20,772	\$ -
Consumer utility taxes	128,118	-	-	128,118	-
Telephone wireless taxes	27,992	-	-	27,992	-
Cable TV franchise fee	42,780	-	-	42,780	-
Other franchise fees	44,238	-	-	44,238	-
Business license fees	26,853	-	-	26,853	-
Meals taxes	-	236,273	-	236,273	-
Water and sewer charges	-	-	-	-	774,943
Unbilled revenues	-	-	-	-	557,114
Other	45,299	-	-	45,299	-
<b>Total</b>	<b>\$ 336,052</b>	<b>\$ 236,273</b>	<b>\$ -</b>	<b>\$ 572,325</b>	<b>\$ 1,332,057</b>
Less: Allowance for uncollectibles	(4,000)	-	-	(4,000)	(163,000)
<b>Net accounts receivable</b>	<b>\$ 332,052</b>	<b>\$ 236,273</b>	<b>\$ -</b>	<b>\$ 568,325</b>	<b>\$ 1,169,057</b>

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 5 - DUE FROM OTHER GOVERNMENTS:**

Amounts due from other governments are detailed as follows:

	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
Commonwealth of Virginia:				
Virginia Department of Highways	\$ -	\$ 50,989	\$ 137	\$ 51,126
Criminal Justice grants	7,934	-	-	7,934
County of Fairfax, Virginia:				
Local sales tax	204,011	-	-	204,011
Court fines and forfeitures	14,011	-	-	14,011
Homeland Security grants	319,561	-	-	319,561
Other	15,000	-	-	15,000
County of Loudoun, Virginia:				
Gang grant	21,800	-	-	21,800
Washington-Baltimore High Intensity Drug Trafficking Area Commission	11,448	-	-	11,448
Total	<u>\$ 593,765</u>	<u>\$ 50,989</u>	<u>\$ 137</u>	<u>\$ 644,891</u>

**NOTE 6 - INTERFUND BALANCES AND ACTIVITY:**

Details of interfund receivables, payables and activity as of June 30, 2006 are as follows:

Interfund balances resulting from cash advances to the various funds:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	
General	Water and Sewer	\$ 327,314
General	Capital Projects	243,689
Debt Service	Water and Sewer	798
Capital Projects	General	99,919
Total		<u>\$ 671,720</u>

Transfers to/from other funds:

Transfers to the General Fund from the Water and Sewer Fund to supplement General Fund operations	\$ 898,000
Transfers to the General Fund from the Capital Projects Fund for advances	11,424
Transfers to the Capital Projects Fund from the General Fund for capital projects	255,516
Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt	297,383
Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects	142,446
Total transfers	<u>\$ 1,604,769</u>

# TOWN OF VIENNA, VIRGINIA

## Notes to Financial Statements June 30, 2006 (continued)

### NOTE 7 - CAPITAL ASSETS:

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

**Governmental Activities:**

	Balance July 1, 2005	Beginning Balance Reclassifications	Balance As Adjusted July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated:						
Land and land improvements	\$ 2,624,522	\$ -	\$ 2,624,522	\$ 374,865	\$ -	\$ 2,999,387
Construction in progress - infrastructure	5,058,837	-	5,058,837	1,030,353	5,129,318	959,872
Construction in progress - other	535,724	-	535,724	473,682	237,222	772,184
Total capital assets not being depreciated	\$ 8,219,083	\$ -	\$ 8,219,083	\$ 1,878,900	\$ 5,366,540	\$ 4,731,443
Other capital assets:						
Buildings and improvements	\$ 12,834,718	\$ -	\$ 12,834,718	\$ 7,050	\$ -	\$ 12,841,768
Infrastructure	51,383,109	-	51,383,109	5,350,654	-	56,733,763
Office and other equipment	1,379,890	168,065	1,547,955	171,016	-	1,718,971
Automotive and other equipment	3,625,985	(168,065)	3,457,920	681,014	175,683	3,963,251
Total other capital assets	\$ 69,223,702	\$ -	\$ 69,223,702	\$ 6,209,734	\$ 175,683	\$ 75,257,753
Less: Accumulated depreciation for:						
Buildings and improvements	\$ 2,789,271	\$ -	\$ 2,789,271	\$ 428,464	\$ -	\$ 3,217,735
Infrastructure	28,883,481	-	28,883,481	2,060,636	-	30,944,117
Office and other equipment	567,218	26,169	593,387	103,402	-	696,789
Automotive and other equipment	1,867,367	(26,169)	1,841,198	291,726	178,931	1,953,993
Total accumulated depreciation	\$ 34,107,337	\$ -	\$ 34,107,337	\$ 2,884,228	\$ 178,931	\$ 36,812,634
Net capital assets	\$ 43,335,448	\$ -	\$ 43,335,448	\$ 5,204,406	\$ 5,363,292	\$ 43,176,562

Depreciation expense has been allocated as follows:

General government administration	\$ 135,756
Public safety	137,464
Public works	2,423,813
Parks and recreation	183,720
Community development	3,475
Total depreciation expense	\$ 2,884,228

**Business Type Activities:**

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Other capital assets:				
Automotive equipment	\$ 649,157	\$ 348,612	\$ 40,982	\$ 956,787
Improvements	16,608,185	300,454	45,758	16,862,881
Total capital assets	\$ 17,257,342	\$ 649,066	\$ 86,740	\$ 17,819,668
Less: Accumulated depreciation	8,138,076	435,033	40,982	8,532,127
Total property, plant and equipment	\$ 9,119,266	\$ 214,033	\$ 45,758	\$ 9,287,541

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment:			
Governmental activities	\$ 1,738,003	\$ 111,545	\$ 324,275
Business activities	534,187	36,163	90,633
Total	\$ 2,272,190	\$ 147,708	\$ 414,908

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 8 - DEFERRED REVENUE:**

	Government-wide Statements	
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
A. <i>Unearned Property Tax Revenue</i> - Unearned revenue representing uncollected tax billings not available for funding of current expenditures	\$ -	\$ 43,831
B. <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	<u>467,452</u>	<u>467,452</u>
Total	<u>\$ 467,452</u>	<u>\$ 511,283</u>

**NOTE 9 - LONG-TERM OBLIGATIONS:**

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

**Governmental Activities:**

Year Ending June 30,	<u>General Obligation Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Public Improvement Bonds</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>		
2007	\$ 1,926,667	\$ 660,076	\$ 349,214	\$ 26,271
2008	1,926,667	585,243	256,780	16,311
2009	1,926,667	499,807	138,409	8,605
2010	1,626,667	421,759	123,081	3,986
2011	1,626,667	351,378	-	-
2012	1,301,667	288,802	-	-
2013	1,301,667	233,583	-	-
2014	976,667	177,880	-	-
2015	976,667	137,494	-	-
2016	656,667	104,068	-	-
2017	656,667	77,642	-	-
2018	330,000	51,216	-	-
2019	330,000	38,412	-	-
2020	330,000	25,608	-	-
2021	330,000	12,804	-	-
Total	<u>\$ 16,223,337</u>	<u>\$ 3,665,772</u>	<u>\$ 867,484</u>	<u>\$ 55,173</u>

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS: (continued)**

**Business-Type Activities:**

Year Ending June 30,	Note Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2007	\$ 36,615	\$ 67,896	\$ 124,779	\$ 9,222
2008	38,812	65,699	55,818	5,146
2009	41,140	63,371	31,067	2,726
2010	43,609	60,902	17,632	1,115
2011	46,225	58,286	-	-
2012	48,999	55,512	-	-
2013	51,939	52,572	-	-
2014	55,055	49,456	-	-
2015	58,358	46,153	-	-
2016	61,860	42,651	-	-
2017	65,571	38,939	-	-
2018	69,506	35,005	-	-
2019	73,676	30,835	-	-
2020	78,097	26,414	-	-
2021	82,782	21,728	-	-
2022	87,749	16,762	-	-
2023	93,015	11,497	-	-
2024	98,595	5,916	-	-
Total	<u>\$ 1,131,603</u>	<u>\$ 749,594</u>	<u>\$ 229,296</u>	<u>\$ 18,209</u>

**Changes in Long-term Debt:**

The following is a summary of the governmental activities long-term debt of the Town for the year ended June 30, 2006.

	Bonds	Capital Leases	Total
Balance, July 1, 2005	\$ 12,870,004	\$ 800,393	\$ 13,670,397
Increases:			
Public improvement bonds	\$ 4,950,000	\$ -	\$ 4,950,000
Capital leases	-	469,521	469,521
Total increases	<u>\$ 4,950,000</u>	<u>\$ 469,521</u>	<u>\$ 5,419,521</u>
Retirements:			
Public improvement bonds	\$ 1,596,667	\$ -	\$ 1,596,667
Capital leases	-	402,430	402,430
Total retirements	<u>\$ 1,596,667</u>	<u>\$ 402,430</u>	<u>\$ 1,999,097</u>
Balance, June 30, 2006	<u>\$ 16,223,337</u>	<u>\$ 867,484</u>	<u>\$ 17,090,821</u>

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 9 - LONG-TERM OBLIGATIONS: (continued)**

Changes in Long-term Debt: (continued)

The following is a summary of business activities long-term debt of the Town for the year ended June 30, 2006.

	Note Payable	Capital Leases	Total
Balance, July 1, 2005	\$ 1,162,345	\$ 345,507	\$ 1,507,852
Increases:			
Capital leases	\$ -	\$ 64,479	\$ 64,479
Total increases	\$ -	\$ 64,479	\$ 64,479
Retirements:			
Note payable	\$ 30,742	\$ -	\$ 30,742
Capital leases	-	180,690	180,690
Total retirements	\$ 30,742	\$ 180,690	\$ 211,432
Balance, June 30, 2006	<u>\$ 1,131,603</u>	<u>\$ 229,296</u>	<u>\$ 1,360,899</u>

Gross amounts of assets acquired by capital leases during fiscal year 2006:

Equipment	<u>\$ 534,000</u>
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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.

