

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016



TOWN OF VIENNA, VIRGINIA

- Introductory Section -

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TOWN OF VIENNA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY:

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

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TOWN OF VIENNA, VIRGINIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page.....	i
Table of Contents.....	iii-v
Town Officials	vii
Letter of Transmittal	ix-xiv
GFOA Certificate of Achievement.....	xv
Town Organizational Chart	xvii
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	Exhibit 1 17
Statement of Activities	Exhibit 2 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	Exhibit 3 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit 4 22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit 5 23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit 6 24
Statement of Net Position - Proprietary Fund.....	Exhibit 7 25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	Exhibit 8 26
Statement of Cash Flows - Proprietary Fund.....	Exhibit 9 27-28
Statement of Fiduciary Net Position - Pension Trust Funds.....	Exhibit 10 29
Statement of Changes in Fiduciary Net Position - Pension Trust Funds.....	Exhibit 11 30
Notes to Financial Statements	31-83
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	Exhibit 12 87-88
Schedule of OPEB Funding Progress	Exhibit 13 89
Schedule of Changes in the Net Pension Liability and Related Ratios	Exhibit 14 90
Schedule of Employer Contributions.....	Exhibit 15 91
Schedule of Investment Returns	Exhibit 16 92

TOWN OF VIENNA, VIRGINIA

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information: (Continued)	
Schedule of Components of and Changes in Net Pension Liability and Related Ratios - VRS Pension Plan	Exhibit 17 93
Schedule of Employer Contributions - VRS.....	Exhibit 18 94
Notes to Required Supplementary Information.....	Exhibit 19 95
Other Supplementary Information:	
Nonmajor Governmental Funds - Combining Balance Sheet	Exhibit 20 99
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	Exhibit 21 100
Fiduciary Funds - Combining Statement of Fiduciary Net Position.....	Exhibit 22 101
Fiduciary Funds - Combining Statement of Changes in Fiduciary Net Position.....	Exhibit 23 102
Governmental Funds - Schedule of Revenues - Budget and Actual.....	Exhibit 24 103-106
Governmental Funds - Schedule of Expenditures - Budget and Actual	Exhibit 25 107-110
STATISTICAL SECTION	
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years.....	Table 1 112-113
Changes in Net Position - Last Ten Fiscal Years	Table 2 114-115
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years.....	Table 3 116-117
Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	Table 4 118-119
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years.....	Table 5 120-121
General Governmental Tax Revenues by Source - Last Ten Fiscal Years.....	Table 6 122-123
Revenue Capacity:	
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	Table 7 124
Property Tax Rate - Direct and Overlapping Governments - Last Ten Fiscal Years.....	Table 8 125
Principal Real Property Taxpayers - Current Year and the Period Nine Years Prior	Table 9 126
Property Tax Levies and Collections - Last Ten Fiscal Years	Table 10 127
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	Table 11 128
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds	Table 12 129
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	Table 13 131
Legal Debt Margin Information - Last Ten Fiscal Years	Table 14 132-133
Revenue Bond Coverage - Last Ten Fiscal Years	Table 15 134

TOWN OF VIENNA, VIRGINIA

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	<u>Page</u>
STATISTICAL SECTION (Continued)	
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	Table 16 135
Operating Information:	
Principal Employers - Current Year and Nine Years Ago.....	Table 17 137
Full-time Equivalent Town Government Employees by Function - Last Ten Fiscal Years	Table 18 138-139
Operating Indicators by Function - Last Ten Fiscal Years	Table 19 140-141
Capital Asset Statistics by Function - Last Ten Fiscal Years	Table 20 142-143
 COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	147-148
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	149-150
Schedule of Expenditures of Federal Awards.....	151
Notes to Schedule of Expenditures of Federal Awards	152
Schedule of Findings and Questioned Costs	153

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TOWN OF VIENNA, VIRGINIA

TOWN OFFICIALS

TOWN COUNCIL

Laurie A. DiRocco, Mayor

Tara Voigt, Vice Mayor

Linda J. Colbert

Douglas Noble

Pasha M. Majdii

Carey J. Sienicki

Howard J. Springsteen

MANAGEMENT TEAM

Town Manager

Mercury T. Payton

Town Attorney

Steven D. Briglia

Town Clerk

Melanie J. Clark

Michael Gallagher, P.E.

Director of Public Works

Maggie Kain

Director of Human Resources

James Morris

Chief of Police

Patrick J. Mulhern, AICP

Director of Planning and Zoning

Antoine Mull

Director of Information Technology

Leslie Herman

Director of Parks and Recreation

Marion K. Serfass, CPA

Director of Finance / Treasurer

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates

Certified Public Accountants

Fredericksburg, Virginia

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

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December 20, 2016

To the Citizens of the Town of Vienna:

The comprehensive annual financial report (CAFR) of the Town of Vienna for the fiscal year ended June 30, 2016, is hereby submitted. The Town Code of the Town of Vienna, Section 2.6 requires the Town Treasurer to arrange for an annual audit of the books by such persons as the Council may designate for this purpose. In addition, Section 15.2-2511 of the Code of Virginia requires that all counties, cities and towns with populations greater than 3,500 have their accounts and records audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts of the Commonwealth of Virginia. This report is formally submitted in fulfillment of those requirements.

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

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

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

The Town's financial statements have been audited by Robinson, Farmer Cox Associates, a certified public accounting firm. The goal of an independent audit was to provide reasonable assurance that the financial statements of the town for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by Town management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first part of the Financial Section of the CAFR.

FINANCIAL REPORTING ENTITY

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

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

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Located in northern Virginia near Washington, D.C., Vienna is one of the more stable areas of the country. With its close proximity to the Dulles Airport corridor and the area's metropolitan transit systems, Vienna continues to enjoy a relatively stable economic base. Existing property values have been increasing over the previous year for the fifth year in a row. There has been continued construction of upscale homes and residential renovations in many areas of the Town. The Town continues to attract new restaurants and commercial businesses in addition to new residential construction. The area's relatively low unemployment rate according to the Bureau of Labor Statistics as of June 30, 2016 was 3.2 percent, comparing favorably with the State's 3.7 percent rate and the national rate of 4.7 percent. This reflects a 0.8 percent decrease in the local rate, coupled with a 0.6 percent decrease in the national rate, creating a favorable outlook for the area. According to the U.S. Census Bureau for 2010 (the last year available) the area's median household income is \$103,000 with 52.6 percent of the households having incomes of at least \$100,000 and 31.2 percent having incomes of at least \$150,000.

Revenue trends were favorable for 2016. During the past year assessed property values increased 5.4 percent from tax year 2014 to 2015, the fifth consecutive year of an increase. The tax rate was decreased by 1.7 percent to \$0.225 in 2016. However, the combination of the reduced rate and the increased assessments still resulted in a 3.3 percent increase in property taxes. Additionally, permits and fees were up 37.4 percent over 2015, the fourth consecutive year of double-digit increases. Both these revenues reflect the pace of newly constructed and remodeled homes in the Town, around 90 in fiscal 2016. Other favorable trends in 2016 were bank franchise taxes which increased 22.8 percent, local sales taxes which increased 1.3 percent and meals and lodging taxes, which increased 7.7 percent over 2015. These increases indicate the positive economic condition in Vienna in 2016, particularly the opening of new restaurants on Maple Avenue during the year. These positive trends were partially offset by a 7.7 percent decrease in utility consumption taxes and a 4.9 percent decrease in tobacco tax revenue.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

In general, the area's underlying economy remains relatively stable. Software, telecommunications, internet and other high-technology industries along with its proximity to Washington, D.C. remain the major components of the area's economy. The nearby Tysons Corner area continues to expand after the opening of the mass transit link to the Dulles Airport corridor in July, 2014, which is driving major commercial expansion directly adjacent to Vienna. It is estimated that 20,000 additional area jobs will be created as a result.

Long-Term Financial Planning and Outlook

The Town Council meets periodically with Town staff to discuss vision and long-term financial planning. With the expansion of the Washington area Metro subway system and commercial development increasing in the nearby edge city of Tysons, Virginia, Town staff is exploring ways to capitalize on that development while maintaining the small town feel that residents enjoy. The Planning and Zoning department has spearheaded a commercial construction revitalization plan for the Maple Avenue corridor, studying and evaluating existing land use and zoning to promote mixed use and increased density. A committee was formed to study the development of more walking and biking trails to decrease vehicle congestion in Town, and Town management is working on developing a site or several sites for municipal parking in the commercial corridors.

A budget committee comprised of department heads from Finance, Human Resources, the Town Manager, Finance staff and two other rotating department heads was established in 2012. This committee performs an intensive review of the annual operating budget and presents Council with a conservative, achievable budget. In fiscal year 2016 the Town staff worked with Council to develop and refine long-term capital project planning. Projects were identified and prioritized for potential debt offerings for the next twenty years.

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

Relevant Financial Policies

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

Town Council has strongly supported maintaining adequate reserves in the General and Debt Service funds to buffer financial emergencies and economic downturns. During the periods when property values were rising in the double-digits, Council maintained relatively modest increases to the budget while reducing property tax rates within the limits of conservative revenue estimates. These policies have helped Vienna continue its ability to provide quality services within the limits of sound fiscal management and have enabled the Town to retain its coveted AAA bond rating. In 2012, Council formally adopted a Fund Balance policy in accordance with GASB 54 specifying the Town have an unassigned General Fund Balance of at least 10 percent of the subsequent year's budget. For FYE 2016 the Town operations resulted in 19.6 percent of the FY 2017 budget in unassigned Fund Balance, well in excess of the adopted policy.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED)

Major Initiatives

During this past fiscal year, various projects were completed or continued. These include sidewalk, curb and gutter, street rebuilding and storm drainage projects, several financed in conjunction with the Virginia Department of Transportation, the Northern Virginia Transportation Authority and State stormwater grants. In addition, there were several underground water lines repaired and upgraded, a major project to refurbish and upgrade the Community Center moved into the construction phase, a major project to upgrade the police station started the design phase in 2016, and efforts to identify a site for municipal parking began to move forward.

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

Work continued on implementing a new financial system that will consolidate all financial functions and add operating functions and a customer portal. The general ledger, accounts payable, purchasing and budgeting modules went live at the end of 2015, and the payroll system went live in early 2016. In 2017 the permitting system, work order and revenue modules will all go live, with the last system, utility billing planned for early 2018. The customer portal development will start in 2017. A classification and compensation study on selected positions is planned for 2017 to be incorporated into the 2018 budget. The Vienna Public Art Commission established in 2015 began developing plans for beautification projects. Work also continued to refine a biennial strategic plan for the Town; highlighting areas and projects that staff will focus on to help the Town meet its goals.

Bond financing is planned for every other year with the next issuance planned for 2018. A capital lease to finance vehicle purchases for \$700,000 was completed during the year at an interest rate of 1.74 percent, confirming the Town's credit-worthiness.

OTHER INFORMATION

Independent Audit

The Town Charter requires an annual audit by independent certified public accountants. Robinson, Farmer, Cox Associates performed the audit for fiscal year ending June 30, 2016 as part of its five-year contract with the Town of Vienna, which was renewed in 2015. The auditor's report on the basic financial statements, combining and individual fund statements and schedules is included in the financial section of this report.

Awards and Designations

2015 Best Cities for Young Families

NerdWallet, a web application that provides comparative information about credits cards founded in 2009 name Vienna the 4th best city on their list of "Best Cities for Young Families in Virginia" in 2015. Also noted in the NerdWallet list was that Vienna earned a GreatSchools ranking of 8, based on how local schools do on standardized tests vs. the State as a whole. This is almost double the State-wide rating, further enhancing Vienna's appeal to young families.

OTHER INFORMATION (CONTINUED)

2014 Best Places to Live CNN-Money Magazine

CNN's Money Magazine ranked the Town of Vienna as third in their 2014 list of "Best Places to Live." Vienna was recognized as a small and intimate town with easy access to the big city. CNN's Money Magazine also recognized Vienna as number 24 in their 2014 list of "Top-Earning Towns." Vienna continued to place on the top 50 list of Best Places to live in 2015.

GFOA Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Vienna for its comprehensive annual financial report for the fiscal year ending June 30, 2015 for the 29th year in a row. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

GFOA Distinguished Budget Presentation Award

For the 22nd year in a row the Town received the GFOA's Distinguished Budget Presentation award for the FY 2016. This award is presented to local governments who prepare a budget that satisfies a rigorous set of criteria defining the document as a policy document, an operations guide, a financial plan and a communications device. Localities that apply have their budget reviewed by the GFOA and selected outside reviewers with experience in public-sector budgeting. In July 2016 the Town submitted the FY 2017 budget documents for consideration for the award in the following year.

Green Bonds

In 2016 Vienna became the first jurisdiction in Virginia to issue bonds with a green designation. The designation is conferred on bonds supporting projects that in some way protect or enhance the environment. The Community Center renovation and expansion is a LEED silver-certified project financed in part by these bond proceeds.

Tree City USA

The Parks and Recreation Department received a Tree City USA award from the National Arbor Day Foundation. This is the 15th consecutive year that the Town has achieved this award, confirming the Town's commitment to its tree canopy and environmental stewardship.

Virginia Municipal League's Green Government Award

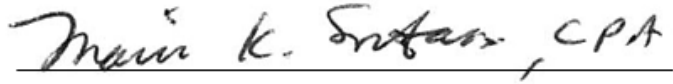
Recognizing the Town's commitment to environmentally friendly ways of doing business, the Town has received the Virginia Municipal League's Green Government Award in 2016. The award was received in recognition of the Town's effort to reduce carbon emissions and the positive impact on the environment from the annual Green Expo and in developing biking and walking traffic calming alternatives.

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.

A handwritten signature in dark ink, appearing to read "Mercury T. Payton", written over a horizontal line.

Mercury T. Payton
Town Manager

A handwritten signature in dark ink, appearing to read "Marion K. Serfass, CPA", written over a horizontal line.

Marion K. Serfass, CPA
Director of Finance/Treasurer



Government Finance Officers Association

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

Presented to

**Town of Vienna
Virginia**

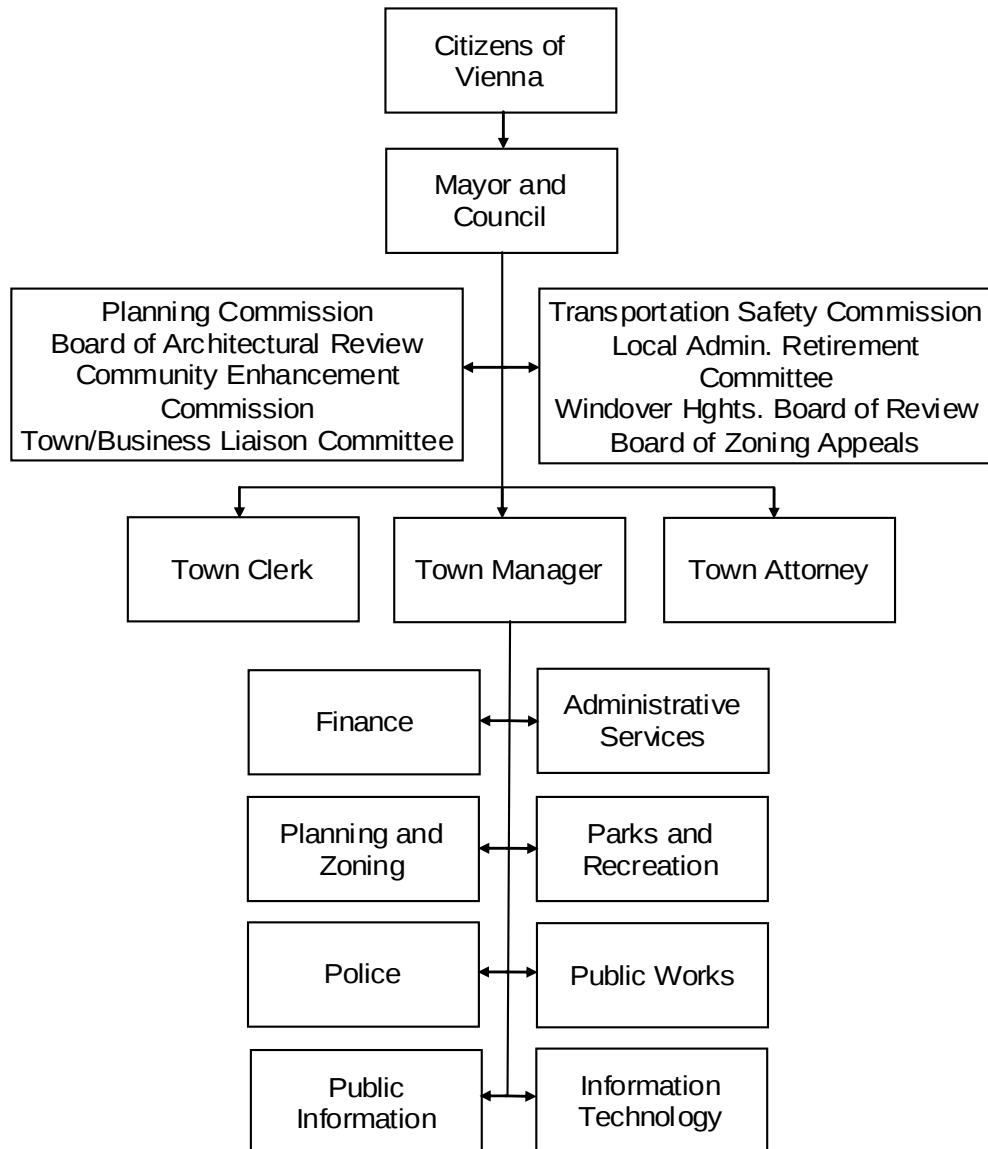
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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Town of Vienna, Virginia Organizational Chart



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- Financial Section -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Vienna, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Information (continued)

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the Town of Vienna, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vienna, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 20, 2016

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

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

As management of the Town of Vienna we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in this analysis in conjunction with additional information that we have furnished in the letter of transmittal.

Financial Highlights

- Total net position on June 30, 2016 was \$58,105,113, compared to \$47,436,891 in 2015. Total net position increased \$10,668,222 or 22.5 percent, mainly due to the issuance of bonds during the year which increased capital spending and increased bonds payable. Unrestricted Net Position increased by \$3,317,571 or 79.5 percent over 2015 due to the same factors noted above. Unrestricted net position may be appropriated by the Town Council to meet the ongoing obligations to citizens, water and sewer customers and creditors.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet (Exhibit 3) reported a combined ending fund balance of \$26,414,467, an increase of \$2,428,784 or 10.1 percent compared with the prior year. The increase was primarily due to an increase in cash and receivables partially offset by an increase in accounts payable. The Debt Service Fund's balance of \$6,348,055 is assigned for the retirement of current and future debt issues and the \$10,830,402 balance of the Capital Projects Fund is assigned for completion of capital projects. The \$1,077,674 fund balance in the Non-major Governmental Funds consists of \$330,666 restricted for Stormwater projects and \$747,008 restricted for projects sponsored by the Northern Virginia Regional Gang Task Force. The General Fund's balance includes \$4,447,066 as unassigned. This represents 19.7 percent of total General Fund FYE 2017 budgeted expenditures.
- The Town's long-term obligations due in more than one year increased by \$5,911,799 or 19.08 percent during last fiscal year. The increase resulted primarily from the issuance of bonds in 2016 plus the accrual for long-term pension obligations. Long-term obligations due in more than one year totaled \$36,900,190 at year-end. Of this amount, outstanding bonds totaled \$21,748,862, capital leases totaled \$1,063,284 and pension and post-employment benefits totaled \$13,938,729. The above amounts do not include the Town's obligations related to accounts payable and total compensated absences, which totaled \$6,004,706 and \$1,493,150 respectively, at year-end. Accounts payable and an estimated amount of \$1,343,835 worth of compensated absences will be retired from current resources and were not included in long-term liabilities. Total compensated absences increased by \$150,215 or 11.2 percent over the preceding year.
- Excluding Pension Trust Funds, total cash and cash equivalents increased by \$1,804,063 when compared to the prior fiscal year. The increase is mainly attributed to the issuance of bonds in 2016. Water and Sewer Fund operating, non-operating revenues, capital contributions, and incoming transfers exceeded operating and non-operating expenses and outgoing transfers by \$606,519. Pension funds contributions and interest earnings exceeded benefits payments by \$157,432. The following table denotes cash increases and decreases by fund.