<u>Detail of Long-term Obligations:</u>	<u>Amount Due in One Year</u>	
<b><u>Public Improvement Bonds:</u></b>		
\$4,500,000 issued May 15, 1993, maturing in annual installments of \$300,000 through May 15, 2009 with interest payable semiannually at rates between 3.95% and 5.3%	\$ 900,000	\$ 300,000
\$4,900,000 issued April 3, 1996, maturing in annual installments ranging from \$325,000 to \$330,000 through April 2011, interest payable semiannually at rates between 4.7% to 5.0%	1,625,000	325,000
\$4,900,000 issued March 1, 1998, maturing in annual installments of \$330,000 through March 1, 2003, and \$325,000 from March 1, 2004 through March 1, 2013, interest at rates from 3.9% to 4.75%	2,275,000	325,000
\$4,800,000 issued April 27, 1999, maturing in annual installments of \$320,000 through July 1, 2014, interest payable semiannually at rates from 4.05% to 4.375%	2,880,000	320,000
\$4,900,000 issued February 1, 2002, maturing in annual installments of \$326,667 through February 1, 2017 with interest payable semiannually at 4.17%	3,593,337	326,667
\$4,950,000 issued June 20, 2006, maturing in annual installments of \$330,000 through June 1, 2021 with interest payable semiannually at 3.88%	<u>4,950,000</u>	<u>330,000</u>
Total public improvement bonds	<u>\$16,223,337</u>	<u>\$ 1,926,667</u>

# TOWN OF VIENNA, VIRGINIA

## Notes to Financial Statements June 30, 2006 (continued)

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### **NOTE 9 - LONG-TERM OBLIGATIONS:** (continued)

#### Note Payable:

Note payable to Fairfax County for Town share of pollution control plant upgrade, maturing in annual installments of \$104,511 through June 30, 2023, interest at 6%	<u>\$ 1,131,603</u>	<u>\$ 36,615</u>
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#### Capital Lease Obligations:

\$387,134 capital lease obligation due in annual installments of \$101,153 through May 28, 2007, interest at 1.79%	\$ 99,374	\$ 99,374
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\$398,039 capital lease obligation due in annual installments of \$105,347 through December 16, 2007 interest at 2.32%	205,152	99,911
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\$134,741 capital lease obligation due in annual principal installments of \$67,370 through April 30, 2007, plus interest at 3.49%	67,370	67,370
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\$134,741 capital lease obligation due in annual principal installments of \$44,914 through April 30, 2008, plus interest at 3.74%	89,827	44,914
--	--------	--------

\$134,741 capital lease obligation due in annual principal installments of \$33,685 through April 30, 2009, plus interest at 3.88%	101,057	33,685
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\$534,000 capital lease obligation due in annual principal installments of \$145,815 through December 29, 2009, plus interest at 3.63%	<u>534,000</u>	<u>128,739</u>
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Total capital lease obligations	<u>\$ 1,096,780</u>	<u>\$ 473,993</u>
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Total general long-term debt	<u>\$18,451,720</u>	<u>\$ 2,437,275</u>
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### **Federal Arbitrage Regulations:**

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

### **NOTE 10 - CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:**

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

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.

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 10 - CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES: (continued)**

	Governmental Activities	Business Type Activities	Total
Balance, July 1, 2005	\$ 809,275	\$ 75,351	\$ 884,626
Increases	873,706	81,088	954,794
Decreases	(809,275)	(75,351)	(884,626)
Balance, June 30, 2006	<u>\$ 873,706</u>	<u>\$ 81,088</u>	<u>\$ 954,794</u>
Amounts due within one year	\$ 786,335	\$ 72,979	\$ 859,315
Amounts due after one year	87,371	8,109	95,479
Total	<u>\$ 873,706</u>	<u>\$ 81,088</u>	<u>\$ 954,794</u>

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS:**

**A. Plan Description - Virginia Retirement System**

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits.

Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**A. Plan Description - Virginia Retirement System (continued)**

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Town of Vienna is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town of Vienna contribution rate for the fiscal year ended 2006 was 8.50% of annual covered payroll. The Town's contribution rates for 2005 and 2004 were 8.50% and 4%, respectively. The Town's annual pension cost to the VRS was \$719,191 (does not include the employee share of \$423,054 which was assumed by the Town).

The required contributions for fiscal year 2006 were determined as part of the June 30, 2003 actuarial valuation using the entry age normal cost method, as detailed below:

Valuation date	June 30, 2003
Actuarial assumptions used:	
Investment rate of return	8%
Projected salary increases: (1)	
Non-LEO employees	4.25 to 6.10%
LEO employees	4.50 to 5.75%
Cost of living adjustments	3.0%
Determination of actuarial accrued liability:	
Amortization method	Level percent, open
Payroll growth rate	3%
Remaining amortization period	10 years
Asset valuation method	Modified market

(1) Includes inflation of 3%

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC) *</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Ending			
June 30, 2002	\$ 432,647	100%	\$ -
June 30, 2003	296,470	100%	-
June 30, 2004	302,605	100%	-
June 30, 2005	676,421	100%	-
June 30, 2006	719,191	100%	-

\* Includes employer contributions only

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**A. Plan Description - Virginia Retirement System (continued)**

Other Information

The Town's VRS membership as of June 30, 2005:

Actives	179
Retirees and beneficiaries	95
Inactive - vested	11
Inactive - nonvested	14
Total	<u>299</u>

**B. Plan Description - Town Retirement Plans**

The Town's Local Retirement Plan covers all full-time employees of the Town except police officers and firefighters 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.

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**B. Plan Description - Town Retirement Plans (continued)**

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

Local Retirement Plan

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

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

Police Retirement Plan

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

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

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**B. Plan Description - Town Retirement Plans (continued)**

Funding Policy and Annual Pension Cost

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

	<u>Local Retirement Plan</u>	<u>Police Retirement Plan</u>
Contribution rate: (1)		
Town	7.16%	3.14%
Plan members	-	1.50%
Annual pension cost (1)	\$296,157	\$59,001
Contributions made (1)	\$296,157	\$59,001
Actuarial valuation date	January 1, 2006	January 1, 2006
Actuarial cost method	Aggregate entry age actuarial cost method	Aggregate entry age actuarial cost method
Amortization method	Level dollar (open)	Level dollar (open)
Remaining amortization period	15 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return *	6%	6%
Projected salary increases *	8.7% first 20 years, 4.5% thereafter	5.55%-9.73%
* Includes inflation at	4.5%	4.5%
Cost of living adjustments	Smaller of CPI or 5%	Smaller of CPI or 5%

(1) Employer portion only - plan year ended December 31, 2005

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**B. Plan Description - Town Retirement Plans (continued)**

Funding Policy and Annual Pension Cost (continued)

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

Trend Information			
Plan Year Ending December 31	Annual Pension Cost (APC) *	Percentage of APC	Net Pension Obligation
Town Local Plan:			
1996	\$ 127,938	100%	\$ -
1997	135,361	100%	-
1998	191,672	100%	-
1999	207,309	100%	-
2000	242,024	100%	-
2001	270,036	100%	-
2002	275,210	100%	-
2003	274,469	100%	-
2004	266,596	100%	-
2005	296,157	100%	-
Police Plan:			
1996	\$ 22,724	100%	\$ -
1997	22,633	100%	-
1998	52,888	100%	-
1999	63,739	100%	-
2000	58,157	100%	-
2001	50,396	100%	-
2002	32,956	100%	-
2003	25,359	100%	-
2004	57,984	100%	-
2005	59,001	100%	-

\* Employer cost only

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**B. Plan Description - Town Retirement Plans (continued)**

Other Information

The Town's membership in the Local and Police Plans at January 1, 2006 is as follows:

	Local Retirement Plan	Police Retirement Plan
Retirees and beneficiaries	52	23
Terminated vested members	69	-
Disabled	7	-
Active members	42	37
Total	<u>170</u>	<u>60</u>

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
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,001,098	\$ 2,779,239	\$ 4,780,337
Accounts receivable	8,692	3,241	11,933
Total assets	<u>\$ 2,009,790</u>	<u>\$ 2,782,480</u>	<u>\$ 4,792,270</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Assets:</b>			
Net assets held in trust for pension benefits	<u>\$ 2,009,790</u>	<u>\$ 2,782,480</u>	<u>\$ 4,792,270</u>
<b>Additions:</b>			
Contributions:			
Employer	\$ 204,208	\$ 41,475	\$ 245,683
Plan members	-	35,550	35,550
Total contributions	<u>\$ 204,208</u>	<u>\$ 77,025</u>	<u>\$ 281,233</u>
<b>Investment income:</b>			
Interest earned on investments	97,792	112,889	210,681
Total additions	<u>\$ 302,000</u>	<u>\$ 189,914</u>	<u>\$ 491,914</u>

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS: (continued)**

**B. Plan Description - Town Retirement Plans (continued)**

Other Information (continued)

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Totals
<i>(table continued from previous page)</i>			
<b>Deductions:</b>			
Pension benefit payments	\$ 120,470	\$ 125,930	\$ 246,400
Payment to defined contribution plan	1,079,183	-	1,079,183
Other charges	13,313	3,333	16,646
Total deductions	<u>\$ 1,212,966</u>	<u>\$ 129,263</u>	<u>\$ 1,342,229</u>
<b>Net increase in plan assets</b>	\$ (910,966)	\$ 60,651	\$ (850,315)
<b>Net assets held in trust for pension benefits:</b>			
Balance, beginning of year	<u>2,920,759</u>	<u>2,721,829</u>	<u>5,642,588</u>
Balance, end of year	<u>\$ 2,009,793</u>	<u>\$ 2,782,480</u>	<u>\$ 4,792,273</u>

**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, 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 \$73,847, and employee contributions were \$72,151 for fiscal year 2006.

**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 \$15,000 in 2006. Employees who are age 50 or older may defer up to \$20,000 of their income. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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**NOTE 13 - DEFERRED COMPENSATION PLAN: (continued)**

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

**NOTE 14 - LITIGATION:**

There was no pending or threatened litigation at June 30, 2006 that would materially affect the financial statements.

**NOTE 15 - COMMITMENTS:**

Lease Commitments

The Town is committed under various short-term operating leases including those for public works equipment. The leases may be revoked by the Town without penalty upon 30 days notice to the lessor. The Town paid approximately \$1,946 per month during the year ended June 30, 2006 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2006 approximated \$23,350.