Fund	FY 16 Cash	FY 15 Cash	Increase (Decrease)
General	\$ 10,674,615	\$ 11,220,423	\$ (545,808)
Debt Service	6,089,610	4,673,115	1,416,495
Capital Projects	9,275,459	8,883,576	391,883
Special Transportation	1,799,394	1,082,964	716,430
Nonmajor Governmental	1,139,050	1,100,803	38,247
Water & Sewer	1,457,765	1,670,949	(213,184)
Total Cash	<u>\$ 30,435,893</u>	<u>\$ 28,631,830</u>	<u>\$ 1,804,063</u>
Pension Trust	<u>\$ 5,325,977</u>	<u>\$ 5,280,749</u>	<u>\$ 45,228</u>

Overview of the Financial Statements

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

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

1. Statement of Net Position - Presents information on all Town assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the assets and deferred outflows and liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
2. Statement of Activities - Presents information showing how Town net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

- a. Asset purchases for land, buildings and equipment are reflected as expenditures in governmental fund financial statements; whereas, these same expenditures are capitalized and allocated (depreciation) to operations over the estimated useful lives of the assets in the government-wide financial statements.
 - b. Interest expense is reflected as an expenditure when due in the governmental fund financial statements, but is posted as an accrued expense in the government-wide financial statements.
 - c. Receivables reported in the government-wide financial statements when a claim is established (or revenue is earned), are reported as deferred revenues in the government fund financial statements if not available to pay current-period expenditures.
2. Proprietary funds - Proprietary funds consist of enterprise and internal service funds. Enterprise funds are predominantly used to account for goods and services that are offered for sale to the general public, whereas internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The Town does not utilize internal service funds, but does maintain one enterprise fund that accounts for the delivery and sale of water and sewer services. Enterprise funds employ the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements.
 3. Fiduciary funds - Fiduciary funds account for assets held by the Town as a trustee or agent for individuals (pension plan), private organizations or other government units. The Town offers full-time employees a defined contribution and two defined benefit plans. The Town administers the two employee defined benefit pension plans under the direction of the Town Retirement Committee. The Local Retirement Pension Plan, which was closed to new entrants in 2006 covers non-sworn employees and police officers are covered by the Police Retirement Pension Plan. Although reported in the governmental fund financial statements, fiduciary funds are not reported in the Town's government-wide financial statement because the funds are not available to support Town programs. Fiduciary funds employ the accrual basis of accounting.

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's total assets and deferred outflows exceeded total liabilities and deferred inflows of resources by \$58,105,113 at year-end, an increase of \$10,668,222 or 22.5 percent. Of the total net position, governmental activities totaled \$48,733,258 up \$10,061,703 or 26.0 percent while business-type activities totaled \$9,371,855, an increase of \$606,519 or 6.9 percent. The increase in net position of governmental activities was primarily due to the issuance of bonds and the corresponding investments in capital assets in 2016. The increase in net position of the business type activities was primarily due to an excess of revenues over operating and non-operating expenses, investments in Water and Sewer infrastructure and a decrease in obligations due to other governments during the year.

The Town's investment in capital assets such as land, buildings and equipment net of depreciation totaled \$71,735,417 at June 30, 2016; of which, governmental activities totaled \$60,380,344, an increase of \$12,230,160 or 25.4 percent. The increase was due primarily to the issuance of bonds in 2016 and the corresponding increase in investments in infrastructure in 2016. The Town uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Although capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Town of Vienna, Virginia						
Schedule of Assets, Liabilities, Deferred Inflows and Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Assets:</u>						
Current and other assets	\$ 35,329,623	\$ 29,863,466	\$ 2,993,182	\$ 3,038,267	\$ 38,322,805	\$ 32,901,733
Capital assets	60,380,344	48,150,184	11,355,073	11,040,527	71,735,417	59,190,711
Total assets	\$ 95,709,967	\$ 78,013,650	\$ 14,348,255	\$ 14,078,794	\$ 110,058,222	\$ 92,092,444
Deferred Inflows of Resources	\$ 2,235,195	\$ 1,421,792	\$ 299,039	\$ 149,152	\$ 2,534,234	\$ 1,570,944
<u>Liabilities:</u>						
Long-term liabilities outstanding	\$ 38,268,815	\$ 31,964,577	\$ 3,140,170	\$ 2,928,114	\$ 41,408,985	\$ 34,892,691
Other liabilities	9,078,323	5,940,006	2,036,391	2,288,809	11,114,714	8,228,815
Total liabilities	\$ 47,347,138	\$ 37,904,583	\$ 5,176,561	\$ 5,216,923	\$ 52,523,699	\$ 43,121,506
Deferred Inflows of Resources	\$ 1,864,766	\$ 2,859,304	\$ 98,878	\$ 245,687	\$ 1,963,644	\$ 3,104,991
<u>Net Position:</u>						
Net investment in capital assets	\$ 40,770,246	\$ 33,907,664	\$ 9,846,088	\$ 9,358,019	\$ 50,616,334	\$ 43,265,683
Unrestricted	7,963,012	4,763,891	(474,233)	(592,683)	7,488,779	4,171,208
Total net position	\$ 48,733,258	\$ 38,671,555	\$ 9,371,855	\$ 8,765,336	\$ 58,105,113	\$ 47,436,891

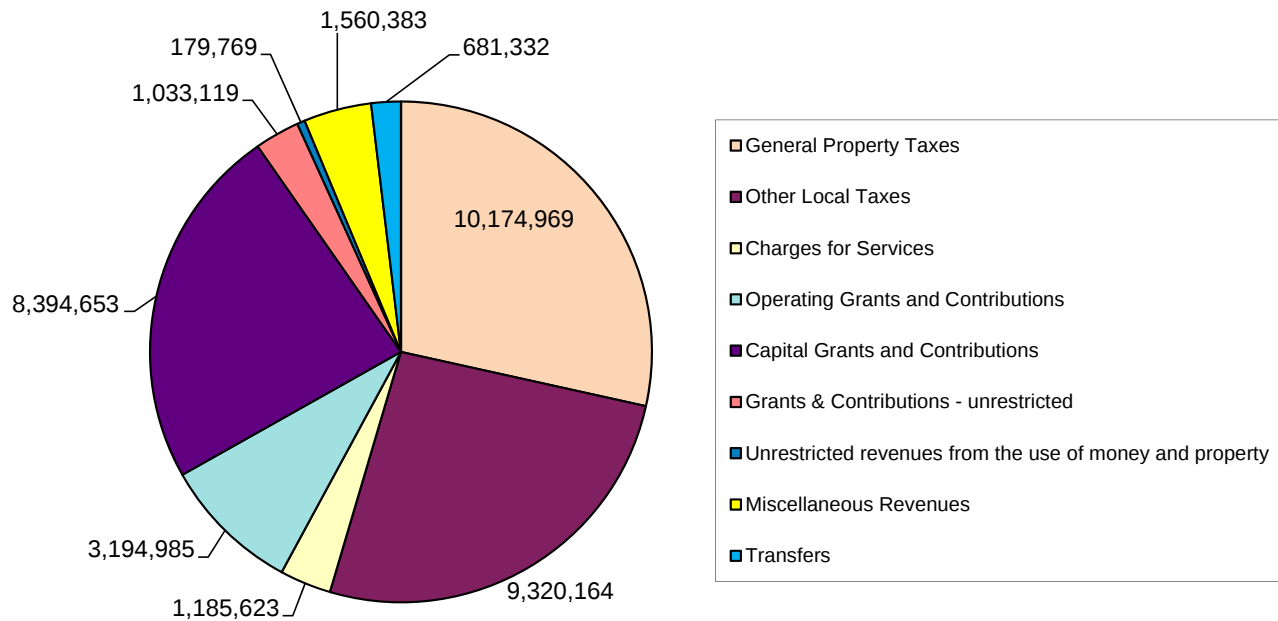
At the end of the current fiscal year, the Town of Vienna is able to report positive balances in both categories of net position for the Town as a whole.

Governmental Activities - Governmental and business-type activities reflect changes in net position of \$10,061,703 and \$606,519 respectively. The following table provides an overview of revenues, expenses and the changes in net position for the fiscal year.

Town of Vienna, Virginia Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,185,623	\$ 1,405,968	\$ 6,902,605	\$ 7,018,076	\$ 8,088,228	\$ 8,424,044
Operating grants and contributions	3,194,985	3,018,343	-	-	3,194,985	3,018,343
Capital grants and contributions	8,394,653	2,209,526	213,405	264,630	8,608,058	2,474,156
General revenues:						
Property taxes	10,174,969	9,820,079	-	-	10,174,969	9,820,079
Other local taxes	9,320,164	8,978,718	-	-	9,320,164	8,978,718
Grants & contributions - unrestricted	1,033,119	1,064,604	-	-	1,033,119	1,064,604
Unrestricted revenues from the use of money and property	179,769	265,103	6,029	3,240	185,798	268,343
Miscellaneous	1,560,383	799,340	262,214	255,595	1,822,597	1,054,935
Total revenues	\$ 35,043,665	\$ 27,561,681	\$ 7,384,253	\$ 7,541,541	\$ 42,427,918	\$ 35,103,222
Expenses:						
General government administration	\$ 4,922,997	\$ 4,599,322	\$ -	\$ -	\$ 4,922,997	\$ 4,599,322
Public safety	7,052,929	6,815,222	-	-	7,052,929	6,815,222
Public works	8,917,396	10,217,103	-	-	8,917,396	10,217,103
Health and welfare	240,410	236,811	-	-	240,410	236,811
Parks, recreation and cultural	3,040,826	3,271,954	-	-	3,040,826	3,271,954
Community development	781,494	665,881	-	-	781,494	665,881
Interest on long-term debt	707,242	479,678	-	-	707,242	479,678
Water and sewer	-	-	6,096,402	5,713,223	6,096,402	5,713,223
Total Expenses	\$ 25,663,294	\$ 26,285,971	\$ 6,096,402	\$ 5,713,223	\$ 31,759,696	\$ 31,999,194
Net Position:						
Income before capital contributions and transfers	\$ 9,380,371	\$ 1,275,710	\$ 1,287,851	\$ 1,828,318	\$ 10,668,222	\$ 3,104,028
Transfers	681,332	(235,961)	(681,332)	235,961	-	-
Increase (Decrease) in net position	\$ 10,061,703	\$ 1,039,749	\$ 606,519	\$ 2,064,279	\$ 10,668,222	\$ 3,104,028
Net position, beginning of year	38,671,555	37,631,806	8,765,336	6,701,057	47,436,891	44,332,863
Net position, end of year	\$ 48,733,258	\$ 38,671,555	\$ 9,371,855	\$ 8,765,336	\$ 58,105,113	\$ 47,436,891

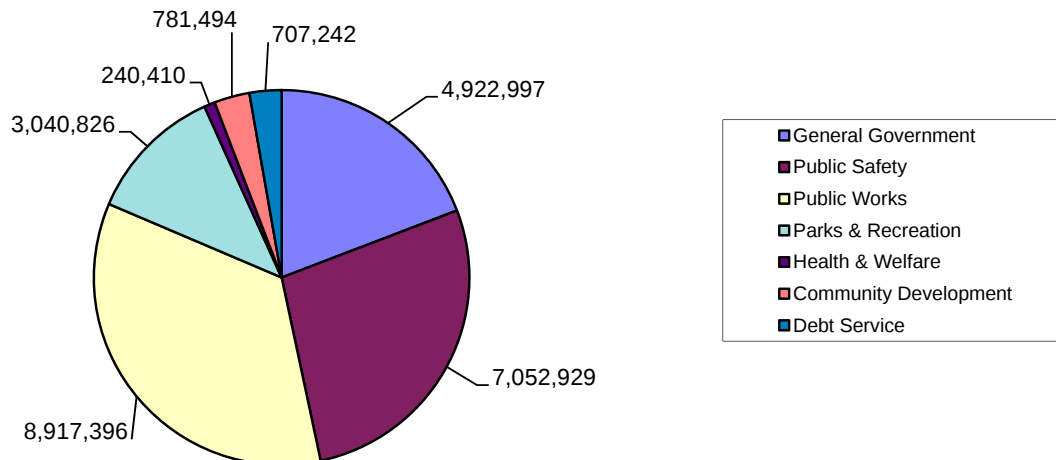
Program and general revenues totaled \$35,043,655, an increase of \$7,481,984 or 27.1 percent over the previous fiscal year. Of the total amount, property tax revenue totaled \$10,174,969 and other local taxes totaled \$9,320,164. The 3.6 percent increase in property taxes was due to new residential and commercial construction plus a 5.4 percent increase in assessments. The 3.8 percent increase in other local taxes primarily reflected a 22.8 percent increase in bank franchise tax and a 7.7 percent increase in meals taxes. Capital grants and contributions totaled \$8,394,653, an increase of \$6,815,127 from the previous year. The \$681,332 worth of transfers between governmental activities and business-type activities was net \$917,293 more than that of the preceding year. The transfers consist of those from the Water and Sewer Fund to the Debt Service Fund for those funds' share of debt retirement, and those from the Water and Sewer Fund to the General Fund to recover the General Fund's cost related to the support of its operations. These transfers are netted against those from the Capital Projects Fund to the Water and Sewer Fund resulting from capitalization of water and sewer project completions. The net increase was due primarily to a smaller amount capital projects completed for the Water and Sewer Fund during the year compared to 2015. The chart below provides an overview of the FY 2015-2016 revenues by program source.

Governmental Activities Revenues By Source



The government-wide statement of activities (Exhibit 2) reports expenses and revenues in a format that focuses on the cost of providing services by function. The expenses associated with individual functions are compared to the non-tax revenues generated by charges for services and intergovernmental grants. As indicated in the Statement of Activities, governmental expenses totaled \$25,633,294, a decrease of \$622,677 or 2.4 percent. Directly supporting these expenditures were charges for services generating \$1,185,623 plus operating grants and contributions totaling \$3,194,985 and capital grants and contributions of \$8,394,653 for total program revenues of \$12,775,261. This represents an increase of \$6,141,424 or 92.6 percent. The increase was mainly due to increases in the amounts received for capital grants and contributions both from outside entities and the 2016 bond issue. General revenue support of these activities increased by \$2,257,853 or 10.9 percent. The chart below provides a graphical comparison of expenditures by function (general government, public works, etc.).

Governmental Activities Expenses By Type



Business-type activities - The Water and Sewer Fund concluded the year with an increase in net position of \$606,519 to end the year with a net position balance of \$9,371,855. Before net transfers out of \$681,332 to the General, Debt Service and Capital Project Funds, other grants and revenues from the use of money and property, Water and Sewer Fund operating income and capital transfers ended the year with a net gain of \$809,663. The key contributors to the increase in net position were a decrease in the cost of water purchases and sewer treatment partially offset by increased personnel costs.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town employs six funds: the General Fund, the Debt Service Fund, the Capital Projects Fund, the Gang Task Force Fund, Special Transportation Fund and the Stormwater Fund.

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

As of the end of the current fiscal year the Town's six governmental funds reported combined ending fund balances of \$26,414,467, an increase of \$2,428,784 or 10.1 percent from the prior year. The change was mainly the result of increased cash and grants receivable due to the issuance of bonds in 2016 and the accompanying increase in capital project spending. \$21,967,401 or 83.2 percent of the combined fund balance is non-spendable, restricted, committed, or assigned for capital projects, debt service, and other purposes, leaving an unassigned balance of \$4,447,066 or 16.8 percent of the total fund balance available for spending by Council appropriation.

Debt Service Fund revenues were up by \$181,170 or 7.7 percent, primarily because of rising meals and lodging tax collections. Transfers from the General Fund and the Water and Sewer Fund increased by \$1,513,854, mainly due to the transfer of other debt payments and funds reserved for debt service from the General Fund. Expenditures were up by 10.1 percent due to debt payments on newer bond funds. Capital Project Fund balance increased by \$2,010,228 reflecting receipt of 2016 bond proceeds and matching grant funds partially offset by increased spending. The balance at year-end is reserved for the various projects for which the debt was issued. The reserved portions of the fund balances indicates they are not available for new spending because they have already been committed for expenditure, as follows:

Town of Vienna, Virginia	
Fund Balance Components	
General, Debt Service, Capital Projects, and Special Revenue Funds	
Nonspendable:	
Inventory	\$ 106,155
Prepaid items	1,994
Total Nonspendable	<u>\$ 108,149</u>
Restricted:	
Unappropriated PEG Funds	\$ 798,241
Gang task force funds	747,008
Stormwater funds	330,666
Total Restricted	<u>\$ 1,875,915</u>
Committed:	
VRP reserves	\$ 700,000
Subsequent year budget support	550,000
Capital lease proceeds	214,500
New financial system	156,460
Total Committed	<u>\$ 1,620,960</u>
Assigned:	
Carryforward	\$ 226,000
Federal AF Funds	364,186
State AF Funds	249,053
Other postemployment benefits	344,681
Debt service	6,348,055
Capital projects	10,830,402
Total Assigned	<u>\$ 18,362,377</u>
Unassigned:	
General fund	<u>\$ 4,447,066</u>
Total Fund Balance	<u><u>\$ 26,414,467</u></u>

The General Fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the General Fund totaled \$8,158,336, which equates to 30.9 percent of the \$26,414,467 combined fund balance for the six funds the Town employs. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance of \$4,447,066 represents 19.7 percent of total General Fund expenditures, while total fund balance represents 36.2 percent of that same amount.

The total fund balance for the General Fund decreased \$1,028,109 or 11.2 percent from the previous fiscal year. The unassigned component of fund balance was \$4,447,066 at year-end, a decrease over the prior fiscal year of \$321,103 or 6.7 percent. Both changes were the function of the following:

- Overall, General Fund revenues were up by \$692,121 or 3.2 percent, primarily as a result of increased real estate assessments and bank franchise tax revenue partially offset by decreases in service charges and revenue from use of money and property.
- General Fund expenditures increased by \$92,532 or .4 percent over the previous year. Personnel costs and increased systems costs accounted partially offset by the transfer of capital lease payments to the Debt Service Fund account for most of the increase.
- In 2016, Council authorized \$620,000 of unassigned General Fund Balance to be transferred to the Capital Project fund for the renovation of the Community Center.

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, various budget amendments resulted in differences between the original and final FY 2016 budgets. These differences totaled \$163,590 for revenues and \$519,910 for expenditures. Donations to the Police and Parks and Recreation department projects comprise most of the miscellaneous revenue budget amendments. Federal and state law enforcement grants account for the amendments to Public Safety expenditure budgets. The debt service budget was decreased for debt payments for Capital Leases transferred to the Debt Service Fund. Details are summarized in the following table:

	Amount Amended
Revenues:	
Miscellaneous	\$ 154,430
Charges for services	9,160
Total	<u>\$ 163,590</u>
Expenditures:	
General government administration	\$ (17,650)
Public safety	83,210
Public works	14,820
Parks, recreation and cultural	50,900
Community development	5,400
Debt service	(656,590)
Total	<u>\$ (519,910)</u>

General Fund Budgetary Variances

General Fund actual revenues were \$756,160 or 3.5 percent more than amended budgetary estimates. The difference was largely due to favorable bank franchise tax and real estate taxes, partially offset by lower business license taxes and charges for services. General Fund actual expenditures were \$35,715 or .16 percent greater than amended budgets. The majority of the budgetary overage occurred in the category of public works and was partially offset by savings in the general and financial administration category.

Capital Assets and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities totaled \$60,380,344 (net of accumulated depreciation), an increase of \$12,230,160 or 25.4 percent. Capital assets for business-type activities increase by \$314,546 or 2.9 percent. The increases were due to spending increases from the 2016 bond proceeds and matching grants. The schedule below provides an overview of capital asset balances at year-end, net of accumulated depreciation. More detailed information on capital asset activity is in Note 7 of the Notes to Financial Statements.

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 3,032,919	\$ 3,032,919	\$ -	\$ -	\$ 3,032,919	\$ 3,032,919
Land improvements	2,917,354	2,418,246	-	-	2,917,354	2,418,246
Construction in progress	9,784,455	5,541,430	83,606	39,321	9,868,061	5,580,751
Buildings and improvements	8,480,410	9,050,731	-	-	8,480,410	9,050,731
Infrastructure	30,370,179	23,357,937	10,802,716	10,498,398	41,172,895	33,856,335
Office and other equipment	2,896,316	1,919,855	-	-	2,896,316	1,919,855
Automotive and other equipment	2,898,711	2,829,066	468,751	502,808	3,367,462	3,331,874
Total assets - net of depreciation	<u>\$ 60,380,344</u>	<u>\$ 48,150,184</u>	<u>\$ 11,355,073</u>	<u>\$ 11,040,527</u>	<u>\$ 71,735,417</u>	<u>\$ 59,190,711</u>

Long-term obligations - At the conclusion of the fiscal year, long-term obligations totaled \$24,468,121 for governmental activities and \$1,508,985 for business-type activities. Of these amounts, outstanding bonds totaled \$24,215,586 and capital leases totaled \$1,761,520. The above amounts do not include the Town's obligations related to accounts payable, compensated absences, and other post-employment benefits which totaled \$6,004,706, \$1,493,150 and \$522,008 respectively, at year-end. Except for \$149,315 worth of compensated absences, these obligations will be paid from current resources and were not included in long-term liabilities. Additional information relative to the Town's long-term obligations can be found in Note 9 of the Notes to Financial Statements.

Economic Factors and Next Year's Budget and Rates

Located in northern Virginia, approximately ten miles west of Washington D.C., the Town of Vienna is situated in one of the more economically stable regions of the country. Vienna continues to enjoy a healthy economic base given its metropolitan transit system, and its close proximity to the Dulles Airport corridor and Washington D.C. Existing property values have been increasing for the past several years and have increased in FY 2016 by 5.4 percent, mainly due to continued construction of upscale homes and residential renovations in many areas of Vienna. Overall property values increased by 5.1 percent during the past calendar year and are projected to increase moderately during the next several years. The Town continues to enjoy the effects of the area's relatively low unemployment which at the end of the fiscal year according to the Bureau of Labor Statistics was 3.2 percent as compared to 3.7 percent and 4.7 percent for Virginia and the nation respectively. According to the U.S. Census Bureau for 2010 (the last year available) the area's median household income is \$103,000 with 52.6 percent of the households having incomes of at least \$100,000 and 31.2 percent having incomes of at least \$150,000.

The General Fund revenue budget for the fiscal year ending June 30, 2017 totals \$22,614,320 which equates to a decrease of \$515,740 or 2.2 percent from the previous fiscal year. \$656,590 of this decrease relates to moving capital lease transfers to the Debt Service Fund to match the payments. General property taxes are expected to increase \$402,430 or 4.0 percent. The tax rate for fiscal year 2017 is \$0.2250, no change from fiscal year 2016. The following table provides a comparison of the FYE 2016 actual revenue and the FYE 2017 adopted revenue budget for the Town of Vienna.

Revenue Source	FY 2017 Budget	FY 2016 Budget	Expected Increase (Decrease)
Property taxes	\$ 10,427,500	\$ 10,025,070	\$ 402,430
Other local taxes	6,451,000	6,521,990	(70,990)
Permits, fees & licenses	246,200	179,500	66,700
Fines and forfeitures	462,500	455,000	7,500
Use of money & property	136,000	125,000	11,000
Charges for services	625,000	820,000	(195,000)
State revenues	3,203,210	3,195,900	7,310
Federal revenues	113,500	113,500	-
Transfers-in	243,410	900,000	(656,590)
Other	156,000	144,100	11,900
Prior year reserves	550,000	550,000	-
Equip. Repl. Reserve/PEG	-	100,000	(100,000)
Total Revenue Budget	<u><u>\$ 22,614,320</u></u>	<u><u>\$ 23,130,060</u></u>	<u><u>\$ (515,740)</u></u>

Request for Information

This financial report is designed to provide a general overview of Town's finances for the fiscal year ended June 30, 2016. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 127 Center Street, South, Vienna, Virginia 22180. Information relative to Town government may also be obtained by visiting the Town of Vienna web site at www.viennava.gov.

Basic Financial Statements:

- Government-wide Financial Statements -

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TOWN OF VIENNA, VIRGINIA

Statement of Net Position
At June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 26,431,704	\$ 1,457,765	\$ 27,889,469
Receivables, (net of allowances for uncollectibles):	1,240,053	1,549,898	2,789,951
Prepaid items	1,994	144	2,138
Due from other governments	4,953,293	-	4,953,293
Internal balances	50,000	(50,000)	-
Inventory, at cost	106,155	35,375	141,530
Restricted:			
Cash and cash equivalents	2,546,424	-	2,546,424
Capital assets:			
Land	3,032,919	-	3,032,919
Construction in progress	9,784,455	83,606	9,868,061
Other capital assets, net of accumulated depreciation	47,562,970	11,271,467	58,834,437
Capital assets, net	<u>\$ 60,380,344</u>	<u>\$ 11,355,073</u>	<u>\$ 71,735,417</u>
Total assets	<u>\$ 95,709,967</u>	<u>\$ 14,348,255</u>	<u>\$ 110,058,222</u>
Deferred outflows of resources:			
Pension contributions subsequent to the measurement date	\$ 1,298,796	\$ 130,170	\$ 1,428,966
Change in proportionate share of net pension liability	-	98,625	98,625
Items related to the measurement of the net pension liability	936,399	70,244	1,006,643
Total deferred outflows of resources	<u>\$ 2,235,195</u>	<u>\$ 299,039</u>	<u>\$ 2,534,234</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 4,716,128	\$ 1,288,578	\$ 6,004,706
Unearned revenue	2,717,882	-	2,717,882
Escrow and other deposits	1,644,313	133,722	1,778,035
Due to other governments	-	614,091	614,091
Long-term liabilities:			
Due within one year:			
Bonds payable	2,353,724	113,000	2,466,724
Capital leases	633,747	64,489	698,236
Compensated absences	1,214,586	129,249	1,343,835
Due in more than one year:			
Bonds payable	20,503,862	1,245,000	21,748,862
Capital leases	976,788	86,496	1,063,284
Net OPEB obligation	475,284	46,724	522,008
Net pension liability	11,975,870	1,440,851	13,416,721
Compensated absences	134,954	14,361	149,315
Total liabilities	<u>\$ 47,347,138</u>	<u>\$ 5,176,561</u>	<u>\$ 52,523,699</u>
Deferred Inflows of Resources:			
Items related to the measurement of the net pension liability	\$ 1,717,744	\$ 98,878	\$ 1,816,622
Change in proportionate share of net pension liability	98,625	-	98,625
Deferred revenue - property taxes	48,397	-	48,397
Total deferred inflows of resources	<u>\$ 1,864,766</u>	<u>\$ 98,878</u>	<u>\$ 1,963,644</u>
Net Position:			
Net investment in capital assets	\$ 40,770,246	\$ 9,846,088	\$ 50,616,334
Unrestricted	7,963,012	(474,233)	7,488,779
Total net position	<u>\$ 48,733,258</u>	<u>\$ 9,371,855</u>	<u>\$ 58,105,113</u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government administration	\$ 4,922,997	\$ 35,896	\$ -	\$ -	\$ (4,887,101)	\$ -	\$ (4,887,101)
Public safety	7,052,929	613,564	968,587	-	(5,470,778)	-	(5,470,778)
Public works	8,917,396	-	2,193,857	8,394,653	1,671,114	-	1,671,114
Health and welfare	240,410	-	-	-	(240,410)	-	(240,410)
Parks, recreation and cultural	3,040,826	536,163	-	-	(2,504,663)	-	(2,504,663)
Community development	781,494	-	-	-	(781,494)	-	(781,494)
Interest on long-term debt	707,242	-	32,541	-	(674,701)	-	(674,701)
Total governmental activities	\$ 25,663,294	\$ 1,185,623	\$ 3,194,985	\$ 8,394,653	\$ (12,888,033)	\$ -	\$ (12,888,033)
Business-type activities							
Water and sewer	6,096,402	6,902,605	-	213,405	-	1,019,608	1,019,608
Total Primary Government	\$ 31,759,696	\$ 8,088,228	\$ 3,194,985	\$ 8,608,058	\$ (12,888,033)	\$ 1,019,608	\$ (11,868,425)
General Revenues							
Taxes:							
General real property taxes					\$ 10,174,969	\$ -	\$ 10,174,969
Local sales and use taxes					1,484,216	-	1,484,216
Consumer utility taxes					659,320	-	659,320
Business license taxes					2,221,072	-	2,221,072
Meals and lodging taxes					2,520,856	-	2,520,856
Bank franchise taxes					1,416,573	-	1,416,573
Other					1,018,127	-	1,018,127
Grants and contributions not restricted to specific programs					1,033,119	-	1,033,119
Unrestricted revenues from the use of money and property					179,769	6,029	185,798
Miscellaneous					1,560,383	262,214	1,822,597
Transfers					681,332	(681,332)	-
Total general revenues and transfers					\$ 22,949,736	\$ (413,089)	\$ 22,536,647
Change in net position					\$ 10,061,703	\$ 606,519	\$ 10,668,222
Net position, beginning of year					38,671,555	8,765,336	47,436,891
Net position, end of year					\$ 48,733,258	\$ 9,371,855	\$ 58,105,113

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

Basic Financial Statements:

- Fund Financial Statements -

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TOWN OF VIENNA, VIRGINIA

Balance Sheet
Governmental Funds
At June 30, 2016

	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects	Special Transportation Fund	Nonmajor Funds	
Assets:						
Cash and cash equivalents	\$ 10,674,615	\$ 6,089,610	\$ 9,275,459	\$ -	\$ 392,020	\$ 26,431,704
Receivables (net of allowance for uncollectibles):						
Taxes including penalties	36,410	-	-	-	-	36,410
Accounts	195,198	258,445	750,000	-	-	1,203,643
Prepaid items	1,994	-	-	-	-	1,994
Due from other governments	595,542	-	4,357,751	-	-	4,953,293
Due from other funds	50,000	-	-	-	-	50,000
Inventory, at cost	106,155	-	-	-	-	106,155
Restricted:						
Cash and cash equivalents	-	-	-	1,799,394	747,030	2,546,424
Total assets	<u>\$ 11,659,914</u>	<u>\$ 6,348,055</u>	<u>\$ 14,383,210</u>	<u>\$ 1,799,394</u>	<u>\$ 1,139,050</u>	<u>\$ 35,329,623</u>
Liabilities:						
Accounts payable	\$ 1,037,720	\$ -	\$ 2,917,434	\$ -	\$ 58,176	\$ 4,013,330
Accrued liabilities	445,974	-	-	-	3,200	449,174
Escrow and other deposits	1,644,313	-	-	-	-	1,644,313
Unearned revenue	283,114	-	635,374	1,799,394	-	2,717,882
Total liabilities	<u>\$ 3,411,121</u>	<u>\$ -</u>	<u>\$ 3,552,808</u>	<u>\$ 1,799,394</u>	<u>\$ 61,376</u>	<u>\$ 8,824,699</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	\$ 90,457	\$ -	\$ -	\$ -	\$ -	\$ 90,457
Fund Balance:						
Nonspendable:						
Inventory	\$ 106,155	\$ -	\$ -	\$ -	\$ -	\$ 106,155
Prepaid items	1,994	-	-	-	-	1,994
Restricted:						
Unappropriated PEG Funds	798,241	-	-	-	-	798,241
Stormwater funds	-	-	-	-	330,666	330,666
Gang task force funds	-	-	-	-	747,008	747,008
Committed:						
VRP reserves	700,000	-	-	-	-	700,000
Subsequent year budget support	550,000	-	-	-	-	550,000
Capital lease proceeds	214,500	-	-	-	-	214,500
New financial system	156,460	-	-	-	-	156,460
Assigned:						
Carryforward	226,000	-	-	-	-	226,000
Federal AF funds	364,186	-	-	-	-	364,186
State AF funds	249,053	-	-	-	-	249,053
Other postemployment benefits	344,681	-	-	-	-	344,681
Debt service	-	6,348,055	-	-	-	6,348,055
Capital projects	-	-	10,830,402	-	-	10,830,402
Unassigned	4,447,066	-	-	-	-	4,447,066
Total fund balance	<u>\$ 8,158,336</u>	<u>\$ 6,348,055</u>	<u>\$ 10,830,402</u>	<u>\$ -</u>	<u>\$ 1,077,674</u>	<u>\$ 26,414,467</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 11,659,914</u>	<u>\$ 6,348,055</u>	<u>\$ 14,383,210</u>	<u>\$ 1,799,394</u>	<u>\$ 1,139,050</u>	<u>\$ 35,329,623</u>

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

TOWN OF VIENNA, VIRGINIA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
At June 30, 2016

Total fund balances for governmental funds (Exhibit 3)	\$ 26,414,467
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land	\$ 3,032,919
Construction in progress	9,784,455
Depreciable capital assets, net of accumulated depreciation	<u>47,562,970</u>
Total capital assets	60,380,344
Other long-term assets are not available to pay for current period expenditures and, therefore are deferred in the funds. This item is comprised of:	
Items related to the measurement of the net pension liability.	(1,717,744)
Change in proportionate share of the net pension liability	<u>(98,625)</u>
Total	(1,816,369)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,298,796
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unavailable revenue in the funds.	42,060
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:	
Accrued interest payable	\$ (253,624)
Bonds and capital leases payable	(23,798,535)
Unamortized bond premium	(669,586)
Net OPEB obligation	(475,284)
Net pension liability	(11,975,870)
Items related to the measurement of net pension liability	936,399
Compensated absences	<u>(1,349,540)</u>
Total	<u>(37,586,040)</u>
Total net position of governmental activities (Exhibits 1 and 2)	<u>\$ 48,733,258</u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Debt Service	Capital Project	Special Transportation Fund		
Revenues:						
General property taxes	\$ 10,149,056	\$ -	\$ -	\$ -	\$ -	\$ 10,149,056
Other local taxes	6,799,308	2,520,856	-	-	-	9,320,164
Permits, privilege fees and regulatory licenses	268,314	-	-	-	-	268,314
Fines and forfeitures	331,935	-	-	-	-	331,935
Revenue from use of money and property	127,092	14,160	35,089	-	3,428	179,769
Charges for services	585,374	-	-	-	-	585,374
Miscellaneous	834,552	120	725,711	-	-	1,560,383
Intergovernmental	3,404,179	32,541	6,143,521	7,392	684,653	10,272,286
Total revenues	<u>\$ 22,499,810</u>	<u>\$ 2,567,677</u>	<u>\$ 6,904,321</u>	<u>\$ 7,392</u>	<u>\$ 688,081</u>	<u>\$ 32,667,281</u>
Expenditures:						
Current:						
General government administration	\$ 4,676,681	\$ -	\$ -	\$ -	\$ -	\$ 4,676,681
Public safety	6,621,050	-	-	-	393,222	7,014,272
Public works	7,161,157	-	-	7,392	267,669	7,436,218
Health and welfare	239,830	-	-	-	-	239,830
Parks, recreation, and cultural	3,083,069	-	-	-	-	3,083,069
Community development	784,698	-	-	-	-	784,698
Capital projects	-	-	12,072,085	-	-	12,072,085
Debt service:						
Principal retirement	-	2,490,860	-	-	-	2,490,860
Interest and other fiscal charges	-	484,952	-	-	-	484,952
Total expenditures	<u>\$ 22,566,485</u>	<u>\$ 2,975,812</u>	<u>\$ 12,072,085</u>	<u>\$ 7,392</u>	<u>\$ 660,891</u>	<u>\$ 38,282,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (66,675)</u>	<u>\$ (408,135)</u>	<u>\$ (5,167,764)</u>	<u>\$ -</u>	<u>\$ 27,190</u>	<u>\$ (5,615,384)</u>
Other financing sources (uses):						
Issuance of capital lease	\$ 700,000	\$ -	\$ -	\$ -	\$ -	\$ 700,000
Issuance of bonds	-	-	6,180,000	-	-	6,180,000
Premium on issuance of bonds	-	-	482,836	-	-	482,836
Transfers in	900,000	1,833,568	1,030,910	-	-	3,764,478
Transfers out	(2,561,434)	-	(515,754)	-	(5,958)	(3,083,146)
Total other financing sources (uses)	<u>\$ (961,434)</u>	<u>\$ 1,833,568</u>	<u>\$ 7,177,992</u>	<u>\$ -</u>	<u>\$ (5,958)</u>	<u>\$ 8,044,168</u>
Net changes in fund balances	<u>\$ (1,028,109)</u>	<u>\$ 1,425,433</u>	<u>\$ 2,010,228</u>	<u>\$ -</u>	<u>\$ 21,232</u>	<u>\$ 2,428,784</u>
Fund balances at beginning of year	<u>9,186,445</u>	<u>4,922,622</u>	<u>8,820,174</u>	<u>-</u>	<u>1,056,442</u>	<u>23,985,683</u>
Fund balances at end of year	<u>\$ 8,158,336</u>	<u>\$ 6,348,055</u>	<u>\$ 10,830,402</u>	<u>\$ -</u>	<u>\$ 1,077,674</u>	<u>\$ 26,414,467</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, 2016**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	2,428,784	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following details support this adjustment:			
Capital outlay	\$	12,616,570	
Depreciation expense		<u>(2,714,111)</u>	9,902,459
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.			2,327,701
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
Property taxes	\$	25,913	
Change in proportionate share of net pension liability		(98,625)	
Change in deferred inflows related to the measurement of the net pension liability		<u>1,058,555</u>	
Net adjustment			985,843
Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.			
Debt issued:			
General obligation bonds	\$	(6,662,836)	
Capital leases		(700,000)	
Repayments:			
General obligation bonds		1,855,000	
Capital leases		<u>635,860</u>	
Net adjustment			(4,871,976)
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	\$	(129,151)	
Net OPEB obligation		(56,642)	
Bond premium		31,277	
Net pension liability		(1,277,746)	
Deferred outflows related to pensions		813,403	
Accrued interest payable		<u>(92,249)</u>	
Net adjustment			<u>(711,108)</u>
Change in net position of governmental activities (Exhibit 2)	\$		<u><u>10,061,703</u></u>

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

TOWN OF VIENNA, VIRGINIA

Statement of Net Position
Proprietary Fund
At June 30, 2016

	Business-type Activities Enterprise Fund Water & Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,457,765
Receivables: (net of allowance for uncollectibles)	
Accounts	810,545
Unbilled service charges	739,353
Prepaid items	144
Inventory, at cost	35,375
Total current assets	\$ 3,043,182
Other capital assets, net of accumulated depreciation	11,355,073
Total assets	\$ 14,398,255
Deferred outflows of resources:	
Pension contributions subsequent to the measurement date	\$ 130,170
Change in proportionate share of net pension liability	98,625
Items related to the measurement of the net pension liability	70,244
Total deferred outflows of resources	\$ 299,039
Liabilities:	
Current liabilities:	
Accounts payable	\$ 1,178,888
Accrued liabilities	109,690
Escrow and other deposits	133,722
Due to other governments	614,091
Due to other funds	50,000
Compensated absences - current portion	129,249
Bonds payable - current portion	113,000
Capital leases - current portion	64,489
Total current liabilities	\$ 2,393,129
Noncurrent liabilities:	
Compensated absences - noncurrent portion	\$ 14,361
Net OPEB obligation	46,724
Net pension liability	1,440,851
Bonds payable - noncurrent portion	1,245,000
Capital leases - noncurrent portion	86,496
Total noncurrent liabilities	\$ 2,833,432
Total liabilities	\$ 5,226,561
Deferred Inflows of Resources:	
Items related to the measurement of the net pension liability	\$ 98,878
Net Position:	
Net investment in capital assets	\$ 9,846,088
Unrestricted	(474,233)
Total net position	\$ 9,371,855

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

TOWN OF VIENNA, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2016

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Operating revenues:	
Charges for services	\$ 6,902,605
Operating expenses:	
Personal services	\$ 1,400,738
Fringe benefits	434,426
Contractual services	3,425,395
Other charges	187,107
Materials and supplies	168,626
Depreciation	476,650
Total operating expenses	\$ 6,092,942
Operating income (loss)	\$ 809,663
Nonoperating revenues (expenses):	
Interest income	\$ 6,029
Miscellaneous income	262,214
Interest expense	(3,460)
Net nonoperating revenues (expenses)	\$ 264,783
Income (loss) before contributions and transfers	\$ 1,074,446
Capital contributions	\$ 213,405
Transfers:	
Transfers in	\$ 515,754
Transfers (out)	(1,197,086)
Net transfers	\$ (681,332)
Change in net position	\$ 606,519
Net position, beginning of year	8,765,336
Net position, end of year	\$ 9,371,855

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, 2016**

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 6,495,247
Payments to and for employees	(1,757,879)
Payments to suppliers	(3,677,708)
Other receipts	262,214
Net cash provided by operating activities	\$ 1,321,874
Cash flows from investing activities:	
Interest income	\$ 6,029
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (791,196)
Capital contributions	213,405
Principal payments on capital lease	(63,523)
Principal payments on note and bonds payable	(110,000)
Interest expense	(3,460)
Net cash provided by (used for) capital and related financing activities	\$ (754,774)
Cash flows from noncapital financing activities:	
Transfers from other funds	\$ 410,773
Transfers (to) other funds	(1,197,086)
Net cash provided by (used for) noncapital financing activities	\$ (786,313)
Net increase (decrease) in cash and cash equivalents	\$ (213,184)
Cash and cash equivalents at beginning of year	1,670,949
Cash and cash equivalents at end of year	\$ 1,457,765

TOWN OF VIENNA, VIRGINIA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016 (continued)

	Business-type Activities Enterprise Fund
	Water & Sewer Fund
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 809,663
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	476,650
Miscellaneous income	262,214
Increase (decrease) in allowance for uncollectibles	
Changes in operating accounts:	
Accounts receivable	4,886
Unbilled service charges	(44,414)
Inventory	(23,446)
Prepaid items	(144)
Deferred outflows - pension contributions subsequent to the measurement date	(3,568)
Deferred outflows - change in proportionate share of net pension liability	(98,625)
Deferred outflows - items related to measurement of the net pension liability	(47,694)
Accounts payable	127,010
Accrued liabilities	(11,598)
Escrow and other deposits	(3,803)
Due to other governments	(364,027)
Net OPEB obligation	5,791
Net pension liability	358,724
Deferred inflows - items related to measurement of the net pension liability	(146,809)
Compensated absences	21,064
Net cash provided by (used for) operating activities	\$ 1,321,874

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

TOWN OF VIENNA, VIRGINIA

Statement of Fiduciary Net Position
Pension Trust Funds
At June 30, 2016

Assets:

Cash and cash equivalents	\$ 35,311
Investment in State Treasurer's Local Government	
Investment Pool	5,290,666
Accounts receivable	<u>144,302</u>
Total assets	<u>\$ 5,470,279</u>

Liabilities:

Accounts payable	<u>\$ 154</u>
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Net Position:

Held in trust for pension benefits	<u><u>\$ 5,470,125</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

TOWN OF VIENNA, VIRGINIA

Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2016

Additions:

Contributions:

Employer	\$ 492,572
Plan members	<u>38,552</u>
Total contributions	\$ 531,124

Investment income:

Interest earned on investments	<u>16,933</u>
Total additions	\$ <u>548,057</u>

Deductions:

Pension benefit payments	\$ 387,025
Other charges	<u>3,600</u>
Total deductions	\$ <u>390,625</u>

Net increase in plan assets	\$ 157,432
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Net position held in trust for pension benefits:

Balance, beginning of year	<u>5,312,693</u>
Balance, end of year	\$ <u><u>5,470,125</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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile

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

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

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

A. Financial Reporting Entity

Management's Discussion and Analysis:

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

Government-wide Financial Statements:

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

A. Financial Reporting Entity (continued)

Statement of Net Position:

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

Statement of Activities:

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

Budgetary Comparison Schedules:

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

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

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

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

The following is a brief description of the specific funds used by the Town in FY 2016.