**NOTE 16 - CONTINGENCIES:**

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

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

**NOTE 17 - RISK MANAGEMENT:**

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

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

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

**TOWN OF VIENNA, VIRGINIA**

**Notes to Financial Statements  
June 30, 2006 (continued)**

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**NOTE 17 - RISK MANAGEMENT: (continued)**

The Town maintains surety bonds with the Virginia Municipal Liability Pool on the following employees:

<u>Employee</u>	<u>Title</u>	<u>Amount of Surety Bond</u>
Philip R. Grant	Director of Finance - Town Treasurer	\$ 400,000
Carol A. Orndorff	Town Clerk	200,000
John H. Schoeberlein	Town Manager	200,000
Steven D. Briglia	Town Attorney	20,000
Gina Syverson	Purchasing Agent	200,000
Marion Serfass	Deputy Director of Finance	200,000
Robert Carlisle	Police Chief	20,000

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

**NOTE 18 - SUBSEQUENT EVENTS:**

On July 3, 2006 the Town Council approved the awarding of a construction contract for the Vienna Town Green project in the amount of \$1,486,209, and the extension of a general construction services contract with an estimated cost of \$4,471,434.

**- Required Supplementary Information -**

**TOWN OF VIENNA, VIRGINIA**

**Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 6,852,962	\$ 6,852,962	\$ 6,833,298	\$ (19,664)
Other local taxes	6,049,200	6,049,200	6,335,500	286,300
Permits, privilege fees and regulatory licenses	50,900	50,900	78,320	27,420
Fines and forfeitures	275,000	275,000	249,646	(25,354)
Use of money and property	222,245	222,245	606,441	384,196
Charges for services	539,200	539,200	668,563	129,363
Miscellaneous	76,000	121,709	206,134	84,425
Intergovernmental:				
Revenue from the Commonwealth	1,764,093	1,801,593	1,796,909	(4,684)
Revenue from the Federal Government	-	-	50,703	50,703
Total revenues	<u>\$ 15,829,600</u>	<u>\$ 15,912,809</u>	<u>\$ 16,825,514</u>	<u>\$ 912,705</u>
<b>Expenditures</b>				
Current:				
General Government Administration:				
Legislative	\$ 351,325	\$ 358,080	\$ 350,480	\$ 7,600
General and financial administration	2,830,236	2,859,342	2,592,143	267,199
Board of elections	1,825	1,825	1,851	(26)
Total general government administration	<u>\$ 3,183,386</u>	<u>\$ 3,219,247</u>	<u>\$ 2,944,474</u>	<u>\$ 274,773</u>
Public Safety:				
Law enforcement and traffic control	\$ 4,698,114	\$ 4,890,730	\$ 4,692,261	\$ 198,469
Volunteer fire department	53,500	53,500	25,000	28,500
Other protection	58,542	59,259	74,271	(15,012)
Total public safety	<u>\$ 4,810,156</u>	<u>\$ 5,003,489</u>	<u>\$ 4,791,532</u>	<u>\$ 211,957</u>
Public Works:				
Maintenance of streets, highways, bridges and sidewalks	\$ 2,444,620	\$ 2,671,761	\$ 2,996,666	\$ (324,905)
Sanitation and waste removal	1,287,977	1,249,896	1,204,653	45,243
Maintenance of buildings and grounds	1,885,094	1,886,339	1,910,556	(24,217)
Total public works	<u>\$ 5,617,691</u>	<u>\$ 5,807,996</u>	<u>\$ 6,111,875</u>	<u>\$ (303,879)</u>

**TOWN OF VIENNA, VIRGINIA**

**Budgetary Comparison Schedule**

**General Fund**

**Year Ended June 30, 2006 (continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Health and Welfare:				
Tax relief for the elderly	\$ 232,870	\$ 232,870	\$ 230,802	\$ 2,068
Parks, recreation and cultural:				
Parks and recreation	\$ 2,294,793	\$ 2,323,126	\$ 2,431,783	\$ (108,657)
Community Development:				
Planning and community development	\$ 592,340	\$ 598,572	\$ 581,899	\$ 16,673
Debt Service:				
Principal	\$ 325,099	\$ 325,099	\$ 402,430	\$ (77,331)
Interest and fiscal charges	22,682	22,682	21,088	1,594
Total debt service	\$ 347,781	\$ 347,781	\$ 423,518	\$ (75,737)
Total expenditures	\$ 17,079,017	\$ 17,533,081	\$ 17,515,883	\$ 17,198
Excess (deficiency) of revenues over expenditures	\$ (1,249,417)	\$ (1,620,272)	\$ (690,369)	\$ 929,903
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	\$ -	\$ -	\$ 469,521	\$ 469,521
Transfers in	898,000	898,000	909,424	11,424
Transfers out	(82,400)	(82,400)	(255,516)	(173,116)
Total other financing sources (uses)	\$ 815,600	\$ 815,600	\$ 1,123,429	\$ 307,829
Net change in fund balance	\$ (433,817)	\$ (804,672)	\$ 433,060	\$ 1,237,732
<b>Fund balance, beginning of year</b>	<u>433,817</u>	<u>804,672</u>	<u>7,369,773</u>	<u>6,565,101</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,802,833</u>	<u>\$ 7,802,833</u>

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

## TOWN OF VIENNA, VIRGINIA

**Required Supplemental Information**  
**Schedule of Funding Progress for Town Retirement Plans**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability - Entry Age (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Virginia Retirement System:						
June 30, 2001	\$ 28,819,359	\$ 26,094,692	\$(2,724,667)	110.44%	\$ 6,946,013	-39.23%
June 30, 2002	29,634,101	28,490,761	(1,143,340)	104.01%	7,184,209	-15.91%
June 30, 2003	29,548,724	30,583,363	1,034,639	96.62%	7,348,496	14.08%
June 30, 2004	29,607,897	32,922,646	3,314,749	89.93%	7,602,859	43.60%
June 30, 2005	30,040,868	36,816,749	6,775,881	81.60%	7,920,687	85.55%
Town Local Plan:						
January 1, 1998	\$ 1,340,911	\$ 2,451,578	\$ 1,110,667	54.7%	\$ 3,954,203	28.1%
January 1, 1999	1,487,177	2,661,438	1,174,261	55.9%	4,285,895	27.4%
January 1, 2000	1,678,793	2,960,345	1,281,552	56.7%	4,386,731	29.2%
January 1, 2001	1,943,183	3,171,648	1,228,465	61.3%	4,539,662	27.1%
January 1, 2002	2,206,228	3,397,233	1,191,005	64.9%	4,729,355	25.2%
January 1, 2003	2,429,022	3,585,063	1,156,041	67.8%	4,971,696	23.3%
January 1, 2004	2,618,969	3,809,121	1,190,152	68.8%	5,053,743	23.5%
January 1, 2005	2,803,474	4,061,823	1,258,349	69.0%	5,238,578	24.0%
January 1, 2006	1,975,919	2,891,396	915,477	68.3%	2,005,892	45.6%
Police Plan:						
January 1, 1998	\$ 2,427,204	\$ 2,383,239	\$ (43,965)	101.8%	\$ 1,661,593	-2.6%
January 1, 1999	2,505,484	2,561,272	55,788	97.8%	1,733,919	3.2%
January 1, 2000	2,615,703	2,602,047	(13,656)	100.5%	1,735,312	-0.8%
January 1, 2001	2,763,713	2,454,649	(309,064)	112.6%	1,887,441	-16.4%
January 1, 2002	2,803,560	2,425,829	(377,731)	115.6%	1,886,059	-20.0%
January 1, 2003	2,787,434	2,538,902	(248,532)	109.8%	2,022,623	-12.3%
January 1, 2004	2,747,382	2,632,983	(114,399)	104.3%	2,088,128	-5.5%
January 1, 2005	2,724,492	2,738,149	13,657	99.5%	2,300,544	0.6%
January 1, 2006	2,744,895	2,857,574	112,679	96.1%	2,332,673	4.8%

**- Other Supplementary Information -**

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Assets  
At June 30, 2006

	<b>Pension Trust Funds</b>		
	<b>Local</b>	<b>Police</b>	<b>Totals</b>
	<b>Retirement Fund</b>	<b>Retirement Fund</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 2,001,098	\$ 2,779,239	\$ 4,780,337
Due from other funds	8,692	3,241	11,933
Total assets	<u>\$ 2,009,790</u>	<u>\$ 2,782,480</u>	<u>\$ 4,792,270</u>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Net Assets:</b>			
Net assets held in trust for pension benefits	<u>\$ 2,009,790</u>	<u>\$ 2,782,480</u>	<u>\$ 4,792,270</u>

## TOWN OF VIENNA, VIRGINIA

## Fiduciary Funds

**Combining Statement of Changes in Fiduciary Net Assets  
Year Ended June 30, 2006**

	<b>Local Retirement Fund</b>	<b>Police Retirement Fund</b>	<b>Totals</b>
<b>Additions:</b>			
<b>Contributions:</b>			
Employer	\$ 204,208	\$ 41,475	\$ 245,683
Plan members	-	35,550	35,550
<b>Total contributions</b>	<b>\$ 204,208</b>	<b>\$ 77,025</b>	<b>\$ 281,233</b>
<b>Investment income:</b>			
Interest earned on investments	97,792	112,889	210,681
<b>Total additions</b>	<b>\$ 302,000</b>	<b>\$ 189,914</b>	<b>\$ 491,914</b>
<b>Deductions:</b>			
Pension benefit payments	\$ 120,470	\$ 125,930	\$ 246,400
Payment to defined contribution plan	1,079,183	-	1,079,183
Other charges	13,316	3,333	16,649
<b>Total deductions</b>	<b>\$ 1,212,969</b>	<b>\$ 129,263</b>	<b>\$ 1,342,232</b>
<b>Net increase in plan assets</b>	<b>\$ (910,969)</b>	<b>\$ 60,651</b>	<b>\$ (850,318)</b>
<b>Net assets held in trust for pension benefits:</b>			
Balance, beginning of year	2,920,759	2,721,829	5,642,588
<b>Balance, end of year</b>	<b>\$ 2,009,790</b>	<b>\$ 2,782,480</b>	<b>\$ 4,792,270</b>

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual  
Year Ended June 30, 2006