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

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

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

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

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

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

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

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

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

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

C. Basis of Accounting

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

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

C. Basis of Accounting (continued)

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

1. In April of each year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. At least one public hearing is conducted at the Town Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an appropriation ordinance. The Town Council may approve supplemental appropriations.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

D. Budgets and Budgetary Accounting (continued)

4. The legal level of control is at the function level within an individual fund. The Town Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Council. This is done during a quarterly review and analysis, and approved by motion by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, Stormwater Fund, and Capital Projects Fund. Capital Projects are budgeted on a project basis as well as an annual basis.
6. The budgets for the General Fund, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. A review of the presented budget comparisons herein will disclose how accurately the governing body was actually able to forecast the revenues and expenditures of the Town.
8. Appropriations lapse on June 30 except for the Capital Projects Fund which adopts both annual and project-length budgets. Those appropriations lapse when the project has been completed.
9. Budgetary amounts as presented in the financial statements reflect budget revisions through June 30, 2016.
10. There were no additional appropriations that would have a material effect on the financial statements at June 30, 2016.

E. Encumbrances

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

F. Cash Equivalents

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

G. Investments

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

H. Inventory

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

I. Prepaid Items

The consumption method is used for accounting of prepaid items.

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town, and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$5,000 is met. Expenditures for infrastructure capital assets, which consist of roads, streets, bridges and similar assets, have been capitalized for acquisitions acquired and/or constructed during the current fiscal year 2015. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has items that qualify for reporting in this category. One item is comprised of certain items related to the measurement of the net pension asset or liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. Lastly the Town reports contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

K. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

L. Other Local Taxes

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

M. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$204,200 at June 30, 2016 and is comprised of the following:

General Fund:	
Property taxes receivable	\$ 2,000
Vehicle License Fee	59,200
Total general fund	<u>\$ 61,200</u>
Water and Sewer Fund:	
Accounts receivable	<u>143,000</u>
Grand total	<u>\$ 204,200</u>

N. Compensated Absences and Other Employee Benefit Amounts

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

O. Pensions

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

P. Unbilled Revenue

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

Q. Use of Estimates

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

R. Long-Term Obligations

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

S. Net Position

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

T. Net Position Flow Assumption

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

U. Fund Equity

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

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

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

V. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Town to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The Town implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Town's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

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

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

Custodial Credit Risk (Investments)

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

The Town’s investments at June 30, 2016 consisted of investment in the Commonwealth of Virginia Local Government Investment Pool and investments in the State Non-Arbitrage Pool (SNAP).

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Credit Risk of Debt Securities

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

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

The Town's rated debt instruments as of June 30, 2016 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Town's Rated Debt Investments	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool (LGIP)	\$ 20,977,180
Virginia State Non-Arbitrage Program	8,609,653
	<u>\$ 29,586,833</u>

Reconciliation of Deposits and Investments

Cash and cash equivalents - Per Exhibit 1 (1)	\$ 30,435,893
Fiduciary funds	5,325,977
Total cash and investments	<u>\$ 35,761,870</u>
Cash:	
Deposits	\$ 6,174,192
Cash on hand and cash items	845
Total cash	<u>\$ 6,175,037</u>
Investments	<u>\$ 29,586,833</u>
Total cash and investments	<u>\$ 35,761,870</u>

(1) Includes temporarily restricted cash of \$2,546,424

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

External Investment Pools

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

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

NOTE 3 - PROPERTY TAXES:

Real property taxes are levied on July 1 at a rate enacted by the Town Council on the assessed value of property as determined by the Supervisor of Assessments of Fairfax County. The Town does not levy personal property taxes. Neither the Town Charter nor the State of Virginia impose a limitation on the tax rate. Assessed value of all property is 100 percent of fair market value. Each year all property is reassessed as of January 1. The Town's tax rate for fiscal year 2016 was \$.225 per \$100 of assessed valuation.

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

NOTE 4 - ACCOUNTS RECEIVABLE:

Accounts receivable are detailed as follows:

	Governmental Activities				Business Activities
	General Fund	Debt Service Fund	Capital Projects Fund	Total	Water & Sewer Fund
Property taxes	\$ 38,410	\$ -	\$ -	\$ 38,410	\$ -
Consumer utility taxes	54,386	-	-	54,386	-
PEG funds	44,516	-	-	44,516	-
Business license fees	50,064	-	-	50,064	-
Meals taxes	-	258,445	-	258,445	-
Vehicle license fees	73,419	-	-	73,419	-
Water and sewer charges	-	-	-	-	953,545
Unbilled revenues	-	-	-	-	739,353
VYI contribution	-	-	750,000	750,000	-
Other	32,013	-	-	32,013	-
Total	\$ 292,808	\$ 258,445	\$ 750,000	\$ 1,301,253	\$ 1,692,898
Less: Allowance for uncollectibles	(61,200)	-	-	(61,200)	(143,000)
Net receivables	\$ 231,608	\$ 258,445	\$ 750,000	\$ 1,240,053	\$ 1,549,898

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 5 - DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments are detailed as follows:

	Governmental Activities		
	General Fund	Capital Projects Fund	Total
Commonwealth of Virginia:			
Virginia Department of Highways	\$ -	\$ 2,943,167	\$ 2,943,167
Federal Government:			
Traffic enforcement	8,670	-	8,670
FEMA grant	104,267	-	104,267
County of Fairfax, Virginia:			
Local sales tax	263,742	-	263,742
Communications tax	155,842	-	155,842
Court fines and forfeitures	27,000	-	27,000
Other	900	1,414,584	1,415,484
County of Loudoun, Virginia:			
Gang grants	25,116	-	25,116
County of Arlington, Virginia:			
Drug Trafficking Grant	10,005	-	10,005
Total	<u>\$ 595,542</u>	<u>\$ 4,357,751</u>	<u>\$ 4,953,293</u>

NOTE 6 - INTERFUND BALANCES AND ACTIVITY:

Details of interfund receivables, payables and activity as of June 30, 2016 are as follows:

Interfund balances resulting from cash advances to the various funds:

Fund	Due From	Due To
General	\$ 50,000	\$ -
Water and Sewer	-	50,000
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Transfers to/from other funds:

Transfers to the General Fund from the Water and Sewer Fund to supplement General Fund operations	\$ 900,000
Transfers to the Capital Projects Fund from the General Fund for Capital Projects	1,030,910
Transfers to the Water and Sewer Fund from the Capital Projects Fund to fund capital projects	515,754
Transfers to the Debt Service Fund from the General Fund to supplement debt service funding for general long-term obligation debt	1,530,524
Transfers to the Debt Service Fund from the Stormwater Fund to supplement debt service funding for general long-term obligation debt	5,958
Transfers to the Debt Service Fund from the Water and Sewer Fund to supplement debt service funding for general long-term obligation debt	297,086
Total transfers	<u>\$ 4,280,232</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 7 - CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 3,032,919	\$ -	\$ -	\$ 3,032,919
Construction in progress - infrastructure	3,225,997	7,392,826	8,292,586	2,326,237
Construction in progress - other	2,315,433	6,962,179	1,819,394	7,458,218
Total capital assets not being depreciated	<u>\$ 8,574,349</u>	<u>\$ 14,355,005</u>	<u>\$ 10,111,980</u>	<u>\$ 12,817,374</u>
Other capital assets:				
Land improvements	\$ 2,754,278	\$ 581,692	\$ -	\$ 3,335,970
Buildings and improvements	16,341,023	28,148	-	16,369,171
Infrastructure	79,396,049	8,320,460	-	87,716,509
Office and other equipment	3,916,061	1,244,198	-	5,160,259
Automotive and other equipment	5,486,875	549,515	281,812	5,754,578
Total other capital assets	<u>\$ 107,894,286</u>	<u>\$ 10,724,013</u>	<u>\$ 281,812</u>	<u>\$ 118,336,487</u>
Accumulated depreciation:				
Land improvements	\$ 336,032	\$ 82,585	\$ -	\$ 418,617
Buildings and improvements	7,290,292	598,468	-	7,888,760
Infrastructure	56,038,112	1,308,218	-	57,346,330
Office and other equipment	1,996,206	267,739	-	2,263,945
Automotive and other equipment	2,657,809	457,101	259,045	2,855,865
Total accumulated depreciation	<u>\$ 68,318,451</u>	<u>\$ 2,714,111</u>	<u>\$ 259,045</u>	<u>\$ 70,773,517</u>
Net capital assets	<u>\$ 48,150,184</u>	<u>\$ 22,364,907</u>	<u>\$ 10,134,747</u>	<u>\$ 60,380,344</u>
Depreciation expense has been allocated as follows:				
General government administration		\$ 322,228		
Public safety		284,350		
Public works		1,809,592		
Parks and recreation		288,483		
Community development		9,458		
Total depreciation expense		<u>\$ 2,714,111</u>		

Business-type Activities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 39,321	\$ 72,974	\$ 28,689	\$ 83,606
Other capital assets:				
Automotive and other equipment	\$ 1,113,279	\$ 62,038	\$ -	\$ 1,175,317
Improvements	21,629,114	684,873	-	22,313,987
Total other capital assets	<u>\$ 22,742,393</u>	<u>\$ 746,911</u>	<u>\$ -</u>	<u>\$ 23,489,304</u>
Accumulated depreciation:				
Automotive and other equipment	\$ 610,471	\$ 96,044	\$ -	\$ 706,515
Improvements	11,130,716	380,606	-	11,511,322
Total accumulated depreciation	<u>\$ 11,741,187</u>	<u>\$ 476,650</u>	<u>\$ -</u>	<u>\$ 12,217,837</u>
Net capital assets	<u>\$ 11,040,527</u>	<u>\$ 343,235</u>	<u>\$ 28,689</u>	<u>\$ 11,355,073</u>

Assets acquired under capital leases included in above:

	Cost	Depreciation Expense	Accumulated Depreciation
Equipment:			
Governmental activities	\$ 2,542,917	\$ 184,362	\$ 442,736
Business activities	257,083	33,548	78,847
Total	<u>\$ 2,800,000</u>	<u>\$ 217,910</u>	<u>\$ 521,583</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 8 - DEFERRED INFLOWS OF RESOURCES/UNEARNED REVENUE:

	Government-wide Statements Governmental Activities	Governmental Funds
A. <i>Deferred Property Tax Revenue</i> - deferred inflow of resources representing uncollected tax billings not available for funding of current expenditures	\$ -	\$ 42,060
B. <i>Prepaid property tax revenue</i> - deferred inflow of resources representing collections received for property taxes that are applicable to the subsequent budget year.	48,397	48,397
C. <i>Non-refundable deposits held for various sidewalk and street improvements</i> - Revenues related to such deposits are not recognized until the related street improvement expenditures have been incurred	266,614	266,614
D. <i>Unearned revenues</i> - Special Transportation Fund	1,799,394	1,799,394
E. <i>Unearned revenues</i> - Capital Projects Fund	635,374	635,374
F. <i>Other</i> - unearned vehicle license fee revenue	16,500	16,500
Total	<u>\$ 2,766,279</u>	<u>\$ 2,808,339</u>

NOTE 9 - LONG-TERM OBLIGATIONS:

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

Governmental Activities:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2017	\$ 2,259,000	\$ 628,627	\$ 633,747	\$ 24,624
2018	1,937,000	557,997	475,088	15,691
2019	1,937,000	508,254	322,146	8,351
2020	1,937,000	453,924	179,554	3,124
2021	1,937,000	397,081	-	-
2022	1,607,000	337,828	-	-
2023	1,602,000	288,818	-	-
2024	1,602,000	240,405	-	-
2025	1,602,000	192,574	-	-
2026	1,567,000	145,230	-	-
2027	1,267,000	105,591	-	-
2028	1,267,000	73,003	-	-
2029	847,000	45,151	-	-
2030	410,000	21,525	-	-
2031	410,000	7,175	-	-
Total	<u>\$ 22,188,000</u>	<u>\$ 4,003,183</u>	<u>\$ 1,610,535</u>	<u>\$ 51,790</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Business-type Activities:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2017	\$ 113,000	\$ 35,317	\$ 64,489	\$ 2,243
2018	115,000	32,557	53,283	1,262
2019	118,000	29,745	33,213	492
2020	121,000	26,860	-	-
2021	124,000	23,902	-	-
2022	127,000	20,870	-	-
2023	130,000	17,765	-	-
2024	45,000	14,586	-	-
2025	46,000	13,299	-	-
2026	47,000	11,983	-	-
2027	49,000	10,639	-	-
2028	50,000	9,238	-	-
2029	52,000	7,808	-	-
2030	53,000	6,321	-	-
2031	54,000	4,805	-	-
2032	56,000	3,260	-	-
2033	58,000	1,659	-	-
Total	<u>\$ 1,358,000</u>	<u>\$ 270,614</u>	<u>\$ 150,985</u>	<u>\$ 3,997</u>

Changes in Long-term Obligations:

The following is a summary of the governmental activities long-term obligations of the Town for the year ended June 30, 2016.

	Bonds	Capital Leases	Total
Balance, July 1, 2015	<u>\$ 18,081,027</u>	<u>\$ 1,546,395</u>	<u>\$ 19,627,422</u>
Issuances/Increases:			
Public improvement bonds	\$ 6,180,000	\$ -	\$ 6,180,000
Bond premium	482,836	-	482,836
Capital leases	-	700,000	700,000
Total issuances/increases	<u>\$ 6,662,836</u>	<u>\$ 700,000</u>	<u>\$ 7,362,836</u>
Retirements/decreases:			
Public improvement bonds	\$ 1,855,000	\$ -	\$ 1,855,000
Bond premium	31,277	-	31,277
Capital leases	-	635,860	635,860
Total retirements/decreases	<u>\$ 1,886,277</u>	<u>\$ 635,860</u>	<u>\$ 2,522,137</u>
Balance, June 30, 2016	<u><u>\$ 22,857,586</u></u>	<u><u>\$ 1,610,535</u></u>	<u><u>\$ 24,468,121</u></u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Changes in Long-term Obligations: (continued)

The following is a summary of business-type activities long-term obligations of the Town for the year ended June 30, 2016.

	Bonds	Capital Leases	Total
Balance, July 1, 2015	\$ 1,468,000	\$ 214,508	\$ 1,682,508
Issuances/Increases:			
Capital leases	\$ -	\$ -	\$ -
Retirements/decreases:			
Bonds payable	\$ 110,000	\$ -	\$ 110,000
Capital leases	-	63,523	63,523
Total retirements/decreases	\$ 110,000	\$ 63,523	\$ 173,523
Balance, June 30, 2016	\$ 1,358,000	\$ 150,985	\$ 1,508,985

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

Details of Long-Term Obligations

	Amount Outstanding	Amount Due In One Year
<u>Governmental activities:</u>		
<u>Public Improvement Bonds:</u>		
\$4,950,000 issued June 20, 2006, maturing in annual installments of \$330,000 through June 1, 2021 with interest payable semiannually at 3.88%	\$ 1,650,000	\$ 330,000
\$2,680,000 issued July 28, 2010, maturing in annual installments of \$335,000 through August 1, 2018 with interest payable semiannually at rates from 2.00% to 2.50%	1,005,000	335,000
\$2,310,000 issued July 28, 2010, maturing in annual installments of \$335,000 from August 1, 2019 through August 1, 2025 with interest payable semiannually at rates from 4.00% to 4.70%	2,310,000	-
\$6,310,000 issued July 18, 2012, maturing in annual installments of \$425,000 through July 15, 2014, and \$420,000 from July 15, 2015 through July 15, 2027, interest payable semiannually at rates from 2.0% to 2.50%	5,040,000	420,000
\$6,555,000 issued November 14, 2013, maturing in annual installments of \$437,000 through June 1, 2029, interest payable semiannually at 2.24%	5,681,000	437,000
\$1,334,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$322,000 to \$343,000 through February 1, 2017, interest payable semiannually at .89%	322,000	322,000
\$6,180,000 issued December 23, 2015, maturing in annual installments ranging from \$410,000 to \$415,000 through August 1, 2030, interest payable semiannually at rates from 2.00% to 4.00%	6,180,000	415,000.00
Total public improvement bonds	\$ 22,188,000	\$ 2,259,000

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Details of Long-Term Obligations (continued)

	<u>Amount Outstanding</u>	<u>Amount Due In One Year</u>
<u>Governmental activities: (continued)</u>		
<u>Capital Leases:</u>		
\$653,434 capital lease obligations due in annual installments of \$167,592 through October 1, 2016, interest payable at 1.087%	\$ 165,886	\$ 165,886
\$619,455 capital lease obligations due in annual installments of \$160,282 through October 31, 2017, interest payable at 1.390%	314,003	155,918
\$570,028 capital lease obligations due in annual installments of \$147,818 through October 3, 2018, interest payable at 1.48%	430,646	141,445
\$700,000 capital lease obligations due in annual installments of \$182,678 through July 1, 2020, interest payable at 1.74%	<u>700,000</u>	<u>170,498</u>
Total capital leases	\$ <u>1,610,535</u>	\$ <u>633,747</u>
Unamortized bond premiums	\$ <u>669,586</u>	\$ <u>94,724</u>
Total general long-term obligations from governmental activities	\$ <u>24,468,121</u>	\$ <u>2,987,471</u>

Business-type activities:

Public Improvement Bonds:

\$794,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$73,000 to \$87,000 through June 1, 2023, interest payable semiannually at 2.24%	\$ 568,000	\$ 76,000
\$878,000 refunding bonds issued November 14, 2013, maturing in annual installments ranging from \$17,000 to \$58,000 through April 1, 2033, interest payable semiannually at 2.86%	<u>790,000</u>	<u>37,000</u>
Total public improvement bonds	\$ <u>1,358,000</u>	\$ <u>113,000</u>

Capital Leases:

\$46,566 capital lease obligations due in annual installments of \$12,188 through October 1, 2016, interest payable at 1.087%	\$ 11,965	\$ 11,965
\$80,545 capital lease obligations due in annual installments of \$20,841 through October 31, 2017, interest payable at 1.390%	40,828	20,273
\$129,972 capital lease obligations due in annual installments of \$33,704 through October 3, 2018, interest payable at 1.48%	<u>98,192</u>	<u>32,251</u>
Total capital leases	\$ <u>150,985</u>	\$ <u>64,489</u>
Total general long-term obligations from business-type activities	\$ <u>1,508,985</u>	\$ <u>177,489</u>

Federal Arbitrage Regulations:

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 10 - COMPENSATED ABSENCES:

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

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

	Governmental Activities	Business-type Activities	Total
Balance, July 1, 2015	\$ 1,220,389	\$ 122,546	\$ 1,342,935
Increases	1,349,540	143,610	1,493,150
Decreases	(1,220,389)	(122,546)	(1,342,935)
Balance, June 30, 2016	<u>\$ 1,349,540</u>	<u>\$ 143,610</u>	<u>\$ 1,493,150</u>
Amounts due within one year	\$ 1,214,586	\$ 129,249	\$ 1,343,835
Amounts due after one year	134,954	14,361	149,315
Total	<u>\$ 1,349,540</u>	<u>\$ 143,610</u>	<u>\$ 1,493,150</u>

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

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TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2016 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2016 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2016 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2016 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

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

TOWN OF VIENNA, VIRGINIA

**Notes to Financial Statements
June 30, 2016 (continued)**

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	110
Inactive members:	
Vested inactive members	22
Non-vested inactive members	42
Inactive members active elsewhere in VRS	<u>16</u>
Total inactive members	80
Active members	<u>164</u>
Total covered employees	<u><u>354</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 12.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,428,966 and \$1,356,538 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Town's net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 58,041,556	\$ 49,265,161	\$ 8,776,395
Changes for the year:			
Service cost	\$ 1,159,362	\$ -	\$ 1,159,362
Interest	3,962,616	-	3,962,616
Differences between expected and actual experience	476,957	-	476,957
Contributions - employer	-	1,356,538	(1,356,538)
Contributions - employee	-	567,236	(567,236)
Net investment income	-	2,242,886	(2,242,886)
Benefit payments, including refunds of employee contributions	(2,865,505)	(2,865,505)	-
Administrative expenses	-	(31,154)	31,154
Other changes	-	(471)	471
Net changes	\$ 2,733,430	\$ 1,269,530	\$ 1,463,900
Balances at June 30, 2015	\$ 60,774,986	\$ 50,534,691	\$ 10,240,295

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

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

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

	Rate		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Town Net Pension Liability	\$ 17,991,865	\$ 10,240,295	\$ 3,777,574

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

For the year ended June 30, 2016, the Town recognized pension expense of \$766,464. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 361,191	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,329,203
Employer contributions subsequent to the measurement date	<u>1,428,966</u>	<u>-</u>
Total	<u>\$ 1,790,157</u>	<u>\$ 1,329,203</u>

\$1,428,966 reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (405,409)
2018	(405,409)
2019	(405,407)
2020	248,213

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans

A. Plan Description

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

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

The plans do not issue separate financial statements.

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

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

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

Local Retirement Plan

All full-time, salaried permanent employees not covered by the Police Retirement Pension Plan must participate in the Plan. The Local Retirement Plan closed to new entrants in FY 2006 when the 401A plan was established. Benefits vest after 5 years of service. Employees who retire with at least 5 years of service are entitled to an annual retirement benefit payable monthly for life in an amount equal to .25 percent of their average final salary (AFS) times years of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire before age 50 and with less than 30 years of service. The plan also provides death and disability benefits. These benefit provisions and other requirements are established by local statute.