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,740,462	\$ 6,740,462	\$ 6,735,594	\$ (4,868)
Public service corporation taxes:				
Real property	90,000	90,000	66,458	(23,542)
Penalties and interest	22,500	22,500	31,246	8,746
Total general property taxes	<u>\$ 6,852,962</u>	<u>\$ 6,852,962</u>	<u>\$ 6,833,298</u>	<u>\$ (19,664)</u>
Other local taxes:				
Local sales and use taxes	\$ 1,189,600	\$ 1,189,600	\$ 1,154,058	\$ (35,542)
Consumer utility taxes	1,225,000	1,225,000	1,336,727	111,727
Business license tax	1,850,000	1,850,000	1,964,737	114,737
Bank franchise taxes	405,000	405,000	495,020	90,020
Motor vehicle licenses	257,000	257,000	248,864	(8,136)
Tobacco tax	393,000	393,000	360,587	(32,413)
Fiber-optic franchise tax	26,100	26,100	26,736	636
Telecommunications tax	112,400	112,400	129,918	17,518
Cable TV franchise fee	140,000	140,000	151,237	11,237
Media general franchise fees and related taxes	80,000	80,000	83,385	3,385
Cell phone tax	312,000	312,000	327,097	15,097
Utility consumption taxes	59,100	59,100	57,134	(1,966)
Total other local taxes	<u>\$ 6,049,200</u>	<u>\$ 6,049,200</u>	<u>\$ 6,335,500</u>	<u>\$ 286,300</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 7,900	\$ 7,900	\$ 7,163	\$ (737)
Other permits, privilege fees and regulatory licenses	43,000	43,000	71,157	28,157
Total permits, privilege fees and regulatory licenses	<u>\$ 50,900</u>	<u>\$ 50,900</u>	<u>\$ 78,320</u>	<u>\$ 27,420</u>
Fines and Forfeitures:				
Court fines and forfeitures	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 249,646</u>	<u>\$ (25,354)</u>

## Governmental Funds

Schedule of Revenues - Budget and Actual  
Year Ended June 30, 2006 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<b>General Fund: (continued)</b>				
Revenue from use of money and property:				
Interest on bank deposits	\$ 147,545	\$ 147,545	\$ 370,635	\$ 223,090
Concessions and rentals	74,700	74,700	235,806	161,106
Total revenue from use of money and property	\$ 222,245	\$ 222,245	\$ 606,441	\$ 384,196
Charges for services:				
Recreation fees	\$ 529,500	\$ 529,500	\$ 648,551	\$ 119,051
Police reimbursements	-	-	8,592	8,592
Special service fees	9,700	9,700	11,420	1,720
Total charges for services	\$ 539,200	\$ 539,200	\$ 668,563	\$ 129,363
Miscellaneous revenue:				
Miscellaneous income	\$ 76,000	\$ 121,709	\$ 206,134	\$ 84,425
Total revenue from local sources	\$ 14,065,507	\$ 14,111,216	\$ 14,977,902	\$ 866,686
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	\$ 8,500	\$ 8,500	\$ 8,473	\$ (27)
Wine tax	8,900	8,900	8,881	(19)
Auto rental tax	-	-	768	768
Rolling stock tax	149	149	791	642
Total non-categorical aid	\$ 17,549	\$ 17,549	\$ 18,913	\$ 1,364
Categorical aid:				
Street and highway maintenance	\$ 1,259,000	\$ 1,259,000	\$ 1,301,961	\$ 42,961
Litter control	3,144	3,144	4,721	1,577
Law enforcement assistance	435,900	435,900	435,288	(612)
Public safety grants	20,000	57,500	36,026	(21,474)
Fire funds	28,500	28,500	-	(28,500)
Total Categorical aid	\$ 1,746,544	\$ 1,784,044	\$ 1,777,996	\$ (6,048)
Total revenue from the Commonwealth	\$ 1,764,093	\$ 1,801,593	\$ 1,796,909	\$ (4,684)

## Governmental Funds

Schedule of Revenues - Budget and Actual  
Year Ended June 30, 2006 (continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b><u>General Fund: (continued)</u></b>				
Federal revenue:				
Categorical aid:				
Public safety grants	\$ -	\$ -	\$ 50,703	\$ 50,703
Total revenue from the federal government	\$ -	\$ -	\$ 50,703	\$ 50,703
Total General Fund	<u>\$ 15,829,600</u>	<u>\$ 15,912,809</u>	<u>\$ 16,825,514</u>	<u>\$ 912,705</u>
<b><u>Debt Service Fund:</u></b>				
Revenue from local sources:				
Other local taxes:				
Meals and lodging tax	\$ 2,328,000	\$ 2,328,000	\$ 2,297,579	\$ (30,421)
Revenue from use of money and property:				
Interest on bank deposits	42,052	42,052	120,458	78,406
Miscellaneous revenue:				
Miscellaneous income	-	-	40	40
Total Debt Service Fund	<u>\$ 2,370,052</u>	<u>\$ 2,370,052</u>	<u>\$ 2,418,077</u>	<u>\$ 48,025</u>
<b><u>Capital Projects Fund:</u></b>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 129,054	\$ 129,054
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,054</u>	<u>\$ 129,054</u>
Grand Total All Governmental Funds	<u>\$ 18,199,652</u>	<u>\$ 18,282,861</u>	<u>\$ 19,372,645</u>	<u>\$ 1,089,784</u>

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2006

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>General Fund:</b>				
General Government Administration:				
Legislative:				
Town council	\$ 117,277	\$ 117,902	\$ 116,111	\$ 1,791
Boards and commissions	52,252	55,752	56,125	(373)
Town clerk	181,796	184,426	178,244	6,182
Total legislative	<u>\$ 351,325</u>	<u>\$ 358,080</u>	<u>\$ 350,480</u>	<u>\$ 7,600</u>
General and Financial Administration:				
Town manager	\$ 228,364	\$ 235,484	\$ 233,437	\$ 2,047
Administrative services	359,108	322,458	335,281	(12,823)
Legal services	201,098	201,098	197,348	3,750
Financial administration	312,115	345,953	319,090	26,863
Disbursement operations	111,564	111,564	106,988	4,576
Data processing	59,500	54,500	51,874	2,626
Risk management	505,560	505,560	458,921	46,639
Information technology	189,741	189,741	184,826	4,915
Purchasing	121,740	124,489	113,444	11,045
Revenue operations	271,262	281,778	280,995	783
Public information	139,960	139,960	130,326	9,634
Central services	221,224	212,139	121,872	90,267
PC replacement	109,000	134,618	57,741	76,877
Total general and financial administration	<u>\$ 2,830,236</u>	<u>\$ 2,859,342</u>	<u>\$ 2,592,143</u>	<u>\$ 267,199</u>
Board of Elections:				
Elections	\$ 1,825	\$ 1,825	\$ 1,851	\$ (26)
Total general government administration	<u>\$ 3,183,386</u>	<u>\$ 3,219,247</u>	<u>\$ 2,944,474</u>	<u>\$ 274,773</u>
Public safety:				
Law enforcement and traffic control:				
Police administration	\$ 596,445	\$ 603,546	\$ 657,464	\$ (53,918)
Uniform patrol	1,757,920	1,763,465	1,818,775	(55,310)
Communications	893,700	894,553	567,091	327,462
Investigations	776,795	779,906	820,285	(40,379)
Community services	104,944	118,167	106,919	11,248
Traffic unit	568,310	568,351	468,649	99,702
Other law enforcement and traffic control	-	162,742	253,078	(90,336)
Total law enforcement and traffic control	<u>\$ 4,698,114</u>	<u>\$ 4,890,730</u>	<u>\$ 4,692,261</u>	<u>\$ 198,469</u>

## Governmental Funds

Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2006 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>General Fund: (continued)</b>				
Fire and rescue:				
Volunteer fire department	\$ 53,500	\$ 53,500	\$ 25,000	\$ 28,500
Other Protection:				
Personal property/animal control	58,542	59,259	74,271	(15,012)
Total public safety	<u>\$ 4,810,156</u>	<u>\$ 5,003,489</u>	<u>\$ 4,791,532</u>	<u>\$ 211,957</u>
Public works:				
Maintenance of streets, highways, bridges, and sidewalks:				
General administration	\$ 549,151	\$ 557,307	\$ 547,145	\$ 10,162
Street maintenance	1,512,399	1,628,589	1,539,137	89,452
Street maintenance equipment	-	-	554,527	(554,527)
Snow removal	89,913	117,147	82,399	34,748
Traffic engineering	293,157	368,718	273,458	95,260
Total maintenance of streets, highways, bridges, and sidewalks	<u>\$ 2,444,620</u>	<u>\$ 2,671,761</u>	<u>\$ 2,996,666</u>	<u>\$ (324,905)</u>
Sanitation and waste removal:				
Sanitation	\$ 734,244	\$ 707,554	\$ 715,617	\$ (8,063)
Refuse disposal	408,187	382,989	334,793	48,196
Fall/spring cleanup - leaf collection and other	145,546	159,353	154,243	5,110
Total sanitation and waste removal	<u>\$ 1,287,977</u>	<u>\$ 1,249,896</u>	<u>\$ 1,204,653</u>	<u>\$ 45,243</u>
Maintenance of Buildings and Grounds:				
Vehicle and equipment maintenance	\$ 954,371	\$ 950,250	\$ 960,174	\$ (9,924)
Maintenance of buildings and grounds	930,723	936,089	880,407	55,682
Other	-	-	69,975	(69,975)
Total maintenance of buildings and grounds	<u>\$ 1,885,094</u>	<u>\$ 1,886,339</u>	<u>\$ 1,910,556</u>	<u>\$ (24,217)</u>
Total public works	<u>\$ 5,617,691</u>	<u>\$ 5,807,996</u>	<u>\$ 6,111,875</u>	<u>\$ (303,879)</u>
Health and Welfare:				
Welfare/Social Services:				
Property tax relief for the elderly	<u>\$ 232,870</u>	<u>\$ 232,870</u>	<u>\$ 230,802</u>	<u>\$ 2,068</u>