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

A. Plan Description (continued)

Police Retirement Plan

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

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

B. Other Information

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

B. Other Information (continued)

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

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Totals
Assets:			
Cash and cash equivalents	\$ 35,311	\$ -	\$ 35,311
Investments - LGIP	2,326,197	2,964,469	5,290,666
Accounts receivable	7,116	137,186	144,302
Total assets	<u>\$ 2,368,624</u>	<u>\$ 3,101,655</u>	<u>\$ 5,470,279</u>
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ 154</u>	<u>\$ 154</u>
Net Position:			
Net position held in trust for pension benefits	<u>\$ 2,368,624</u>	<u>\$ 3,101,501</u>	<u>\$ 5,470,125</u>
Additions:			
Contributions:			
Employer	\$ 170,324	\$ 322,248	\$ 492,572
Plan members	-	38,552	38,552
Total contributions	<u>\$ 170,324</u>	<u>\$ 360,800</u>	<u>\$ 531,124</u>
Investment income:			
Interest earned on investments	7,435	9,498	16,933
Total additions	<u>\$ 177,759</u>	<u>\$ 370,298</u>	<u>\$ 548,057</u>
Deductions:			
Pension benefit payments	\$ 160,052	\$ 226,973	\$ 387,025
Other charges	1,800	1,800	3,600
Total deductions	<u>\$ 161,852</u>	<u>\$ 228,773</u>	<u>\$ 390,625</u>
Net increase (decrease) in plan assets	<u>\$ 15,907</u>	<u>\$ 141,525</u>	<u>\$ 157,432</u>
Net position held in trust for pension benefits:			
Balance, beginning of year	2,352,717	2,959,976	5,312,693
Balance, end of year	<u>\$ 2,368,624</u>	<u>\$ 3,101,501</u>	<u>\$ 5,470,125</u>

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

C. Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. As of June 30, 2016, the asset allocation policy is to trust solely in the Local Government Investment Pool (fixed income).

Rate of return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2016, were as follows:

	<u>Civilian</u>	<u>Police</u>	<u>Total</u>
Total pension liability	\$ 4,210,527	\$ 4,436,024	\$ 8,646,551
Plan fiduciary net position	<u>(2,368,624)</u>	<u>(3,101,501)</u>	<u>(5,470,125)</u>
Authority's net pension liability	\$ <u>1,841,903</u>	\$ <u>1,334,523</u>	\$ <u>3,176,426</u>
Plan fiduciary net position as a percentage of the total pension liability	56.25%	69.92%	63.26%

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

Inflation	2.50%
Salary increases	in addition to inflation, 4.00% for Police Officers with less than 20 years of service; 5.00% for Civilian members with less than 10 years of service, and 1.00% thereafter.
Investment rate of return	4.25%, compounded annually, net of investment expense, including inflation

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

D. Net Pension Liability of the Town (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income (LGIP)	4.25%

Discount rate. The discount rate used to measure the total pension liability was 4.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates at lesser equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability

	<u>Civilian Plan</u>		
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2015	\$ 3,854,268	\$ 2,352,717	\$ 1,501,551
Changes for the year:			
Service cost	\$ 26,838	\$ -	\$ 26,838
Interest	174,950	-	174,950
Differences between expected and actual experience	73,228	-	73,228
Changes in assumptions	241,295	-	241,295
Contributions - employer	-	170,325	(170,325)
Contributions - employee	-	-	-
Net investment income	-	7,434	(7,434)
Benefit payments, including refunds of employee contributions	(160,052)	(160,052)	-
Administrative expenses	-	(1,800)	1,800
Net changes	\$ 356,259	\$ 15,907	\$ 340,352
Balances at June 30, 2016	\$ 4,210,527	\$ 2,368,624	\$ 1,841,903

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements
June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

D. Net Pension Liability of the Town (continued)

Changes in net pension liability (continued)

	Sworn Officer's Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 4,462,281	\$ 2,959,976	\$ 1,502,305
Changes for the year:			
Service cost	\$ 202,475	\$ -	\$ 202,475
Interest	185,520	-	185,520
Differences between expected and actual experience	(557,051)	-	(557,051)
Changes in assumptions	369,772	-	369,772
Contributions - employer	-	322,248	(322,248)
Contributions - employee	-	38,552	(38,552)
Net investment income	-	9,498	(9,498)
Benefit payments, including refunds of employee contributions	(226,973)	(226,973)	-
Administrative expenses	-	(1,800)	1,800
Net changes	\$ (26,257)	\$ 141,525	\$ (167,782)
Balances at June 30, 2016	\$ 4,436,024	\$ 3,101,501	\$ 1,334,523

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

Civilian Plan			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net pension liability	\$ 2,368,058	\$ 1,841,903	\$ 1,404,862

Sworn Officer's Plan			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net pension liability	\$ 1,910,715	\$ 1,334,523	\$ 860,187

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 11 - PENSION PLANS: (continued)

Town Retirement Plans (continued)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$459,568 and \$254,046 for the Civilian and Police Plans, respectively. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Civilian		Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 487,419
Change in assumptions	-	-	323,550	-
Net difference between projected and actual earnings on pension plan investments	142,966	-	178,936	-
Total	<u>\$ 142,966</u>	<u>\$ -</u>	<u>\$ 502,486</u>	<u>\$ 487,419</u>

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

Year ended June 30	Civilian	Police
2017	\$ 41,482	\$ 28,490
2018	41,482	28,490
2019	41,484	28,492
2020	18,518	(172)
2021	-	(23,409)
Thereafter	-	(46,824)

Combined Town Pension Items

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Virginia Retirement System	\$ 10,240,295	\$ 1,790,157	\$ 1,329,203
Civilian Plan	1,841,903	142,966	-
Sworn Officer's Plan	1,334,523	502,486	487,419
Total	<u>\$ 13,416,721</u>	<u>\$ 2,435,609</u>	<u>\$ 1,816,622</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-RC, employees are eligible to participate after six months of employment. The Town contributes 2% of the participating employee's annual base salary to the plan. An employee may elect to contribute to the plan to the extent allowed by federal law. Employee contributions of up to 2% will be matched by the Town 100%. The Town may amend the plan, including contribution rates, as allowed by federal law.

Total employer contributions to the plan totaled \$396,943, and employee contributions were \$196,323 for fiscal year 2016.

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 13 - DEFERRED COMPENSATION PLAN:

The Town offers an approved deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Permanent part-time and full-time Town employees are eligible to participate and may defer 25% of their gross income up to a maximum of \$18,000 in 2016. Employees who are age 50 or older may defer up to \$24,000 of their income. The compensation deferred is not available to employees until termination, retirement, death or an unforeseeable emergency.

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

NOTE 14 - LITIGATION:

At June 30, 2016, there were no matters of litigation involving the Town for which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 15 - COMMITMENTS:

Operating Lease Commitments

The Town is committed under various short-term operating leases including those for a copier lease. The leases may be revoked by the Town without penalty upon 30 days notice to the lessor. The Town paid approximately \$2,308 per month during the year ended June 30, 2016 under the lease agreements. Total rental expense under all operating leases for the year ended June 30, 2016 approximated \$27,702.

NOTE 16 - CONTINGENCIES:

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

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

State and Federal Programs

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 17 - RISK MANAGEMENT:

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

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

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

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

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

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

NOTE 18 - OTHER POSTEMPLOYMENT BENEFITS - HEALTH INSURANCE:

Town

A. Plan Description

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

Town (continued)

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 93,582
Interest on net OPEB obligation	16,085
Adjustment to annual required contribution	<u>(17,573)</u>
Annual OPEB cost (expense)	\$ 92,094
Contributions made	<u>(29,661)</u>
Increase in net OPEB obligation	\$ 62,433
Net OPEB obligation - beginning of year	<u>459,575</u>
Net OPEB obligation - end of year	<u><u>\$ 522,008</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 107,420	55%	\$ 421,457
June 30, 2015	92,218	59%	459,575
June 30, 2016	92,094	32%	522,008

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

Town (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	\$ 1,400,061
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,400,061
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	12,589,810
UAAL as a percentage of covered payroll	11.12%

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

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

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

Town (continued)

E. Actuarial Methods and Assumptions (continued)

Cost Method (continued)

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

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

Interest Assumptions

In the June 30, 2015, most recent, actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.75 percent initially, reduced by decrements to an ultimate rate of 4.25 percent after six years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

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

Net OPEB Obligation

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance, July 1, 2015	\$ 418,642	\$ 40,933	\$ 459,575
Increases	83,648	8,446	92,094
Decreases	(27,006)	(2,655)	(29,661)
Balance, June 30, 2016	<u>\$ 475,284</u>	<u>\$ 46,724</u>	<u>\$ 522,008</u>
Total	<u>\$ 475,284</u>	<u>\$ 46,724</u>	<u>\$ 522,008</u>

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

TOWN OF VIENNA, VIRGINIA

Notes to Financial Statements June 30, 2016 (continued)

NOTE 19 - UPCOMING GASB PRONOUNCEMENTS:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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- Required Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General property taxes	\$ 10,025,070	\$ 10,025,070	\$ 10,149,056	\$ 123,986
Other local taxes	6,521,990	6,521,990	6,799,308	277,318
Permits, privilege fees and regulatory licenses	179,500	179,500	268,314	88,814
Fines and forfeitures	455,000	455,000	331,935	(123,065)
Revenue from the use of money and property	125,000	125,000	127,092	2,092
Charges for services	826,000	835,160	585,374	(249,786)
Miscellaneous	138,100	292,530	834,552	542,022
Intergovernmental:				
Commonwealth	3,195,900	3,195,900	3,275,528	79,628
Federal Government	113,500	113,500	128,651	15,151
Total revenues	\$ 21,580,060	\$ 21,743,650	\$ 22,499,810	\$ 756,160
Expenditures				
Current:				
General Government Administration:				
Legislative	\$ 557,850	\$ 558,000	\$ 504,452	\$ 53,548
General and financial administration	4,313,680	4,295,880	4,172,229	123,651
Total general government administration	\$ 4,871,530	\$ 4,853,880	\$ 4,676,681	\$ 177,199
Public Safety:				
Law enforcement and traffic control	\$ 6,362,070	\$ 6,443,780	\$ 6,451,199	\$ (7,419)
Fire and rescue	62,400	62,400	77,015	(14,615)
Other protection	90,050	91,550	92,836	(1,286)
Total public safety	\$ 6,514,520	\$ 6,597,730	\$ 6,621,050	\$ (23,320)
Public Works:				
Maintenance of streets, highways, bridges and sidewalks	\$ 2,881,530	\$ 2,875,970	\$ 2,903,090	\$ (27,120)
Sanitation and waste removal	1,585,560	1,600,160	1,897,942	(297,782)
Maintenance of buildings and grounds	2,441,120	2,446,900	2,360,125	86,775
Total public works	\$ 6,908,210	\$ 6,923,030	\$ 7,161,157	\$ (238,127)

TOWN OF VIENNA, VIRGINIA

**Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016 (continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Health and Welfare:				
Welfare/Social Services	\$ 237,300	\$ 237,300	\$ 239,830	\$ (2,530)
Parks, recreation and cultural:				
Parks and recreation	\$ 3,013,560	\$ 3,064,460	\$ 3,083,069	\$ (18,609)
Community Development:				
Planning and community development	\$ 848,970	\$ 854,370	\$ 784,698	\$ 69,672
Debt Service:				
Principal	\$ 635,850	\$ -	\$ -	\$ -
Interest and fiscal charges	20,740	-	-	-
Total debt service	\$ 656,590	\$ -	\$ -	\$ -
Total expenditures	\$ 23,050,680	\$ 22,530,770	\$ 22,566,485	\$ (35,715)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,470,620)	\$ (787,120)	\$ (66,675)	\$ 720,445
Other Financing Sources (Uses)				
Issuance of capital lease	\$ -	\$ -	\$ 700,000	\$ 700,000
Transfers in	900,000	900,000	900,000	-
Transfers out	-	(1,376,590)	(2,561,434)	(1,184,844)
Total other financing sources (uses)	\$ 900,000	\$ (476,590)	\$ (961,434)	\$ (484,844)
Net change in fund balance	\$ (570,620)	\$ (1,263,710)	\$ (1,028,109)	\$ 235,601
Fund balance, beginning of year	570,620	1,263,710	9,186,445	7,922,735
Fund balance, end of year	\$ -	\$ -	\$ 8,158,336	\$ 8,158,336

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

TOWN OF VIENNA, VIRGINIA

Schedule of OPEB Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Other Postemployment Benefits:						
June 30, 2010	\$ -	\$ 1,597,000	\$ 1,597,000	0.0%	\$ 11,077,000	14.4%
July 1, 2013	-	1,477,014	1,477,014	0.0%	11,276,000	13.10%
July 1, 2015	-	1,400,061	1,400,061	0.0%	12,589,810	11.12%

TOWN OF VIENNA, VIRGINIA

Schedule of Changes in the Net Pension Liability and Related Ratios

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

Note: The Town implemented GASB 67 in fiscal year 2014. Information for the previous 7 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions
Last Ten Fiscal Years

Civilian Plan:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 167,445	\$ 165,879	\$ 161,780	\$ 148,159	\$ 137,817	\$ 143,200	\$ 138,196	\$ 155,751	\$ 145,979	\$ 134,812
Contributions in relation to the actuarially determined contribution	<u>170,324</u>	<u>163,000</u>	<u>161,780</u>	<u>148,159</u>	<u>137,817</u>	<u>143,200</u>	<u>138,196</u>	<u>155,751</u>	<u>145,979</u>	<u>134,812</u>
Contribution deficiency (excess)	<u>\$ (2,879)</u>	<u>\$ 2,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - payroll	\$ 739,312	\$ 1,115,015	\$ 1,178,949	\$ 1,559,568	\$ 1,701,444	\$ 1,835,897	\$ 1,919,389	\$ 1,971,532	\$ 1,717,400	\$ 1,872,389
Contributions as a percentage of covered - payroll	23.0%	14.6%	13.7%	9.5%	8.1%	7.8%	7.2%	7.9%	8.5%	7.2%
Sworn Officers' Plan:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 258,507	\$ 255,110	\$ 182,694	\$ 167,299	\$ 172,524	\$ 133,248	\$ 136,942	\$ 148,117	\$ 140,348	\$ 98,762
Contributions in relation to the actuarially determined contribution	<u>322,248</u>	<u>191,369</u>	<u>182,694</u>	<u>167,299</u>	<u>172,524</u>	<u>133,248</u>	<u>136,942</u>	<u>148,117</u>	<u>140,348</u>	<u>98,762</u>
Contribution deficiency (excess)	<u>\$ (63,741)</u>	<u>\$ 63,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - payroll	\$ 3,138,408	\$ 2,820,889	\$ 2,732,096	\$ 2,987,482	\$ 2,738,476	\$ 2,664,960	\$ 2,794,735	\$ 2,794,660	\$ 2,648,075	\$ 2,351,476
Contributions as a percentage of covered - payroll	10.3%	6.8%	6.7%	5.6%	6.3%	5.0%	4.9%	5.3%	5.3%	4.2%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

	Civilian Plan	Sworn Officers' Plan
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar (closed)	Level dollar
Remaining amortization period	15 years	15 years
Asset valuation method	Market	Market
Inflation	2.50%	2.50%
Salary increases	4.00% first 20 years, 1.00% thereafter	5.00% for 10 years, 1.00% thereafter
Investment rate of return	4.25%	4.25%
Retirement age	The earlier of attainment of age 65 or attainment of age 50 and 30 years of service.	The earlier of attainment of age 65 or attainment of age 50 and 30 years of service.
Mortality	RP-2000 mortality tables	RP-2000 mortality tables

TOWN OF VIENNA, VIRGINIA

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment expense

	2016	2015	2014
Civilian Plan	0.30%	0.10%	0.10%
Sworn Officers' Plan	0.30%	0.10%	0.10%

Note: The Town implemented GASB 67 in fiscal year 2014.
 Information for the previous 7 years is unavailable.

TOWN OF VIENNA, VIRGINIA

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
VRS Pension Plan
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 1,159,362	\$ 1,111,037
Interest	3,962,616	3,809,732
Differences between expected and actual experience	476,957	-
Benefit payments, including refunds of employee contributions	(2,865,505)	(2,607,904)
Net change in total pension liability	\$ 2,733,430	\$ 2,312,865
Total pension liability - beginning	58,041,556	55,728,691
Total pension liability - ending (a)	\$ 60,774,986	\$ 58,041,556
Plan fiduciary net position		
Contributions - employer	\$ 1,356,538	\$ 1,365,804
Contributions - employee	567,236	546,977
Net investment income	2,242,886	6,777,243
Benefit payments, including refunds of employee contributions	(2,865,505)	(2,607,904)
Administrative expense	(31,154)	(36,819)
Other	(471)	357
Net change in plan fiduciary net position	\$ 1,269,530	\$ 6,045,658
Plan fiduciary net position - beginning	49,265,161	43,219,503
Plan fiduciary net position - ending (b)	\$ 50,534,691	\$ 49,265,161
Town's net pension liability - ending (a) - (b)	\$ 10,240,295	\$ 8,776,395
Plan fiduciary net position as a percentage of the total pension liability	83.15%	84.88%
Covered payroll	\$ 11,075,000	\$ 10,962,381
Town's net pension liability as a percentage of covered payroll	92.46%	80.06%

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

TOWN OF VIENNA, VIRGINIA

Schedule of Employer Contributions - VRS
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	\$ 1,428,966	\$ 1,428,966	\$ -	\$ 11,598,748	12.32%
2015	1,364,440	1,364,440	-	11,075,000	12.32%
2014	1,366,884	1,366,884	-	10,961,381	12.47%
2013	1,296,157	1,296,157	-	10,394,199	12.47%
2012	959,768	959,768	-	9,793,554	9.80%
2011	963,357	963,357	-	9,830,170	9.80%
2010	1,015,873	1,015,873	-	10,038,271	10.12%
2009	1,004,962	1,004,962	-	9,930,448	10.12%
2008	1,107,669	1,107,669	-	9,435,000	11.74%
2007	1,022,954	1,022,954	-	8,713,403	11.74%

TOWN OF VIENNA, VIRGINIA

**Notes to Required Supplementary Information
For the Year Ended June 30, 2016**

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

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- Other Supplementary Information -

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TOWN OF VIENNA, VIRGINIA

Combining Balance Sheet
Nonmajor Governmental Funds
At June 30, 2016

	Special Revenue Funds		Total
	Stormwater	Gang	Nonmajor
	Fund	Task Force	Governmental
	Fund	Fund	Funds
Assets:			
Cash and cash equivalents	\$ 392,020	\$ -	\$ 392,020
Restricted:			
Cash and cash equivalents	-	747,030	747,030
Total assets	\$ 392,020	\$ 747,030	\$ 1,139,050
Liabilities:			
Accounts payable	\$ 58,176	\$ -	\$ 58,176
Accrued liabilities	3,178	22	3,200
Total liabilities	\$ 61,354	\$ 22	\$ 61,376
Fund Balance:			
Restricted:			
Stormwater funds	\$ 330,666	\$ -	\$ 330,666
Gang task force funds	-	747,008	747,008
Total fund balance	\$ 330,666	\$ 747,008	\$ 1,077,674
Total liabilities and fund balance	\$ 392,020	\$ 747,030	\$ 1,139,050

TOWN OF VIENNA, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Stormwater Fund	Gang Task Force Fund	
Revenues:			
Revenue from use of money and property	\$ 1,904	\$ 1,524	\$ 3,428
Intergovernmental	<u>272,394</u>	<u>412,259</u>	<u>684,653</u>
Total revenues	<u>\$ 274,298</u>	<u>\$ 413,783</u>	<u>\$ 688,081</u>
Expenditures:			
Current:			
Public safety	\$ -	\$ 393,222	\$ 393,222
Public works	<u>267,669</u>	<u>-</u>	<u>267,669</u>
Total expenditures	<u>\$ 267,669</u>	<u>\$ 393,222</u>	<u>\$ 660,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,629</u>	<u>\$ 20,561</u>	<u>\$ 27,190</u>
Other financing sources (uses):			
Transfers out	<u>\$ (5,958)</u>	<u>\$ -</u>	<u>\$ (5,958)</u>
Total other financing sources (uses)	<u>\$ (5,958)</u>	<u>\$ -</u>	<u>\$ (5,958)</u>
Net changes in fund balances	\$ 671	\$ 20,561	\$ 21,232
Fund balances at beginning of year	<u>329,995</u>	<u>726,447</u>	<u>1,056,442</u>
Fund balances at end of year	<u><u>\$ 330,666</u></u>	<u><u>\$ 747,008</u></u>	<u><u>\$ 1,077,674</u></u>

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Fiduciary Net Position
At June 30, 2016

	Pension Trust Funds		
	Local Retirement Fund	Police Retirement Fund	Total
Assets:			
Cash and cash equivalents	\$ 35,311	\$ -	\$ 35,311
Investment in State Treasurer's Local Government Investment Pool	2,326,197	2,964,469	5,290,666
Accounts receivable	7,116	137,186	144,302
Total assets	<u>\$ 2,368,624</u>	<u>\$ 3,101,655</u>	<u>\$ 5,470,279</u>
Liabilities:			
Accounts payable	\$ -	\$ 154	\$ 154
Total liabilities	<u>\$ -</u>	<u>\$ 154</u>	<u>\$ 154</u>
Net Position:			
Held in trust for pension benefits	<u>\$ 2,368,624</u>	<u>\$ 3,101,501</u>	<u>\$ 5,470,125</u>