## Governmental Funds

Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2006 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b><u>General Fund: (continued)</u></b>				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Administration	\$ 433,429	\$ 433,429	\$ 446,827	\$ (13,398)
Parks and recreation programs	317,465	317,465	352,309	(34,844)
General maintenance	807,934	810,660	850,343	(39,683)
Community center	379,091	379,536	410,738	(31,202)
Special events	146,340	155,741	166,396	(10,655)
SOS program	-	-	109	(109)
After school program	20,000	20,000	19,978	22
Teen Center	142,034	157,795	146,216	11,579
Historic preservation	48,500	48,500	38,867	9,633
Total parks and recreation	<u>\$ 2,294,793</u>	<u>\$ 2,323,126</u>	<u>\$ 2,431,783</u>	<u>\$ (108,657)</u>
Community Development:				
Planning and Community Development:				
Litter control	\$ -	\$ -	\$ 2,781	\$ (2,781)
Planning and zoning	571,392	577,624	559,945	17,679
Various contributions	20,948	20,948	19,173	1,775
Total planning and community development	<u>\$ 592,340</u>	<u>\$ 598,572</u>	<u>\$ 581,899</u>	<u>\$ 16,673</u>
Debt Service:				
Principal on capital lease obligation	\$ 325,099	\$ 325,099	\$ 402,430	\$ (77,331)
Interest on capital leases	22,682	22,682	21,088	1,594
Total debt service	<u>\$ 347,781</u>	<u>\$ 347,781</u>	<u>\$ 423,518</u>	<u>\$ (75,737)</u>
Total General Fund	<u>\$ 17,079,017</u>	<u>\$ 17,533,081</u>	<u>\$ 17,515,883</u>	<u>\$ 17,198</u>
<b><u>Debt Service Fund:</u></b>				
Debt Service:				
Principal retirement	\$ 1,826,667	\$ 1,596,667	\$ 1,596,667	\$ -
Interest and fiscal charges	549,903	549,903	549,877	26
Total Debt Service Fund	<u>\$ 2,376,570</u>	<u>\$ 2,146,570</u>	<u>\$ 2,146,544</u>	<u>\$ 26</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual  
Year Ended June 30, 2006 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b><u>General Fund: (continued)</u></b>				
<b><u>Capital Projects Fund:</u></b>				
Capital projects:				
Nutley property yard project	\$ -	\$ -	\$ 122,325	\$ (122,325)
Maple Avenue	-	-	133,052	(133,052)
Vienna Town Center	-	-	345,625	(345,625)
Street improvement projects	-	-	538,620	(538,620)
Other capital projects and administration	-	-	453,495	(453,495)
Total Capital Projects fund	\$ -	\$ -	\$ 1,593,117	\$ (1,593,117)
Grand Total Expenditures--All Governmental Funds	\$ 19,455,587	\$ 19,679,651	\$ 21,255,544	\$ (1,575,893)

## - Statistical Section -

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

*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

## TOWN OF VIENNA, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities:</b>				
Invested in capital assets, net of related debt	\$ 2,013,207	\$ 29,320,220	\$ 29,665,051	\$ 26,085,741
Restricted	4,420,917	2,789,385	2,564,515	6,152,098
Unrestricted	7,241,402	8,807,464	9,623,016	10,498,393
Total governmental activities net assets	<u>\$ 13,675,526</u>	<u>\$ 40,917,069</u>	<u>\$ 41,852,582</u>	<u>\$ 42,736,232</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 8,366,047	\$ 8,078,116	\$ 7,611,414	\$ 7,926,642
Restricted	-	-	-	-
Unrestricted	2,907,426	1,853,386	1,247,232	720,796
Total business-type activities net assets	<u>\$ 11,273,473</u>	<u>\$ 9,931,502</u>	<u>\$ 8,858,646</u>	<u>\$ 8,647,438</u>
Total primary government net assets	<u>\$ 24,948,999</u>	<u>\$ 50,848,571</u>	<u>\$ 50,711,228</u>	<u>\$ 51,383,670</u>

## Notes:

Accrual basis financial information is only available from fiscal year 2003 when the Town implemented GASB 34. Infrastructure capital assets implementation began in fiscal year 2004.

Table 2

## TOWN OF VIENNA, VIRGINIA

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,786,245	\$ 2,948,861	\$ 3,242,113	\$ 3,092,863
Public safety	4,176,902	4,208,668	5,143,055	4,800,550
Public works	5,316,915	7,052,387	7,696,605	7,697,348
Health and welfare	133,572	158,447	186,891	230,802
Parks, recreation and cultural	2,004,775	2,285,303	2,043,892	2,498,235
Community development	504,473	527,204	547,117	589,001
Interest on long-term debt	810,906	725,405	640,992	617,754
Total governmental activities expenses	<u>\$ 15,733,788</u>	<u>\$ 17,906,275</u>	<u>\$ 19,500,665</u>	<u>\$ 19,526,553</u>
<b>Business type activities:</b>				
Water and sewer	3,967,057	4,641,190	4,679,889	5,144,312
Total expenses	<u>\$ 19,700,845</u>	<u>\$ 22,547,465</u>	<u>\$ 24,180,554</u>	<u>\$ 24,670,865</u>
<b>Program Revenues:</b>				
<b>Governmental Activities:</b>				
Charges for services				
General government	\$ 9,780	\$ 7,425	\$ 9,454	\$ 11,420
Public safety	362,547	531,180	617,402	336,558
Public works	254,660	255,027	369,751	235,806
Parks, recreation and cultural	409,092	506,887	551,217	648,551
Operating grants and contributions	1,646,632	1,830,979	2,081,809	1,828,699
Capital grants and contributions	1,866,584	44,691	-	-
Total governmental activities program revenues	<u>\$ 4,549,295</u>	<u>\$ 3,176,189</u>	<u>\$ 3,629,633</u>	<u>\$ 3,061,034</u>
<b>Business type activities:</b>				
Water and sewer				
Charges for services	\$ 4,335,339	\$ 4,388,312	\$ 4,627,013	\$ 5,717,486
Operating grants and contributions	-	12,101	-	-
Total business type activities	<u>\$ 4,335,339</u>	<u>\$ 4,400,413</u>	<u>\$ 4,627,013</u>	<u>\$ 5,717,486</u>
Total revenues	<u>\$ 8,884,634</u>	<u>\$ 7,576,602</u>	<u>\$ 8,256,646</u>	<u>\$ 8,778,520</u>
Net (expenses)/revenues	<u>\$ (10,816,211)</u>	<u>\$ (14,970,863)</u>	<u>\$ (15,923,908)</u>	<u>\$ (15,892,345)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental Activities:</b>				
Taxes:				
General real property taxes	\$ 5,908,768	\$ 6,630,581	\$ 6,768,321	\$ 6,817,919
Local sales and use taxes	968,684	1,088,688	1,134,790	1,154,058
Consumer utility taxes and cell phone tax	1,036,740	1,211,958	1,341,121	1,663,824
Business license taxes	1,703,461	1,818,112	1,850,557	1,964,737
Meals and lodging taxes	1,887,503	2,092,435	2,230,408	2,297,579
Other	1,294,886	1,481,554	1,672,212	1,552,881
Grants and contributions not restricted to specific programs	33,848	35,852	17,435	18,913
Investment earnings	204,866	150,636	313,866	620,147
Miscellaneous	510,085	276,978	304,443	206,174
Transfers	877,597	1,193,488	1,173,392	1,052,937
Total governmental activities general revenues	<u>\$ 14,426,438</u>	<u>\$ 15,980,282</u>	<u>\$ 16,806,545</u>	<u>\$ 17,349,169</u>
<b>Business type activities:</b>				
Investment earnings	\$ 54,840	\$ 34,391	\$ 58,206	\$ 99,113
Miscellaneous	26,896	33,903	68,206	57,192
Capital contributions	137,620	24,000	27,000	112,250
Transfers	(877,597)	(1,193,488)	(1,173,392)	(1,052,937)
Total business-type activities general revenues	<u>\$ (658,241)</u>	<u>\$ (1,101,194)</u>	<u>\$ (1,019,980)</u>	<u>\$ (784,382)</u>
Total general revenues	<u>\$ 13,768,197</u>	<u>\$ 14,879,088</u>	<u>\$ 15,786,565</u>	<u>\$ 16,564,787</u>
<b>Changes in net assets</b>				
Governmental activities	\$ 3,241,945	\$ 1,250,196	\$ 935,513	\$ 883,650
Business-type activities	(289,959)	(1,341,971)	(1,072,856)	(211,208)
Total changes in net assets	<u>\$ 2,951,986</u>	<u>\$ (91,775)</u>	<u>\$ (137,343)</u>	<u>\$ 672,442</u>

Note:

Accrual basis financial information is available from fiscal year 2003 when the Town implemented GASB 34. Beginning in fiscal year 2004, the Town recorded infrastructure capital assets.

Table 3

TOWN OF VIENNA, VIRGINIA

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

75	<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local Sales &amp; Use Tax</b>	<b>Consumer Utility Tax</b>	<b>Business &amp; Occupation Licenses</b>	<b>Meals &amp; Lodging Taxes</b>	<b>Motor Vehicle License Tax</b>	<b>Bank Franchise Tax</b>	<b>Tobacco Taxes</b>	<b>Other Taxes</b>	<b>Total</b>
	2006	\$ 6,817,919	\$ 1,154,058	\$ 1,481,155	\$ 1,864,737	\$ 2,297,579	\$ 248,864	\$ 495,020	\$ 360,587	\$ 646,458	\$ 15,366,377
	2005	6,768,321	1,134,790	1,341,121	1,850,557	2,230,408	256,582	405,596	373,021	637,013	14,997,409
	2004	6,630,581	1,088,688	1,211,958	1,818,112	2,092,435	255,456	396,233	390,335	439,530	14,323,328
	2003	5,908,768	968,684	1,036,740	1,703,461	1,887,503	256,737	428,504	258,226	351,419	12,800,042

Note:

Accrual basis financial information is available from 2003 when the Town implemented GASB 34.