TOWN OF VIENNA, VIRGINIA

Fiduciary Funds

Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Local Retirement Fund	Police Retirement Fund	Total
Additions:			
Contributions:			
Employer	\$ 170,324	\$ 322,248	\$ 492,572
Plan members	-	38,552	38,552
Total contributions	\$ 170,324	\$ 360,800	\$ 531,124
Investment income:			
Interest earned on investments	7,435	9,498	16,933
Total additions	\$ 177,759	\$ 370,298	\$ 548,057
Deductions:			
Pension benefit payments	\$ 160,052	\$ 226,973	\$ 387,025
Other charges	1,800	1,800	3,600
Total deductions	\$ 161,852	\$ 228,773	\$ 390,625
Net increase in plan assets	\$ 15,907	\$ 141,525	\$ 157,432
Net position held in trust for pension benefits:			
Balance, beginning of year	2,352,717	2,959,976	5,312,693
Balance, end of year	\$ 2,368,624	\$ 3,101,501	\$ 5,470,125

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>General Fund:</u>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,847,000	\$ 9,847,000	\$ 9,997,218	\$ 150,218
Public service corporation taxes:				
Real property	85,000	85,000	89,544	4,544
Penalties and interest	<u>93,070</u>	<u>93,070</u>	<u>62,294</u>	<u>(30,776)</u>
Total general property taxes	\$ <u>10,025,070</u>	\$ <u>10,025,070</u>	\$ <u>10,149,056</u>	\$ <u>123,986</u>
Other local taxes:				
Local sales and use taxes	\$ 1,375,000	\$ 1,375,000	\$ 1,484,216	\$ 109,216
Consumer utility taxes	665,000	665,000	659,320	(5,680)
Business license tax	2,457,990	2,457,990	2,221,072	(236,918)
Motor vehicle license tax	375,000	375,000	383,469	8,469
Bank franchise taxes	1,130,000	1,130,000	1,416,573	286,573
Tobacco tax	280,000	280,000	249,175	(30,825)
Fiber-optic franchise tax	33,000	33,000	32,218	(782)
Telecommunications tax	100,000	100,000	121,712	21,712
Media general franchise fees and related taxes	50,000	50,000	176,431	126,431
Utility consumption taxes	<u>56,000</u>	<u>56,000</u>	<u>55,122</u>	<u>(878)</u>
Total other local taxes	\$ <u>6,521,990</u>	\$ <u>6,521,990</u>	\$ <u>6,799,308</u>	\$ <u>277,318</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 14,097	\$ (903)
Other permits, privilege fees and regulatory licenses	<u>164,500</u>	<u>164,500</u>	<u>254,217</u>	<u>89,717</u>
Total permits, privilege fees and regulatory licenses	\$ <u>179,500</u>	\$ <u>179,500</u>	\$ <u>268,314</u>	\$ <u>88,814</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ <u>455,000</u>	\$ <u>455,000</u>	\$ <u>331,935</u>	\$ <u>(123,065)</u>

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2016 (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>
<u>General Fund: (continued)</u>				
Revenue from use of money and property:				
Interest on bank deposits	\$ 10,000	\$ 10,000	\$ 31,736	\$ 21,736
Concessions and rentals	<u>115,000</u>	<u>115,000</u>	<u>95,356</u>	<u>(19,644)</u>
Total revenue from use of money and property	\$ <u>125,000</u>	\$ <u>125,000</u>	\$ <u>127,092</u>	\$ <u>2,092</u>
Charges for services:				
Recreation fees	\$ 795,000	\$ 795,000	\$ 536,163	\$ (258,837)
Police reimbursements	6,000	15,160	13,315	(1,845)
Special service fees	<u>25,000</u>	<u>25,000</u>	<u>35,896</u>	<u>10,896</u>
Total charges for services	\$ <u>826,000</u>	\$ <u>835,160</u>	\$ <u>585,374</u>	\$ <u>(249,786)</u>
Miscellaneous:				
Miscellaneous income	\$ <u>138,100</u>	\$ <u>292,530</u>	\$ <u>834,552</u>	\$ <u>542,022</u>
Total revenue from local sources	\$ <u>18,270,660</u>	\$ <u>18,434,250</u>	\$ <u>19,095,631</u>	\$ <u>661,381</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	\$ 1,070,000	\$ 1,070,000	\$ 1,033,059	\$ (36,941)
Rolling stock tax	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>
Total non-categorical aid	\$ <u>1,070,000</u>	\$ <u>1,070,000</u>	\$ <u>1,033,119</u>	\$ <u>(36,881)</u>
Categorical aid:				
Street and highway maintenance	\$ 1,700,000	\$ 1,700,000	\$ 1,814,732	\$ 114,732
Law enforcement assistance	7,500	7,500	1,875	(5,625)
Public safety grants	376,000	376,000	376,084	84
Fire funds	<u>42,400</u>	<u>42,400</u>	<u>49,718</u>	<u>7,318</u>
Total Categorical aid	\$ <u>2,125,900</u>	\$ <u>2,125,900</u>	\$ <u>2,242,409</u>	\$ <u>116,509</u>
Total revenue from the Commonwealth	\$ <u>3,195,900</u>	\$ <u>3,195,900</u>	\$ <u>3,275,528</u>	\$ <u>79,628</u>

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2016 (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>
<u>General Fund: (continued)</u>				
Intergovernmental: (continued)				
Revenue from federal government:				
Categorical aid:				
Public safety grants	\$ 98,500	\$ 98,500	\$ 86,196	\$ (12,304)
DMV grants	15,000	15,000	42,455	27,455
Total revenue from the federal government	\$ 113,500	\$ 113,500	\$ 128,651	\$ 15,151
Total General Fund	\$ 21,580,060	\$ 21,743,650	\$ 22,499,810	\$ 756,160
<u>Debt Service Fund:</u>				
Revenue from local sources:				
Other local taxes:				
Meals and lodging tax	\$ 2,299,960	\$ 2,299,960	\$ 2,520,856	\$ 220,896
Revenue from use of money and property:				
Interest on bank deposits	4,700	4,700	14,160	9,460
Miscellaneous:				
Miscellaneous income	-	-	120	120
Intergovernmental:				
Revenue from federal government:				
Build America Bonds interest subsidy	35,010	35,010	32,541	(2,469)
Total Debt Service Fund	\$ 2,339,670	\$ 2,339,670	\$ 2,567,677	\$ 228,007
<u>Capital Projects Fund:</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 35,089	\$ 35,089
Total revenue from use of money and property	\$ -	\$ -	\$ 35,089	\$ 35,089
Miscellaneous:				
Donations and contributions	\$ -	\$ -	\$ 725,711	\$ 725,711
Total miscellaneous	\$ -	\$ -	\$ 725,711	\$ 725,711
Total revenue from local sources	\$ -	\$ -	\$ 760,800	\$ 760,800
Intergovernmental:				
Fairfax County - streets	\$ -	\$ -	\$ 99,339	\$ 99,339
Revenue from the Commonwealth:				
VDOT grants	\$ -	\$ 450,000	\$ 4,774,819	\$ 4,324,819
Revenue from federal government:				
Federal transit grants	\$ -	\$ -	\$ 1,269,363	\$ 1,269,363
Total Capital Projects Fund	\$ -	\$ 450,000	\$ 6,904,321	\$ 6,454,321
<u>Special Revenue Funds:</u>				
<u>Stormwater Fund</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 1,904	\$ 1,904
Intergovernmental:				
Fairfax County - stormwater tax	\$ 232,130	\$ 232,130	\$ 272,394	\$ 40,264
Total Stormwater Fund	\$ 232,130	\$ 232,130	\$ 274,298	\$ 42,168

Governmental Funds

Schedule of Revenues - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<u>Special Revenue Funds: (continued)</u>				
Gang Task Force Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Interest on investments	\$ -	\$ -	\$ 1,524	\$ 1,524
Intergovernmental:				
Local governments	\$ -	\$ -	\$ 325,000	\$ 325,000
Revenue from the Commonwealth:				
Asset forfeiture funds	\$ -	\$ -	\$ 87,259	\$ 87,259
Total Gang Task Force Fund	\$ -	\$ -	\$ 413,783	\$ 413,783
Special Transportation Fund				
Intergovernmental:				
Northern Virginia Transportation Authority	\$ -	\$ -	\$ 7,392	\$ 7,392
Total Special Revenue Funds	\$ 232,130	\$ 232,130	\$ 695,473	\$ 463,343
Total All Governmental Funds	\$ 24,151,860	\$ 24,765,450	\$ 32,667,281	\$ 7,901,831

TOWN OF VIENNA, VIRGINIA

Governmental Funds

**Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016**

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>General Fund:</u>				
General Government Administration:				
Legislative:				
Town council	\$ 84,450	\$ 82,600	\$ 75,226	\$ 7,374
Boards and commissions	50,690	50,690	46,016	4,674
PEG project	150,000	150,000	113,687	36,313
Town clerk	272,710	274,710	269,523	5,187
Total legislative	<u>\$ 557,850</u>	<u>\$ 558,000</u>	<u>\$ 504,452</u>	<u>\$ 53,548</u>
General and Financial Administration:				
Town manager	\$ 335,960	\$ 338,960	\$ 336,515	\$ 2,445
Town manager equipment	-	-	18,040	(18,040)
Administrative services	476,240	463,940	400,837	63,103
Legal services	270,710	270,710	264,761	5,949
Financial administration	645,510	703,410	817,606	(114,196)
Disbursement operations	192,760	194,260	217,941	(23,681)
Risk management	582,730	529,530	425,630	103,900
Information technology	757,160	790,860	735,072	55,788
Purchasing	153,840	153,840	146,771	7,069
Revenue operations	502,280	453,880	469,475	(15,595)
Public information	286,560	286,560	239,581	46,979
Central services	59,930	59,930	51,873	8,057
PC replacement	50,000	50,000	48,127	1,873
Total general and financial administration	<u>\$ 4,313,680</u>	<u>\$ 4,295,880</u>	<u>\$ 4,172,229</u>	<u>\$ 123,651</u>
Total general government administration	<u><u>\$ 4,871,530</u></u>	<u><u>\$ 4,853,880</u></u>	<u><u>\$ 4,676,681</u></u>	<u><u>\$ 177,199</u></u>
Public Safety:				
Law enforcement and traffic control:				
Police administration	\$ 909,020	\$ 922,520	\$ 840,429	\$ 82,091
Uniform patrol	2,289,850	2,300,430	2,456,886	(156,456)
Communications	1,110,220	1,114,120	1,083,013	31,107
Investigations	1,129,490	1,132,630	1,081,065	51,565
Community services	133,130	134,470	112,693	21,777
Traffic unit	704,920	709,580	608,319	101,261
Equipment replacement	-	-	53,806	(53,806)
Gang task force	85,440	85,440	97,576	(12,136)
Other law enforcement and traffic control	-	44,590	117,412	(72,822)
Total law enforcement and traffic control	<u>\$ 6,362,070</u>	<u>\$ 6,443,780</u>	<u>\$ 6,451,199</u>	<u>\$ (7,419)</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive Negative
<u>General Fund: (continued)</u>				
Public Safety: (continued)				
Fire and rescue:				
Volunteer fire department	\$ 62,400	\$ 62,400	\$ 77,015	\$ (14,615)
Other protection:				
Personal property/animal control	\$ 90,050	\$ 91,550	\$ 92,836	\$ (1,286)
Total public safety	<u>\$ 6,514,520</u>	<u>\$ 6,597,730</u>	<u>\$ 6,621,050</u>	<u>\$ (23,320)</u>
Public Works:				
Maintenance of streets, highways, bridges, and sidewalks:				
General administration	\$ 666,310	\$ 681,530	\$ 692,389	\$ (10,859)
Street maintenance	1,685,940	1,656,190	1,620,352	35,838
Snow removal	214,440	224,440	288,569	(64,129)
Traffic engineering	<u>314,840</u>	<u>313,810</u>	<u>301,780</u>	<u>12,030</u>
Total maintenance of streets, highways, bridges, and sidewalks	<u>\$ 2,881,530</u>	<u>\$ 2,875,970</u>	<u>\$ 2,903,090</u>	<u>\$ (27,120)</u>
Sanitation and waste removal:				
Sanitation	\$ 1,500,940	\$ 1,564,700	\$ 1,627,472	\$ (62,772)
Sanitation equipment	-	-	238,790	(238,790)
Fall/spring cleanup - leaf collection and other	<u>84,620</u>	<u>35,460</u>	<u>31,680</u>	<u>3,780</u>
Total sanitation and waste removal	<u>\$ 1,585,560</u>	<u>\$ 1,600,160</u>	<u>\$ 1,897,942</u>	<u>\$ (297,782)</u>
Maintenance of buildings and grounds:				
Vehicle and equipment maintenance	\$ 1,165,500	\$ 1,161,480	\$ 1,085,748	\$ 75,732
Vehicle maintenance equipment	-	-	23,029	(23,029)
Maintenance of buildings and grounds	<u>1,275,620</u>	<u>1,285,420</u>	<u>1,251,348</u>	<u>34,072</u>
Total maintenance of buildings and grounds	<u>\$ 2,441,120</u>	<u>\$ 2,446,900</u>	<u>\$ 2,360,125</u>	<u>\$ 86,775</u>
Total public works	<u>\$ 6,908,210</u>	<u>\$ 6,923,030</u>	<u>\$ 7,161,157</u>	<u>\$ (238,127)</u>
Health and Welfare:				
Welfare/Social Services:				
Property tax relief for the elderly	<u>\$ 237,300</u>	<u>\$ 237,300</u>	<u>\$ 239,830</u>	<u>\$ (2,530)</u>

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>General Fund: (continued)</u>				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Administration	\$ 696,420	\$ 690,630	\$ 654,571	\$ 36,059
Parks and recreation programs	449,680	401,770	340,331	61,439
General maintenance	1,027,260	1,089,180	1,075,185	13,995
Community center	473,350	493,490	467,364	26,126
Special events	148,400	162,440	143,616	18,824
Parks and recreation equipment	-	-	182,174	(182,174)
Teen Center	186,950	191,950	189,079	2,871
Historic preservation	31,500	35,000	30,749	4,251
Total parks and recreation	<u>\$ 3,013,560</u>	<u>\$ 3,064,460</u>	<u>\$ 3,083,069</u>	<u>\$ (18,609)</u>
Community Development:				
Planning and community development:				
Planning and zoning	\$ 824,170	\$ 829,570	\$ 769,898	\$ 59,672
Various contributions	24,800	24,800	14,800	10,000
Total planning and community development	<u>\$ 848,970</u>	<u>\$ 854,370</u>	<u>\$ 784,698</u>	<u>\$ 69,672</u>
Debt Service:				
Principal on capital lease obligation	\$ 635,850	\$ -	\$ -	\$ -
Interest on capital leases	20,740	-	-	-
Total debt service	<u>\$ 656,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Fund	<u>\$ 23,050,680</u>	<u>\$ 22,530,770</u>	<u>\$ 22,566,485</u>	<u>\$ (35,715)</u>
<u>Debt Service Fund:</u>				
Debt Service:				
Principal retirement	\$ 1,855,000	\$ 2,490,850	\$ 2,490,860	\$ (10)
Interest and fiscal charges	464,410	485,150	484,952	198
Total Debt Service Fund	<u>\$ 2,319,410</u>	<u>\$ 2,976,000</u>	<u>\$ 2,975,812</u>	<u>\$ 188</u>

TOWN OF VIENNA, VIRGINIA

Governmental Funds

Schedule of Expenditures - Budget and Actual
Year Ended June 30, 2016 (continued)

Fund, Function, Activity and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>Capital Projects Fund:</u>				
Capital projects:				
Facilities projects	\$ -	\$ -	\$ 3,475,485	\$ (3,475,485)
Equipment system projects	-	-	1,097,989	(1,097,989)
Parks projects	-	-	1,088,815	(1,088,815)
Sidewalk, curb, and gutter projects	-	-	2,330,962	(2,330,962)
Street improvement projects	-	-	2,614,901	(2,614,901)
Stormwater projects	-	-	1,315,990	(1,315,990)
Other capital projects and administration	-	-	147,943	(147,943)
Total capital projects	\$ -	\$ -	\$ 12,072,085	\$ (12,072,085)
Total Capital Projects Fund	\$ -	\$ -	\$ 12,072,085	\$ (12,072,085)
<u>Special Revenue Funds:</u>				
<u>Gang Task Force Fund</u>				
Public Safety:				
Law enforcement and traffic control:				
Asset forfeiture program	\$ -	\$ -	\$ 393,222	\$ (393,222)
<u>Stormwater Fund</u>				
Public Works:				
Stormwater	\$ 439,260	\$ 439,260	\$ 267,669	\$ 171,591
<u>Special Transportation Fund</u>				
Public Works:				
NVTA administration	\$ -	\$ -	\$ 7,392	\$ (7,392)
Total Special Revenue Funds	\$ 439,260	\$ 439,260	\$ 668,283	\$ (229,023)
Total All Governmental Funds	\$ 25,809,350	\$ 25,946,030	\$ 38,282,665	\$ (12,336,635)

- Statistical Section -

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

TOWN OF VIENNA, VIRGINIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 31,965,939	\$ 37,791,201	\$ 37,874,402	\$ 38,411,117
Unrestricted	<u>15,418,559</u>	<u>15,284,033</u>	<u>14,730,114</u>	<u>13,077,123</u>
Total governmental activities net position	<u><u>\$ 47,384,498</u></u>	<u><u>\$ 53,075,234</u></u>	<u><u>\$ 52,604,516</u></u>	<u><u>\$ 51,488,240</u></u>
Business-type activities:				
Net investment in capital assets	\$ 7,633,717	\$ 7,624,024	\$ 7,782,540	\$ 7,927,058
Unrestricted	<u>567,337</u>	<u>1,431,406</u>	<u>1,054,949</u>	<u>287,487</u>
Total business-type activities net position	<u><u>\$ 8,201,054</u></u>	<u><u>\$ 9,055,430</u></u>	<u><u>\$ 8,837,489</u></u>	<u><u>\$ 8,214,545</u></u>
Primary government:				
Net investment in capital assets	\$ 39,599,656	\$ 45,415,225	\$ 45,656,942	\$ 46,338,175
Unrestricted	<u>15,985,896</u>	<u>16,715,439</u>	<u>15,785,063</u>	<u>13,364,610</u>
Total primary government net position	<u><u>\$ 55,585,552</u></u>	<u><u>\$ 62,130,664</u></u>	<u><u>\$ 61,442,005</u></u>	<u><u>\$ 59,702,785</u></u>

Table 1

2011	2012	2013	2014	2015	2016
\$ 37,675,832	\$ 37,173,866	\$ 35,964,436	\$ 35,130,306	\$ 33,907,664	\$ 40,770,246
13,025,908	14,218,648	15,676,550	15,163,500	4,763,891	7,963,012
<u>\$ 50,701,740</u>	<u>\$ 51,392,514</u>	<u>\$ 51,640,986</u>	<u>\$ 50,293,806</u>	<u>\$ 38,671,555</u>	<u>\$ 48,733,258</u>
\$ 8,069,308	\$ 8,183,057	\$ 7,911,570	\$ 7,981,491	\$ 9,358,019	\$ 9,846,088
(52,010)	(936,451)	(441,240)	(18,296)	(592,683)	(474,233)
<u>\$ 8,017,298</u>	<u>\$ 7,246,606</u>	<u>\$ 7,470,330</u>	<u>\$ 7,963,195</u>	<u>\$ 8,765,336</u>	<u>\$ 9,371,855</u>
\$ 45,745,140	\$ 45,356,923	\$ 43,876,006	\$ 43,111,797	\$ 43,265,683	\$ 50,616,334
12,973,898	13,282,197	15,235,310	15,145,204	4,171,208	7,488,779
<u>\$ 58,719,038</u>	<u>\$ 58,639,120</u>	<u>\$ 59,111,316</u>	<u>\$ 58,257,001</u>	<u>\$ 47,436,891</u>	<u>\$ 58,105,113</u>