**Table 4**

**TOWN OF VIENNA, VIRGINIA**

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund										
Reserved	\$ 224,805	\$ 472,860	\$ 879,549	\$ 572,399	\$ 1,130,615	\$ 1,679,356	\$ 1,527,269	\$ 1,331,345	\$ 2,555,773	\$ 2,529,976
Designated	-	-	-	-	-	-	-	623,524	600,000	712,273
Undesignated	1,045,785	1,561,931	1,786,551	3,110,179	2,978,115	3,117,477	3,682,023	4,774,360	4,214,000	4,560,584
Total General Fund	<u>\$ 1,270,590</u>	<u>\$ 2,034,791</u>	<u>\$ 2,666,100</u>	<u>\$ 3,682,578</u>	<u>\$ 4,108,730</u>	<u>\$ 4,796,833</u>	<u>\$ 5,209,292</u>	<u>\$ 6,729,229</u>	<u>\$ 7,369,773</u>	<u>\$ 7,802,833</u>
Debt Service Fund										
Reserved	<u>\$ 2,665,699</u>	<u>\$ 2,538,625</u>	<u>\$ 2,298,915</u>	<u>\$ 2,075,477</u>	<u>\$ 1,712,367</u>	<u>\$ 1,570,253</u>	<u>\$ 2,947,361</u>	<u>\$ 2,942,315</u>	<u>\$ 3,129,006</u>	<u>\$ 3,697,922</u>
Capital Projects Fund										
Reserved	\$ 584,875	\$ 2,591,007	\$ 1,161,099	\$ 362,449	\$ 3,659,227	\$ 851,116	\$ 2,948,382	\$ 2,789,385	\$ 2,564,515	\$ 2,948,382
Designated	7,085,667	9,424,485	12,445,876	11,989,091	6,496,932	7,645,507	1,472,535	-	-	3,203,716
Undesignated	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund	<u>\$ 7,670,542</u>	<u>\$ 12,015,492</u>	<u>\$ 13,606,975</u>	<u>\$ 12,351,540</u>	<u>\$ 10,156,159</u>	<u>\$ 8,496,623</u>	<u>\$ 4,420,917</u>	<u>\$ 2,789,385</u>	<u>\$ 2,564,515</u>	<u>\$ 6,152,098</u>

Table 5

## TOWN OF VIENNA, VIRGINIA

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
General property taxes	\$ 4,072,789	\$ 4,328,653	\$ 4,429,214	\$ 4,643,091	\$ 4,930,690	\$ 5,321,471	\$ 5,913,739	\$ 6,592,333	\$ 6,757,957	\$ 6,833,298
Other local taxes	5,124,402	5,386,809	5,757,769	6,181,885	6,431,340	6,478,622	6,891,274	7,692,747	8,229,088	8,633,079
Permits, privilege fees and regulatory licenses	49,277	47,463	46,500	43,326	35,560	38,159	40,958	51,403	50,025	78,320
Fines and forfeitures	269,945	319,980	370,248	416,832	479,454	327,144	306,734	468,396	556,051	249,646
Revenue from use of money and property	764,051	819,690	879,341	1,112,693	1,159,717	610,412	459,526	405,663	683,617	855,953
Charges for services	372,063	360,543	306,724	385,007	397,295	349,748	433,727	525,693	571,997	668,563
Miscellaneous	925,473	380,405	108,564	332,778	291,511	229,531	510,085	276,978	304,443	206,174
Intergovernmental	1,324,952	1,256,924	1,421,731	1,578,927	1,745,725	1,809,696	3,547,064	1,911,522	2,099,244	1,847,612
Total revenues	<u>\$ 12,902,952</u>	<u>\$ 12,900,467</u>	<u>\$ 13,320,091</u>	<u>\$ 14,694,539</u>	<u>\$ 15,471,292</u>	<u>\$ 15,164,783</u>	<u>\$ 18,103,107</u>	<u>\$ 17,924,735</u>	<u>\$ 19,252,422</u>	<u>\$ 19,372,645</u>
Expenditures:										
Current:										
General government administration	\$ 2,016,326	\$ 1,876,363	\$ 1,930,040	\$ 2,135,902	\$ 2,246,340	\$ 2,401,794	\$ 2,662,877	\$ 2,857,364	\$ 3,250,998	\$ 2,944,474
Public safety	3,476,941	3,406,397	3,637,680	3,794,037	3,915,784	3,861,770	3,964,685	4,224,570	4,921,959	4,791,532
Public works	4,007,780	3,597,027	3,976,694	4,178,500	4,529,193	5,261,069	5,113,761	5,090,520	5,954,747	6,111,875
Health and welfare	84,820	84,606	82,478	78,111	95,834	109,774	133,572	158,447	186,891	230,802
Parks, recreation, and cultural	1,336,055	1,271,505	1,308,520	1,434,851	1,551,173	1,678,994	1,828,948	2,141,689	2,272,337	2,431,783
Community development	385,707	394,035	409,387	435,105	440,949	451,390	493,383	518,634	543,506	581,899
Capital projects	2,631,499	1,024,094	3,612,591	1,559,091	2,258,180	6,360,816	4,364,932	1,704,587	169,741	1,593,117
Debt service:										
Principal retirement	1,214,413	1,207,514	1,462,931	1,523,290	1,852,573	1,945,541	2,104,465	2,168,147	2,170,312	1,999,097
Interest and other fiscal charges	674,751	561,239	710,998	780,950	785,587	718,880	833,491	744,108	658,599	570,965
Total expenditures	<u>\$ 15,828,292</u>	<u>\$ 13,422,780</u>	<u>\$ 17,131,319</u>	<u>\$ 15,919,837</u>	<u>\$ 17,675,613</u>	<u>\$ 22,790,028</u>	<u>\$ 21,500,114</u>	<u>\$ 19,608,066</u>	<u>\$ 20,129,090</u>	<u>\$ 21,255,544</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,925,340)</u>	<u>\$ (522,313)</u>	<u>\$ (3,811,228)</u>	<u>\$ (1,225,298)</u>	<u>\$ (2,204,321)</u>	<u>\$ (7,625,245)</u>	<u>\$ (3,397,007)</u>	<u>\$ (1,683,331)</u>	<u>\$ (876,668)</u>	<u>\$ (1,882,899)</u>
Other financing sources (uses):										
Long term debt issued	\$ 278,633	\$ 4,900,000	\$ 4,978,519	\$ 358,219	\$ 392,954	\$ 5,256,368	\$ 233,271	\$ 373,202	\$ 305,641	\$ 5,419,521
Transfers in	861,474	1,111,676	1,148,933	1,110,437	1,163,298	1,171,092	1,271,552	1,199,910	1,327,224	1,462,323
Transfers out	(193,810)	(504,486)	(333,142)	(705,753)	(805,304)	(594,728)	(393,955)	(6,422)	(153,832)	(409,386)
Total other financing sources (uses)	<u>\$ 946,297</u>	<u>\$ 5,507,190</u>	<u>\$ 5,794,310</u>	<u>\$ 762,903</u>	<u>\$ 750,948</u>	<u>\$ 5,832,732</u>	<u>\$ 1,110,868</u>	<u>\$ 1,566,690</u>	<u>\$ 1,479,033</u>	<u>\$ 6,472,458</u>
Net changes in fund balances	<u>\$ (1,979,043)</u>	<u>\$ 4,984,877</u>	<u>\$ 1,983,082</u>	<u>\$ (462,395)</u>	<u>\$ (1,453,373)</u>	<u>\$ (1,792,513)</u>	<u>\$ (2,286,139)</u>	<u>\$ (116,641)</u>	<u>\$ 602,365</u>	<u>\$ 4,589,559</u>

Table 6

## 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	Motor Vehicle License	Bank Franchise	Tobacco	Cable TV Fees	Franchise Taxes	Total
2006	\$ 6,833,298	\$ 1,154,058	\$ 1,663,824	\$ 1,964,737	\$ 2,297,579	\$ 248,864	\$ 495,020	\$ 360,587	\$ 151,237	\$ 297,173	\$ 15,466,377
2005	6,757,957	1,134,790	1,341,121	1,850,557	2,230,408	256,582	405,596	373,021	138,261	498,752	14,987,045
2004	6,592,333	1,088,688	1,211,958	1,818,112	2,092,435	256,768	435,002	390,335	134,610	264,839	14,285,080
2003	5,913,739	968,684	1,036,740	1,703,461	1,887,503	255,456	396,233	258,226	125,235	259,736	12,805,013
2002	5,321,471	921,260	1,138,485	1,690,742	1,643,797	256,737	428,504	175,825	126,948	96,324	11,800,093
2001	4,930,690	979,858	1,059,569	1,705,520	1,485,934	258,038	430,236	185,732	124,083	202,370	11,362,030
2000	4,643,091	962,422	969,825	1,578,641	1,472,468	258,678	450,461	203,616	124,971	160,803	10,824,976
1999	4,429,214	940,557	998,158	1,399,441	1,392,075	252,023	309,960	206,837	121,929	136,789	10,186,983
1998	4,328,653	844,753	984,720	1,352,262	1,332,794	248,906	267,525	215,448	118,686	21,715	9,715,462
1997	4,072,789	781,252	976,556	1,248,262	1,297,210	246,069	211,631	223,047	118,954	21,421	9,197,191

Table 7

## TOWN OF VIENNA, VIRGINIA

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

Fiscal Year	Real Property (1)		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	
	2006	\$ 3,062,950,480	\$ 3,062,950,480	\$ 30,207,995	\$ 30,207,995	\$ 3,093,158,475	
2005	2,509,114,185	2,509,114,185	30,295,589	30,295,589	2,539,409,774	2,539,409,774	100%
2004	2,283,913,650	2,283,913,650	66,438,116	66,438,116	2,350,351,766	2,350,351,766	100%
2003	2,042,603,785	2,042,603,785	62,868,762	62,868,762	2,105,472,547	2,105,472,547	100%
2002	1,730,573,560	1,730,573,560	32,935,274	32,935,274	1,763,508,834	1,763,508,834	100%
2001	1,545,633,135	1,545,633,135	32,541,980	32,541,980	1,578,175,115	1,578,175,115	100%
2000	1,397,688,483	1,397,688,483	42,872,182	42,872,182	1,440,560,665	1,440,560,665	100%
1999	1,377,921,470	1,377,921,470	37,818,137	37,818,137	1,415,739,607	1,415,739,607	100%
1998	1,352,378,160	1,352,378,160	34,454,211	34,454,211	1,386,832,371	1,386,832,371	100%
1997	1,314,630,940	1,314,630,940	29,572,313	29,572,313	1,344,203,253	1,344,203,253	100%

Notes: Real property is assessed effective January 1 of each year by the Supervisor of Assessments of Fairfax County for the concurrent use of the Town and County. In the above tabulation \$3,093,158,475 is the assessed valuation effective January 2, 2005, which was used as a basis for billing taxes in the fiscal year 2005-2006.

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

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

(1) Does not include abatements and adjustments.

**Table 8**

**TOWN OF VIENNA, VIRGINIA**  
**Property Tax Rates (1)**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

Fiscal Year	Town of Vienna	County of Fairfax	Total Tax Rate
2006	\$ 0.22	\$ 1.00	\$ 1.22
2005	0.265	1.13	1.395
2004	0.275	1.16	1.435
2003	0.285	1.21	1.495
2002	0.30	1.21	1.51
2001	0.30	1.23	1.53
2000	0.31	1.23	1.54
1999	0.31	1.23	1.54
1998	0.31	1.23	1.54
1997	0.30	1.16	1.46

(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 as 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.

Table 9

TOWN OF VIENNA, VIRGINIA

PRINCIPAL REAL PROPERTY TAXPAYERS  
Current Year and the Period Nine Years Prior

Owner	Business	Fiscal Year 2006			Fiscal Year 1997		
		2005 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	1996 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Navy Federal Credit Union		\$ 143,269,120	1	4.68%	\$ 70,617,740	1	5.37%
Maple Avenue Ltd. Partnership		26,530,280	2	0.87%	14,782,335	2	1.12%
Maryland Gardens Ltd. Partnership		22,385,570	3	0.73%	8,512,005	7	0.65%
Vienna Park Properties		21,289,900	4	0.70%	12,852,680	3	0.98%
Vienna Technology Park Associates		19,005,300	5	0.62%	9,638,545	5	0.73%
Rushmark Follin LLC		14,660,250	6	0.48%	-	N/A	N/A
Vienna Shopping Center, LP		13,969,980	7	0.46%	9,427,455	6	0.72%
P. Daniel & Diana S. Orlich		13,969,640	8	0.46%	7,007,760	9	0.53%
Frank Zafren & Alec Jacobson, Tr.		12,565,540	9	0.41%	3,986,565	13	0.30%
Westwood Country Club, Inc.		9,528,570	10	0.31%	8,023,855	8	0.61%
BFH Danor Plaza		8,111,990	11	0.26%	-	N/A	N/A
Swart Vienna LLC		7,702,260	12	0.25%	-	N/A	N/A
Trimark VCP, LLC		7,481,490	13	0.24%	-	N/A	N/A
Maple Professional Park		7,430,100	14	0.24%	6,141,575	10	0.47%
Cedar Park & Shop		7,424,550	15	0.24%	5,132,530	11	0.39%
W.H. Tysons Page Corp.		-	N/A	N/A	10,952,505	4	0.83%
David and Bessie Feldman		-	N/A	N/A	4,405,290	12	0.34%
Northern Virginia Motel Partnership		-	N/A	N/A	3,298,865	14	0.25%
Electric Avenue Associates, Trust		-	N/A	N/A	3,225,885	15	0.25%
Total		\$ 335,324,540		10.95%	\$ 178,005,590		13.54%

**Table 10**

**TOWN OF VIENNA, VIRGINIA**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years (1)</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percent of Levy Collected</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	\$ 6,733,801	\$ 6,723,053	99.84%	\$ -	\$ 6,723,053	99.84%
2005	6,660,504	6,644,764	99.76%	9,778	6,654,542	99.91%
2004	6,275,332	6,278,173	100.05%	5,569	6,283,742	100.13%
2003	5,777,576	5,765,448	99.79%	11,088	5,776,536	99.98%
2002	5,192,967	5,179,490	99.74%	12,956	5,192,446	99.99%
2001	4,794,275	4,782,250	99.75%	11,569	4,793,819	99.99%
2000	4,478,593	4,463,164	99.66%	15,151	4,478,315	99.99%
1999	4,278,415	4,258,545	99.54%	19,853	4,278,398	100.00%
1998	4,304,609	4,283,556	99.51%	21,019	4,304,575	100.00%
1997	4,036,660	4,017,592	99.53%	19,020	4,036,612	100.00%

Notes: (1) Penalties and interest not included

**Table 11**

**TOWN OF VIENNA, VIRGINIA**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

<b>Fiscal Years</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Other Notes/</b>	<b>Capital Leases</b>			
2006	\$ 16,223,337	\$ 867,484	\$ 1,131,603	\$ 229,296	\$ 18,451,720	3.29%	\$ 1,243
2005	12,870,004	800,393	1,162,345	345,507	15,178,249	2.71%	1,022
2004	14,696,671	838,397	1,196,887	178,881	16,910,836	3.01%	1,137
2003	16,523,333	806,676	1,198,732	-	18,528,741	3.40%	1,282
2002	18,355,000	846,202	1,229,474	-	20,430,676	3.74%	1,414
2001	15,160,000	730,375	1,258,476	-	17,148,851	2.51%	1,187
2000	16,870,000	479,704	1,285,837	-	18,635,541	2.73%	1,289
1999	18,265,000	71,229	1,311,469	-	19,647,698	2.65%	1,252
1998	14,860,000	139,160	1,336,000	-	16,335,160	2.70%	1,044
1997	11,025,000	281,674	-	13,651	11,320,325	1.94%	749

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, 2006**

	<b>Net Bonded Debt Outstanding</b>	<b>Percentage Applicable to this Governmental Unit</b>	<b>Share of Debt</b>
Direct Debt:			
Town of Vienna General Bonded Debt	\$ 16,223,337	100.00%	\$ 16,223,337
Overlapping Debt: *			
County of Fairfax General Bonded Debt	<u>1,700,980,000</u>	1.64%	<u>27,896,072</u>
Total direct and overlapping debt	<u>\$ 1,717,203,337</u>		<u>\$ 44,119,409</u>

\* 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.

## TOWN OF VIENNA, VIRGINIA

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2006	\$ 16,223,337	\$ 3,697,922	\$ 12,525,415	0.41%	\$ 843.46
2005	12,870,004	3,129,006	9,740,998	0.39%	655.96
2004	14,696,671	2,942,315	11,754,356	0.51%	790.58
2003	16,523,333	2,947,361	13,575,972	0.66%	939.32
2002	18,355,000	1,570,253	16,784,747	0.97%	1,161.33
2001	15,160,000	1,712,367	13,447,633	0.87%	930.44
2000	16,870,000	2,075,477	14,794,523	1.06%	1,023.63
1999	18,265,000	2,298,915	15,966,085	1.16%	1,017.01
1998	14,860,000	2,538,625	12,321,375	0.91%	787.11
1997	11,025,000	2,665,699	8,359,301	0.64%	552.79

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

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

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Table 14

TOWN OF VIENNA, VIRGINIA

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 134,420,325	\$138,683,237	\$141,573,961	\$144,056,067	\$157,817,512	\$176,350,883	\$210,547,255	\$235,035,177	\$ 253,940,977	\$ 309,315,848
Total net debt applicable to limit	11,025,000	14,860,000	18,265,000	16,870,000	15,160,000	18,355,000	16,523,333	14,696,671	12,870,004	16,223,337
Legal debt margin	\$ 123,395,325	\$123,823,237	\$123,308,961	\$127,186,067	\$142,657,512	\$157,995,883	\$194,023,922	\$220,338,506	\$ 241,070,973	\$ 293,092,511
Total net debt applicable to the limit as a percentage of debt limit	8.20%	10.72%	12.90%	11.71%	9.61%	10.41%	7.85%	6.25%	5.07%	5.24%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$3,093,158,475
Add back: exempt real property	-
Total assessed value	<u>\$3,093,158,475</u>
Debt limit (10% of total assessed value)	\$ 309,315,848
Net debt applicable to limit	<u>16,223,337</u>
Legal debt margin	<u>\$ 293,092,511</u>

Table 15

TOWN OF VIENNA, VIRGINIA

Revenue Bond Coverage  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Gross Revenue</u>	<u>(2) Direct Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>(3) Principal</u>	<u>(3) Interest</u>	<u>Total</u>	<u>Coverage</u>
2006	\$5,873,791	\$5,130,485	\$ 743,306	\$ -	\$ -	\$ -	N/A
2005	4,753,425	4,249,378	504,047	-	-	-	N/A
2004	4,388,312	4,631,094	(242,782)	-	-	-	N/A
2003	4,335,339	3,559,026	776,313	-	-	-	N/A
2002	4,303,823	3,220,541	1,083,282	-	-	-	N/A
2001	4,350,216	3,104,618	1,245,598	-	-	-	N/A
2000	4,575,121	3,068,368	1,506,753	-	-	-	N/A
1999	4,841,168	2,899,409	1,941,759	-	-	-	N/A
1998	4,222,544	2,729,274	1,493,270	-	-	-	N/A
1997	3,688,175	2,936,482	751,693	-	-	-	N/A

- Notes: (1) Excludes interest earnings and other non-operating income.  
 (2) Total expenses exclusive of depreciation and bond interest.  
 (3) Includes principal and interest on revenue bonds only. Does not include general obligation bond interest reported in the water and sewer fund.