TOWN OF VIENNA, VIRGINIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses:				
Governmental Activities:				
General government administration	\$ 3,081,052	\$ 3,119,608	\$ 3,466,917	\$ 3,647,013
Public safety	5,225,145	5,616,582	5,845,864	5,971,132
Public works	8,716,466	8,995,488	9,379,606	9,593,548
Health and welfare	305,332	294,054	292,930	290,773
Parks, recreation and cultural	2,706,829	2,797,313	2,871,670	2,836,757
Community development	691,665	734,650	755,281	711,824
Interest on long-term debt	672,020	599,829	523,205	441,336
Total governmental activities expenses	<u>\$ 21,398,509</u>	<u>\$ 22,157,524</u>	<u>\$ 23,135,473</u>	<u>\$ 23,492,383</u>
Business type activities:				
Water and sewer	5,043,291	5,147,109	5,315,042	5,777,244
Total business type activities expenses	<u>\$ 26,441,800</u>	<u>\$ 27,304,633</u>	<u>\$ 28,450,515</u>	<u>\$ 29,269,627</u>
Program Revenues:				
Governmental Activities:				
Charges for services				
General government	\$ 10,043	\$ 9,931	\$ 9,833	\$ 12,019
Public safety	357,090	337,235	376,512	425,829
Public works	85,328	-	-	-
Parks, recreation and cultural	771,169	786,722	718,204	675,784
Operating grants and contributions	2,251,198	2,062,483	2,115,797	2,315,236
Capital grants and contributions	4,191,946	5,540,058	334,464	930,188
Total governmental activities program revenues	<u>\$ 7,666,774</u>	<u>\$ 8,736,429</u>	<u>\$ 3,554,810</u>	<u>\$ 4,359,056</u>
Business type activities:				
Water and sewer				
Charges for services	\$ 5,692,069	\$ 6,181,491	\$ 5,753,330	\$ 5,839,658
Operating grants and contributions	-	240,507	-	-
Capital grants and contributions	-	-	277,977	5,553
Total business type activities	<u>\$ 5,692,069</u>	<u>\$ 6,421,998</u>	<u>\$ 6,031,307</u>	<u>\$ 5,845,211</u>
Total business type activities revenues	<u>\$ 13,358,843</u>	<u>\$ 15,158,427</u>	<u>\$ 9,586,117</u>	<u>\$ 10,204,267</u>
Net (expenses)/revenues	<u>\$ (13,082,957)</u>	<u>\$ (12,146,206)</u>	<u>\$ (18,864,398)</u>	<u>\$ (19,065,360)</u>
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Taxes:				
General real property taxes	\$ 7,094,275	\$ 7,838,966	\$ 8,523,543	\$ 8,668,872
Local sales and use taxes	1,197,980	1,214,258	1,224,471	1,285,506
Consumer utility taxes	1,153,656	660,742	659,932	656,858
Business license taxes	1,994,824	2,095,137	2,204,093	1,973,781
Meals and lodging taxes	2,335,577	2,385,355	1,691,961	1,698,298
Other	1,892,970	1,181,323	1,177,426	1,279,989
Grants and contributions not restricted to specific programs	18,759	1,243,315	1,113,597	1,118,153
Unrestricted revenues from the use of money and property	991,582	845,947	411,190	265,712
Miscellaneous	304,100	368,838	1,060,904	274,906
Transfers	1,237,675	1,277,950	1,042,828	794,976
Total governmental activities general revenues	<u>\$ 18,221,398</u>	<u>\$ 19,111,831</u>	<u>\$ 19,109,945</u>	<u>\$ 18,017,051</u>
Business type activities:				
Interest revenue	\$ 100,211	\$ 67,458	\$ 30,702	\$ 3,099
Miscellaneous	42,302	77,415	77,920	100,966
Capital contributions	-	-	-	-
Transfers	(1,237,675)	(1,277,950)	(1,042,828)	(794,976)
Total business-type activities general revenues	<u>\$ (1,095,162)</u>	<u>\$ (1,133,077)</u>	<u>\$ (934,206)</u>	<u>\$ (690,911)</u>
Total general revenues	<u>\$ 17,126,236</u>	<u>\$ 17,978,754</u>	<u>\$ 18,175,739</u>	<u>\$ 17,326,140</u>
Changes in net position:				
Governmental activities	\$ 4,489,663	\$ 5,690,736	\$ (470,718)	\$ (1,116,276)
Business-type activities	(446,384)	141,812	(217,941)	(622,944)
Total changes in net position	<u>\$ 4,043,279</u>	<u>\$ 5,832,548</u>	<u>\$ (688,659)</u>	<u>\$ (1,739,220)</u>

Table 2

2011	2012	2013	2014	2015	2016
\$ 3,595,123	\$ 3,635,414	\$ 4,147,172	\$ 4,356,498	\$ 4,599,322	\$ 4,922,997
5,755,847	6,100,525	6,429,827	7,415,110	6,815,222	7,052,929
9,813,232	9,220,813	10,286,260	10,311,313	10,217,103	8,917,396
284,914	275,881	261,658	240,913	236,811	240,410
3,015,055	2,863,152	3,228,786	3,110,412	3,271,954	3,040,826
714,927	846,444	867,961	857,727	665,881	781,494
469,103	468,645	602,885	596,719	479,678	707,242
\$ 23,648,201	\$ 23,410,874	\$ 25,824,549	\$ 26,888,692	\$ 26,285,971	\$ 25,663,294
5,535,934	6,223,267	6,151,284	5,907,863	5,713,223	6,096,402
\$ 29,184,135	\$ 29,634,141	\$ 31,975,833	\$ 32,796,555	\$ 31,999,194	\$ 31,759,696
\$ 13,714	\$ 21,341	\$ 23,030	\$ 27,895	\$ 27,620	\$ 35,896
547,135	660,559	617,223	629,143	641,051	613,564
-	-	-	-	-	-
705,587	737,865	754,445	763,033	737,297	536,163
2,137,763	2,134,393	3,082,757	3,157,284	3,018,343	3,194,985
687,923	497,335	1,610,089	866,348	2,209,526	8,394,653
\$ 4,092,122	\$ 4,051,493	\$ 6,087,544	\$ 5,443,703	\$ 6,633,837	\$ 12,775,261
\$ 6,071,383	\$ 6,065,317	\$ 7,129,668	\$ 6,985,412	\$ 7,018,076	\$ 6,902,605
-	-	213,405	-	-	-
4,000	112,490	-	-	264,630	213,405
\$ 6,075,383	\$ 6,177,807	\$ 7,343,073	\$ 6,985,412	\$ 7,282,706	\$ 7,116,010
\$ 10,167,505	\$ 10,229,300	\$ 13,430,617	\$ 12,429,115	\$ 13,916,543	\$ 19,891,271
\$ (19,016,630)	\$ (19,404,841)	\$ (18,545,216)	\$ (20,367,440)	\$ (18,082,651)	\$ (11,868,425)
\$ 8,626,227	\$ 9,055,525	\$ 9,193,705	\$ 9,217,757	\$ 9,820,079	\$ 10,174,969
1,336,821	1,259,235	1,320,803	1,350,263	1,465,129	1,484,216
660,823	645,869	660,323	667,116	668,218	659,320
1,964,360	2,288,730	2,217,307	2,329,139	2,334,987	2,221,072
1,795,855	2,016,210	2,212,543	2,263,450	2,339,686	2,520,856
1,915,710	1,892,753	1,836,673	1,725,943	2,170,698	2,434,700
1,112,301	1,090,891	1,092,804	1,074,053	1,064,604	1,033,119
219,127	199,270	224,039	214,818	265,103	179,769
262,553	720,327	244,303	350,451	799,340	1,560,383
875,802	881,345	982,977	904,819	(235,961)	681,332
\$ 18,769,579	\$ 20,050,155	\$ 19,985,477	\$ 20,097,809	\$ 20,691,883	\$ 22,949,736
\$ 2,176	\$ 1,327	\$ 2,474	\$ 2,116	\$ 3,240	\$ 6,029
136,930	154,786	225,843	318,019	255,595	262,214
-	-	-	-	-	-
(875,802)	(881,345)	(982,977)	(904,819)	235,961	(681,332)
\$ (736,696)	\$ (725,232)	\$ (754,660)	\$ (584,684)	\$ 494,796	\$ (413,089)
\$ 18,032,883	\$ 19,324,923	\$ 19,230,817	\$ 19,513,125	\$ 21,186,679	\$ 22,536,647
\$ (786,500)	\$ 690,774	\$ 248,472	\$ (1,347,180)	\$ 1,039,749	\$ 10,061,703
(197,247)	(770,692)	437,129	492,865	2,064,279	606,519
\$ (983,747)	\$ (79,918)	\$ 685,601	\$ (854,315)	\$ 3,104,028	\$ 10,668,222

TOWN OF VIENNA, VIRGINIA

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

Fiscal Year	Property Tax	Local Sales & Use Tax	Consumer Utility Tax	Business & Occupation Licenses	Meals & Lodging Taxes
2016	\$ 10,174,969	\$ 1,484,216	\$ 659,320	\$ 2,221,072	\$ 2,520,856
2015	9,820,079	1,465,129	668,218	2,334,987	2,339,686
2014	9,217,757	1,350,263	667,116	2,329,139	2,263,450
2013	9,193,705	1,320,803	660,323	2,217,307	2,212,543
2012	9,055,525	1,259,235	645,869	2,288,730	2,016,210
2011	8,626,227	1,336,821	660,823	1,964,360	1,795,855
2010	8,668,872	1,285,506	656,858	1,973,781	1,698,298
2009	8,523,543	1,224,471	659,932	2,204,093	1,691,961
2008	7,838,966	1,214,258	660,742	2,095,137	2,385,355
2007	7,094,275	1,197,980	1,153,656	1,994,824	2,335,577

Table 3

Motor Vehicle License Tax	Bank Franchise Tax	Tobacco Taxes	Other Taxes	Total
\$ 383,469	\$ 1,416,573	\$ 249,175	\$ 385,483	\$ 19,495,133
368,070	1,153,976	262,035	386,617	18,798,797
354,312	697,798	302,198	371,635	17,553,668
389,640	761,646	323,901	361,486	17,441,354
382,597	789,721	347,078	373,357	17,158,322
347,963	867,459	350,098	350,190	16,299,796
-	557,561	359,962	362,466	15,563,304
-	444,050	407,741	325,635	15,481,426
12,213	420,385	429,906	318,819	15,375,781
229,110	424,938	329,958	383,606	15,143,924

TOWN OF VIENNA, VIRGINIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund:				
Reserved	\$ 3,138,779	\$ 3,437,540	\$ 3,321,836	\$ 2,694,439
Designated	950,000	963,786	1,097,048	1,250,000
Undesignated	4,166,530	3,805,255	3,691,280	3,602,251
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 8,255,309</u>	<u>\$ 8,206,581</u>	<u>\$ 8,110,164</u>	<u>\$ 7,546,690</u>
Debt Service Fund:				
Reserved	\$ 3,958,312	\$ 4,317,423	\$ 3,964,342	\$ 3,882,446
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Total Debt Service Fund	<u>\$ 3,958,312</u>	<u>\$ 4,317,423</u>	<u>\$ 3,964,342</u>	<u>\$ 3,882,446</u>
Capital Projects Fund:				
Reserved	\$ 45,931	\$ 646,428	\$ 885,721	\$ 891,162
Designated	4,257,570	3,260,662	2,962,845	2,331,166
Assigned	-	-	-	-
Total Capital Projects Fund	<u>\$ 4,303,501</u>	<u>\$ 3,907,090</u>	<u>\$ 3,848,566</u>	<u>\$ 3,222,328</u>
Nonmajor Funds:				
Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Table 4

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
139,340	149,756	139,335	130,424	245,742	108,149
455,135	500,716	543,982	497,367	621,991	798,241
1,856,398	1,854,854	1,740,672	1,593,542	1,508,479	1,620,960
1,265,848	1,769,805	1,869,852	1,918,210	2,042,064	1,183,920
4,089,728	4,585,175	4,715,920	4,243,138	4,768,169	4,447,066
<u>\$ 7,806,449</u>	<u>\$ 8,860,306</u>	<u>\$ 9,009,761</u>	<u>\$ 8,382,681</u>	<u>\$ 9,186,445</u>	<u>\$ 8,158,336</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	327,000	-	-
3,916,827	4,120,330	4,562,958	4,601,551	4,922,622	6,348,055
<u>\$ 3,916,827</u>	<u>\$ 4,120,330</u>	<u>\$ 4,562,958</u>	<u>\$ 4,928,551</u>	<u>\$ 4,922,622</u>	<u>\$ 6,348,055</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
7,379,562	6,544,456	7,903,967	12,678,854	8,820,174	10,830,402
<u>\$ 7,379,562</u>	<u>\$ 6,544,456</u>	<u>\$ 7,903,967</u>	<u>\$ 12,678,854</u>	<u>\$ 8,820,174</u>	<u>\$ 10,830,402</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 856,270</u>	<u>\$ 872,153</u>	<u>\$ 1,056,442</u>	<u>\$ 1,077,674</u>

TOWN OF VIENNA, VIRGINIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:				
General property taxes	\$ 7,086,277	\$ 7,850,154	\$ 8,473,707	\$ 8,689,481
Other local taxes	8,575,007	8,761,959	8,071,034	6,894,432
Permits, privilege fees and regulatory licenses	90,652	106,291	88,388	101,143
Fines and forfeitures	257,589	227,215	277,174	298,921
Revenue from use of money and property	1,076,910	845,947	411,190	265,712
Charges for services	790,061	800,382	738,987	713,568
Miscellaneous	304,100	368,838	432,804	274,906
Intergovernmental	2,269,957	2,080,654	2,450,707	4,363,577
Total revenues	<u>\$ 20,450,553</u>	<u>\$ 21,041,440</u>	<u>\$ 20,943,991</u>	<u>\$ 21,601,740</u>
Expenditures:				
Current:				
General government administration	\$ 3,073,899	\$ 3,284,008	\$ 3,317,553	\$ 3,545,989
Public safety	5,248,899	5,714,956	5,968,972	5,850,604
Public works	6,136,304	6,388,010	6,847,062	6,617,842
Health and welfare	305,332	294,054	291,386	290,027
Parks, recreation, and cultural	2,676,393	2,863,952	2,651,234	2,729,770
Community development	676,402	729,537	742,287	728,309
Capital projects	2,429,327	799,922	305,176	1,294,779
Debt service:				
Principal retirement	2,275,881	2,307,428	2,336,039	2,152,250
Interest and other fiscal charges	684,805	623,551	547,157	458,754
Total expenditures	<u>\$ 23,507,242</u>	<u>\$ 23,005,418</u>	<u>\$ 23,006,866</u>	<u>\$ 23,668,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,056,689)</u>	<u>\$ (1,963,978)</u>	<u>\$ (2,062,875)</u>	<u>\$ (2,066,584)</u>
Other financing sources (uses):				
Issuance of capital lease	\$ 524,680	\$ 600,000	\$ 512,025	\$ -
Long term debt issued	-	-	-	-
Premium on issuance of long-term obligations	-	-	-	-
Transfers in	1,367,613	1,387,610	1,592,104	1,515,425
Transfers out	(129,938)	(109,660)	(549,276)	(720,449)
Total other financing sources (uses)	<u>\$ 1,762,355</u>	<u>\$ 1,877,950</u>	<u>\$ 1,554,853</u>	<u>\$ 794,976</u>
Net changes in fund balances	<u><u>\$ (1,294,334)</u></u>	<u><u>\$ (86,028)</u></u>	<u><u>\$ (508,022)</u></u>	<u><u>\$ (1,271,608)</u></u>
Debt service as a percentage of noncapital expenditures	16.34%	13.87%	13.60%	11.99%

Table 5

2011	2012	2013	2014	2015	2016
\$ 8,633,014	\$ 9,017,905	\$ 9,280,201	\$ 9,210,898	\$ 9,824,996	\$ 10,149,056
7,673,569	8,102,797	8,247,649	8,335,911	8,978,718	9,320,164
117,484	135,197	152,114	171,876	195,316	268,314
414,608	512,500	449,649	438,510	429,366	331,935
219,127	199,270	224,039	214,818	265,103	179,769
734,344	772,068	792,935	809,685	781,286	585,374
262,553	720,327	244,303	350,451	799,340	1,560,383
3,937,987	3,722,619	5,785,650	5,097,685	6,292,473	10,272,286
\$ 21,992,686	\$ 23,182,683	\$ 25,176,540	\$ 24,629,834	\$ 27,566,598	\$ 32,667,281
\$ 3,569,339	\$ 3,663,319	\$ 4,022,335	\$ 4,462,089	\$ 4,505,608	\$ 4,676,681
5,725,283	6,089,459	6,408,461	7,262,830	6,867,167	7,014,272
6,914,263	6,765,678	6,978,990	7,381,367	7,063,724	7,436,218
284,147	275,187	261,088	240,455	236,416	239,830
2,803,448	2,935,398	2,773,680	2,903,353	2,946,390	3,083,069
722,868	863,380	863,286	851,558	711,077	784,698
1,499,027	1,200,696	6,651,007	2,230,105	5,111,855	12,072,085
2,043,511	2,053,478	2,103,421	3,513,686	2,801,394	2,490,860
436,827	495,179	506,152	675,999	533,590	484,952
\$ 23,998,713	\$ 24,341,774	\$ 30,568,420	\$ 29,521,442	\$ 30,777,221	\$ 38,282,665
\$ (2,006,027)	\$ (1,159,091)	\$ (5,391,880)	\$ (4,891,608)	\$ (3,210,623)	\$ (5,615,384)
\$ 529,427	\$ 700,000	\$ 653,434	\$ 619,455	\$ 570,028	\$ 700,000
4,990,000	-	6,310,000	7,896,613	-	6,180,000
62,172	-	253,337	-	-	482,836
1,153,957	1,198,168	1,061,487	1,313,015	1,265,748	3,573,591
(278,155)	(316,823)	(78,510)	(408,196)	(1,501,709)	(2,892,259)
\$ 6,457,401	\$ 1,581,345	\$ 8,199,748	\$ 9,420,887	\$ 334,067	\$ 8,044,168
\$ 4,451,374	\$ 422,254	\$ 2,807,868	\$ 4,529,279	\$ (2,876,556)	\$ 2,428,784
11.32%	11.85%	11.24%	16.59%	13.20%	8.37%

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
2016	\$	10,149,056	\$	1,484,216	\$	659,320	\$	2,221,072	\$	2,520,856
2015		9,824,996		1,465,129		668,218		2,334,987		2,339,686
2014		9,210,898		1,350,263		667,116		2,329,139		2,263,450
2013		9,280,201		1,320,803		660,323		2,217,307		2,212,543
2012		9,017,905		1,259,235		645,869		2,288,730		2,016,210
2011		8,633,014		1,336,821		660,823		1,964,360		1,795,855
2010		8,689,481		1,285,506		656,858		1,973,781		1,698,298
2009		8,473,707		1,224,471		659,932		2,204,093		1,691,961
2008		7,850,154		1,214,258		660,742		2,095,137		2,385,355
2007		7,086,277		1,197,980		1,153,656		1,994,824		2,335,577

Table 6

Motor Vehicle License	Bank Franchise	Tobacco	Cable TV Fees	Other Taxes	Total
\$ 383,469	\$ 1,416,573	\$ 249,175	\$ -	\$ 385,483	\$ 19,469,220
368,070	1,153,976	262,035	-	386,617	18,803,714
354,312	697,798	302,198	-	371,635	17,546,809
389,640	761,646	323,901	-	361,486	17,527,850
382,597	789,721	347,078	-	373,357	17,120,702
347,963	867,459	350,098	-	350,190	16,306,583
-	557,561	359,962	-	362,466	15,583,913
-	444,050	407,741	-	325,635	15,431,590
12,213	420,385	429,906	-	318,819	15,386,969
229,110	424,938	329,958	79,135	304,471	15,135,926

Table 7

TOWN OF VIENNA, VIRGINIA

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

Fiscal Year	Real Property (1)		Direct Tax Rate	Utility Companies Real Property		Total		Ratio of Total Estimated Actual Value
	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2016	\$ 4,428,395,010	\$ 4,428,395,010	0.2250	\$ 39,797,131	\$ 39,797,131	\$ 4,468,192,141	\$ 4,468,192,141	100%
2015	4,201,089,380	4,201,089,380	0.2288	37,186,660	\$ 37,186,660	\$ 4,238,276,040	\$ 4,238,276,040	100%
2014	3,939,375,260	3,939,375,260	0.2288	35,775,929	35,775,929	3,975,151,189	3,975,151,189	100%
2013	3,756,299,910	3,756,299,910	0.2421	37,193,940	37,193,940	3,793,493,850	3,793,493,850	100%
2012	3,523,315,230	3,523,315,230	0.2421	36,325,461	36,325,461	3,559,640,691	3,559,640,691	100%
2011	3,467,055,990	3,467,055,990	0.2448	39,591,839	39,591,839	3,506,647,829	3,506,647,829	100%
2010	3,759,322,020	3,759,322,020	0.2281	40,475,624	40,475,624	3,799,797,644	3,799,797,644	100%
2009	4,000,023,980	4,000,023,980	0.2091	40,806,556	40,806,556	4,040,830,536	4,040,830,536	100%
2008	3,863,770,300	3,863,770,300	0.1996	39,616,343	39,616,343	3,903,386,643	3,903,386,643	100%
2007	3,757,310,160	3,757,310,160	0.1862	32,206,330	32,206,330	3,789,516,490	3,789,516,490	100%

Notes: Real property is assessed effective January 1 of each year by the Supervisor of Assessments of Fairfax County for the concurrent use of the Town and County. In the above tabulation \$4,468,191,141 is the assessed valuation effective January 1, 2015, which was used as a basis for billing taxes in the fiscal year 2015-2016.

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

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

(1) Does not include abatements and adjustments.