N/A = Not applicable

## TOWN OF VIENNA, VIRGINIA

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2006	14,850	\$ 560,632,050	\$ 37,753	40.0	2.50%
2005	14,850	560,632,050	37,753	40.0	2.50%
2004	14,868	561,311,604	37,753	39.5	2.50%
2003	14,453	545,644,109	37,753	40.0	2.50%
2002	14,453	545,644,109	37,753	40.0	1.60%
2001	14,453	682,774,173	47,241	36.0	2.00%
2000	14,453	682,774,173	47,241	35.9	1.70%
1999	15,699	741,636,459	47,241	36.7	1.70%
1998	15,654	604,025,244	38,586	36.7	1.70%
1997	15,122	583,497,492	38,586	36.7	1.70%

Source: Weldon Cooper Center, Annual school report - prepared by the County, [www.fedstats.gov](http://www.fedstats.gov)

## TOWN OF VIENNA, VIRGINIA

**Principal Employers**  
**Current Year and Nine Years Ago**

<b>Employer</b>	<b>Fiscal Year 2006</b>		<b>Fiscal Year 1997 *</b>	
	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
Navy Federal Credit Union	2,500 +	1	N/A	N/A
SM Consulting	250 to 499	2	N/A	N/A
Management Systems Designers, Inc.	250 to 499	3	N/A	N/A
Fairfax County Public Schools	250 to 499	4	N/A	N/A
Town of Vienna	100 to 249	5	N/A	N/A
Cost Management Systems, Inc.	100 to 249	6	N/A	N/A
Whole Foods Market Group	100 to 249	7	N/A	N/A
NISH	100 to 249	8	N/A	N/A
Westwood Country Club	100 to 249	9	N/A	N/A
Cardiovascular Management Group	100 to 249	10	N/A	N/A

Source: Fairfax County Office of Economic Development

\* 1997 Data not available

**TOWN OF VIENNA, VIRGINIA**  
**Full-time Equivalent County Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Legislative											
	Town Council	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500
	Town Clerk	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.000	2.000
	Town Attorney	0.000	0.000	0.000	0.500	0.500	0.500	0.500	0.500	0.500	0.500
	<b>Subtotal</b>	<b>3.000</b>	<b>3.000</b>	<b>3.000</b>	<b>3.500</b>	<b>3.500</b>	<b>3.500</b>	<b>3.500</b>	<b>3.500</b>	<b>3.000</b>	<b>3.000</b>
Administration											
	Town manager	2.000	2.000	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
	Administrative Services	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
	Public Information	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
	Information Technology	0.000	0.000	0.000	0.000	1.000	1.000	1.000	1.000	2.000	2.000
	<b>Subtotal</b>	<b>5.000</b>	<b>5.000</b>	<b>4.500</b>	<b>4.500</b>	<b>5.500</b>	<b>5.500</b>	<b>5.500</b>	<b>5.500</b>	<b>6.500</b>	<b>6.500</b>
Finance											
	Administration	2.000	2.000	2.375	2.375	2.375	2.375	2.000	2.000	2.000	2.000
	Disbursement Operations	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.625	1.625
	Purchasing	1.500	1.500	1.500	1.675	1.675	1.675	1.675	1.675	1.675	1.675
	Central Services	1.000	1.000	0.370	0.500	0.500	0.500	1.000	1.000	1.000	1.000
	Revenue Operations	3.000	3.000	3.000	3.000	3.000	3.000	3.375	3.375	3.500	3.500
	<b>Subtotal</b>	<b>9.500</b>	<b>9.500</b>	<b>9.245</b>	<b>9.550</b>	<b>9.550</b>	<b>9.550</b>	<b>10.050</b>	<b>10.050</b>	<b>9.800</b>	<b>9.800</b>
Police											
	Administration	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	3.000
	Patrol	22.000	22.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	21.000
	Communications	9.000	9.000	9.000	8.000	8.000	8.000	8.000	8.000	8.000	11.000
	Community Services	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.000
	Traffic	5.000	5.000	7.000	8.000	8.000	8.000	8.000	8.000	8.000	6.000
	Personnel/Accreditation/Animal Control	1.000	1.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.000
	Investigations	7.000	7.000	6.000	6.000	6.000	6.000	6.000	6.000	7.000	9.000
	<b>Subtotal</b>	<b>50.000</b>	<b>51.000</b>	<b>52.000</b>							
Public Works											
	Administration	6.000	6.000	5.000	5.000	5.000	5.000	5.500	5.500	6.000	6.000
	Street Maintenance	14.000	14.000	13.000	13.000	15.000	15.000	15.000	15.000	15.000	15.000
	Vehicle Maintenance	8.000	8.000	8.000	8.000	8.000	8.000	8.000	9.000	9.000	9.000
	General Maintenance	9.000	9.000	9.000	9.000	9.000	9.000	8.000	8.000	8.000	8.000
	Sanitation	15.000	15.000	14.000	14.000	14.000	14.000	14.000	14.000	14.000	14.000
	Traffic Engineering	1.000	1.000	1.000	1.000	1.000	1.000	2.000	2.000	2.000	2.000
	<b>Subtotal</b>	<b>53.000</b>	<b>53.000</b>	<b>50.000</b>	<b>50.000</b>	<b>52.000</b>	<b>52.000</b>	<b>52.500</b>	<b>53.500</b>	<b>54.000</b>	<b>54.000</b>
Parks and Recreation											
	Administration	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.750	4.750	4.750
	Parks Maintenance	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
	Community Center Operations	4.000	4.000	4.000	4.000	3.750	3.750	3.750	4.000	4.000	4.000
	Teen Center	0.000	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000
	<b>Subtotal</b>	<b>18.000</b>	<b>18.000</b>	<b>18.000</b>	<b>18.000</b>	<b>18.750</b>	<b>18.750</b>	<b>18.750</b>	<b>19.750</b>	<b>19.750</b>	<b>19.750</b>
Planning and Zoning											
	Planning and Zoning	6.000	6.000	6.000	6.000	6.000	6.500	6.500	6.500	6.500	6.500
	<b>Subtotal</b>	<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>6.500</b>	<b>6.500</b>	<b>6.500</b>	<b>6.500</b>	<b>6.500</b>
<b>GENERAL FUND TOTAL</b>		<b>144.500</b>	<b>144.500</b>	<b>140.745</b>	<b>141.550</b>	<b>145.300</b>	<b>145.800</b>	<b>146.800</b>	<b>148.800</b>	<b>150.550</b>	<b>151.550</b>
Water and Sewer											
	Operations and Maintenance	14.000	14.000	14.200	14.200	14.000	14.500	14.500	14.500	14.500	14.500
	Meter Maintenance and Reading	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
	Billing/Customer Service	2.000	2.000	1.800	1.800	2.000	2.000	2.000	2.000	2.000	2.000
<b>TOTAL WATER &amp; SEWER FUND</b>		<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>	<b>20.500</b>	<b>20.500</b>	<b>20.500</b>	<b>20.500</b>	<b>20.500</b>
<b>GRAND TOTAL</b>		<b>164.500</b>	<b>164.500</b>	<b>160.745</b>	<b>161.550</b>	<b>165.300</b>	<b>166.300</b>	<b>167.300</b>	<b>169.300</b>	<b>171.050</b>	<b>172.050</b>

Source: Town of Vienna Budget

## TOWN OF VIENNA, VIRGINIA

Operating Indicators by Function  
Last Ten Fiscal Years

Function	(1)	Fiscal Year									
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government</b>											
Administrative Service											
Job applications processed		350	297	297	254	254	254	575	575	581	587
Public Information											
Information requests responded to		-	-	1,500	2,350	2,239	2,209	2,261	2,404	2,192	2,200
Press releases per year		250	260	250	250	287	281	293	234	221	225
Finance											
Real Estate bills processed		-	11,967	11,561	11,720	11,718	12,120	12,120	12,220	12,130	12,136
Water and Sewer bills processed		-	40,000	36,700	37,000	37,000	37,000	37,000	36,000	36,950	36,850
(a) Vehicle decals issued		13,152	13,300	13,492	13,632	13,659	13,522	13,377	13,384	13,297	12,858
(b) Payroll checks/Direct Deposits		-	6,680	6,607	6,565	6,972	7,056	7,685	7,660	7,689	7,500
(b) Vendor check issued		-	4,091	5,401	4,393	4,467	4,524	5,045	4,886	5,049	4,919
Competitive bids completed		60	190	190	190	208	208	208	205	220	220
<b>Public Safety</b>											
Number of Calls for Service received		7,485	12,000	9,064	10,912	11,015	10,469	11,845	10,595	11,786	11,519
Number of Citations issued		10,170	9,500	10,782	10,375	9,322	7,859	8,173	7,667	5,888	6,737
Number of Animal complaints		-	-	598	542	577	-	-	412	477	330
<b>Public Works</b>											
Tons of asphalt installed		845	691	800	800	800	415	357	330	788	662
(c) Vehicles Maintained		119	116	116	120	121	123	122	131	132	147
Tons of Waste collected		4,741	5,955	5,876	5,928	5,487	6,219	6,700	7,950	7,950	7,073
Tons of Recycled materials collected		1,396	1,420	1,467	1,477	1,655	1,734	1,910	2,000	1,701	1,809
Cubic Yards of leaves collected		14,475	13,810	13,483	14,709	13,393	16,341	16,623	11,263	13,719	15,227
<b>Water and Sewer Operations</b>											
Repair Water Main breaks		-	60	47	57	60	57	64	71	42	46
Repair defective sewer lines		-	-	11	15	20	15	20	9	12	12
Completed work orders		-	-	3,850	3,750	3,840	3,840	3,200	3,700	3,800	3,600
<b>Parks and Recreation</b>											
Number of programs held		459	400	300 (3)	400	430	450	427	450	450	520
Daily average number of teens using Teen Center		- (2)	- (2)	15 (3)	36	30	35	40	40	70	115
<b>Planning and Zoning</b>											
Permit applications		-	1,100	875	827	939	939	860	817	876	801
New zoning violation cases opened		-	250	205	185	248	248	260	244	235	220
New weed and debris violation cases		-	90	75	81	85	85	85	82	50	42

Sources: Town Budget unless noted

(a) Decal logs

(b) Check logs

(c) Fixed Asset Records

Notes:

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

(2) Teen Center opened in 1999.

(3) Community center closed for renovations from December 1998 to March 1999.

Table 20

## TOWN OF VIENNA, VIRGINIA

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General government</b>										
Administration buildings	2	2	2	2	2	3	3	3	3	3
Vehicles	6	5	5	5	5	5	5	5	6	6
<b>Public safety</b>										
Patrol units	14	15	16	18	21	18	17	20	18	20
Motorcycles	4	4	4	5	5	5	5	6	5	5
Other vehicles	2	2	2	2	2	1	2	2	3	3
<b>Public works</b>										
Trucks/vehicles	74	72	72	73	70	74	73	75	75	85
<b>Parks and recreation</b>										
Community center	1	1	1	1	1	1	1	1	1	1
Vehicles	16	15	14	14	15	16	16	19	21	24
Number of parks	6	6	6	6	7	7	7	7	7	7
Park acres	63.71	63.71	63.71	63.71	64.33	64.33	64.33	64.33	64.33	64.33
<b>Community development</b>										
Planning Vehicles	3	3	3	3	3	4	4	4	4	4

Source: Individual Town Departments

**- Compliance Section -**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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**TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL  
TOWN OF VIENNA  
VIENNA, VIRGINIA**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the Town of Vienna, Virginia's basic financial statements and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Vienna, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
November 14, 2006