Table 8**TOWN OF VIENNA, VIRGINIA**

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

<u>Fiscal Year</u>	<u>Town of Vienna</u>	<u>County of Fairfax</u>	<u>Total Tax Rate</u>
2016	0.2250	1.130	1.3550
2015	0.2288	1.090	1.3188
2014	0.2288	1.090	1.3188
2013	0.2421	1.075	1.3171
2012	0.2421	1.07	1.3121
2011	0.2448	1.09	1.3348
2010	0.2281	1.05	1.2781
2009	0.2091	0.92	1.1291
2008	0.1996	0.89	1.0896
2007	0.1862	0.89	1.0762

(1) Per \$100 of assessed value

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

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

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

Table 9

TOWN OF VIENNA, VIRGINIA

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

Owner	Notes	Fiscal Year 2016			Fiscal Year 2007		
		2015 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2006 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Navy Federal Credit Union		\$ 146,589,800	1	3.31%	\$ 172,928,870	1	4.46%
GI TC 801 Follin Lane	(1)	84,316,150	2	1.90%	23,670,040	4	0.61%
Vienna Park LLC	(2)	34,947,350	3	0.79%	23,265,990	5	0.60%
Maple Avenue Shopping	(3)	31,314,640	4	0.71%	33,395,660	2	0.86%
Maryland Gardens Ltd. Partnership		21,570,740	5	0.49%	24,889,720	3	0.64%
Vienna Shopping Center, LP		20,372,120	6	0.46%	17,005,970	8	0.47%
P. Daniel & Diana S. Orlich		16,612,490	7	0.38%	18,105,980	7	0.44%
Frank Zafren & Alec Jacobson, Tr.		15,203,330	8	0.34%	14,140,860	9	0.37%
AN WG Vienna LP		15,093,430	9	0.34%	-	N/A	N/A
GRI Cedar Park LLC	(4)	11,752,370	10	0.27%	-	N/A	N/A
BFH Danor Plaza		11,582,590	11	0.26%	10,473,570	12	0.27%
Westwood Country Club		11,122,150	12	0.25%	10,761,660	11	0.28%
Swart Vienna LLC		10,115,260	13	0.23%	8,564,920	14	0.22%
Cubsmart L P		9,641,560	14	0.22%	-	N/A	N/A
Jades Enterprises		6,926,250	15	0.16%	-	N/A	N/A
RDT Electric Avenue LLC	(5)	-	N/A	N/A	21,476,960	6	0.55%
Sidney Albrittain		-	N/A	N/A	11,256,530	10	0.29%
Vienna 301 Maple Venture		-	N/A	N/A	9,453,110	13	0.24%
MFS Electric LLC et al		-	N/A	N/A	7,758,960	15	0.20%
Total		\$ 447,160,230		10.10%	\$ 407,148,800		10.50%

(1) Ownership change from Rushmark Follin in 2005

Name change to Transwestern Goldstar LLC in 2007

Name change to GI TC Follin Lane LLC in 2013

(2) Name change to Vienna Park LLC in 2010

(3) Name change from Maple Avenue Limited Partners in 2004

(4) Ownership change from Cedar Park & Shop in 2007

(5) Ownership change from Vienna Technology Park in 2006

Table 10

TOWN OF VIENNA, VIRGINIA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date	
		Amount	Percent of Levy Collected		Amount	Percentage of Levy
2016	\$ 9,968,163	\$ 9,946,258	99.78%	\$ -	\$ 9,946,258	99.78%
2015	9,616,236	9,598,815	99.82%	489	9,599,304	99.82%
2014	9,017,093	9,002,376	99.84%	12,580	9,014,956	99.98%
2013	9,094,000	9,081,793	99.87%	11,211	9,093,004	99.99%
2012	8,871,145	8,841,354	99.66%	28,806	8,870,160	99.99%
2011	8,487,353	8,464,923	99.74%	21,427	8,486,350	99.99%
2010	8,575,014	8,551,194	99.72%	22,857	8,574,051	99.99%
2009	8,360,160	8,345,045	99.82%	14,208	8,359,253	99.99%
2008	7,733,269	7,718,007	99.80%	14,397	7,732,404	99.99%
2007	7,002,121	6,983,862	99.74%	17,414	7,001,276	99.99%

Notes: (1) Penalties and interest not included

Table 11

TOWN OF VIENNA, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Bonds/ Notes	Capital Leases			
2016	\$22,857,586	\$1,610,535	\$1,358,000	\$150,985	\$25,977,106	3.05%	\$1,656
2015	18,081,026	1,546,395	1,468,000	214,508	21,309,929	2.50%	1,358
2014	20,304,489	1,587,761	1,576,000	132,398	23,600,648	2.77%	1,504
2013	15,518,686	1,421,711	1,700,733	79,266	18,720,396	2.20%	1,193
2012	10,598,614	1,235,032	1,795,222	76,907	13,705,775	1.76%	874
2011	12,242,174	951,842	925,202	116,027	14,235,245	1.83%	903
2010	8,816,669	839,260	971,427	86,296	10,713,652	1.91%	721
2009	10,443,336	1,364,842	1,015,036	143,999	12,967,213	2.31%	873
2008	12,370,003	1,262,189	1,056,176	106,221	14,794,589	2.64%	996
2007	14,296,670	1,042,950	1,094,988	179,837	16,614,445	2.96%	1,119

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, 2016**

	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to this Governmental Unit</u>	<u>Share of Debt</u>
Direct Debt:			
Town of Vienna			
General Bonded Debt	\$ 24,468,121	100.00%	\$ 24,468,121
Overlapping Debt: (1)			
County of Fairfax			
General Bonded Debt	<u>2,173,150,000</u>	1.91%	<u>41,519,901</u>
Total direct and overlapping debt	\$ <u><u>2,197,618,121</u></u>		\$ <u><u>65,988,022</u></u>

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

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TOWN OF VIENNA, VIRGINIA

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Restricted for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
2016	\$ 24,215,586	\$ -	\$ 24,215,586	0.55%	\$ 1,543.67
2015	19,549,026	-	19,549,026	0.47%	1,246.19
2014	21,880,489	-	21,880,489	0.56%	1,394.82
2013	15,518,686	-	15,518,686	0.41%	989.27
2012	10,598,614	-	10,598,614	0.30%	675.63
2011	12,242,174	-	12,242,174	0.35%	780.40
2010	8,816,669	-	8,816,669	0.23%	593.72
2009	10,443,336	-	10,443,336	0.26%	703.25
2008	12,370,003	-	12,370,003	0.32%	833.00
2007	14,296,670	-	14,296,670	0.38%	962.74

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

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

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

TOWN OF VIENNA, VIRGINIA

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 378,951,649	\$ 390,338,664	\$ 404,083,054	\$ 379,979,764
Total net debt applicable to limit	<u>14,296,670</u>	<u>12,370,003</u>	<u>10,443,336</u>	<u>8,816,669</u>
Legal debt margin	<u><u>\$ 364,654,979</u></u>	<u><u>\$ 377,968,661</u></u>	<u><u>\$ 393,639,718</u></u>	<u><u>\$ 371,163,095</u></u>
Total net debt applicable to the limit as a percentage of debt limit	3.77%	3.17%	2.58%	2.32%

Table 14

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 350,664,783	\$ 384,150,833	\$ 389,989,663	\$ 412,218,932	\$ 389,989,663	\$ 457,199,173
<u>12,242,174</u>	<u>10,598,614</u>	<u>15,518,686</u>	<u>21,880,489</u>	<u>19,549,026</u>	<u>24,215,586</u>
<u>\$ 338,422,609</u>	<u>\$ 373,552,219</u>	<u>\$ 374,470,977</u>	<u>\$ 390,338,443</u>	<u>\$ 370,440,637</u>	<u>\$ 432,983,587</u>
3.49%	2.76%	3.98%	5.31%	5.01%	5.30%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 4,428,395,010
Add back: exempt real property	<u>143,596,720</u>
Total assessed value	<u>\$ 4,571,991,730</u>
Debt limit (10% of total assessed value)	\$ 457,199,173
Net debt applicable to limit	<u>24,215,586</u>
Legal debt margin	<u>\$ 432,983,587</u>

TOWN OF VIENNA, VIRGINIA

Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	(1) Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	(3) Principal	(3) Interest	Total	Coverage
2016	\$ 7,170,848	\$ 5,616,292	\$ 1,554,556	\$ -	\$ -	\$ -	N/A
2015	7,276,911	5,255,495	2,021,416	-	-	-	N/A
2014	7,305,547	5,464,157	1,841,390	-	-	-	N/A
2013	7,357,985	5,657,285	1,700,700	-	-	-	N/A
2012	6,221,430	5,776,009	445,421	-	-	-	N/A
2011	6,210,489	5,293,086	917,403	-	-	-	N/A
2010	5,943,723	5,299,448	644,275	-	-	-	N/A
2009	5,861,952	4,867,337	994,615	-	-	-	N/A
2008	6,326,364	4,703,494	1,622,870	-	-	-	N/A
2007	5,834,582	4,617,497	1,217,085	-	-	-	N/A

(1) Includes interest earnings and other nonoperating income.

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

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

N/A = Not applicable

Table 16

TOWN OF VIENNA, VIRGINIA

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Unemploy- ment Rate (1)
2016	15,687	\$851,945,283	\$54,309	40.7	3.20%
2015	15,687	851,945,283	54,309	40.7	4.40%
2014	15,687	851,945,283	54,309	40.7	4.40%
2013	15,687	851,945,283	54,309	40.7	4.50%
2012	15,687	777,196,728	49,544	40.7	4.30%
2011	15,687	777,196,728	49,544	40.7	4.50%
2010	14,850	560,632,050	37,753	40.0	5.10%
2009	14,850	560,632,050	37,753	40.0	5.90%
2008	14,850	560,632,050	37,753	40.0	3.10%
2007	14,850	560,632,050	37,753	40.0	2.30%

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

(1) Fairfax County

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TOWN OF VIENNA, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2016		Fiscal Year 2007	
	Employees	Rank	Employees	Rank
Navy Federal Credit Union	2,500 +	1	2,500 +	1
Fairfax County Public Schools	500 to 999	2	250 to 499	2
Contemporary Electrical Services, Inc	100 to 249	3	N/A	N/A
Giant Foods	100 to 249	4	100 to 249	N/A
Whole Foods Market Group	100 to 249	5	100 to 249	5
Town of Vienna	100 to 249	6	100 to 249	3
Westwood Country Club	100 to 249	7	100 to 249	7
Wheat's Lawn and Custom Land Inc	100 to 249	8	N/A	9
The Hope Center for Advanced Veterinary Medicine	100 to 249	9	N/A	N/A
U.S. Postal Service	50 to 99	10	N/A	N/A
SM Consulting	N/A	N/A	250 to 499	2
Management Systems Designers, Inc.	N/A	N/A	250 to 499	3
Cost Management Systems, Inc.	N/A	N/A	100 to 249	6
NISH	N/A	N/A	100 to 249	8

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

TOWN OF VIENNA, VIRGINIA

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

Function		2007	2008	2009
Legislative				
	Town Council	0.500	0.500	0.500
	Town Clerk	2.000	2.000	2.000
	Town Attorney	0.500	0.500	0.500
	Subtotal	3.000	3.000	3.000
Administration				
	Town manager	1.500	1.500	1.500
	Administrative Services	2.000	2.000	2.000
	Public Information	1.000	1.000	1.000
	Information Technology	2.000	2.000	2.000
	Subtotal	6.500	6.500	6.500
Finance				
	Administration	2.500	3.000	3.000
	Disbursement Operations	1.625	1.625	1.625
	Purchasing	1.625	1.625	1.625
	Central Services	1.000	1.000	1.000
	Revenue Operations	3.500	3.500	3.500
	Gang Task Force	0.000	0.000	0.000
	Subtotal	10.250	10.750	10.750
Police				
	Administration	3.000	3.000	3.000
	Patrol	21.000	21.000	21.000
	Communications	11.000	11.000	11.000
	Community Services	1.000	1.000	1.000
	Traffic	6.000	6.000	6.000
	Personnel/Accreditation/ Animal Control	1.000	1.000	1.000
	Investigations	9.000	9.000	9.000
	Subtotal	52.000	52.000	52.000
Public Works				
	Administration	6.000	6.500	6.500
	Street Maintenance	15.000	15.000	15.000
	Vehicle Maintenance	9.000	9.000	9.000
	General Maintenance	8.000	8.000	8.000
	Sanitation	14.000	14.000	14.000
	Traffic Engineering	2.000	2.000	2.000
	Subtotal	54.000	54.500	54.500
Parks and Recreation				
	Administration	4.750	4.750	4.750
	Parks Maintenance	10.000	10.000	10.000
	Community Center Operations	4.500	4.500	4.500
	Teen Center	1.500	1.500	1.500
	Subtotal	20.750	20.750	20.750
Planning and Zoning				
	Planning and Zoning	7.000	7.000	7.000
	Subtotal	7.000	7.000	7.000
GENERAL FUND TOTAL		153.500	154.500	154.500
Water and Sewer				
	(1) Water Operations			
	(1) Sewer Operations			
	(1) Operations and Maintenance	14.500	14.500	14.500
	Meter Maintenance and Reading	4.000	4.000	4.000
	Billing/Customer Service	2.000	2.000	2.000
	TOTAL WATER & SEWER FUND	20.500	20.500	20.500
Storm Water Fund		0.000	0.000	0.000
GRAND TOTAL		174.000	175.000	175.000

Source: Town of Vienna Budget

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

Table 18

2010	2011	2012	2013	2014	2015	2016
0.500	0.500	0.500	0.500	0.000	0.000	0.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
0.500	0.500	0.500	0.500	0.500	0.500	0.500
3.000	3.000	3.000	3.000	2.500	2.500	2.500
1.500	1.500	1.500	2.000	2.000	2.000	2.000
2.000	2.000	2.000	2.000	2.000	3.000	3.000
1.000	1.000	1.000	1.000	1.725	1.725	2.000
2.000	2.000	2.000	3.000	3.000	4.000	4.000
6.500	6.500	6.500	8.000	8.725	10.725	11.000
3.000	3.000	3.000	3.625	3.625	3.625	3.625
1.625	1.625	1.625	2.000	2.000	2.000	2.000
1.625	1.625	1.625	1.625	1.625	1.625	1.625
1.000	1.000	1.000	1.000	1.000	1.000	1.000
3.500	3.500	3.500	3.000	3.000	3.500	4.000
0.000	0.000	0.000	0.000	1.000	1.000	1.000
10.750	10.750	10.750	11.250	12.250	12.750	13.250
3.000	3.000	3.000	3.000	3.000	3.000	3.000
21.000	21.000	21.000	21.000	21.000	21.000	21.000
11.000	11.000	10.000	11.000	11.000	11.000	10.000
1.000	1.000	1.000	1.000	1.000	1.000	1.000
6.000	6.000	6.000	6.000	6.000	6.000	6.000
1.000	1.000	1.000	1.000	1.000	1.000	1.000
9.000	9.000	10.000	9.000	9.000	9.000	9.000
52.000	52.000	52.000	52.000	52.000	52.000	51.000
6.500	6.500	6.500	6.500	7.500	6.500	6.500
15.000	15.000	15.000	13.000	12.000	12.000	12.000
9.000	9.000	9.000	9.000	9.000	8.000	8.000
8.000	8.000	8.000	8.000	8.000	9.000	9.000
14.000	14.000	14.000	16.000	16.000	16.000	16.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
54.500	54.500	54.500	54.500	54.500	53.500	53.500
4.750	4.750	4.750	4.750	4.750	4.500	4.500
10.000	10.000	10.000	10.000	10.000	10.000	10.000
4.500	4.500	4.500	4.500	4.000	4.000	4.000
1.500	1.500	1.500	1.500	1.800	1.800	1.800
20.750	20.750	20.750	20.750	20.550	20.300	20.300
7.000	7.000	7.000	7.000	7.000	7.000	7.000
7.000	7.000	7.000	7.000	7.000	7.000	7.000
154.500	154.500	154.500	156.500	157.525	158.775	158.550
	8.500	8.500	8.500	8.500	8.000	7.000
	6.000	6.000	6.000	6.000	6.000	7.000
14.500						
4.000	4.000	4.000	4.000	4.000	4.000	4.000
2.000	2.000	2.000	2.000	2.000	2.000	2.000
20.500	20.500	20.500	20,500	20,500	20.000	20.000
0.000	0.000	0.00	0.000	1.000	1.000	1.000
175.000	175.000	175.000	177.000	179.025	179.775	179.550

TOWN OF VIENNA, VIRGINIA

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

Function	(1)	2007	2008	2009
General Government Administration				
Administrative Service				
Job applications processed		620	468	586
Public Information				
Information requests responded to		2,357	2,000	1,600
Press releases per year		233	240	254
(a) Web Site Visits		-	-	-
Twitter and Facebook followers		-	-	-
Finance				
Real Estate bills processed		12,080	12,225	12,300
Water and Sewer bills processed		36,500	37,500	38,000
(b) Vehicle decals issued	(2)	11,688	-	-
Vehicle license fee bills processed		-	-	-
(c) Payroll checks/Direct Deposits		7,560	7,688	8,915
(c) Vendor check issued		4,864	4,695	5,355
Competitive bids completed		17	30	30
Public Safety				
Number of Calls for Service received		12,849	11,654	13,000
Number of Citations issued		5,839	5,216	7,400
Number of Animal complaints		400	387	400
Public Works				
Tons of asphalt installed		700	1,480	1,500
Linear feet of sidewalk replaced / installed		-	-	-
(d) Vehicles Maintained		143	145	145
Tons of Waste collected		6,474	6,883	6,001
Tons of Recycled materials collected		1,878	2,067	2,036
Cubic Yards/Tons of leaves collected		15,850	14,042	14,000
Water and Sewer Operations				
Repair Water Main breaks		44	72	68
Repair defective sewer lines		13	12	15
Footage of Sewer Mains cleaned		-	-	-
Completed work orders		3,400	4,200	3,800
Parks and Recreation				
Number of programs held		592	573	642
Daily average number of teens using Teen Center		40	30	35
Planning and Zoning				
Permit applications		1,050	880	829
New single-family dwellings		-	-	-
New zoning violation cases opened		324	413	557

Sources: Town Budget unless noted

(a) New measuring system in 2013

(b) Decal logs; decal program ended in FY 2007

 Fee instituted in 2011; number of bills sent

(c) Check logs

(d) Fixed Asset Records

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

(2) Vehicle Decals discontinued in 2007

Table 19

2010	2011	2012	2013	2014	2015	2016
620	675	1,294	2,745	2,186	2,674	2,385
1,600	1,225	-	-	-	-	-
254	245	585	585	600	600	994
-	-	-	367,000	370,000	303,829	351,723
-	1,547	2,430	3,313	4,196	4,099	8,736
12,300	12,300	12,400	11,125	11,151	11,244	11,122
38,000	38,000	38,000	37,350	38,047	38,285	38,042
-	-	-	-	-	-	-
-	12,395	12,810	13,301	13,301	12,378	12,503
7,870	7,311	6,956	7,452	7,652	6,946	7,405
4,600	4,300	4,315	4,432	5,329	4,449	3,792
30	30	35	17	30	9	14
13,000	13,000	20,500	20,500	17,500	41,000	45,564
7,200	7,000	10,200	10,000	10,000	8,600	8,058
400	400	380	380	350	390	439
1,721	5,300	5,000	5,000	5,000	3,000	1,900
150	188	200	200	200	2,662	4,070
140	145	153	155	153	144	143
6,001	5,810	7,940	4,500	5,800	4,250	4,242
2,036	1,840	1,825	2,000	2,000	1,850	1,776
13,500	13,000	11,000	11,000	11,500	11,500	9,590
50	68	50	55	55	75	73
15	15	-	-	-	-	-
279,556	343,543	350,000	355,000	355,000	350,000	120,000
3,800	3,800	3,000	3,390	3,722	3,100	4,017
642	660	641	650	650	650	501
35	35	30	30	30	30	30
829	820	650	650	650	680	456
43	65	50	50	70	85	89
557	550	671	487	384	400	400

TOWN OF VIENNA, VIRGINIA

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

Function	2007	2008	2009
General government administration			
Administration buildings	3	4	4
Vehicles	6	6	6
Public safety			
Patrol units	20	18	19
Motorcycles	5	5	6
Other vehicles	3	3	3
Public works			
Trucks/vehicles	83	84	88
Parks and recreation			
Community center	1	1	1
Vehicles	22	25	20
Number of parks	10	10	10
Park acres	93.47	93.47	93.47
Community development			
Planning vehicles	4	4	3

Source: Individual Town Departments

Table 20

2010	2011	2012	2013	2014	2015	2016
4	5	5	5	5	5	5
6	6	7	6	5	4	6
18	18	19	25	22	20	18
4	4	4	4	4	4	5
3	3	3	3	3	4	3
85	89	94	91	92	86	85
1	1	1	1	1	1	1
20	21	22	22	23	23	23
10	10	10	10	10	10	10
93.47	93.47	93.47	93.47	93.47	93.47	93.47
4	4	4	4	4	3	3

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- Compliance Section -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Vienna, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Vienna, Virginia's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 20, 2016

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Vienna, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Vienna, Virginia's major federal programs for the year ended June 30, 2016. Town of Vienna, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Vienna, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Vienna, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Vienna, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
December 20, 2016

TOWN OF VIENNA, VIRGINIA

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Congressionally Recommended Awards	16.753	N/A	\$ 86,196
Total Department of Justice			\$ 86,196
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	105520/77402/105283/ 104325/103851/105520/ 107242/107661/100428 95412/106524	\$ 1,269,363
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-55025	7,961
National Priority Safety Programs	20.616	60507-56099	18,911
State and Community Highway Safety	20.600	60507-55068/56105	15,583
Total Highway Safety Cluster			\$ 42,455
Total Department of Transportation			\$ 1,311,818
Total Expenditures of Federal Awards			\$ 1,398,014

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF VIENNA, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Vienna, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Vienna, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Vienna, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements (Exhibit 12/24):	
Primary government:	
General Fund	\$ 128,651
Capital Projects Fund	1,269,363
Debt Service Fund	<u>32,541</u>
Total federal expenditures per basic financial statements	\$ <u>1,430,555</u>
Less: Build America Bonds Interest Subsidy	\$ <u>(32,541)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,398,014</u></u>

TOWN OF VIENNA, VIRGINIA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
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20.205	Highway Planning and Construction
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Audit Findings

There were no prior year audit findings.

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